

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	28 SEPTEMBER 2017
TITLE	NON-DOMESTIC RATES – DISCRETIONARY RELIEF
PURPOSE OF REPORT	TO REQUEST THAT THE AUDIT AND GOVERNANCE COMMITTEE ESTABLISHES A WORKING GROUP TO INVESTIGATE AND REVIEW THE COUNCIL'S POLICY ON ALLOWING DISCRETIONARY RELIEF
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	TO CONSIDER AND DECIDE IF A WORKING GROUP SHOULD BE ESTABLISHED TO INVESTIGATE THE MATTER BEFORE THE CABINET CONSIDERS A NEW FRAMEWORK

1. INTRODUCTION

- 1.1 One of the statutory responsibilities of the Audit and Governance Committee is to make reports and recommendations in relation to the authority's financial affairs, in accordance with Section 81(1)(b) the Local Government (Wales) Measure 2011. The Committee also undertakes the scrutiny function on corporate matters.
- 1.2 The Council's Policy for the granting of Discretionary Relief to Non-Domestic Rate Payers has been established for several years, and has received minor modifications. It is therefore timely for the Council to undertake a comprehensive review of its Discretionary Relief Policy, not only to ensure that it remains suitable following legislative changes, but also to consider if the relief that the Council currently allows is aimed at the correct places and is affordable in view of the continuing need to find savings.
- 1.3 The current Policy appears in the Appendix.

2. BACKGROUND

- 2.1 Non-Domestic Rates in their current form were introduced by the Local Government Finance Act 1988; this is the principal legislation that continues to set the legal context.
- 2.2 Non-Domestic Rates (or Business Rates, or NNDR) are a tax on property. They are relevant to every property ("hereditament") that is not a domestic property and has not been exempt from rating (e.g. agricultural buildings).
- 2.3 Although "Business Rates" is a commonly used term, many of the properties that are subject to the rates are not "businesses" as such, as they include a variety of buildings such as Council buildings, village halls, beach huts and buildings used by charities.
- 2.4 There are approximately 7,500 hereditaments within Gwynedd that are subject to Non-Domestic Rates.
- 2.5 Two factors are used to calculate the business rates of any property:
 - **the rateable value** of the property as determined by the valuation Office Agency (VOA). This is a professional assessment of the annual rent a property would fetch at a set valuation date.
 - a **multiplier** set annually by the Welsh Government. The multiplier is constant for each business and for each local authority – this is what is meant with the phrase "Uniform Business Rate".

2.6 Therefore:

$$\text{Non-Domestic Rates Bill} = \text{Rateable value} \times \text{National Multiplier}$$

2.7 The above is outlined by Section 43 of the 1988 Act; this part of the Act also states that the amount payable on the property of a charity that is used for charitable purposes or by a Community Amateur Sports Club (CASC) is 20% of the above.

2.8 That is, for a charity or CASC,

$$\text{Non-Domestic Rates Bill} = 0.2 \times \text{Rateable value} \times \text{National Multiplier}$$

2.9 Section 43 also makes provision for Welsh Ministers to allow relief to cohorts of properties, such as “small businesses” whose properties have a rateable value less than a set amount.

2.10 The Council’s role in terms of Non-Domestic Rates is as a tax collector. The Council, in its role as a “billing authority”, collected business rates and pays the sum over to the Wales NNDR pool, with the Council then receiving a portion of the total pooled amount from Welsh Government. The National Pool carries the financial burden of every mandatory relief that is allowed.

3. DISCRETIONARY POWERS TO REDUCE NON-DOMESTIC RATES

3.1 Section 47 of the 1988 Act includes discretionary provision for billing authorities to amend non-domestic rates (except in specific cases such as local authority properties) beyond the mandatory relief permitted by Section 43. The Council must consider all applications for such relief on its merits, but a policy framework was designed to provide objective guidance when considering if discretionary relief is to be allowed where the taxpayer is not a charity or CASC, or to increase the relief given to a charity/CASC beyond the mandatory 80%, up to 100%.

3.2 There is a financial cost to the authority in using its local discretion to grant such relief. In accordance with the Non-Domestic Rating Contributions (Wales) Regulations 1992, the proportion of this cost that is payable by the local taxpayers will vary based on the nature of the business that receives the relief:

Type	Maximum Relief	Proportion of the cost from the National Pool	Proportion of the cost from the Council
Additional discretionary relief to a charity (above the mandatory 80%)	Additional 20%	25%	75%
Additional discretionary relief to a CASC (above the mandatory 80%)	Additional 20%	90%	10%
Discretionary relief to an organisation which is not for profit, whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts	100%	90%	10%
Discretionary relief to an organisation which is not for profit, for purposes of recreation	100%	90%	10%

- 3.4 In addition to the above, the Localism Act 2011 introduced further modifications to the 1998 Act which now gives the Council legal powers to allow discretionary relief to any organisation that does not fall into one of the above categories. However, in such cases:
- The Council would have to be able to demonstrate transparently that it is satisfied that it would be reasonable for it to do so, having regard to the interests of persons liable to pay Council Tax.
 - The Council would have to pay 100% of such a discretionary relief, there would be no contribution from the national pool.
- 3.5 The Council has not yet allowed any relief using these “Localism” powers.
- 3.6 At present, the Discretionary Relief awarded costs Gwynedd Council approximately £300,000 per year, with over £280,000 of this total being the cost of providing additional relief to charities beyond the mandatory 80%. In a period where there is a need to discover significant financial savings, it is timely for the Authority to consider if every discretionary relief allowed is reasonable, if the categories receiving relief should be curtailed, or if additional eligible categories should be added.

4. CONCLUSION

- 4.1 It is timely that the Council’s policy for allowing discretionary relief from non-domestic rating is reviewed, to:
- Reflect changes in legislation since the establishment of the current policy
 - Consider if financial savings can be identified, given the on-going financial pressures on the Council and on those who pay Council Tax
 - Be able to respond to Gwynedd’s economic situation, and the range of organisations that could apply for relief in the future
 - Focus on making the best use of the resources available to support local charities and other organisations.
- 4.2 Adoption of a new policy will be a matter for the Cabinet. However, it is believed that the Audit and Governance Committee has a role in challenging officers and expressing an opinion on the suitability and appropriateness of what will be proposed. Not only would that fall within the statutory role of the Committee to make reports and recommendations in relation to the Authority's financial affairs in accordance with the 2011 Measure, but also as part of its function of scrutinising corporate matters.

5. RECOMMENDATION

- 5.1 The Audit and Governance Committee is requested to consider establishing a Working Group to investigate the Council’s Policy on allowing discretionary relief, and offer guidance when designing a new policy.