

# **Newcastle City Council Discretionary Rate Relief Scheme**

## **Section 1: Introduction**

As part of its role in the administration of National Non Domestic Rates (NNDR), or business rates, the Council can exercise its discretion to provide reductions to the amounts of business rates that are due to be paid by businesses and non-profit making organisations.

Changes to local government finance now mean that the income from business rates more directly impacts on the Council's financial position. As part of the Central Government funding process for local authorities, councils now retain 50% of all business rates income collected and fund 50% of all rates relief awarded. Under the previous scheme, business rates income was paid into the government's central pool and redistributed back out to local authorities based on a formula grant.

Business rates relief is defined by type and level. The level of charitable relief is mandatory and is prescribed at 80% and the level of discretionary reliefs introduced in the Pre-budget Statements and Autumn Statements is prescribed by the government. This means that if the council awards a type of relief detailed in these statements it has no discretion over the level or amount of relief given. Appendix A lists these reliefs.

Otherwise, the council is entitled through this scheme to determine different levels of discretionary relief according to the nature and circumstances of individual organisations.

This scheme outlines the Council's approach to the discretionary rate relief awarded to businesses and non-profit making organisations. The approach recognises the impact on both the Council's wider financial position and council tax payers and on the organisations and businesses that may apply for reliefs and their role in supporting Newcastle residents and developing the city.

## **Section 2: Principles for awarding Discretionary Rate Relief**

The scheme will support organisations whose aims and objectives are consistent with the council's vision and values, and it will ensure that rate reliefs awarded are fully in accordance with the council's and council taxpayers' interests.

### **Vision, values and priorities.**

#### **Our Vision**

We believe that that it is by working together that we make a difference to the lives and prospects of people who live, work and learn in Newcastle. That is why our overall vision is to be a cooperative council.

#### **Our Values**

Being a cooperative council means that all of us who work for the council must understand how a cooperative council should behave. That's why we have a clear set

of values which inform not just what we do, but also how we do it. Our values will inform the approach we take to decision making, the way we work with our partners and the way we develop and deliver services to the people of Newcastle. In all that it does Newcastle City Council will be:-

- Fair – tackling inequality and promoting rights, responsibilities and respect.
- Co-operative - strongest when we work together in the interest of us all.
- Liberating - unlocking the power of people to realise the potential in their communities and in themselves.
- Accountable - putting the people we serve at the heart of what we do.
- Forward thinking – acting today to build a better tomorrow.
- Confident - proud to stand up for Newcastle and the North East.
- Leading – bringing people together to make a difference

### **Our Priorities**

The council has four very clear priorities for how we will focus our efforts and resources to make a positive difference to the city. These are:

- A working city - creating good quality jobs and helping local people develop the skills to do them.
- Decent neighbourhoods - working with local communities to look after each other and the environment.
- Tackling inequalities - tackling discrimination and inequalities which prevent people from fulfilling their true potential.
- A fit for purpose council - a council which leads by enabling others to achieve

### **Section 3: Financial criteria**

The Council has the power to grant discretionary rate relief of up to 100% of the rates due to other non-profit making organisations. The relief could be given to properties used by non-profit making organisations for recreational, charitable, philanthropic or religious purposes or in connection with education, social welfare, science, literature or the fine arts.

For all types of relief the council will adopt a set of general financial criteria, which it will expect to be included in all applications. When assessing whether to award discretionary relief, the council must consider the importance of the organisation to the local community.

If available, two years most recent accounts are required to support each application. This information will be used to establish the overall financial position, stability and financial need of the organisation.

Failure to provide such or failure to agree suitable alternative arrangements with the Corporate Revenues & Exchequer Manager will result in the application being deferred for 30 working days, after which the application will be deemed to be withdrawn if the required information has not been received or satisfactory alternative arrangements made.

Accounts must be specific to the organisation's operations as it is the local benefit that is being assessed. Group accounts from organisations that cover areas outside Newcastle upon Tyne will not be accepted. A separate breakdown of local income and expenditure should be provided.

The accounts are one of the key factors taken into consideration and information will be drawn from the audited balance sheet provided in support of applications. The level of reserves in proportion to the total rate liability, other grant funding and surpluses will be taken into consideration, as will an organisations level of indebtedness (including details of creditors and debtors).

Backdating of relief is wholly at the discretion of the council, and will be used only in exceptional circumstances.

The council may ask for additional information as it sees fit.

The principle consideration is that any relief is in best interests of the taxpayers of Newcastle City Council, as the Council must bear a percentage of the cost of any relief granted.

All organisations in receipt of Discretionary and or Mandatory Rate Relief must satisfy the criteria set out in the Local Government Finance Act 1988 (as amended).

#### **Section 4: Small properties and Small Business Rate Relief (SBRR)**

This type of relief is applied to business rate charges for small properties. Central Government defines a small property as that which has a rateable value of less than £15,000. Small Business Rate Relief should be self-financing as larger businesses pay a levy to fund the relief for smaller businesses. If the total levy is smaller than the total relief Central government will fund 50% of the net cost. The level of Small Business Rate relief can change each financial year.

It is not a discretionary relief but it may be more cost effective to apply this relief than to apply discretionary relief in the short term as the minimum level of funding from Central government will be 50%. It is not possible to apply both SBRR and discretionary rate relief.

Small Business Rate Relief is applied where:

- One non-domestic property is occupied
- its rateable value is less than £15,000

The level of small business rates relief is shown in the table below:-

<b>Small Business Rates Relief</b>	<b>Level</b>
Relief for properties with a rateable value of less than £12,000	100%
Relief for properties with a rateable value between £12,001 and £14,999 tapered	100% - 0%

Small Business Rate Relief can also be applied where:

If the property has a rateable above £15,000 but below £51,000 business rates are calculated using the small business multiplier instead of the standard one. This is the case even if the ratepayer owns multiple properties.

The council will apply Small Business Rate Relief where appropriate.

### **Section 6: Awarding Discretionary Rate Relief**

Reliefs introduced in the Pre-Budget Statements and Autumn Statements will be awarded in accordance with the guidance issued by the Department for Communities and Local Government and in accordance with the principles for awarding Discretionary Rate Relief which are detailed in this scheme.

Discretionary Rate Relief will only be awarded for properties that are occupied. Unoccupied property rates will be applied in accordance with the Local Government Finance Act (1988) as amended.

The new Discretionary Rate Relief scheme will apply one, or a combination of, the following options to qualifying organisations as described in the Local Government Finance Act 1988 (as amended).

Where possible, organisations that have not previously applied for relief will be encouraged to, so that all qualifying organisations receive the same level of relief.

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### **Small Business Rate Relief (SBRR)**

#### **1. SBRR will be awarded where possible**

Where an organisation occupies only one property and that property has a rateable value of less than £12,000 the council will apply Small Business Rate Relief (SBRR) rather than charitable or discretionary rate relief.

Where an organisation occupies only one property and that property has a rateable between £12,001 and £14,999 the council will apply Small Business Rate Relief if the level of Small Business Rate Relief is higher than the charitable or discretionary rate relief option.

## **2. 80% charitable relief to non-profit making community organisations**

Where an organisation is a community organisation, a tenants association, a community group taking occupation through the asset transfer scheme, or an arts group that has taken occupation through the Empty Shops Scheme, the organisation will be treated as though it is a registered charity and awarded the prescribed 80% mandatory rates relief if it fulfils the council's criteria.

## **3. 20% 'top-up' to non-profit making community organisations**

Registered charities and not for profit making organisations will be expected to fund the remaining 20% of business rates that is not covered within the mandatory element. Members will only consider requests for additional reliefs in exceptional cases on their merits, balancing the additional cost against the benefits to the achievement of the Councils objectives and any approvals could be on a time limited basis.

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## **Section 7: Administration**

The Council will consider applications for discretionary rate relief that satisfy the above criteria on a case by case basis.

Applications from occupiers of small properties with rateable values of less than £15,000 will be considered by the Revenues, Benefits & Exchequer Service Manager and applications for larger properties with rateable values of more than £14,999 will be considered by a panel of Elected Members.

Applications for retail rate relief from occupiers of properties with rateable values of less than £51,000 will be considered by the Revenues, Benefits & Exchequer Service Manager

The council will issue a notification to confirm the award start and end dates to allow the council the flexibility to review renew or cancel the award at the expiration date.

## **Section 8: Reporting**

Discretionary Rate Relief awarded will be added to the existing Discretionary Rate Schedule and reported to the Audit Committee on a quarterly basis. The Discretionary Rate Relief schedule is signed off annually by the Director of Resources

The cumulative total will be added to the summary of any reports that are presented to the Local Tax and Revenues panel for consideration.

## **Section 9: Discretionary Rate Relief Budget**

The cost will be reviewed every financial year.

## **Section 10: Scheme Review**

This scheme will be reviewed on an annual basis or sooner if there is a change in legislation that would affect its operation.

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Full guidance on current reliefs awarded under section 47 is provided at [www.newcastle.gov.uk/rates/business-rates-reliefs-and-exemptions](http://www.newcastle.gov.uk/rates/business-rates-reliefs-and-exemptions)

## Pre-Budget and Autumn Statement Discretionary Rate Reliefs

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Rate Reliefs introduced in the Pre-Budget Statements and Autumn Statements will be awarded in accordance with the guidance issued by the Department for Communities and Local Government and in accordance with the principles for awarding Discretionary Rate Relief which are detailed in this scheme

Full guidance on current reliefs awarded under section 47 is provided at [www.newcastle.gov.uk/rates/business-rates-reliefs-and-exemptions](http://www.newcastle.gov.uk/rates/business-rates-reliefs-and-exemptions)

### ▪ **Shared workspaces**

Shared workspaces typically provide flexible and affordable access to workspace for small and medium sized enterprises micro-businesses and sole traders, and generally lend themselves to collaboration opportunities and peer to peer learning supporting growth and jobs in local economies

The council will consider applications for relief for shared spaces and makerspaces where there is a clear benefit to the local economy, such as where shared spaces create economic growth, jobs and providing support to new businesses.

### ▪ **Rural Rate Relief**

Rural rate relief may be awarded if a business is in a rural area with a population below 3,000. You get between 50% and 100% off your business rates.

Rural rate relief may apply if a business is:

- the only village shop or post office with a rateable value of up to £8,500
- the only public house or petrol station with a rateable value of up to £12,500

The council will consider applications to:

- top up the mandatory 50% relief to 100%
- give relief to other rural retail businesses of up to 100% (for properties with a rateable value under £16,500)

### ▪ **Childcare providers**

Childcare providers may be provided relief where there is a clear community benefit, such as where it would help with narrowing the gap, school readiness, or maternal employment. Childcare providers may also be eligible for charity relief or Small Business Rate Relief

- **Cash Machines**

Rate relief may be applied where there is a clear community benefit, such as where cash machine providers commit to introduce extra cash machines or reduce charges on existing machines.

## **New Discretionary Rate Reliefs from 1 April 2017**

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### **Local Newspaper Relief**

#### **General Explanation**

This relief has been extended until 31 March 2025. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of the Local Government Finance Act 1988 to grant relief in line with the eligibility criteria set out in this guidance.

The Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

#### **Eligibility criteria**

The scheme will provide a £1,500 relief for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament, This has been extended until 31 March 2025

#### **Local Newspapers**

The relief is to be specifically for local newspapers and by that, the Council means what would be considered a “traditional local newspaper.” The relief will not be available to magazines.

#### **Office Space**

The hereditament **must** be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

#### **Amount of Relief**

The amount of relief is limited to a maximum of one discount per newspaper title (e.g. per newspaper name) **AND** per hereditament. As with all discretionary rate relief, any grant will be subject to State Aid limits as defined within section 6 of this policy.

## **Local Newspaper Relief – the Council’s policy for granting discretionary relief.**

The Council has decided to grant relief strictly in accordance with Central Government guidelines.

## **Supporting Small Businesses Relief**

### **General Explanation**

Central Government has increased the thresholds for Small Business Rate Relief from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. They have also allowed rural rate relief to be granted up to 100% using S47 of the Local Government Finance Act 1988 as a top up to the mandatory level of 50%, albeit that the rateable value limits have not been changes in respect of rural hereditaments (see section D of this policy). Unfortunately, despite these changes, some small businesses and businesses in rural areas may lose their entitlement to the relief due to increases in Rateable Value through the revaluation on 1<sup>st</sup> April 2017.

The transitional relief scheme (provided under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) does not provide support in respect of changes in reliefs. Therefore, those ratepayers who have lost some or all of their small business or rural rate relief may face large percentage increases in bills from 1 April 2017.

In view of this, Central Government announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to the revaluation. All authorities are encouraged to grant the relief in accordance with the guidelines laid down by Central Government and if granted strictly in accordance with guidance, the Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

The relief is to be known as the ‘Supporting Small Businesses Scheme’

### **Who is eligible for the relief and how much relief will be available?**

The Supporting Small Businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.

To support these ratepayers, the Supporting Small Businesses relief will ensure that the increase per year in the bills of these ratepayers is limited **to the greater of:**

- a. a percentage increase per annum. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. ( Unlike the transitional relief scheme under the Chargeable Amount regulations), for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or rural rate relief;

**or**

- b. a cash value of £600 per year (£50 per month).

This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.

In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who in 2016/17 paid nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.

The Government has also decided that those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.

Ratepayers will remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme (this would be the charge payable as their true rates payable or the charge calculated under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016).

A change of ratepayer will not affect eligibility for the Supporting Small Businesses relief scheme **but** eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.

The rules for state aid (as detailed in section 6 of this policy) shall apply when considering Supporting Small Businesses Relief.

## Recalculation of relief

The amount of relief awarded under the Supporting Small Businesses relief scheme will be recalculated in the event of a change of circumstances including the following:

- This could include, for example, a backdated change to the rateable value or the hereditament; or
- The awarding of another relief.

The Council will, in effect, calculate the award on a daily basis taking into account the above, and the relief will be re-calculated if the rateable value changes.

## Other Reliefs

Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief. Likewise, the same principle applies to properties for which a Section 44A certificate has been granted (apportionment of rateable values for partly occupied properties). The presence of a section 44A certificate will not further reduce the bill found under the Supporting Small Business scheme.

In accordance with Central Government guidelines, all other discretionary reliefs, will be considered **after** the application of Supporting Small Businesses relief.

## **Supporting Small Businesses Relief – the Council’s policy for granting discretionary relief.**

The Council has decided to grant relief strictly in accordance with Central Government guidelines