



Cabinet

Item
8(iii)

13 March 2024

Report of	Head of Operational Finance	Author Adam Wood
Title	Business Rates – Discretionary Rate Relief Policy	
Wards affected	All wards	

1. Executive Summary

- 1.1 The Council's Business Rates Relief Policy sets out how legislative powers will be used to award both mandatory and Discretionary Business Rate Relief. A new policy has been written for 2024/25 which sets out the criteria for the various reliefs available. This will replace the current policy, which has been in place since 2020.
- 1.2 Discretionary Rates Relief is just one way the Council currently supports local businesses. Other ongoing projects include the £40m scheme for the regeneration of the city centre and the £1.3m funding of the UK Shared Prosperity Fund.
- 1.3 An additional £500k has also been made available via the Rural England Prosperity Fund to provide support to new and existing rural businesses. So far, 11 rural businesses have received funding, totalling nearly £400k in capital support.
- 1.4 The Discretionary Rates Relief Policy, along with the other projects, will continue to ensure local businesses are supported, stay longer, and spend more which will benefit the local business community.

2. Recommended Decision

- 2.1 To approve the proposed Business Rates Discretionary Rate Relief policy for adoption from 1 April 2024.
- 2.2 To approve Retail, Hospitality and Leisure Relief for 2024/25 as per paragraph 5.2.
- 2.3 To approve the change to the backdating of Discretionary Rate Relief to the beginning of the financial year from which the decision is made as per paragraph 5.8.

3. Reason for Recommended Decision

- 3.1 The policy has been designed to maximise the benefit of any government funded reliefs locally, this will enable the Business Rates Team to proactively award relief if a business meets the minimum criteria as set by government.
- 3.2 The policy provides Discretionary Relief whilst balancing the cost of relief locally against funding needed to support local services.
- 3.3 It is simpler for businesses to understand the period of backdating and a fairer system.

4. Alternative Options

4.1 To reject the changes and continue with the current policy.

4.2 To amend the proposed policy.

5. Background Information

5.1 The Council has various powers to award relief to local businesses which can be split into the following categories:

- **Mandatory Relief** – 80% relief is available to registered charities or charities exempt from registration and registered amateur sports clubs. The Council has limited discretion and must follow the relevant legislation.
- **Discretionary Relief** – Mixed funding from Government, Local Authority, and Local Precepts. The Council has local discretion but is sometimes given guidance on overarching criteria or how applications should be assessed.

Retail, Hospitality and Leisure Relief for 2024/25

5.2 In the Autumn statement the Government announced that businesses classed as being within the retail, hospitality and leisure sector would receive a 75% reduction in their Business Rates, up to a maximum of £110,000. This provides support to businesses in this field and is fully funded through a Section 31 grant to the Council. This scheme has already been in place for the past 4 years, Government is now extending this into a fifth year.

Changes to Discretionary Rate Relief

5.3 Under Section 47 of the Local Government Finance Act 1998 rating authorities are given the discretion to award relief to businesses in the following circumstances:

- Registered charities and community and amateur sports clubs (CASCs) are entitled to mandatory relief of 80%, the Council has the discretion to award a further discretionary relief of up to 20%.
- The Council has the discretion to award discretionary relief to rural properties who are not entitled to mandatory rural rate relief, providing the relevant criteria are met.
- The Council has the discretion to award relief of up to 100% to organisations which are established as not for profit and meet the relevant criteria. The amount of discretionary relief awarded is entirely at the discretion of the Council.

5.4 In November 2023 the Non-Domestic Rating Act Regulations 2023 were passed. These regulations revoked the previous rules concerning the application of discretionary relief by Local Authorities.

5.5 The new proposed policy allows for the new legislative changes to be implemented. Although the basic criteria are set out within the policy, the overarching principle is that we will always follow any relevant legislative criteria or that set out within Government guidance.

5.6 Currently, discretionary relief should be backdated (if the business is entitled) to the April of the previous financial year, if the claim is made by the September of the current financial year. Claims made after September are backdated to the beginning of the current financial year.

- 5.7 From 1 April 2024, Local Authorities have the power to decide whether to award backdating of discretionary relief locally. The cost of the scheme reduces the amount of collectable Business Rates for Colchester City Council and is borne by Taxpayers.
- 5.8 Our proposal is to change discretionary relief backdating, so decisions are backdated to the beginning of the financial year from when the decision is made, or to when their liability starts, whichever is the later.

Costings

- 5.9 The table below gives the value of Charitable discretionary relief award over the last 3 years.

Year	Charitable Relief	Community/Amateur Sports Clubs
2020/21	£200k	£11k
2021/22	£231k	£14k
2022/23	£226k	£14k

Options Considered

- 6.0 When considering the options for backdating discretionary rate relief, the cost of the scheme should be considered. The award of relief reduces the amount of non-domestic rates income for Colchester City Council. The cost is borne by the Council Taxpayers.
- 6.1 This option provides the same award of backdating for all applicants. This could be seen as fairer than the current Government scheme.
- 6.2 The Council could continue to follow the current guidelines, backdating to the April of the previous financial year or if the application is made after September from April of the current financial year. This option is more difficult for the rate payers to understand.
- 6.3 The Council could decide to not backdate applications. This option is not recommended because it could cause difficulties for some businesses who may not be aware that they can apply for relief to reduce their business rate charge.

Preferred Option and Reason

- 6.4 The preferred option is to propose decisions are backdated to the beginning of the financial year from when the decision is made, or to when their liability starts, whichever is the later.
- 6.5 This option will mean it is simpler for businesses to understand the period of backdating and a fairer system.

7.0 Equality, Diversity and Human Rights implications

- 7.1 Consideration will be given to equality and diversity issues in respect of changes proposed. This will be done in line with agreed policies and procedures, including the production of Equality Impact Assessments where appropriate.

7.2 Standard References

- 7.3 There are no references.

8.0 Strategic Plan References

8.1 This policy helps support businesses within the City, one of the goals within the Strategic Plan 2020-23.

9.0 Consultation

9.1 No public consultation is required.

10.0 Publicity Considerations

10.1 Information on all reliefs available will be available through the Councils website.

11.0 Financial implications

11.1 The cost of Discretionary Rate Relief reduces the amount of Business Rates collected from businesses. In considering the backdating of this relief, the effect on the Council Taxpayers and the budget should be considered. Although it is expected that these changes will have truly negligible impact on the current finances.

12.0 Health, Wellbeing and Community Safety Implications

12.1 No impact.

13.0 Health and Safety Implications

13.1 No impact.

14.0 Risk Management Implications

14.1 No impact.

15.0 Environmental and Sustainability Implications

15.1 No impact.

Appendices

Discretionary Rate Relief Policy 2024/25