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RUSHMOOR BOROUGH COUNCIL

CABINET

to be held remotely on

Tuesday, 13th October, 2020 at 7.00 pm

To:

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader and Customer Experience and Improvement Portfolio Holder

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr A.R. Newell, Democracy, Strategy and Partnerships Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Enquiries regarding this agenda should be referred to Chris Todd, Democracy and Community, on 01252 398825 or e-mail: chris.todd@rushmoor.gov.uk

A G E N D A

1. **MINUTES** – (Pages 1 - 6)

   To confirm the Minutes of the meetings held on 15th September, 2020 and 29th September, 2020 (copies attached).

2. **BUDGET STRATEGY 2021/22** – (Pages 7 - 22)
   (Cllr Paul Taylor, Corporate Services Portfolio Holder)

   To consider Report No. FIN2029 (copy attached), which sets out the budgetary framework to support the preparation of the 2021/22 budget.

3. **BUSINESS RATES - DISCRETIONARY RATE RELIEF APPLICATIONS** – (Pages 23 - 44)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2026 (copy attached), which gives details of two applications for discretionary rate relief.

CABINET

Meeting held remotely on Tuesday, 15th September, 2020 at 5.00 pm.

Voting Members

Cllr D.E. Clifford, Leader of the Council

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Apologies for absence were submitted on behalf of the Deputy Leader of the Council (Cllr K.H. Muschamp) and Cllr A.R. Newell.

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **28th September, 2020**.

23. **MINUTES** –

The Minutes of the meeting of the Cabinet held on 11th August, 2020 were confirmed.

24. **GENERAL FUND REVENUE BUDGET OUTTURN 2019/20** –
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2024, which set out the provisional outturn position on the General Fund revenue budget for 2019/20, subject to audit.

The Report set out the General Fund Revenue Summary and revenue balances, with the principal individual variations between the current approved estimates and actual expenditure. The Cabinet was advised that, given the timing of the report and the impact of Covid-19 on the Council’s finances in the current financial year, the Report did not provide a detailed analysis of all of the outturn variations on the revenue budget. Members were informed that the outturn position was positive and that this could be utilised to mitigate the financial impact from Covid-19 in 2020/21 and over the medium term. The Report also set out the latest position relating to the Council’s treasury management activities, the Savings Plan and Government funding, Council Tax and Business Rates. It was confirmed that, for the time being, the Council would continue to utilise the Stability and Resilience Reserve to cover the forecasted deficits on the General Fund in 2020/21 and to mitigate the expected impact from Covid-19 over the medium term. It was acknowledged that the Council’s budget strategy would need to ensure that balances and reserves would be maintained at an adequate level.

The Cabinet RESOLVED that

(i) the draft revenue budget outturn position for 2019/20, as set out in Report No. FIN2024, be noted;

(ii) the carry forward requests from 2019/20 into 2020/21, as set out in Table 3a of the Report, be approved; and

(iii) the transfers to reserves to support the Council's financial sustainability in light of the impact from Covid-19, as set out in Table 8a of the Report, be approved.

25. **CAPITAL PROGRAMME OUTTURN 2019/20** –
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2025, which set out the provisional outturn position on the General Fund Capital Programme for 2019/20, subject to audit.

The Report set out an overview of performance and any material variations to the capital budget. Key issues and actions were also highlighted. Members were reminded that the Council had approved the revised Capital Programme of £50.628 million at its meeting on 20th February, 2020. It was reported that a number of variations within the Capital Programme were due to timing differences on major projects and these would be treated as slippage from 2019/20 to 2020/21. The major variations related to the Voyager House project, regeneration activities at Union Street, Aldershot and the establishment of the Housing Company.

The Cabinet RESOLVED that

(i) the draft Capital Programme outturn position for 2019/20, as set out in Report No. FIN2025, be noted;

(ii) the slippages totalling £4.188 million from 2019/20 to 2020/21, as set out in the Report, be approved.

26. **CORPORATE POLICY AND GUIDANCE ON SURVEILLANCE AND THE USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000** –
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. LEG2001, which set out a proposed update to the Council's corporate policy on the use of covert investigatory techniques, including surveillance within and outside of the scope of the Regulation of Investigatory Powers Act 2000 (RIPA).

The Report set out the reasons why the policy had been reviewed at this time. Members were informed that the revision took into account that most, if not all, of the surveillance undertaken by the Council would be outside of RIPA. It also implemented the latest guidance, took account of both of the recommendations made by the inspector in 2020 and reflected changes in the Council's structure. It also included new provisions relating to communications data and the use of social networking sites when carrying out investigations.

The Cabinet RESOLVED that the revised corporate Surveillance and Regulation of Investigatory Powers Act 2000 (RIPA) Policy and Guidance, as set out in Appendix 1 to Report No. LEG2001, be approved.

The Meeting closed at 5.18 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

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CABINET

Meeting held remotely on Tuesday, 29th September, 2020 at 7.00 pm.

Voting Members

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader and Customer Experience and Improvement Portfolio Holder

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr A.R. Newell, Democracy, Strategy and Partnerships Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

The Leader of the Council (Cllr D.E. Clifford) invited the Leader of the Labour Group (Cllr K. Dibble) to attend and contribute to the meeting.

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **12th October, 2020**.

27. **EXCLUSION OF THE PUBLIC** –

RESOLVED: That, taking into account the public interest test, the public be excluded from the meeting during the discussion of the under mentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against the item:

Minute No.	**Schedule 12A Para. No.**	**Category**
28	3	Information relating to financial or business affairs

THE FOLLOWING ITEM WAS CONSIDERED IN THE ABSENCE OF THE PUBLIC

28. **PROPERTY INVESTMENT PURCHASE** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Exempt Report No. RP2015, which set out a proposal to acquire the freehold investments in two properties, as part of the Commercial Property Investment Strategy in the Council's Medium Term Financial Strategy.

The Cabinet was informed that the acquisitions proposed were in line with the Commercial Property Investment Strategy. Initial due diligence and risk assessment had been undertaken by officers and had been supported by Lambert Smith Hampton Investment Management. The properties had scored highly on the matrix for assessing potential purchases and it was considered that the proposed acquisitions would deliver a positive net return for the Council, with low risk. Members expressed strong support for the proposed purchases.

The Cabinet RESOLVED that the purchase of the freeholds of both properties, subject to due diligence and as set out in Exempt Report No. RP2015, be approved.

The Meeting closed at 7.10 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

CABINET | **COUNCILLOR PAUL TAYLOR**
CORPORATE SERVICES
PORTFOLIO HOLDER

13 OCTOBER 2020 | **REPORT NO. FIN2029**

KEY DECISION? ~~YES~~/NO

BUDGET STRATEGY 2021/22

SUMMARY:
This report sets out the budgetary framework to support the preparation of the 2021/22 budget.

The report also provides an update on the financial position of the Council and sets out how members will be kept informed of changes in the forecast over the medium-term for financial planning purposes. Final decisions on the overall budget and Council Tax level will be made by Council in February 2021.

RECOMMENDATIONS:
That Cabinet
(i) Approves the Budget Strategy 2021/22 as set out in section 5 of the report
(ii) Notes the impact from Covid-19 on the financial planning process and associated risks and uncertainties as outlined in section 7 of the report.

1. INTRODUCTION/BACKGROUND

1.1. This report will inform members of the current financial position and proposes a strategy for addressing the projected core budget deficit highlighted in the MTFS published in February 2020. The strategy will also consider options to mitigate the impact from Covid-19.

1.2. Section 5 of the report outlines the approach that will be taken when setting the detailed revenue and capital budgets for 2021/22.

2. STRATEGIC CONTEXT

2.1. In common with many local authorities, Rushmoor Borough Council continues to face significant financial challenges over the medium term. The Council will need to continue to take difficult decisions around resource allocation.

2.2. There are a number of key drivers of change that affect the way in which the Council's financial plans are developed – Population, Economy, Policy Decisions, ICE Programme. Whilst these drivers are still relevant and can assist members in decision making, the level of uncertainty around national policy issues (Covid-19 and Brexit in particular) and the global economy makes it more difficult to predict the impact on the Council.

2.3. Given the level of uncertainty around the national economic and political environment, this report will only provide members with a brief overview the key economic factors that are likely to have an impact on the Budget Strategy for 2021/22. A more detailed review of these factors will be undertaken in the coming weeks, with further reports likely in November and December. These reports will focus on specific issues including the Local Government Funding context and reviewing the key assumptions that inform the MTFS 2021/22 to 2024/25.

2.4. However, with the recent announcement that the Autumn Budget will not take place this year, there is likely to be an impact on the scale and scope of local government funding announcements.

3. COVID-19 IMPACT AND ECONOMIC OUTLOOK

3.1. There is considerable uncertainty in the national and global economic outlook. The commentary below reflects the position at the time of writing (late September 2020), and will, of course, be subject to change.

3.2. It is expected that the financial impact from Covid-19 will have a significant impact on the Council's budgets over the short to medium-term.

3.3. The Q1 Budget Monitoring report (link) to Cabinet in August 2020 provided a forecast of the financial impact from Covid-19 on the Council's 2020/21 Revenue budget and provides the context to the budget setting process for the coming financial year. This is shown in Table 1 below.

Table 1: Q1 Budget Monitoring position (Cabinet, August 2020)

General Fund Revenue Budget	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Corporate & Democratic Services	5,289	5,399	5,432	33
Customer Experience and Improvement	19	(12)	(55)	(43)
Major Projects and Property	(4,928)	(4,302)	(3,987)	315
Operational Services	7,847	8,057	8,885	827
Planning & Economy	2,548	2,738	3,304	565
ICE Programme	496	862	862	0
SUB TOTAL	**11,272**	**12,743**	**14,440**	**1,697**
Less: Reversal of Accounting entries	**(2,519)**	**(2,519)**	**(2,519)**	**0**
Net Service Revenue Expenditure	**8,753**	**10,224**	**11,921**	**1,697**
Corporate Income & Expenditure [Note 1]	3,227	2,318	2,656	338
C19 Expenditure pressures	0	0	232	232
Movement in Reserves	746	546	(284)	(831)
Savings Plan	(1,436)	(1,436)	(951)	485
Net General Fund Revenue Budget	**11,290**	**11,652**	**13,574**	**1,921**
Funded by:				
Council Tax	6,705	6,705	6,705	0
Business Rates	3,767	3,767	3,767	0
New Homes Bonus	1,169	1,169	1,169	0
Covid-19 Emergency Funding	0	0	1,133	1,133
Other	(3)	(3)	(3)	0
TOTAL Funding	**11,637**	**11,637**	**12,770**	**1,133**
Core Surplus / (Deficit)	**347**	**(15)**	**(804)**	**(789)**

3.4. The main variations on the revenue budget in the current year is due to a shortfall in income from Sales, Fees & Charges. Covid-19 has had a significant impact with material variations on both on-street and off-street car parking income, planning fees, and income from events and performances at Princes Hall.

3.5. It is likely that the revenue budget will remain under pressure and further adverse variations are expected, particularly around the cost of providing Leisure facilities, and income pressures around Car Parks and Princes Hall.

3.6. It is anticipated that the Council will receive financial support from the Government through the Sales, Fees & Charges Compensation Scheme.

3.7. Given the scale of the financial impact on the revenue budget in the current financial year and the nature of the pandemic, it can be expected that income and expenditure budgets will remain under pressure over the short to medium-term. Careful consideration will also need to be given to the impact on Council Tax and Business Rates in terms of both collection rates and forecast of growth or decline in the tax bases.

Economic Outlook commentary

3.8. At its meeting ending on 17 September 2020, the Monetary Policy Committee (MPC) voted unanimously to maintain Bank Rate at 0.10%. The Committee voted unanimously to maintain the current level of Quantitative Easing (QE) at £745bn.

3.9. It is worth noting that despite the current low interest rate, the MPC have given consideration to negative interest rates. According to the published minutes from the September meeting (italics added for this report):

"The Committee had discussed its policy toolkit, and the effectiveness of negative policy rates in particular, in the August Monetary Policy Report, in light of the decline in global equilibrium interest rates over a number of years. *Subsequently, the MPC had been briefed on the Bank of England's plans to explore how a negative Bank Rate could be implemented effectively, should the outlook for inflation and output warrant it at some point during this period of low equilibrium rates. The Bank of England and the Prudential Regulation Authority will begin structured engagement on the operational considerations in 2020 Q4*."

3.10. The committee noted that the outlook for the economy remained unusually uncertain. The central projection set out by the MPC relies on the assumptions that the economic impacts of the Covid-19 pandemic would reduce gradually and that there would be an immediate move to a free trade agreement with the EU post December 2020. Under these assumptions, GDP was projected to continue to recover, supported by substantial fiscal and monetary policy actions. Unemployment was expected to rise significantly, before declining gradually while CPI inflation was expected to rise slowly and reach roughly the 2% target in two years' time.

3.11. At the time of the August MPC meeting, indicators were generally in line with the expectations set out in the bank's central case. UK GDP in July had reached 18.5% higher than the lows reached in April and high-frequency payments data since then suggest that consumption has continued to recover and has reached roughly the same level as the start of the year on aggregate. Although the number of furloughed workers has continued to fall there is still uncertainty surrounding the labour market as this scheme begins to unwind. 12-month CPI inflation declined from 1.0% in July to 0.2% in August, which the MPC notes is consistent with the temporary impact of the Government's Eat Out to Help Out scheme as well as the VAT cuts in the hospitality sector.

3.12. Global economic activity had also made improvements throughout May and June as restrictions put in place to slow the spread of Covid-19 have eased. Data suggests that recovery in the USA has progressed faster than expected at the time of the August Monetary Policy Report as retail sales continue to recover and manufacturing PMIs rose. The Eurozone GDP also continued to recover throughout July and August, albeit slower than in the UK and USA.

3.13. Although these indicators generally support the MPC's central case, the path of growth and inflation are heavily dependent on the progression of the pandemic and the outcome of negotiations between the European Union and the United Kingdom. The response of households, businesses and financial markets to these developments will also be a deciding factor in the progress of economic recovery. The MPC notes that although recent economic data have been slightly stronger than expectations, it is unclear how much this tells us about how the economy will recover into the future due to the uncertainties mentioned out above

3.14. The committee also discussed the current policy toolkit and the potential effectiveness of negative policy rates in response to the decline of interest rates over recent years. The Bank of England plans to explore how a negative Bank Rate could be implemented effectively if there is a continued economic downturn.

3.15. CPI inflation fell to 0.2% in August, from 1.0% in July, and is forecast to remain slightly below the 2% target in the near term. There is a degree of volatility in the inflation rate due to the variable impact from Covid-19 across different sectors of the economy. The lower August figure was in part due to the Government's "Eat out to help out" scheme pushing down restaurant and café prices.

3.16. The impact on the Council is likely to be through the level of Inflation and Interest Rates. This will affect the cost of service delivery and decisions around treasury management and the affordability of the Capital Programme supported by debt financing. In addition, weaker global economic growth may have a direct impact on the local economy.

3.17. The Council will also need to consider the impact of changes in the housing market. The Council's regeneration programme and other significant housing schemes may be at risk if there is a downturn in the housing market. Uncertainty around Brexit has led to a softening in the housing market, although this may not be representative of any longer-term trend.

4. LOCAL GOVERNMENT FUNDING

4.1. As part of the Government's response to the financial impact of Covid-19 on local authorities, it was announced in April 2020 that the Fair Funding Review and changes to the Business Rates Retention scheme would be postponed for a further 12 months. It is expected that changes will not be implemented until April 2022.

4.2. Given the announcement and the focus from Government in supporting local authorities with the public health and financial impact of Covid-19, there has been little additional work on other local government finance issues such as New Homes Bonus and Council Tax referendum limits.

4.3. Members will be kept informed of any local government funding announcements in the reports to Cabinet over the coming weeks, although it is unlikely there will be any substantial update until late November or early December following the cancellation of the Autumn Budget.

5. 2021/22 BUDGET STRATEGY - ASSUMPTIONS

5.1. The 2021/22 Budget Strategy is informed by the financial impact from Covid-19 in the current year. The strategy below sets out the key assumptions that will be made when reviewing the Council's revenue budgets for 2021/22.

5.2. The level of uncertainty around the Council's financial position is unprecedented and makes the forecasting of income and expenditure budgets for 2021/22 very difficult. As such, a number of broad assumptions are set out below that will allow budgets to be updated.

- Starting point for reviewing budgets for 2021/22 is the assumption that most budgets return to near/close to pre-Covid levels.
- High risk income and expenditure areas that are unlikely to recover quickly will be reviewed in detail and will require a flexible approach as further decisions a likely to be required (e.g. Leisure, Princes Hall, Car Parks)
- Budget challenge process following an analysis of the outturn position from 2018/19 and 2019/20
- Review of salary budgets to ensure only posts from the agreed structures are included within the revenue budget
- Savings Plan will be reviewed in detail to ensure the Council can set a balanced budget for 2021/22 and address and deficit over the medium-term
- Council Tax/Business Rates income assumptions will be reviewed
- Capital Programme will be reviewed with evaluation of any new or revised schemes
- Adequacy of reserves will need to be considered

Government Funding & Council Tax

5.3. As discussed earlier in the report, there is very little certainty around the level of Government Funding that the Council will receive in future years.

5.4. The announcement in April 2020 of a delay in the introduction of 75% Business Rates Retention and the Review of Relative Needs and Resources has been postponed until April 2022 is welcome. However, the detailed position for the Council will not be known until December 2021 and is unclear at this stage what period this will cover.

5.5. The table below sets out the assumptions made on Government funding for 2021/22 that were included in the February 2020 MTFS. These assumptions will be updated in subsequent reports to members.

Table 2: Government Funding assumptions (Council, Feb 2020)

Government Funding	2020/21 Forecast (£'000)	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)
Business Rates Retention	3,767	2,561	2,610	2,662
Revenue Support Grant	0	0	0	0
Subtotal	**3,767**	**2,561**	**2,610**	**2,662**
New Homes Bonus	1,169	550	211	0
Other Grants	267	0	0	0
TOTAL Government Funding	**5,202**	**3,111**	**2,821**	**2,662**

5.6. The forecast for 2021/22 shows a reduction of £1.2m in Business Rates income and a reduction of £0.6m in New Homes Bonus. Given the delay in the Fair Funding Review, it is likely that business rates income for 2021/22 will revert back towards the level forecast for the current financial year. However, the impact from Covid-19 on the business rates base will need to be taken into account.

5.7. The MTFS also assumed a phasing-out of New Homes Bonus income. At the time of writing there is no indication of what scheme will be in place for 2021/22.

5.8. In terms of Council Tax assumptions, these will be reviewed given the impact from Covid-19 on collection rates in the current year. The MTFS assumed that there would be growth in the Council Taxbase of around 1% per annum, and that Council Tax would be increased (subject to Government guidance around referendum limits).

5.9. Therefore, whilst there may be some improvement in the funding position when compared to the February 2020 forecast, there are a number of other factors that will have an adverse impact on these funding streams.

Pay and Price Inflation

5.10. The budget will be prepared on a 'standstill' basis in that no price inflation will be added other than to contractual commitments to pay an annual inflationary increase such as contracts and software licence agreements.

5.11. Salary budgets for 2021/22 will be increased by 2.50% and is an increase on the assumption made in previous years. This reflects the longer-term impact of Government comments in early 2020 around public sector pay. Members will be aware that the 2020/21 Pay Award was settled at 2.75%.

5.12. The ONS published the August CPI and RPI figures on 16 September 2020, with the September inflation figures due to be available on 14 October 2020. These figures are generally used as the basis for uprating of some welfare benefits. An allowance is made in the MTFS each year for the impact of inflation pressure within the General Fund and this will be reviewed over the Autumn.

Fees & Charges

5.13. Cabinet approved the methodology for the annual review of fees and charges made for Council services (Report No. FIN1624). Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.

5.14. Whilst the focus is on the level of charge made for services, budget holders are encouraged to review and understand the cost drivers within their service as cost control is an integral part of the annual review of fees and charges process.

Commercial Property

5.15. The Council is increasingly reliant on income from Commercial Property to provide funding for other Council services. Given the risk in holding commercial property (e.g. occupancy rates and fluctuations in the property market), income and expenditure budgets associated with the portfolio will be reviewed in light of Covid-19. This will help ensure the Council is budgeting at the appropriate level and that risks to income and expenditure changes across the medium term can be incorporate into the MTFS and Capital Programme.

5.16. Performance of the portfolio will need to be monitored closely to ensure risks are mitigated through active asset management and early engagement with tenants. The property portfolio will need to remain balanced, and the impact from Covid-19 on different sectors of the economy is likely to become a key consideration when assessing performance and risk.

5.17. The budget setting process is likely to maintain the recommendation that a proportion of commercial income is set aside in the Commercial Reserve each year to provide and ongoing funding stream to manage the portfolio. The Commercial Property Reserve was established to provide funding to mitigate some of the financial risk associated with the portfolio.

Local Government Pension Scheme (LGPS)

5.18. An actuarial review of the Local Government Pension Scheme was undertaken in 2019 with a revised funding schedule included in the current MTFS. The assumptions around employer contributions will not be updated until the conclusion of the next actuarial review which will commence in March 2022.

Interest Rates

5.19. The Bank of England base rate was decreased from 0.75% to 0.10% in March 2020 and was held at this level at the Monetary Policy Committee meeting in September 2020.

5.20. Given the uncertainties around Covid-19 and Brexit, it is difficult to predict what impact there will be on interest rates in the near future. The latest forecasts from our Treasury advisors (August 2020) suggest that the bank base rate will remain at 0.10% for the foreseeable future (up to Q3 2023). Further cuts to zero, or perhaps even into negative interest rates, cannot be ruled out.

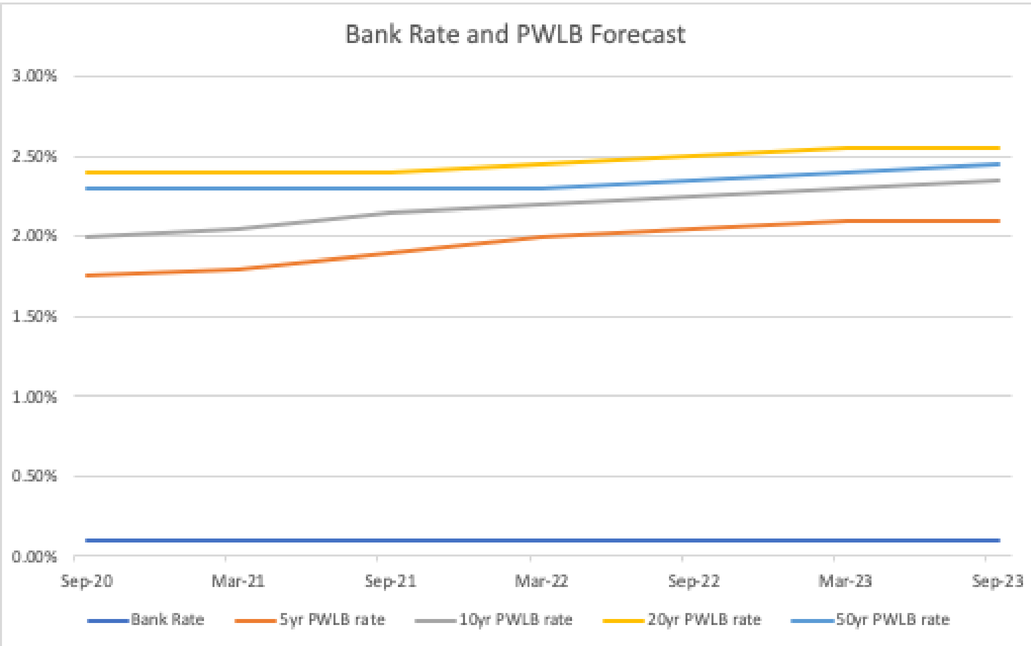
5.21. The medium-term global economic outlook is exceedingly weak. While containment measures taken by national governments in response to Covid-19 have eased over recent weeks, it is likely to be some time before demand recovers to pre-crisis levels due to increased unemployment, the on-going need for virus control measures and the impact on consumer and business confidence. The risk around a second spike in Covid-19 cases and infections will also impact on economic and monetary policy.

5.22. The table below indicates and expectation that the bank base rate will remain unchanged for the foreseeable future, with PWLB rates increasing slightly over the same period as they mirror projected Gilt rates with a margin on PWLB lending of 1.80%

5.23. It is worth noting that the forecast on PWLB rates makes no assumption of the Government's likely response to the PWLB future lending terms consultation that closed in July 2020. The outcome from this consultation is likely to have a significant impact on the Council's borrowing strategy over the medium-term.

5.24. Bank base rate and PWLB forecasts are due to be updated in November 2020 following the Bank of England's monetary policy committee meeting in November.

Table 3: Bank Base rate and PWLB Rates



	Sep-20	Mar-21	Sep-21	Mar-22	Sep-22	Mar-23	Sep-23
Bank Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
5yr Gilt	-0.05%	0.00%	0.10%	0.20%	0.25%	0.30%	0.30%
10yr Gilt	0.20%	0.25%	0.35%	0.40%	0.45%	0.50%	0.55%
20yr Gilt	0.60%	0.60%	0.60%	0.65%	0.70%	0.75%	0.75%
50yr Gilt	0.50%	0.50%	0.50%	0.50%	0.55%	0.60%	0.65%
Note: PWLB rates mirror Gilt rates +1.80% Margin							
5yr PWLB rate	1.75%	1.80%	1.90%	2.00%	2.05%	2.10%	2.10%
10yr PWLB rate	2.00%	2.05%	2.15%	2.20%	2.25%	2.30%	2.35%
20yr PWLB rate	2.40%	2.40%	2.40%	2.45%	2.50%	2.55%	2.55%
50yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.35%	2.40%	2.45%

Treasury Management - Investment Returns

5.25. As reported to members in the Q1 Revenue Budget Monitoring report, Treasury management income likely to be reduced in 2020/21 reflecting the uncertainty in global financial markets. As outlined in the Treasury Management Strategy, the Council invests its surplus balances generating an income return of over £1m per annum. The Strategy sets out that the Council aims to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.26. The Council has two broad classes of investments – Money Markey Funds (where balances are held for short periods until required) and Pooled Funds.

5.27. The Bank of England cut the base rate in March 2020 from 0.75% to 0.10%. Whilst the base rate cut will reduce investment income from Money Market Funds, it is not considered to have a material impact on the Council's investment income.

5.28. The Council holds a more significant element of its surplus balances in Pooled Funds. Over the 6 months since the onset of the COVID-19 pandemic, the global economic fallout has been sharp and large. Market reaction has been extreme with the large falls in equities, corporate bond markets and, to some extent, property markets reflecting the lockdown restrictions.

5.29. Against a very uncertain economic outlook, the Council should be prepared for lower income from bond, equity income, multi-asset and property funds. Initial forecasts from the Council's Treasury Management advisors in April 2020 suggested a prudent forecast position was to recognise downward adjustments of:

- Bond funds and property funds: 20% lower income
- Multi-asset funds: 25% lower
- Equity income funds: 50% lower

5.30. At the time of writing, it is unclear when the performance from Pooled Funds will return to pre-crisis levels. The MTFS assumes Treasury Management income of £1.6m per annum and this will need to be considered carefully when preparing the 2021/22 budget and MTFS.

Treasury Management - Borrowing costs and MRP

5.31. The Council has undertaken significant external borrowing to finance its capital programme and currently has external debt of £82m. The Council's Treasury Management Strategy, as approved by Council in February 2020, sets out the approach taken to borrowing.

5.32. The Council's main objective when borrowing money is to maintain an appropriate low-risk balance between securing low interest rate costs and achieving cost certainty over the period for which funding is required. Given the low interest rate environment, there is a financial benefit to the Council of taking advantage of short-term borrowing (typically 3-6 month duration), but at the same time there is a risk around refinancing those short-term loans.

5.33. Over the last 12-month period, the Council has sought to mitigate the refinancing risk by borrowing over longer period (between 1 and 2 years). As the Council works through its asset management plans and revises the Capital Programme, there may be opportunities to refinance its borrowing over a longer period without incurring significant additional cost due to the current position on long-term PWLB borrowing.

5.34. The impact on interest rates outlined earlier in the report has allowed the Council to refinance a proportion of the debt portfolio over the short-term at very low interest rates, based on the advice from the Council's Treasury Management advisors concerning PWLB lending. However, there is an ongoing risk around ensuring the Council's external debt is managed in a balanced and sustainable manner over the longer-term.

5.35. Estimates for 2021/22 and medium-term will be undertaken once the Capital Programme has been reviewed and will be included in the budget papers for Cabinet and Council in February 2021.

5.36. The Council will consider the capital financing implications of the Regeneration Programme over the coming weeks and months. Whilst the Capital Programme and MTFS does take into account elements of the programme, these will need to be updated to ensure they reflect the nature and scale of each scheme.

Balances & Reserves

5.37. The Council holds balances and reserves to provide financing for future expenditure plans. Members will be aware from the 2019/20 Revenue Budget Outturn report that the Council has increased the level of Reserves and Balances it holds, in part to mitigate the financial impact from Covid-19. The Council held £19.7m in balances and reserves at the end of the last financial year, as set out in the table below.

Table 4: Balances and Reserves forecast (Cabinet, Sept 2020)

Reserves and Balances	Balance 31/03/2020 (£'000)	2020/21 Transfers To (£'000)	2020/21 Transfers From (£'000)	Balance 31/03/2021 (£'000)
General Fund Balance	(2,000)			(2,000)
Earmarked Reserves				
Stability & Resilience Reserve	(6,675)	0	1,384	(5,291)
Service Improvement Fund	(129)	0	0	(129)
ICE Reserve`	(297)	0	297	0
Commercial Reserve	(2,000)	(350)	750	(1,600)
Climate Emergency *	0	(250)	250	0
Deprivation Strategy Support *	0	(100)	100	0
Regeneration Reserve	(450)	0	170	(280)
Regeneration/Commercial Due Dilligence	(250)	0	150	(100)
Workforce Strategy	(200)	0	0	(200)
Treasury Reserve	0	(580)	290	(290)
Pension Fund Equilisation	0	(669)	0	(669)
s106/SANG/Commuted Sums	(4,442)	0	109	(4,333)
All Other Earmarked Reserves	(3,257)	(169)	1,101	(2,324)
Subtotal Earmarked Reserves	**(17,700)**	**(2,118)**	**4,602**	**(15,216)**
TOTAL Reserves and Balances	**(19,700)**	**(2,118)**	**4,602**	**(17,216)**

5.38. The Council holds these sums for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing [Stability and Resilience Reserve, Commercial Reserve];
- a risk-assessed contingency to cushion the impact of unexpected events or emergencies [General Fund Balance];
- a means of building up funds to meet known or predicted requirements

5.39. A review of the balances and reserves will be completed and presented to Cabinet and Council in February alongside the revenue and capital budgets for 2021/22. This will need to assess the adequacy of the reserves in ensuring the Council remains financially sustainable over the short to medium-term.

6. MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2024/25

6.1. This report will not update the MTFS or the Savings Plan. These will be considered in report to Cabinet in November/December. The table below is an extract from the MTFS as approved by Council in February 2020.

Table 5: Summary MTFS (Council, Feb 2020)

Item	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
Portfolio Net Expenditure	8,753	8,429	8,313	8,313
Corporate Items	2,688	5,113	7,144	7,786
Adjusted Budget	**11,441**	**13,542**	**15,458**	**16,099**
Additional Items	909	692	692	692
Budget Proposals	376	26	26	26
Risk items	0	750	1,350	1,600
Savings Plan	(1,436)	(3,567)	(5,196)	(6,201)
Draft Net Revenue Budget	**11,290**	**11,444**	**12,330**	**12,216**
Funded by:				
Council Tax	6,705	6,933	7,166	7,403
Business Rates	3,767	2,561	2,610	2,662
New Homes Bonus	1,169	550	211	0
Other Funding	(3)	0	0	0
TOTAL Funding	**11,637**	**10,044**	**9,987**	**10,065**
Core Surplus / (Deficit)	**347**	**(1,400)**	**(2,343)**	**(2,152)**

6.2. As the table shows, the indicative position outlined for 2021/22 is a deficit of £1.4m, as reported to Council in February 2020. It was noted at the time that the Savings Plan did not resolve the deficit position forecast over the MTFS period.

6.3. Whilst the Council may benefit from further Government Funding (e.g. transitional arrangements from 2021/22, NHB replacement), the downward trend in Government funding will frame he Council's revenue budget in future years.

6.4. It was recommended that the Council continued to review not only the costs of services but considered the nature and scope of services being delivered.

6.5. Table 6 below outlines the different elements of the Savings Plan included within the MTFS. The Council will need to ensure there is a balanced and proportionate approach to address the core deficit.

Table 6: Savings Plan (Council, Feb 2020)

Estimated Savings	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
2019/20 Savings	(81)	(81)	(81)	(81)
Reversal of 2019/20 Additional Items	(130)	(160)	(160)	(160)
ICE Programme (Workstreams 1-3)	(150)	(425)	(750)	(810)
ICE Programme (Workstream 4)	(50)	(225)	(500)	(750)
Commercial Property - Rental income expectations *	(887)	(1,698)	(2,377)	(2,922)
Pipeline Savings - Enhanced Commercial Property		(300)	(300)	(300)
Pipeline Savings - Major contracts		(300)	(450)	(600)
Pipeline Savings - Service Loans to Housing Company *	(88)	(328)	(528)	(528)
Salaries monitoring	(50)	(50)	(50)	(50)
TOTAL Savings Plan	**(1,436)**	**(3,567)**	**(5,196)**	**(6,201)**

6.6. There is an increased risk that elements of the savings plan will be difficult to achieve or delayed. An update to the Savings Plan will address the timing and achievement of the following elements:

- Additional income associated with the acquisition of Commercial Property
- Savings arising from changes to major contracts
- Income from service loans to the Housing Company
- ICE Programme savings

6.7. The Council will need to identify additional savings to mitigate the impact of any savings that cannot be achieved in full or in the timeframe required, as this would put additional financial pressure on the Council.

6.8. Therefore, at this stage of the budget setting process, the expectation is that the level of the core deficit will reduce as detailed revenue budgets are prepared, the savings plan is updated, and the revenue impact of the capital programme is updated.

7. IMPLICATIONS

Risks

7.1. This report has identified some specific risk around the financial impact from Covid-19 and the Council's funding from Government. There is significant uncertainty for 2021/22 and beyond due to the economic outlook, limited information around likely levels of Government funding and support, and the longer-term changes from the review of Relative Needs and Resources and Business Rates Retention.

7.2. Covid-19 risks

- Lockdown/Restrictions remained largely in place until the end of July with slight easing thereafter. Impact of new Government guidance issued in September 2020 and the potential impact over the remaining 6-months of the financial year.

- Council Tax & Business Rates collection shortfalls contained within the collection fund but will need to be incorporated into the 2021/22 budget
- Cost of additional council tax support cases in 2020/21 and impact of scheme going forward.
- Recovery of income for the remainder of the year are in line with budget (with exception of Car Parking income and Planning fees where the forecast is for a slower recovery)

7.3. Other risks to the Council include (but are not limited to) the following specific areas:

- Housing market – whilst there has been a pick-up in the housing market following the lifting of restrictions in May 2020, there remains uncertainty around the longer-term impact from Covid-19. It is highly likely that there will be an impact on the Council's wider regeneration plans and a number of key strategic housing sites across the Borough. For the Council, where regeneration schemes include housing development, there may be a requirement to continually assessment the financial viability of schemes to ensure they are able to deliver the required outcomes.
- Brexit –the impact of the UK leaving the European Union is difficult to quantify. It is not clear whether the deal agreed under the terms of the withdrawal agreement will apply, or whether the UK will leave without a deal in place on 31 December 2020. There will be an impact on a wide range of Council Services, funding streams and Treasury Management activity and this will need to be factored into budget planning over the coming weeks.
- Economy – the Council has a number of income streams that are linked to economic performance including fees and charges, treasury management activities, and commercial investment. A significant downturn in the economy could reduce the amount of disposable income available to residents, erode investment fund performance, and reduce the value of commercial property and rental income.
- Interest rates – as outlined in section 5, there is considerable uncertainty around treasury management investment income and the longer-term considerations of managing the Council's external debt.
- Commercial property performance – the Council is increasingly reliant on income from commercial investment properties. Any shortfall in income or additional costs associated with managing the property portfolio will have an adverse effect on service delivery. To mitigate future variable income flows, a Commercial Property Reserve was established and will be reviewed as part of the Council Balances and Reserves Strategy.

Legal Implications

7.4. The Council through its Members has a legal obligation to set a balanced budget and the MTFS provides the information that will inform the approach to be taken in the budget setting process for early 2021 when reports will be taken to Cabinet and Council for approval.

Financial and Resource Implications

7.5. There are not considered to be any financial implications arising directly from this report. However, it is worth noting the indicative MTFS position shows a widening funding gap based on the assumptions made within this report. It is anticipated that significant work on the expenditure and savings plans will enable the funding gap to be reduced. An updated position will be included in the reports to Cabinet and Council in February 2021.

Equalities Impact Implications

7.6. None

8. CONCLUSIONS

8.1. The Medium-Term Financial Strategy, as summarised in Table 5, provides an overview of the Council's financial position over the next four years. This will be updated over the coming weeks and months to ensure it provides the framework for managing the Council's financial position and helps to ensure that resources are available to deliver against the Council Plan.

8.2. Whilst the Council has delivered a number of budget and efficiency savings against its Savings Plan, the Council will need to review adequacy and composition of the Savings Plan. It is likely that the Council will need to identify further budget and efficiency savings over and above those already contained within the MTFS.

8.3. The Council does face a significant financial challenge over the medium term, particularly given the uncertainty set out in this report with regard to Covid-19 and the Government's proposed changes to local government funding from April 2022.

8.4. The Council will need to ensure the adequate reserves are maintained over the medium term to mitigate the risks identified in this report. However, the use of reserves to deal with changes in the financial standing of the Council on an ongoing basis is not a long-term or sustainable plan. It does, however, enable the Council to mitigate against short-term changes, whilst allowing the Council to plan and implement effectively over the medium-term.

BACKGROUND DOCUMENTS:

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CABINET

13TH JANUARY 2020

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES PORTFOLIO HOLDER
REPORT NO. FIN2026

KEY DECISION?
~~YES~~/NO

BUSINESS RATES – DISCRETIONARY RATE RELIEF APPLICATIONS

SUMMARY

This report sets out two new applications for Discretionary Rate Relief.

One application is from The Source Young People's Charity and is for 20% Discretionary Rate Relief for a charitable organisation who are in receipt of 80% Mandatory Charitable Relief.

The other application is from WSX Developments Ltd and is for 50% Discretionary Rate Relief under the Councils new Discretionary Relief Policy.

The new Policy was introduced under the Localism Act 2011 to provide the Council with the ability to discount business rates to all organisations in the borough, where they provide a benefit to the community and not limited to Charities and Not-for-Profit Organisations.

RECOMMENDATIONS

Cabinet are recommended to approve the award of Discretionary Rate Relief as follows: -

- 20% Discretionary Relief to The Source Young Peoples Charity until 31 March 2022, which coincides with the end of the current rating list; and

- 50% Discretionary Relief to WSX Developments for the period 01 April 2017 – 31 March 2020.

1. INTRODUCTION

1.1 The purpose of this report is to:

- Outline the background and financial implications of Discretionary Rate Relief; and
- Consider two new applications for Discretionary Rate Relief.

2. BACKGROUND

2.1 The Local Government Finance Act 1988, as amended provides local authorities with discretionary powers to grant relief from non-domestic rates on properties occupied by charities and other non-profit organisations.

2.2 A local authority has discretion to grant “top up” relief of 20% to charities that had received 80% mandatory relief.

2.3 In addition, an authority can grant relief of up to 100% to non-profit making organisations.

2.4 The Localism Act 2011 introduced a new power for local authorities to award a local Discretionary Relief, in any circumstances, where it is in the Council Taxpayers interest to do so.

2.5 In April 2017, cabinet agreed an amendment to our existing Discretionary Rate Relief Policy to enable the council to award relief to all organisations in the borough and not limited to charities and not-for-profit organisations.

2.6 The amended policy is known as “Discretionary Rate Relief – For charities, not-for-profit organisations and other specified organisations under the Localism Act 2011”. Full details of this policy can be found in Appendix 1.

2.7 The main aims of the amendment to this policy is to provide support to those businesses who: -

- Who are not established or conducted for profit whose main objectives are charitable; or
- Provide facilities to certain priority groups such as the elderly, disabled, minority groups and early years childcare; or
- Create new employment opportunities; or
- Bring social, environmental or economic benefit to the community; or
- Contribute towards the sustainable development of the borough.

3. APPLICATION 1 - THE SOURCE YOUNG PEOPLE’S CHARITY

3.1 The Source Young People’s Charity is a local inclusive Christian Charity that supports young people aged 14-25 years to transform their lives.

3.2 The Source Young People’s Charity also have a business rates assessment at Imperial House, Grosvenor Road, Aldershot, which they use to provide drop-in sessions for young people, counselling rooms, mentoring and training facilities.

3.3 The Source Young People’s Charity are in receipt of 80% Mandatory Relief and 20% Discretionary Top Up Relief for Imperial House, Grosvenor Road, Aldershot.

3.4 This application is for a new initiative The Source Young People's Charity have started called "Bike Start", which operates out of Browning Barracks.

3.5 Bike Start refurbish bikes that have been donated and sell them through their eBay shop. They provide service and repair checks to all members of the public and train groups and individuals in bike maintenance - including charity days and team bonding days for organisations.

3.6 All surplus income funds the work of The Source Young People's Charity.

3.7 The Source Young People's Charity's responses to their application are set out in Appendix 2 of this report.

3.8 The Corporate Services Portfolio Holder met with the Principal Revenues and Benefits Officer in respect of this application.

3.9 During this meeting the Portfolio Holder examined the application in detail and has set out a recommendation for the level of support that could be provided for The Source Young People's Charity as outlined in Paragraph 3.9 to 3.12 below.

3.10 The suggested level of support is 20% Discretionary Relief for the period 01 April 2017 to 31 March 2022, which coincides with the end of the current rating list.

3.11 The decision was made based on supporting a local charity, who are undertaking a venture which will not only raise money for their cause but helps a wider range of the local community in the process (by upcycling, repairing and selling bikes, good for fitness etc). The Source Young People's Charity are also providing important life skills to young, vulnerable adults through Bike Start in the form of apprenticeships and training.

3.12 The level of award is consistent with other local charities, where the level of support ranges from 5% to 20% Discretionary Top Up Relief. The Source Young People's Charity are also in receipt of 20% Discretionary Top Up Relief for their other assessment at Imperial House, Grosvenor Road, Aldershot.

3.13 More information about Bike Start can be found on their website https://www.bikestart.co.uk

4. APPLICATION 2 - WSX DEVELOPMENTS LIMITED

4.1 WSX Developments Ltd, part of WSX Enterprises, provides practical, expert and independent support programmes across the South of England, concentrating on Dorset, Hampshire and the Isle of Wight.

4.2 WSX Developments Ltd currently occupy St Anne's House and run serviced offices for start-up businesses covering all areas of business, providing training programmes to cover finance, digital skills, start-up guidance and general business advice. Currently they are also providing free business advice through 1-1's, e-mail or phone exchanges with advisors and business owners.

4.3 WSX Developments Ltd started in a small part of the building, known as St Anne's House. They have paid all rates demanded up to this date. In 2015, they expanded into the whole of the building and has recently increased their overall rates payable for the financial years 2017/18, 2018/19, 2019/20 and 2020/21.

4.4 WSX Developments Ltd responses to their application are set out in Appendix 3 of this report.

4.5 The Corporate Services Portfolio Holder met with the Principal Revenues and Benefits Officer in respect of this application.

4.6 During this meeting the Corporate Services Portfolio Holder examined the application and felt that he needed to know a little bit more about the business and their operations.

4.7 The Principal Revenues and Benefits Officer and the Corporate Services Portfolio Holder met with WSX Developments Ltd at St Anne's House to get a better understanding of their operations.

4.8 In the meeting, it was established that: -

- WSX Developments Ltd help start-up businesses grow and develop.
- They offer the businesses a full package including online support, online training, business advice,
- They currently have 43 businesses running from their offices with the capacity to have 63 businesses operating from their facilities
- They have successfully helped 97 start-up businesses with a 5% failure rate. Nationally the average failure rate for start-up businesses is 60%.
- Military spouses help run the business operation at St Anne's House and they all live locally in the borough.
- 80 people who live in the borough are currently working in St Anne's House in these start-up businesses.
- WSX Developments are also starting up another project called "Speed You UP" which is aimed at helping to develop the next generation to start-up businesses and will be going into local schools to run this programme.
- If WSX Developments receive this relief then this will avoid them needing to increase the rents for tenants in the future.

4.9 Whilst WSX Developments Ltd are a not for profit organisation, they are part of a wider business called Southern Enterprise Alliance, who's accounts for the year ending 31 March 2019 reported a turnover of £2.4m, gross profit of £239k, with an operating profit of £4k. The operating profit is down from £20k from the previous financial year.

4.10 WSX Developments are currently responsible for Business Rates on the whole building. However, it has been agreed that from 1 April 2020, the business rates assessment will be split, and the individual businesses will be responsible for the business rates.

4.11 However, this will not have a detrimental effect on these start-up businesses as they will receive Small Business Rate Relief and no rates will be payable. This will also minimise the rates payable for WSX Developments as their assessment will only include the communal areas and reception area.

4.12 This means that any financial support provided will be limited to the period 1 April 2017 to 31 March 2020.

4.13 Following this meeting, the suggested level of support is 50% Discretionary Relief for the period 01 April 2017 to 31 March 2021.

4.14 The decision was made based on the work and support that WSX Developments Limited provide to small start-up businesses.

IMPLICATIONS

Financial Implications

5.1 Since 1 April 2013, the Business Rates Retention scheme has introduced a fundamentally new set of arrangements for dealing with the cost of business rates. The cost to the Council of granting any Discretionary Rate Relief is most reliably estimated at being 40% of the value of the relief granted, although the cost is ultimately determined by a range of factors, such as the councils total rate receipts measured against its estimated threshold for growth and taking into account whether any payment levies or safety net contributions are payable or receivable.

5.2 The remaining 60% of the costs will be met by Central Government (50%), Hampshire County Council (9%) and Hampshire Fire and Rescue Authority (1%), under the Business Rates Retention Scheme.

5.3 Any award of Discretionary Rate Relief is subject to state aid limits. The De Minimis regulations allow an undertaking to receive up to €200,000 (£180,000) in any three-year period.

5.4 If Rushmoor BC were to award Discretionary Relief as set out in this report, the financial effect on the Council would be as follows: -

The Source Young People's Charity		
Financial Year	**Value of Relief**	**Cost to RBC**
2017/18	£1,705.44	£682.18
2018/19	£1,528.30	£611.32
2019/20	£1,562.40	£624.96
2020/21	£1,587.20	£634.88
TOTAL	**£6,383.34**	**£2,253.34**

WSX Developments Ltd		
Financial Year	**Value of Relief**	**Cost to RBC**
2017/18	£17,720.85	£7,088.34
2018/19	£19,103.80	£7,641.52
2019/20	£19,530.00	£7,812.00
TOTAL	**£56,3654.65**	**£22,541.86**

Legal Implications

5.5 Section 47 of the Local Government Finance Act 1988, as amended, enables Councils to grant Discretionary Rate Relief to any Ratepayer.

5.6 The amended policy to award Discretionary Rate Relief enables the Council to award relief to any ratepayer and not limited to charities and not-for-profit organisations. This follows guidance and advice provided by the former Department of Communities and Local Government following the introduction of the Localism Act 2011.

5.7 Full details of this guidance can be found at the following web link: https://www.gov.uk/government/publications/localism-act-2011-overview

To summarise, page 6 reads: -

"**Greater local control over business rates**

One of the most important things that councils can do to improve local life is to support the local economy. The Localism Act gives councils more freedom to offer business rate discounts - to help attract firms, investment and jobs. Whilst councils would need to meet the cost of any discount from local resources, they may decide that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area".

6 CONCLUSIONS

6.1 In conclusion, cabinet are asked to approve the award of Discretionary Rate Relief as follows: -

- The Source Young People's Charity – 20% Discretionary Rate Relief for the period 1 April 2017 to 31 March 2022; and
- WSX Developments Limited – 50% Discretionary Rate Relief for the period 1 April 2017 to 31 March 2020

6.2 The Corporate Services Portfolio Holder is supportive of the applications to the level set out in this report.

6.3 The cases were reviewed on their own merit and the decisions were made using the Councils amended Discretionary Rate Relief Policy, which was approved by cabinet following guidance provided by the Department of Communities and Government.

BACKGROUND DOCUMENTS:

S47 Local Government Act 1988, as amended
Localism Act 2011
Full applicant case files in respect of the applicants
Rushmoor's Policy on Discretionary Rate Relief

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Discretionary Rate Relief Policy

For charities, not-for-profit organisations and other specified organisations under the Localism Act 2011

1 Purpose of the policy

1.1 To determine the level of Discretionary Business Rates Relief to be granted to certain defined ratepayers within the Rushmoor Borough Council area.

1.2 While we are obliged to grant relief to premises that fall within the mandatory category, we also have powers to grant discretionary relief and reductions to ratepayers, subject to certain criteria being met.

1.3 The Local Government Finance Act 1988 and subsequent legislation allows us to grant discretionary relief for premises occupied by charities and not-for-profit organisations that own or occupy them wholly or mainly for charitable purposes.

1.4 Powers have also been granted under the Localism Act 2011, which allow for the granting of Discretionary Rate Relief to any premises where we feel it would be of benefit to the local community.

This document outlines the following areas:

- Details of receiving an award under the Discretionary Business Rates Relief Scheme
- Our general policy for granting discretionary relief
- Guidance on granting and administering relief
- European Union requirements including provisions of state aid.

2 Introduction

2.1 The original purpose of Discretionary Rate Relief was to provide assistance where the property does not qualify for mandatory relief or to "top up" cases where ratepayers already receive mandatory relief.

2.2 Over recent years, and particularly since 2011, the discretionary relief provisions have been amended to allow the flexibility to provide more assistance to businesses and organisations.

2.3 Ratepayers are obliged to make a written application to us. We will expect all businesses to complete our application form and for the businesses to provide information, evidence, and audited accounts for us to determine whether relief should be awarded.

2.4 We are obliged to consider carefully every application on its own merits, taking into account the contribution that the organisation make to the amenities within Rushmoor.

2.5 The granting of relief falls broadly into the following categories:

- Discretionary relief – Charities who already receive mandatory relief
- Discretionary relief – Premises occupied by not-for-profit organisations whose main objectives are charitable.
- Discretionary relief – Granted under the Localism Act 2011 provisions

Other reliefs available and are announced by government and for a temporary period. As at the financial year 2018/ 19 they are currently:

- Local Newspaper Relief (from 1 April 2017 for a period of two years)
- Local Public House Relief (from 1 April 2017 for a period of twos year)
- Supporting Small Business Relief (from 1 April 2017, for a period of five years or until businesses pay their full rate charge)
- Discretionary Rate Relief (revaluation) (from 1 April 2017 for a period of up to four years)

2.6 This policy concentrates on the granting of discretionary relief for charities which are already receiving mandatory relief, not-for-profit organisations whose main objectives are charitable and discretionary relief awarded under the Localism Act 2011.

3 Our general approach to granting Discretionary Rate Relief

3.1 In deciding which organisations should receive discretionary rate relief, we will consider the following factors and priorities:

- That any award should support businesses, organisations and groups that help retain services in Rushmoor and not compete directly with existing businesses in an unfair manner.

- It should help and encourage businesses, organisations, groups and communities to become self-reliant.

- To enable appropriate organisations to start, develop or continue their activities, which deliver outcomes to the community, and that also relate to our priorities which, without granting relief, they would be unable to do so.

- To assist us in delivering services which could not be provided otherwise.

- To assist us to meet our priorities including:

  - Sustaining a thriving economy

  - Supporting and empowering our communities and meeting local needs

  - A cleaner, greener and more cultural Rushmoor; and

  - Financially sound with services fit for the future

4 Administration of discretionary relief – general approach

4.1 The following section outlines the procedures followed by officers in granting, amending or cancelling discretionary relief.

Applications and evidence

4.2 All reliefs under this policy must be applied for. Applications forms are available both electronically and in hard copy format.

4.3 Applications should initially be made to the Revenues and Benefits Section and will be determined in accordance with this policy.

4.4 Completed application forms should be returned with the following information:

- Evidence of being a registered charity or a copy of a letter from Her Majesty's Revenue and Customs (HMRC) confirming that the organisation is treated as a charity for tax purposes (if appropriate).

- A copy of the organisation's equal opportunities policy (if the organisation has one).

- A copy of the organisation's constitution, rulebook or Memorandum and Articles of Association.

- Audited or certified accounts for the last two years.

- An up-to-date trading statement showing the current financial situation of the organisation.

- Any other document the ratepayer wishes to be taken into account in support of their application.

4.5 Discretionary relief is granted from the beginning of the financial year in which the decision is made.

4.6 Applications can be made up to six months after the end of the relevant financial year.

Granting of relief

4.7 Members of our Cabinet will determine all applications, with recommendations made by the Cabinet member for Corporate and Democratic Services.

4.8 In all cases, we will notify the ratepayers of decisions made.

4.9 Where an application is successful, then the following will be notified to the ratepayer in writing.

- The amount of relief granted and the date from which it has been granted

- If relief has been awarded for a specified period, the date on which it will end

- The new chargeable amount

- The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and

- A requirement that the applicant should notify us of any change in circumstances that may affect entitlement to relief.

4.10 Where relief is not granted, then an explanation of the decision will be provided in writing.

Variation of decision

4.11 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:

- Where the amount is to be increased due to a change in rate charge or a change in our decision, which increases the award, this will apply from the date of the increase in rate charge or the date determined by us as appropriate.

- Where the amount is to be reduced due to a reduction in the rate charge or liability, including any reduction in rateable value or awarding of another relief or exemption, then this will apply from the date of decrease in the rate charge; and

- Where the amount is to be reduced for any other reason, it will take effect at the expiry of a financial year, so that at least one year's notice is given.

4.12 A decision may be revoked at any time. However, a one-year period of notice will be given and the change will take effect at the expiry of a financial year.

4.13 This will be important where the change would result in the amount of the award being reduced or cancelled. For example, where the premises become unoccupied or is used for a purpose other than that determined by us as eligible for relief.

4.14 Where a change of circumstances is reported, the relief will, if appropriate be revised or cancelled.

4.15 Where a change in circumstances is not reported and it is subsequently identified that it would have reduced the relief awarded, we reserve the right to remove any award completely.

5 Our policy for granting discretionary relief

5.1 **Discretionary Rate Relief - Charities who already received mandatory relief and organisations not established or conduced for profit whose main objectives are charitable**

5.2 Section 47 of the LGFA 1988 provides for the granting of Discretionary Rate Relief for the following:

- An authority can award up to an additional 20% top up relief to charities and community amateur sports clubs (CASCs) that have received the 80% mandatory relief, or

- An authority can grant relief of up to 100% relief to certain non-profit making organisations that do not qualify for any mandatory relief due to not holding charitable status.

The Department of the Environment (DoE) issued a practice note in August 1990 to give guidance to authorities on the criteria they should take into consideration in the exercise of the discretion to grant rate relief. Rushmoor Borough Council's Financial Support Sub Committee formerly adopted these guidelines in October 1993.

The practice note has now been supplemented by guidance issued by the Office of Deputy Prime Minister (ODPM) "Guidance on rate reliefs for charities and other non-profit making organisations" in December 2002, which in particular focuses on sports clubs.

The practice note recommends that:

- Authorities should have readily understood polices for deciding whether or not to grant relief, and for determining the amount of relief. They should not, however, adopt guidelines or rules which allows a case to be disposed of without any consideration as to its individual merits. Any criteria by which the individual case is judged should be made public to help interested individuals and bodies.

We have adopted the recommendations and guidelines in exercising our discretion in awarding discretionary rate relief to charities and not-for-profit organisations.

Where a ratepayer can demonstrate that the criteria is met, the period and value of relief granted will be solely at our discretion.

A formal application from the ratepayer will be required in each case and any relief will be granted in line with state aid requirements.

5.3 **Discretionary relief – Localism Act 2011**

Section 69 of the Localism Act 2011 allows a local authority to grant discretionary relief in any circumstances where it feels fit. having regard to the effect on the council tax payers of its area.

The provision is designed to give authorities flexibility in granting relief where it is felt that to do so would be of benefit generally to the area and be reasonable given the financial effect to council tax payers.

The government has not issued guidance in respect of how this power might be used except advising that relief "may be granted in any circumstances where a local authority sees fit, having regard to the effect on council tax payers in the area".

The English Guide to the Act addresses this as follows:

- "The Localism Act gives councils more freedom to offer business rates discounts – to help attract firms, investment and jobs. While the local authority would need to meet the cost of any discount, it may be decided that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area".

Our policy on awarding relief under The Localism Act 2011 is that any ratepayer applying for relief under these provisions which does not meet the criteria for existing relief (charities, community amateur sports clubs) and not-for-profit making organisations), must meet all of the following criteria and the amount of relief granted will be dependent on the following key factors:

- The ratepayer must not be entitled to mandatory rate relief;

- The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as a sports club or similar;

- The ratepayer must occupy the premises (no relief will be granted for unoccupied premises);

- The premises and organisation must be of significant benefit to the residents of the borough and/or relieve the council of providing similar facilities;

The ratepayer must also;

- Provide facilities to certain priority groups such as the elderly, disabled, minority groups and early years child care; or

- Have premises where new employment opportunities will be created; or

- Must bring social, environmental or economic benefit to the community; or

- Contribute to the sustainable development of the borough.

- Provide residents of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation; and

- Must demonstrate that assistance (provided by the discretionary rate relief) will be for a short time only and that any business/operation is financially in the medium and long term; and

- Must show that the activities of the organisation are consistent with the council's plan.

Where a ratepayer can demonstrate that all the criteria are met, the period and value of relief granted will be solely at our discretion.

A formal application from the ratepayer will be required in each case and any relief will be granted in line with state aid requirements.

6 Financial matters

Cost of awarding relief

6.1 The cost of relief awarded will be borne in accordance with the Business Rates Retention Scheme share - namely 50% borne by central government, 40% by the council, 9% by Hampshire County Council and 1% by Hampshire Fire and Rescue Service.

State aid

6.2 The award of Discretionary Rate Relief will be state aid compliant

6.3 The issue of rate reliefs being considered as qualifying as state aid is now of some significance and is briefly explained in the "Rate Relief for Charities and other Non-Profit Making Organisations" guidance note issued by the ODPM in December 2002.

6.4 Broadly, any award of discretionary rate relief is subject to state aid de minimis limits.
The regulations allow an undertaking to receive up to €200,000 of de minimis aid in a three-year period (consisting of the current financial year and the two previous financial years).

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Rushmoor Borough Council

APPENDIX 2

Application for Discretionary Rate Relief
The Source Young Peoples Charity
Suite 2 Quarter Masters Stores Browning Barracks, Alison's Road, Aldershot, Hampshire, GU11 2BU
Billing No. 9211674-6

In their application The Source young Peoples Charity advise the following:-

What are the main objects of the charity?

To support and empower local young people to transform their lives through building their emotional intelligence, resilience and self-esteem through bespoke programmes of 1-1 and group support.

Outline ways in which the local organisation is involved, at local, regional or national level, in developing its particular interests:

Through our bespoke 1-1 and group programmes we support and empower local young people to build their emotional intelligence, resilience and self-esteem.

What purpose does your organisation use the premises and facilities?

Bike Start – our social bike project. As a sustainable source of income for the charity we refurbish and sell donated bikes, we service, and repair bikes and we provide bike maintenance training. We also provide 1-1 work, readiness and mentoring for young people.

How would an award of relief to your organisation benefit the local community?

An award of relief to the Source Young Peoples Charity will enable our social bike project, Bike Start, to continue to operate. Through bike Start continuing, local people will continue to purchase affordable refurbished donated bikes, to have their bikes repaired and serviced at an affordable rate and to learn how to maintain their bike at an affordable rate.
1-2 local people per year will build their work readiness through our Bike Start work readiness mentoring programme. At least 15 additional young people per year will be supported and empowered to transform their lives through Bike Start funding and 1-1 and group programmes.

APPENDIX 3

WSX Developments Ltd
St Anne's House/Mandora, Louise Margaret road, Aldershot, Hampshire, GU11 2PP
Billing Number – 9208366-6

Discretionary Rate Relief Application
`

Type of Business: Serviced Offices and financial assistance for new businesses
Number of years business established: 5 years

In their application, WSX Developmnets Ltd advise the following:-

Factors which have affected trade:

"2 key factors:

1. Covid-19 crisis has significantly affected business – we had 43 tenant businesses and now only have 31;
2. 2. Rateable value of property has been reassessed resulting in an increased of over 200% business rates, which were not applied to half the building when we expanded the centre"

Reason for Application:

"WSX Enterprise, a not for profit business support organisation, set up Aldershot Enterprise Centre with partners in 2014. We created WSX

Developments to enable us to collect rents for individual office tenants who are start up businesses and charities, from local civilian and military communities. Covid-19 has hit the centre hard and at the time of writing, 25% of the new businesses have left or folded. We keep the rents for our tenant businesses as low as possible to help them sustain the local economy and provide training and mentoring as our ethos is to try to create and grow as many businesses as possible. We are asking for a reduction in business rates this year of 50% as we recognise we need to support local services. We will pass this saving on to our tenant businesses who will accordingly pay less rent while still allowing us to cover our costs in running the centre.

The second reason for our application is the proposed significant increase in our business rates backdated to 2017. We are appealing as it will not make the centre viable at current tenant rates and we will have to increase these – something we wish to avoid. Whether or not the increased business rates are applied, we are requesting a subsidy of 50% is given to allow us to keep the new entrepreneurs businesses sustainable by paying the existing level of rent."

Benefits to Local Taxpayers:

"Aldershot Enterprise Centre was established as a public/private sector partnership to create new jobs and new businesses in the local economy. Since 2014/15 the centre has created over 400 new jobs and over 90 businesses have started and/or grown at the centre. It is not just entrepreneurs from the area who use the centre. Before lockdown, various clubs have used te centre and there is a photographic and historical display showing the history of Mandora House. We see the Enterprise Centre as a vital key to both the civilian and military communities, through creating jobs. At the end of the lease in 2022, the building will be part of the Wellesley development and we are hoping a new facility will be provided to continue the Entreprise Centre work. It is just now we have the challenge of sustainging the Centre and needing some financial support."

Financial Impact

Peter Grant, one of the Director of the business, supplied a set of accounts up to the 31 March 2018 and 31 March 2019. The company had a gross turnover in 2019 of £260,284 (£244,004 in 2018), and a net profit in 2019 of £16,146 (£20,927 in 2018).

The Running costs for 2019 are £209,657, which is an increased of circa 6% from 2018 (£198,032). This is inline with the 7% increase of Turnover, however the administrative expenses (listed as 'Sundry' and legal costs) have increased by circa 38% from £24,908 in 2018 to £34,370 for 2019.

The total current assets (debtors and cash in bank) as at 31st March 2019 are £55,695

(£48,389 at 31st March 2018) with amounts falling due within one year being -£123,859 at 31st March 2019 (-£132,699 at 31st March 2018). This is a total amount owed by the business of -£68,164 as at 31st March 2019.

The net profit for 2019 of £16,146 has reduced this overall debt from -£84,310 in 2018 to -£68,164 for 2019.

The rent payable is £30,150 per quarter. No arrears have been declared.

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