

AGENDA ITEM No. 5

CABINET
7 FEBRUARY 2017

HEAD OF FINANCIAL SERVICES
REPORT NO. FIN1709

KEY DECISION? YES

REVIEW OF DISCRETIONARY RATE RELIEF 2017/18

SUMMARY AND RECOMMENDATIONS:

The purpose of this report is to outline the background and financial implications of discretionary rate relief and to consider applications from all those organisations that have applied for relief from April 2017, the beginning of a new 5-year rating list.

A fundamental review of reliefs awarded was proposed within Point 8 of the Council's 8-point plan for achieving financial sustainability. This review considers the level of financial support provided to charitable and not-for-profit organisations.

Cabinet are requested to:

- a) Consider whether to award any Discretionary Rate Relief to the applicants as set out in the report and for what period to make those awards.
- b) Endorse the proposed approach for the four organisations specifically set out in 4.9
- c) For the organisations that are yet to return their application that authority be delegated to the Cabinet Member for Concessions and Community Support to determine the level of support to be awarded once their application has been returned and assessed.

1. INTRODUCTION

- 1.1 Business rates are the local property tax for all non-domestic properties.
- 1.2 Under the present Business Rates Retention Scheme, the Council is responsible for collecting all the income due from ratepayers and assessing all reliefs and reductions.
- 1.3 Part of our local responsibility is to consider whether to grant discretionary rate relief to charities and non-profit making organisations.

2. BACKGROUND

2.1 Mandatory Relief is available at 80% of the rates payable, and to qualify an organisation must:

- Occupy a property or rating hereditament which is used wholly or mainly for charitable purposes, and
- Be established for charitable purposes only, or
- Be accredited as a community amateur sports club.

Rushmoor's scheme of delegation allows the Head of Financial Services to grant mandatory relief. All the organisations in Appendix 2 and Appendix 3 have already been assessed and awarded mandatory relief, where appropriate.

2.2 A local authority had discretion to grant "top-up" relief of up to 20% to charities that have already received 80% mandatory relief.

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

2.4 The former Department of the Environment, Transport and the Regions (DETR) has previously suggested guidelines to assist in deciding whether to grant relief in those cases where no charitable status is held. These guidelines were formerly adopted by the Financial Support Sub Committee in October 1993 and are attached in Appendix 1.

2.5 On 1st April 2017, a new non-domestic (Business Rates) rating list comes into effect. All rates relief that had previously been awarded by the Council ends on 31st March 2017. The applications for consideration by Cabinet now are from every organisation wishing to be considered for relief with effect from 1st April 2017.

3 ORGANISATIONS CURRENTLY RECEIVING RELIEF

3.1 Appendix 2 shows the charitable organisations that qualify for 80% mandatory relief and which are applying for additional "top-up" discretionary relief for 2017/18. The organisations are grouped together under generic headings showing the amount of relief recommended and the financial effect upon Rushmoor.

3.2 Appendix 2 further sets out summary details of the non-charitable organisations that are currently in receipt of relief and have re-applied for relief for 2017/18. However, due to changes in legislation all of the Sports and Non-Profit Organisations listed will qualify for 100% Small Business Rates Relief, under extensions to the scheme announced in the Chancellor's Autumn Statement. The cost of Small Business Rates Relief is reimbursed to Councils via s31 grant and therefore it is more financially beneficial to the Council to award Small Business Rates Relief than Discretionary Rate Relief.

- 3.3 It should be noted that registered charities are not entitled to claim Small business Rates Relief.

4 CONSIDERATION BY PORTFOLIO HOLDER & PROPOSED APPROACH

- 4.1 The Portfolio Holder for Concessions and Community Support met with the Head of Financial Services and the Principal Revenues and Benefits Officer on 13th January 2017 and with the Corporate Director and the Principal Revenues and Benefits Officer on 20th January 2017 in respect of detailed applications.
- 4.2 During the meetings the Portfolio Holder examined each application in detail and has set out a recommendation for the level and period of support that could be provided for each organisation. Appendix 2 sets out the detail of the recommendations.
- 4.3 For any organisation that has recently been asked to make a contribution towards rent payable to the Council, as approved by Cabinet at its meeting of 10 January 2017, (Report No: COMM1701) these organisations are to be protected from a reduction in Discretionary Rate Relief.
- 4.4 **Scout Huts, Local Charities and Community Amateur Sports Clubs** - the recommended level of support is consistent with the support that the Council has previously given to these organisations, i.e. 20% Discretionary Rate Relief. It is recommended that the award be given until 31 March 2022, which coincides with the end of the 2017, 5-year valuation list. The award reflects the local benefit provided by these organisations.
- 4.5 **Charity shops** - the recommended level of support is 15% Discretionary Relief, meaning that Charity Shops will make a 5% contribution towards their rates. It is recommended that the award be given until 31 March 2022, which coincides with the end of the 2017, 5-year valuation list.
- 4.6 **Large Charitable Organisations with Specific Local Focus** - the level of recommended support ranges from 5% to 20% and is set out in Appendix 2, meaning that the majority of these organisations will make some contribution towards their rates bills. It is recommended that the awards be given until 31 March 2022, which coincides with the end of the 2017, 5-year valuation list.
- 4.7 **Sports and Non Profit Organisations** – these organisations are not entitled to Mandatory Relief and therefore applications are for up to 100% Discretionary Rate Relief. However, there are some changes to the Small Business Rate Relief Scheme that will come into force with effect from 1st April 2017. This will mean that all these organisations will be entitled to 100% Small Business Rate Relief and therefore will no longer need support from the Council under its Discretionary Relief policy. As Small Business Rate Relief is reimbursed to the Council via s31 grant, this is financially beneficial to the Council in addition to providing more certainty for ratepayers.

- 4.8 For any organisation that has recently been asked to make a contribution towards their rent payable to the Council, these organisations are to be protected from a reduction in Discretionary Rate Relief.
- 4.9 For four specific organisations, it is recommended that a different approach be taken. The organisations where this is suggested and the reason why are as follows:-
- **Farnborough and Cove War Memorial Trust** – 20% Discretionary Relief to be awarded for one year (2017/18) to allow for a wider review of financial support to be carried out.
 - **Places for People Leisure Ltd** – to defer the application for Discretionary Relief to allow a wider review of the financial support to this organisation to be carried out.
 - **Love of the Game (Aldershot FC)** – to defer the application for Discretionary Relief to allow for a wider review of financial support to be carried out.
 - **Boro FC (Farnborough FC)** - to defer the application for Discretionary Relief to allow for a wider review of financial support to be carried out.
- 4.10 **Non returned applications** - Appendix 3 shows those organisations that have not yet returned their application form. It is recommended that we remind these organisations again and should they subsequently apply for relief, the Portfolio Holder for Concessions and Community Support be delegated authority to decide upon the level of relief to be awarded; based on the principles that have been applied to other organisations within this report.

5 FINANCIAL IMPACT

- 5.1 Since 1st April 2013, the Business Rates Retention Scheme has introduced a fundamentally new set of arrangements for dealing with the cost of rates. The cost to the Council of granting any relief is most reliably estimated at being 40% of the value of relief granted. Although the total cost is ultimately determined by a range of factors, such as the Council's 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 Should the recommended relief be awarded to those organisations in Appendix 2, a total of £49,366.94 will be awarded. The financial effect on Rushmoor Borough Council would be £19,746.78.
- 5.3 Should all of the organisations in Appendix 3 apply for Discretionary Rate Relief and be awarded at the level previously awarded, this would mean an award of £17,302.33 with the financial effect on RBC being £6,920.89.

- 5.4 This would lead to a total award of £66,669.27, with the financial effect on RBC being £26,667.71. In the financial year 2016/17, the total Discretionary Relief awarded was £386,919.60 with the financial effect being £154,767.84. 2016/17 however, included awards for the four organisations referred to in paragraph 4.9, three of which are yet to be determined for 2017/18.

BACKGROUND DOCUMENTS:

1. Local Government Finance Act 1988, Section 47.
2. Non-Domestic Rating (Discretionary Relief) Regulations 1989 (SI 989 1059).
3. Dept of the Environment Practice Note – Non-Domestic Rates, discretionary rate relief, issued 1989.

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3.5 Guidance Note

3.5.1 *Introduction*

3.5.1.1 Billing Authorities ought to have readily understood policies for deciding whether or not to grant relief and for determining the amount of relief, and may wish to ensure that an appropriate committee or sub-committee has written into its terms of reference, the power to receive appeals against decisions.

3.5.1.2 An Authority should not however, adopt a policy or a rule which allows it to dispose of a case without any consideration of the merits of the individual case which is before it. The operation of blanket decisions to refuse relief across the board might well be ultra vires and could involve the Authority in litigation. That does not preclude it from having a general basis on which it approaches such cases and it is desirable that any criteria by which the individual case is judged should be made public to help interested individuals and bodies.

3.5.1.3 Although there is no statutory requirement for organisations to submit applications for relief, thus not precluding the Authority from taking an initiative to grant relief if it so wished, Authorities should encourage organisations to give details of all the matters they wish to be taken into account and to provide any other relevant information such as audited accounts, constitution, membership details etc., which will assist the Authority in considering the merits of each case.

3.5.1.4 Authorities should consider notifying organisations of the reasons why relief has not been granted so that the organisation can, if it wishes, take steps to conform with the criteria which the authority has adopted for the granting of relief.

3.5.2 *Suggested Criteria in Considering Applications for Relief*

3.5.2.1 The following are examples of the criteria which might be adopted to assist an Authority in deciding whether to grant relief and in determining the level of relief:-

a) *Access*

- Is membership open to all sections of the community? There may be legitimate restrictions placed on membership which relate, (for example, to ability in a sport or to the achievement of a standard in the field covered by the organisation or where the capacity of the facility is limited). Clubs or organisations should not be considered if they have membership rates set at such a high level as to exclude the general community.
- Does the organisation actively encourage membership from particular groups in the community, (for example, young people, women, older age groups, persons with a disability, ethnic minorities, etc.)? All organisations which encourage such membership might expect more sympathetic consideration than one which made no effort to attract members from groups which the Authority considered to be particularly deserving of support.
- Are the facilities made available to people other than members, (for example, schools, casual public sessions, etc.)? The wider use of facilities should be encouraged and Rate relief might be one form of recognition that an organisation was promoting its facilities more widely.

b) *Provision of facilities*

- Does the organisation provide training or education for its members? Are there schemes for particular groups to develop their skills, (for example, young people, the disabled, retired people)? An organisation providing such facilities might deserve more support than one which did not.

- Have the facilities available, been provided by self-help or grant aid? The fact that a club uses or used self-help for construction or maintenance or had facilities funded by grant aid might be an indicator that they were more deserving of relief.
- Does the organisation run a bar? The mere existence of a bar should not in itself be a reason for not granting relief. The Authority should look at the main purpose of the organisation. In sports clubs, the balance between playing and non-playing members might provide a useful guide as to whether the main purpose of the club is sporting or social activities. A social club whose main aim is to bring together people with similar interests should not be excluded from relief just because of the existence of a licensed bar.
- Does the organisation provide facilities which indirectly relieve the Authority of the need to do so, or enhance and supplement those which it does provide? Authorities should not refuse relief on the grounds that an organisation is in competition with the Authority itself, but should look at the broader context of the need of the community as a whole. Provision of facilities to meet a new need, not being provided by the Authority itself, but identified as a priority for action, might be particularly deserving of support.

c) *Other considerations*

- Is the organisation affiliated to local or national organisations, (for example, local sports or arts council, national representative bodies)? Are they actively involved in local/national development of their interests?
- Is the membership drawn from people mainly resident in the Billing Authority's boundary, a proportion of the membership may come from another Billing Authority area. Also, for geographical reasons, or because of the nature of the terrain, particular facilities may be the only ones available for a wider area. In such cases, the joint use of facilities by one or more similar organisations is not uncommon. In most cases, there will be a measure of reciprocity between the membership of organisations from different areas.

3.5.2.2 Authorities may wish to add further criteria or substitute relevant alternative criteria which are appropriate to the furthering of their policies and the needs of the community such as development programmes. They should also bear in mind the need to encourage new activities in the wide range of organisations for which relief from Rates is available.

4.0 Hardship Relief

4.1 *Determination of Relief*

4.1.1 A Billing Authority may:-

- a) Reduce any amount a person is liable to pay under **Section 43** (occupied hereditaments), or **Section 45** (unoccupied hereditaments) **Local Government Finance Act 1988**; or
- b) Remit payment of the whole of any amount a person would otherwise be liable to pay under **Sections 43 and 45 Local Government Finance Act 1988**¹².

4.1.2 A Billing Authority may not grant relief unless satisfied that:-

- a) The ratepayer would sustain hardship if the Authority did not do so; and
- b) It would be reasonable to do so, having regard to the interests of persons subject to its Community Charge/Council Tax¹³.

4.1.3 The term hardship is not confined to financial hardship. All circumstances should be considered in judging whether the payment of Rates will cause hardship. Furthermore, hardship need not be

