

## CABINET MEETING

<b>Date of Meeting</b>	Tuesday, 19 January 2016
<b>Report Subject</b>	Review of Discretionary Rate Relief
<b>Cabinet Member</b>	Cabinet Member for Corporate Management
<b>Report Author</b>	Chief Officer (Community and Enterprise)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

Although the Discretionary Rate Relief (DRR) scheme is approved annually by cabinet, the principles of who gets rate relief and at what level, has not been considered in detail since 2010.

There is a growing need to carry out a full review of DRR awards and the opportunity to review the current levels of rate relief could potentially provide efficiencies for the Council and help to bridge the budget gap from 2017-18 and beyond.

If cabinet approves this review, alternative DRR schemes will be explored during the early part of 2016-17 which can then be implemented from 2017-18.

### RECOMMENDATIONS

1	For cabinet to approve the review of DRR leading to the development of a new scheme which could be implemented from April 2017.
2	Approve the dispatch of letters in January 2016 to all business ratepayers currently in receipt of DRR. This provides ratepayers with the statutory 12 months lead in time to revoke the current scheme and the existing level of awards before changes to DRR levels are implemented in 2017-18.

## REPORT DETAILS

1.00	EXPLAINING MANDATORY AND DISCRETIONARY RATE RELIEF
1.01	For Mandatory Rate Relief, relief of 80% of the annual rates bill is discounted if a ratepayer is a registered charity or a Community Amateur Sports Club (CASC) and the premises are wholly or mainly used for charitable purposes. The cost of awarding Mandatory Relief is met entirely by the Welsh Government.
1.02	The current scheme also provides Discretionary Rate Relief (either as a 20% 'top-up' to 80% Mandatory awards or as straight Discretionary only awards) to 213 organisations. As a result, rate relief totalling £273,131 is awarded, the cost of which is split between the Council and Welsh Government. The Council picks up annual costs of £103,000 with the Welsh Government picking up the remaining contribution of £170,131.
1.03	For those organisations that are registered charities, additional Discretionary 'top-up' relief can be awarded up to the remaining 20% rate liability. The cost of funding 'top-up' relief is funded 75% by the Council and 25% by WG.
1.04	For Voluntary and Non Profit Making Organisations not registered with the Charity Commission, Discretionary only Relief can be awarded at levels up to 100%. The cost of awarding discretionary only relief is funded 10% by the Council and 90% by WG.
1.05	<p>In line with the existing policy of the Council, levels of rate relief are currently determined by the following categories:</p> <ul style="list-style-type: none"> <li>• Premises used by for charity purposes by organisations registered with the Charity Commission.</li> </ul> <p><i>(20% discretionary 'top-up' is awarded with the exception of CASC's or charity shops operated by national organisations who receive only the 80% Mandatory Relief element)</i></p> <p><b>154 organisations currently benefit from discretionary 'top-up' relief at a cost to the Council of £87,612</b></p> <ul style="list-style-type: none"> <li>• Premises occupied by community sporting clubs, societies or other organisations used for recreational, social welfare etc.</li> </ul> <p><i>(100% Discretionary Relief is awarded with the exception of voluntary golf clubs which are awarded 50% Discretionary Relief)</i></p> <p><b>59 organisations benefit from discretionary relief at a cost to the Council of £15,388</b></p>
1.06	There is a legal requirement for the Council to provide ratepayers with one full financial year's notice of an impending change to the scheme or a decision to end or vary the level of rate relief already in place.

1.07	If cabinet supports the review of the current scheme, it will be necessary to issue letters to all ratepayers in receipt of discretionary rate relief by no later than 31/3/2016. This would give a clear indication of the Council's plans to review the policy. It would also provide the necessary statutory notice to ratepayers and also provide sufficient time for new a scheme to be drafted up and approved during the early part of 2016-17 ready for implementation in 2017-18.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	To bridge the budget gap in 2017-18 and beyond, business planning proposals for the Community & Enterprise Portfolio reflect the growing need to review the existing DRR scheme and consider the implementation of a lower cost scheme from 2017-18.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None at this stage, although if cabinet agree to review DRR there will be a need to consult further when a new scheme is formulated.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The future implementation of a lower funded DRR scheme could potentially result in creating financial hardship for some of the organisations currently in receipt of 100% rate relief but who would might be expected to pay some rates in the future.
4.02	To mitigate risks around financial hardship, section 49 of the Local Government Finance Act, allows the Council to allow rate relief to relieve hardship to any business ratepayer. The conditions are: <ul style="list-style-type: none"> <li>○ The ratepayer would sustain hardship if the Council did not grant relief</li> <li>○ The award of Hardship Rate Relief would be reasonable having regard to the interests of Council Tax payers</li> <li>○ There is a requirement of businesses to satisfy the Council that it is not able to meet its net liability for business rates, usually as a result of insufficient income or bank balances, and that all reasonable steps have been taken to meet the rate liability. It is also important to determine whether enforced payment of the net liability would impact on the ability of the business to continue operating.</li> </ul>
4.03	If a ratepayer meets all three requirements and it is in the public interest to support the business, Hardship Rate Relief can be awarded – the cost of which is funded 75% by Welsh Government and 25% by the Council.
4.04	The review of DRR could also potentially impact on the development of existing and new Community Asset Transfers (CAT) as many of the

	groups who want to lease buildings or land from the County Council for community benefit, could be entitled to DRR at levels of up to 100% with the current DRR scheme.
4.05	If cabinet support the development of other DRR schemes that provide lower levels of rate relief from 2017-18, to mitigate risks and secure the financial viability of CAT'S, there may be a need to build into future CAT'S, additional short term funding to assist community groups with the cost of business rate bills.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Local Government Finance Act 1988 (sections 43 and 47) Hardship Rate Relief (section 49)  <b>Contact Office: David Barnes, Revenues Manager</b> <b>Telephone: 01352 703652</b> <b>E-mail: <a href="mailto:david.barnes@flintshire.gov.uk">david.barnes@flintshire.gov.uk</a></b>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Mandatory Rate Relief:</b> Where a business property is occupied by a charity or a Community Amateur Sports Organisation and the property is put to use 'wholly or mainly' for charitable purposes, there is an automatic entitlement to a 80% reduction in the rate bill, the cost of which is picked up by Welsh Government.
7.02	<b>Discretionary Rate Relief:</b> Voluntary Groups and 'Not for profit' organisations which are not registered charities are not eligible to receive Mandatory Rate Relief, but they are eligible to receive discretionary rate relief up to 100% (either as a 'top-up' to Mandatory Rate Relief or as an award in its own right based on the policy of a local authority).  To be entitled to Discretionary Rate Relief, organisations must satisfy certain rules and conditions where the premises are occupied and put to use for charitable or otherwise for used for philanthropic, religious, education, social welfare, science, literature, the arts or recreational purposes
7.03	<b>Hardship Rate Relief:</b> The Council, at its discretion, can sometimes award rate relief up to 100% to business ratepayers in exceptional circumstances who are experiencing hardship and it is reasonable for the Council to grant some relief having regard to the interests of local taxpayers who partly fund Hardship awards.

7.04	<b>Community Asset Transfers:</b> At its simplest level, a community asset transfer is a change in management and/or ownership of land or buildings from local authorities to communities (usually to community and voluntary sector groups or community enterprises)
7.05	<b>Community Amateur Sports Club:</b> The Community Amateur Sports Club (CASC) scheme was introduced by HMRC (HM Revenue and Customs) as an option for sports clubs to register with HMRC to receive 'charity type' tax reliefs providing that the club meets certain qualifying conditions. The scheme generally requires less regulation than if a sports club registers as a charity. Organisations that have CASC status with HMRC automatically receive 80% Mandatory Rate Relief for business rates.