

CABINET

Date of Meeting	Tuesday, 16 February 2016
Report Subject	Council Tax & Business Rate Statutory Policies 2016-17
Cabinet Member	Cabinet Member for Corporate Management
Report Author	Chief Officer (Community & Enterprise)
Type of Report	Operational

EXECUTIVE SUMMARY

Each year there is a need to approve several policies for the administration of Council Tax and Business Rates, these are:

- Council Tax Discounts on second and long term empty homes
- Council Tax Discretionary Discounts
- Business Rates Discretionary Rate Relief
- Business Rates 'top-up' Discretionary Rate Reliefs to small businesses

The adoption of these policies for 2016-17, is part of the Council Tax setting process for 2016-17 and the circumstances where the Council will award local taxation discounts and/or reliefs to ensure council tax and business rate bills are calculated correctly.

RECOMMENDATIONS

1	Continue with the current policy of not awarding Council Tax discounts on second and long term empty homes in 2016-17.
2	Continue with the current policy to consider Discretionary Council Tax discounts only in cases of civil emergencies and natural disasters.
3	Approve the Discretionary Business Rate Relief Policy for 2016-17.
4	Continue with the current policy in 2016-17 of not awarding 'top-up' Discretionary Discounts to businesses already qualifying for Small Business Rate Relief.

REPORT DETAILS

1.00	EXPLAINING THE COUNCIL TAX & BUSINESS RATE STATUTORY POLICIES 2016 – 17
1.01	<p><u>COUNCIL TAX ON SECOND AND LONG TERM EMPTY HOMES</u></p> <p>The Council has long had a policy of not awarding Council Tax discounts to second/holiday homes (defined as Prescribed Classes A and B) and long term empty properties (Prescribed Class C). These are defined by Regulations as:</p> <ul style="list-style-type: none">• Class A – A property which is unoccupied and furnished but where occupation is prohibited by law for over 28 days each year• Class B – A property which is unoccupied and furnished and where occupation is not prohibited by law• Class C – A property which is unoccupied and substantially unfurnished beyond the normal exemption period (usually after 6 months)
1.02	<p>The policy applies to the whole County and the decision not to award discounts for any of the Prescribed Classes is also reflected in the 2016-17 Tax Base calculations.</p>
1.03	<p>The adoption of a policy in 2016-17 of not awarding discounts to second and long term empty homes is consistent with nearly all other Welsh Councils and especially in view of the recent introduction of the Housing Act 2014 which will also provide an opportunity from April 2017 to charge a council tax premium of up to 100% on these type of properties in order to bring these properties back into use.</p>
1.04	<p>A separate report to introduce council tax premiums on second and long term empty homes from 2017-18 will be considered by cabinet and then full Council in March 2016.</p>
1.05	<p><u>COUNCIL TAX DISCRETIONARY DISCOUNTS</u></p> <p>Section 13a of the Local Government Finance Act allows the Council to use discretionary powers to reduce the amount of Council Tax payable, effectively granting a local Council Tax Discretionary Discount.</p>
1.06	<p>If the Council exercises this power it must act with regard to all relevant considerations and the interests of taxpayers as the full cost of awarding a Discretionary Discount would, in effect, be financed by other Council Tax payers.</p>
1.07	<p>The current policy together with the recommended policy for 2016-17 is for the Chief Officer – Community & Enterprise and Cabinet Member for Corporate Management to consider Discretionary Discounts through the use of delegated powers only in cases of civil emergencies or natural disasters.</p>

1.08	<p><u>BUSINESS RATES – DISCRETIONARY RELIEF FOR CHARITABLE, VOLUNTARY AND NOT FOR PROFIT ORGANISATIONS</u></p> <p>Discretionary Rate Relief for Charitable, Voluntary and ‘Not for Profits’ organisations is currently awarded on a continual basis, subject to a minimum of 12 months and one full financial year notice if any ratepayer is impacted by a change in policy. In other words, if notice of a change is not given by 31st March, relief would continue at the same level for a further two years.</p>
1.09	<p>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. Cabinet has already agreed to undertake a review of DRR to provide efficiencies for the Council and help bridge the budget gap from 2017-18 and beyond.</p>
1.10	<p>Notwithstanding this, until any new DRR scheme can be introduced from 2017-18, the recommended policy for 2016-17 will provide the same level of rate relief to the same organisations as in 2015-16.</p>
1.11	<p>The policy for 2016-17 is strengthened to effectively deal with the emergence of new organisations that are structured and set-up as ‘not for profit’. The policy introduces more clarity around qualification rules for Community Interest Companies and Social Enterprises to demonstrate they exist as ‘not for profits’ where the premises are used for charitable, philanthropic or religious purposes, or concerned with recreation, education, social welfare, science, literature or the fine arts.</p> <p>The recommended policy for 2016-17 is determined as:</p> <ul style="list-style-type: none"> • Premises used ‘wholly or mainly’ for charitable purposes by organisations registered with the Charity Commission (<i>20% discretionary ‘top-up’ relief is awarded, with the exception of Charity Shops operated by national organisations, who receive the 80% Mandatory Relief element only</i>) • Premises used ‘wholly or mainly’ by ‘not for profits’ organisations and who share the same characteristics as those organisations that are registered charities. This category consists of Community Centres, Village Institutes and Halls, other than those operated by Precepting Bodies (<i>20% ‘top-up’ relief is awarded</i>) • Premises occupied ‘wholly or mainly’ by sporting clubs societies or other ‘not for profit’ Community Interest Companies or Registered Social Enterprises and used for the sole purpose charitable, philanthropic or religious purposes, or concerned with recreation, education, social welfare, science, literature or the fine arts (<i>100% Discretionary Relief is awarded with the exception of golf clubs who are usually awarded 50% Discretionary Relief</i>)
1.12	<p>Not for profit’ organisations will be considered as those not conducted or maintained for the purpose of making a profit and whose surpluses are used to further achieve their aims and objectives rather than distribute income to the organisations shareholders. For easy understanding these will typically be member or community serving organisations.</p>

1.13	<p>The key test to establish 'not for profits' will centre around whether they are genuinely run as 'not for profit', To aid decision making considerations will be made around:</p> <ul style="list-style-type: none"> • Assessing the memorandum and articles of association to determine the type of organisation, and that it is not for profit and/or for a social purpose associated with charitable, philanthropic or religious purposes, or concerned with recreation, education, social welfare, science, literature or the fine arts - ensuring these elements are built into this document with clarity and what happens to any traded surpluses • Consideration of the initial business plan and audited accounts to check whether traded surpluses are re-invested each year for advancement of their mission and social purpose. • Assessing on an annual basis, submitted audited accounts and any revisions to the memorandum and articles of association to ensure the application of surpluses are as detailed in their memorandum and articles and to monitor/prevent building up of excessive reserves.
1.14	<p><u>BUSINESS RATES – DISCRETIONARY RATE RELIEF FOR ALL OTHER BUSINESSES</u></p> <p>The Council can also provide discretionary relief in any circumstances in line with the Localism Act 2011. This is subject to the condition that, except in the limited circumstances specified, the Council may only grant relief if it would be reasonable to do so having full regard to the interests of council tax payers who would ultimately finance the full cost of providing rate relief in these circumstances.</p>
1.15	<p>The proposed policy in 2016-17 is for the Chief Officer – Community & Enterprise and Cabinet Member for Corporate Management consider any applications received for discretionary discounts falling outside the scope of the policy in section 1.03 to be considered on their own merits using the following criteria:</p> <ul style="list-style-type: none"> • Requests for reductions will be required in writing with a full business case and documentary evidence in support of the need for relief • The Council's finances allow for a reduction to be made • It must be in the interests of Council Tax payers and the wider public interest to grant a reduction • All other eligible discounts/reliefs have been considered prior to seeking discretionary rate relief
1.16	<p><u>BUSINESS RATES – DISCRETIONARY RELIEF FOR SMALL BUSINESSES</u></p> <p>Welsh Government provide Small Business Rate (SBR) Relief to most businesses with a rateable value of £12,000 or less, financed by Welsh Government. The Welsh Government SBR scheme also contains provision for local authorities to award discretionary 'top-up' relief to small businesses not qualifying for 100% SBR reductions, although the cost of</p>

	providing 'top-up' awards to small businesses is financed completely by the Council.
1.17	The proposed policy in 2016-17 is not to award additional discretionary 'top-up' relief to small businesses already qualifying for partial SBR.

2.00	RESOURCE IMPLICATIONS
2.01	On the basis of a continuation of all existing policies as set out in this report, costs can be met from within existing budget provisions during 2016-17 for the awarding of Discretionary Rate Relief to Charities, Voluntary and 'Not for Profit' organisations.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	A referral to Community & Enterprise Overview & Scrutiny Committee will review the policies as set out in this report with feedback being considered by cabinet prior to final approval of the report.

4.00	RISK MANAGEMENT
4.01	The approval of these policies, prior to the commencement of the next Council Tax and Business Rate billing period starting on 1 st April 2016, will ensure that all statutory policies are in place to deal with applications for reliefs and discounts. Furthermore, residents will also have knowledge of the Council's approach to charging Council Tax on second and long term empty homes during 2016-17.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Local Government Finance Act 1988 – section 47 • Local Government Finance Act 1992 – section 12 • Non Domestic Rating (Discretionary Relief) Regulations 1989 Localism Act 2011 – section 69 <p>Contact Officer: David Barnes Job Title: Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

7.00**GLOSSARY OF TERMS**

7.01

Mandatory Rate Relief: 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.

Discretionary Rate Relief: 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.

Council Tax second homes: are defined as domestic properties appearing in the Council Tax Valuation List which are not a person's sole or main residence and which are substantially furnished, although they might sometimes be occupied periodically.

Council Tax long term empty homes (LTE'S): are defined as a domestic properties appearing in the Council Tax Valuation List but which is both un-occupied and substantially unfurnished for a period of usually 6 months or more.

Rateable Value: is a monetary value on the likely letting price assigned to commercial buildings based on the size, location and other factors used to determine the rates payable by the person responsible for payment of business rates on each commercial property appearing in the Rating List. All Rateable values are calculated by the Valuation Office Agency which is an executive arm of HMRC (HM Revenue & Customs).

Small Business Rate Relief: is a Welsh Government funded scheme that has been extended to 31st March 2017 to provide rate relief on a sliding scale to most small businesses operating from commercial premises with a rateable value of £12,000 or less. Properties with a rateable value of £6,000 or less are eligible for 100% rate relief. This means that businesses won't pay business rates on those properties. The rate of relief decreases from 100% to 0% for properties with a rateable between £6,001 and £12,000.

Tax Base: is a measure of the Council's Council Tax 'taxable capacity' taking into account the number of chargeable properties and the number of exemptions and discounts.