

CABINET

Date of Meeting	Tuesday 19 th July, 2016
Report Subject	Discretionary Rate Relief Policy
Cabinet Member	Cabinet Member for Corporate Management
Report Author	Chief Officer (Community & Enterprise)
Type of Report	Strategic

EXECUTIVE SUMMARY

The Local Government Finance Act 1988 prescribes a Business Rates scheme of Mandatory and Discretionary Reliefs for charities, voluntary and not for profits organisations.

Cabinet endorsed the review of Discretionary Rate Relief and this report now sets out, in an appended policy framework (Appendix 1), the criteria for determining applications for Discretionary Rate Relief from 2017-18 and beyond. The policy framework also encompasses other limited circumstances where the Council can award Discretionary Rate to other commercial businesses.

The recommendations contained within the new policy framework focus on ceasing Discretionary 'top-ups' to those organisations that already benefit from 80% Mandatory Rate Relief and reducing all other the Discretionary awards to Voluntary and Not for Profits organisations to a maximum Discretionary award of 80% from 2017-18. This means that all organisations are expected to make a 20% payment contribution towards business rates in order for the Council to bridge future funding gaps in central government funding.

The introduction of a new policy framework from 2017-18 will help the Council to reduce financial expenditure for Discretionary Rate Relief and mitigate towards future budget gaps as a result of reduced central government funding.

RECOMMENDATIONS

1	Adopt the new framework as set out, ceasing Discretionary 'top-ups' to those organisations that already benefit from 80% Mandatory Rate Relief and reducing all other the Discretionary awards to Voluntary and Not for Profits organisations to a maximum Discretionary award of 80% from 2017-18.
---	---

REPORT DETAILS

1.00	EXPLAINING THE POLICY FRAMEWORK FOR MANDATORY AND DISCRETIONARY 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 Rate Relief is funded entirely by Welsh Government (WG)
1.02	The scheme also enables the Council to award Discretionary Rate Relief, either as a 'top-up' to Mandatory Rate Relief or as a Discretionary only award to voluntary and not for profits organisations.
1.03	Although WG guidance confirms that applications must be considered on their own merits, in the interests of transparency and consistency, it is also common for Council's to publish broad guidelines under which applications may be determined.
1.04	The current scheme provides very generous awards whereby the Council provides a 20% Discretionary 'top-up' to all organisations that already benefit from 80% Mandatory Rate Relief (apart from national charity shops). For voluntary and not for profits organisations that do not qualify for Mandatory Rate Relief, 100% Discretionary Rate Relief is awarded (apart from golf clubs who receive 50%).
1.05	Organisations that benefit from Discretionary Rate Relief can include non-profit making bodies whose main aims are, for instance, charitable, philanthropic, religious, education, social welfare, science, literature, the arts or recreational purposes.
1.06	For those organisations that already benefit from 80% Mandatory Rate Relief, the cost of funding the 20% top-up' Discretionary Relief is funded 75% by the Council and 25% by WG. During 2016-17 the cost to the Council of awarding 'top-up' relief to 149 organisations is approximately £91,000.
1.07	The cost of funding all other Discretionary Reliefs to voluntary and not for profits organisations is funded 10% by the Council and 90% by WG and during 2016-17 the cost to the Council of awarding Discretionary only relief to 60 organisations is approximately £17,000.
1.08	Cabinet on 19/1/2016 approved the review of the current Discretionary scheme, which comes at a cost to the Council of £108,000, and agreed to adopt a revised scheme from 2017-18 that provides efficiencies for the Council that helps to bridge the projected budget gap from 2017-18 and beyond, but crucially continues to provide financial support through Discretionary Rate Relief.
1.09	The Council recognises the important role that all Charities, Voluntary Groups and Not For Profits play in the communities they serve and the

	development of a lower funded scheme is essential to strike the right balance with continuing to offer generous levels of rate relief but one which helps the Council to bridge future funding gaps.
1.10	To ensure the long term sustainability of the Charitable and Voluntary sectors, the separate introduction of a framework policy to effectively deal with any Hardship cases will also provide a 'safety net' in appropriate cases.
1.11	<p>The revised policy framework is required to achieve the savings as set out in Council plans. In summary this will provide discretionary rate relief from 2017-18 and beyond on the following basis:</p> <ul style="list-style-type: none"> a) Charitable Organisations entitled to 80% Mandatory Relief – No Discretionary 'top-up' provided b) Voluntary and Not-for-profits Organisations whose aims and purpose are philanthropic, religious, education, social welfare, science, literature, the arts or recreational purposes where the services they provide are mainly provided to local Flintshire residents 80% Discretionary Rate Relief provided, with the exception of golf clubs who will be awarded 40%.
1.12	The policy framework that is recommended for approval will ensure that all Charitable, Voluntary and Not-for-profit organisations (with the exception of golf clubs) will receive rate relief at 80% funded either through Mandatory or Discretionary Relief, meaning that most organisations are expected to make a 20% payment contribution towards business rates in order for the Council to bridge future funding gaps in central government funding.

2.00	RESOURCE IMPLICATIONS
2.01	As a result of the removal of Discretionary 'top-up' relief and the scaling back of all other Discretionary Rate Relief, the projected future cost of Discretionary Rate Relief will be £14,175 against an existing budget provision of approximately £116,000. This will deliver efficiencies of approximately £102,000, as earmarked in the Business Plans for the Community & Enterprise portfolio for 2016-17. This will also help the Council to bridge the projected budget gaps in future years as part of the Medium Term Finance Strategy (MTFS).
2.02	To provide additional mitigation against financial hardship for those organisations that currently benefit from 100% rate relief, setting aside a an annual contingency fund of £15,000 from the efficiency savings to support potential Hardship applications, will still allow the Council to provide emergency rate relief of up to £60,000 per annum, on the basis that the Council funds 25% towards the cost of Hardship Rate Relief.
2.03	After taking into account the Hardship contingency, net savings of £87,000 per annum will be achieved.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	To establish constructive feedback, the introduction of a revised policy framework for Discretionary Rate Relief awards will be referred to the Community & Enterprise Overview & Scrutiny Committee.

4.00	RISK MANAGEMENT
4.01	The implementation of this policy framework could potentially create financial hardship for some of the organisations currently in receipt of 100% rate relief but from 2016-17 will receive rate relief capped at 80%, and who would be expected to make a 20% payment contribution.
4.02	To mitigate against hardship, the introduction of a separate policy framework on Hardship Rate Relief, will provide clearer guidance to ratepayers about the circumstances where the Council might allow rate relief to any business ratepayer suffering hardship.

5.00	APPENDICES
5.01	Appendix 1 to this report sets out the new framework for Discretionary Rate Relief so that determinations can be made on a consistent and reasonable basis.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Local Government Finance Act 1988 (sections 43 and 47) Contact Officer: David Barnes Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk

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.
7.02	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.
7.03	Hardship Rate Relief: 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	MTFS forecasts the resources the Council is likely to have over the next three years and importantly also sets out the plans and solutions for managing with reducing resources over this three year period.
7.05	Community Amateur Sports Club: 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.