

## REPORT TO THE EXECUTIVE

Report No. 10

Date of Meeting	8 <sup>th</sup> February 2007
Title of Report	Business Rate Relief
Portfolio	Carol O’Gorman - Budget
Link to Corporate Priorities	Buoyant Economy
Key Decision	Yes
Executive Workplan Ref	N/A
Public Report	Yes

### Summary of Report

For members to review and determine the policy and procedure for awarding discretionary business rate relief.

### Officer Recommendations

See overleaf.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	Yes	Yes	None

<b>Contact Officer</b>	Paul Southway; Recovery Team Leader; 01249 706227; psouthway@northwilts.gov.uk
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## **Officer Recommendations**

1. That any policy and procedure changes identified as a result of this report are introduced from 1<sup>st</sup> April 2007.
2. That the options set out in the table in Para 2.1 below are considered, with decisions made on the following:-
  - a. Responsibility and guidelines to approve all relief types. It is recommended that the scheme of delegation to officers be amended to reflect the table set out in Column 2 of Para 2.1, in accordance with the rules and guidelines shown in column 5.
  - b. The percentage of Discretionary Relief awarded to the various categories identified ie. Sport, education, village hall etc. The following is recommended:
    - Arts 80% (No saving)
    - Education 80% (No saving)
    - Social Clubs 50% (saving £4,562)
    - Sports Clubs 0% (saving £16,326 - should apply for CASC status, see para 10 below)
    - Village Halls 0% (saving £604 (should apply for charitable status, see para 3.9 below, or obtain 50% Small Business Rate relief, see para 9 below)
    - Youth Club 80% (No saving)
  - c. It is recommended that the 20% Top-up Discretionary Relief should continue to apply to Council Voluntary Service and be awarded to the Citizens Advice Bureau (additional cost for CAB £1,728). Any other organisation should make an application and the decision will be taken on its merits.
  - d. It is recommended that the 100% Rural Relief should continue to apply to village shops and post offices, rather than 50%.
3. That the Rural Settlement List (appendix1) is considered and approved.

## 1. Introduction

- 1.1 There are various types of Business Rate Relief. This includes Charitable Rate Relief (Mandatory and Discretionary), Rural Rate Relief (Mandatory and Discretionary), Hardship Relief (Discretionary) and the new Small Business Rate Relief (Mandatory)
- 1.2 The policy and procedure for dealing with applications for relief has not been reviewed for some time. A cost saving of £20,000 has been identified as part of the budget exercise to cut costs, by reducing the amount of relief awarded.

## 2. Options

- 2.1 The table below shows each relief type and consideration should be given to who should determine rate relief, the percentage that should be awarded and what cost falls on the council, as well as the guidelines or rules for awarding relief.

Type of Relief	Approved by	% Awarded	% Cost to NWDC	Rules/guidelines to determine
Mandatory (Charity)	Revenues Team Leader	80%	0%	Application & check charity commission website
Mandatory (CASC)	Revenues Team Leader	80%	0%	Application & check charity commission website
Mandatory (Rural Relief)	Revenues Team Leader	50%	0%	Application & check to ensure only business within rural settlement area
Small Business	Revenues Team Leader	50% (sliding scale based on RV)	0%	Application & check of rating system and directory enquiries
Mandatory Top-Up (Charity)	Section 151 Officer & Revenues Team Leader (by executive decision if req)	0% or 20%	75%	<p>Application, rules of association &amp; accounts.</p> <p>No additional entitlement to schools, sports clubs, youth clubs, village halls, housing associations, museums, social clubs, religious groups and charity shops. Others considered on their merits.</p> <p>Continue to award 20% relief to the Council Voluntary Service &amp; award 20% relief to CAB or others in list, especially for social welfare (see appendix 2) ?</p>

<b>Type of Relief</b>	<b>Approved by</b>	<b>% Awarded</b>	<b>% Cost to NWDC</b>	<b>Rules/guidelines to determine</b>
Mandatory Top-Up (CASC)	Section 151 Officer & Revenues Team Leader	0% or 20%	75%	Application, rules of association & accounts.  Usually no additional entitlement.
Mandatory Top-Up (Rural)	Section 151 Officer & Revenues Team Leader	0% or 50%	25%	Application & accounts  Additional 50% awarded to Post Offices, General Stores. Food Stores, Pubs and Petrol Stations considered on their merits.
Discretionary (Non-Profit Making)	Section 151 Officer & Revenues Team Leader (by executive decision if req)	0%, 50% or 80% or other ?	25%	Application, rules of association & accounts.  Considered on merits – value to local community and other considerations shown below (see para 4.2.)  No relief to sports clubs who are not CASC registered (see para 10). A number of these will also qualify for 50% Small Business Relief ?  No relief to village halls who can apply to become a registered charity or obtain 50% Small Business Relief ?  50% relief only to social clubs who may also be able to apply for charitable status ?
Discretionary (Rural Relief)	Lead Member, Section 151 Officer & Revenues TL	50%, 80% or other ?	25%	Application & accounts  Considered on merits – value to local community.
Discretionary (Hardship)	Lead Member, Section 151 Officer & Revenues TL	50%, 80% or other ?	25%	Application & accounts  Considered on merits – value to local community.

**3. Charity Relief – Mandatory & Discretionary (Non-Profit Making)  
(See appendix 2 & 3 for a list of cases)**

- 3.1 All registered charities or community amateur sports clubs receive 80% Mandatory Rate Relief providing the property is wholly or mainly used for charitable purposes. Applications for Mandatory Relief are currently determined by the Revenues Team Leader, with checks being made against the Charity Commission website.
- 3.2 The Council also has the discretion to grant Discretionary Relief up to 100% in certain cases, including 'topping up' relief where an organisation has been given the 80% Mandatory element.
- 3.3 In order for Discretionary Relief to be applied one or more of the following conditions must be satisfied :-
- (i) The ratepayer is a charity or trustees for a charity and the property is wholly or mainly used for charitable purposes.
  - (ii) The property is occupied by an organisation which is not established or conducted for profit and whose main objectives are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts.
  - (iii) The property is wholly or mainly used for the purposes of recreation, and all or part of it is occupied for the purposes of a club, society or other organisation not established or conducted for profit.
- 3.4 Discretionary Relief cannot be granted if all or part of the property is occupied by a charging or precepting authority.
- 3.5 At present determination of applications rests with the Section 151 Officer in consultation with the Revenues Team Leader. Whilst each case is taken on its merits, the Council have previously decided that if Discretionary Relief is awarded it will be at the rate of 80%, which will bring it in line with the Mandatory Relief for charities.
- 3.6 It has also long been the Council's decision that Discretionary Top-Up Relief would not be awarded to an organisation who is receiving 80% Mandatory Relief. Also, for this reason, the maximum amount of Discretionary Relief has been set at the rate of 80%. However, Members need to be aware that this could be viewed to be a blanket decision. There is currently only one organisation where the 20% top-up relief has been approved by Executive. That is the Council Voluntary Service.
- 3.7 25% of Discretionary Relief awarded will fall to be met by the Council. 75% of Discretionary Top-Up Relief awarded will fall to be met by the Council.
- 3.8 An application form is required for all Discretionary Relief cases and a copy of the memorandum and articles of association, or rules of the association, together with copies of audited accounts for the last two years are requested.
- 3.9 Should Discretionary Relief be removed for certain organisations, it may be possible for them to make an application for charitable status and receive 80% Mandatory Relief. Certain social clubs and village halls are already registered charities. If they do not go down this route, they could still receive 50% Small Business Rate Relief if their rateable value is less than £5,000.

3.10 An application has recently been received from the Citizens Advice Bureau to obtain the additional 20% top-up discretionary relief. They currently receive the 80% Mandatory element as a registered charity, £9,214 as well core funding of £122,400 through a service level agreement.

#### **4 OPSI Suggested Criteria**

4.1 There is no formal procedure laid down in the regulations governing application for relief. Each authority should establish its own rules or criteria for deciding whether or not to grant relief. It is suggested that each case should be looked at on its own merits.

4.2 The following are examples of the criteria which has been suggested to assist authorities whether to grant relief:

- (i) **Access** - Is membership open to all sections of the community ? There may be legitimate restrictions placed on membership. However, clubs or organisations should not be considered if they have membership rates set at such a high level as to exclude the general community.
- (ii) **Provision of facilities** - Self-help for construction or maintenance may be a useful indication of being deserving for relief, as is the past application of grant aid. Another useful indicator is if the provision of facilities saves the authority from having to provide them, or at least compliments or supplements those provided.
- (iii) **Other Considerations** - Whether the catchment area for the organisation's membership is predominantly in the charging authority's area, and whether they are actively involved in national or local development of their interests by being affiliated to local or national organisation.

#### **5. Mandatory Rural Rate Relief (See appendix 4 for a list of cases)**

5.1 Rural Rate Relief awards 50% Mandatory Relief to sole village shops, post offices and food shops that have a rateable value of £7,000 or less and is situated within a rural settlement defined by the Council.

5.2 Also village pubs and petrol stations qualify for 50% Mandatory Relief providing they are the only one in the rural settlement and they have a rateable value of £10,500 or less.

#### **6 Discretionary Rural Rate Relief**

6.1 The Council has powers to top up the Mandatory Relief to 100%. It may also award 100% Discretionary Rural Rate Relief to any other business within a rural settlement, that has a rateable value of £14,000 or less and is of value to the local community.

6.2 25% of any additional relief awarded will fall to be met by the Council.

6.3 Executive agreed in January 2001 to award top up relief of 100%, from 1<sup>st</sup> April 2001 to all village shops and post offices that qualify for 50% Mandatory Relief.

- 6.4 Other rural businesses that may qualify for Discretionary Rural Rate Relief are required to complete a new application form each financial year and supply up to date trading accounts. Decisions are currently taken by the Lead Member in consultation with the Section 151 Officer and the Revenues Team Leader.
- 6.5 All applications are considered on their merits and it is for the applicant to demonstrate financial difficulties and the value to the local community of the services they provide.
- 6.6 At the present time the Council awards 80% relief which is in line with the amount of relief awarded to registered charities and non-profit making organisations.

## **7. Rural Settlement List**

**(See appendix 1 for rural areas)**

- 7.1 Billing authorities are required to compile and maintain a list known as a "Rural Settlement List", which has effect for each chargeable financial year, comprising of :
- settlements which are wholly or partly within an authority's area.
  - appear to the authority to have had a population of not more than 3,000 on 31st December before the beginning of the chargeable financial year in question
- AND
- in that financial year, are wholly or partly within an area designated by the Secretary of State.
- 7.2 A Rural Settlement List must identify the boundaries of each settlement (whether by defining the boundaries or referring to boundaries defined in a map or other document).
- 7.3 The suggested Rural Settlement List for 2007/08 is shown in appendix 1. The list identifies all of the rural areas where there is a post office, shop, pub or petrol station.

## **8. Hardship Relief**

- 8.1 Should a business not fall within a rural settlement or their rateable value is over £14,000 they may still apply for Discretionary Relief on the grounds of hardship. The only criteria specified in legislation is that the ratepayer would sustain hardship if the authority did not award relief and it is reasonable for the authority to do so having regard to the persons subject to payment of Council Tax, who the cost would fall upon.
- 8.2 Decisions in respect of these cases are also taken by the Lead Member in consultation with the Section 151 Officer and the Revenues Team Leader. Again 80% relief is awarded to successful applicants with 25% of the amount given being met by the Council.
- 8.3 Few businesses have applied for Hardship Relief since the introduction of Rural Rate Relief and Small Business Rate Relief. There are currently no businesses in the district receiving Hardship Relief.

## **9. Small Business Rate Relief**

- 9.1 This is available at 50% for any ratepayers occupying single properties with a Rateable Value up to £5,000, with relief declining in percentage terms on a sliding scale until it is 0% at £10,000.
- 9.2 The relief is only available to ratepayers with either one property, or one main property and other additional properties providing those additional properties have rateable values of less than £2,200.
- 9.3 Application forms are received and determined by the Revenues Team Leader. Checks are made on the rating system and directory enquires to establish that it is the sole business premises.

## **10. Community Amateur Sports Clubs (CASC)**

- 10.1 Since the 1<sup>st</sup> April 2005 clubs registered as CASC's are entitled to 80% Mandatory Relief. This means that no cost will fall on the Council. At present the Council award 80% Discretionary Relief to a number of Sports Clubs (see appendix 3) with 25% of the cost having to be met.
- 10.2 There were only three sports clubs who were identified as being a registered CASC. Calne Recreation Club, North Wilts Indoor Bowls Club and Wootton Bassett Rugby Club have been transferred to Mandatory Relief.
- 10.3 Should Discretionary Relief be removed, it will be necessary for the clubs to apply for CASC status and receive 80% Mandatory Relief. If they do not qualify, they could still receive Small Business Rate Relief if their rateable value is less than £10,000.
- 10.4 In order to apply for CASC registration you are required to send your application to HM Revenue and Customs Sports Club Unit.
- 10.5 To be eligible to register for a CASC the club must have a formal constitution (eg memorandum and articles of association, club rules etc) and its own membership. The club must also meet the following conditions:
- i. be open to the whole community
  - ii. be organised on an amateur basis
  - iii. have as its main purpose the provision of facilities for and promotion of participation in eligible sports
- 10.6 The club must not discriminate on grounds of ethnicity, nationality, sexual orientation, religion or beliefs. The level of fees set should not be non-discriminatory and an obstacle to membership or use of facilities by most members of the district. Although clubs whose activities are by their nature expensive to take part in, may still be able to qualify for CASC status if they can demonstrate that they encourage participation by providing facilities at reasonable rates.
- 10.7 A club is regarded as being organised on an amateur basis if it is non-profit making and offers the ordinary benefits below:-
- i. Provision of sporting facilities



- ii. Provision and maintenance of equipment
- iii. Provision of suitably qualified coaches
- iv. Provision for the cost of coaching courses
- v. Provision for insurance cover
- vi. Reimbursement of reasonable travel expenses
- vii. Provision of post match refreshments
- viii. Sale or supply of food or drink on a social basis

10.8 Members cannot be paid simply to participate in your club's sport. However, paying members for other services or duties involved in the promotion of sporting participation is allowed (eg coach or groundsman)

## 11 Community and Environmental Implications

11.1 Discretionary Rate Relief provided by the Council could make a significant contribution to ensure that an organisation continues. Before awarding relief the Council should consider the value that it has on the local community.

## 12 Human Resource Implications

12.1 It is reasonably straightforward to amend the revenues system to reduce the discount award at the time the new financial year bills are issued. There will be no additional resource required.

12.2 It will be necessary, however, to write to customers advising them of any change prior to issuing the bills.

## 13 Financial Implications

13.1 The non-domestic rates collected by Billing Authorities are paid into a central pool before being redistributed.

13.2 Any Mandatory Relief will be met from the central Non-Domestic Pool and no cost will fall on the Council. For Discretionary Relief paid, 75% of any relief granted will be met by the pool, the other 25% being met by the Council. Except for Discretionary Relief awarded to registered charities, where 75% of the additional cost is met by the Council.

13.3 A saving of £26,458 for 2006/07 has already been made from this exercise by identifying organisations who are now classed as registered charities and entitled to 80% Mandatory Relief.

13.4 The overall saving for 2007/08 if the officer recommendations shown above are agreed will be a further £19,764. This is made up as follows:

<b><u>DISCRETIONARY RELIEF</u></b>		<b>Proposal</b>	
<b><u>FINANCIAL IMPLICATIONS</u></b>			
Citizens Advice Bureau	Top-Up Relief	+20%	(1,728)
		<b>Costs</b>	<b>(1,728)</b>
<b>Removal of discretionary relief</b>			

Sports Clubs	16,326
Social Clubs	4,562
Village Halls	604
	<b>Saving 21,492</b>
	<b>Net saving 19,764</b>
<b>Additional savings already made from review of discretionary relief;</b>	
Westlea Housing Association	23,247
North Wilts Bowls Club	2,822
Wootton Bassett RFC	390
	<b>Saving 26,458</b>
<b>Total (Net) Savings for 2007/8</b>	<b>46,222</b>
(calculated @ 2006/7 rates)	

- 13.5 Awarding 20% top-up relief to the Citizens Advice Bureau would provide them with £2,304 additional funding. Of this £1,728 would fall to be met by the Council.
- 13.6 Awarding 20% top-up relief to all organisations within the social welfare category would cost the council an additional £16,597.
- 13.7 Removing the Discretionary Relief for all sports clubs would save the Council £16,326. Reducing the discount award for sports clubs to 50% would save £6,122.
- 13.8 Removing the Discretionary Relief for all social clubs would save the Council £12,167. Reducing the discount award for social clubs to 50% would save £4,562.
- 13.9 Removing the Discretionary Relief for all village halls would save the Council £604. Reducing the discount award for village halls to 50% would save £226.
- 13.10 Reducing all Discretionary Relief cases to 50% from 80% would save £11,985.
- 13.11 Removing the Discretionary Rural Relief for all post offices and village shops would save the council £3,359.

## 14 Risk Analysis

- 14.1 Reducing or removing the discount may cause an organisation financial difficulties.

<b>Appendices:</b>	<ol style="list-style-type: none"> <li>1. Rural Settlement List</li> <li>2. Mandatory Relief cases</li> <li>3. Discretionary Relief cases</li> <li>4. Rural Relief cases</li> </ol>
<b>Background Documents Used in the Preparation of this Report:</b>	<ul style="list-style-type: none"> <li>• Information obtained from Revenues SX3 System</li> <li>• National Non-Domestic Rate legislation</li> </ul>

**Previous Decisions Connected with this Report**

<b>Report</b>	<b>Committee &amp; Date</b>	<b>Minute Reference</b>
None.		