

CABINET

Date of Meeting	Tuesday, 20 th February 2018
Report Subject	Discretionary Rate Relief Scheme for 2017-18 and 2018-19
Cabinet Member	Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Community & Enterprise)
Type of Report	Strategic

EXECUTIVE SUMMARY

Following written representations from elected members and Charitable organisations at a meeting of County Council on 30th January 2018, the Leader of the Council tasked officers with exploring the feasibility of changing the 2017-18 Discretionary Rate Relief scheme by re-introducing 20% discretionary 'top-up' relief, targeted specifically at Charities, Voluntary and Community organisations who occupy small premises with rateable values of up to £6,000.

As a solution, potential changes to the Discretionary Rate Relief policy framework, as set out in this report, would ensure that around 88 Charities, Voluntary and Community organisations occupying small premises benefit from 100% rate relief, funded through a combination of Mandatory and/or Discretionary Rate Relief. The proposed changes would ensure these organisations are treated similarly to small 'for-profit' businesses who qualify for 100% rate relief as part of Welsh Government's fully funded Small Business Rate Relief scheme (SBR).

RECOMMENDATIONS

1	Consider as a solution, a retrospective change to the 2017-18 policy framework, as set out in the report, to provide 20% Discretionary 'top-up' relief to all Charitable organisations that already benefit from 80% Mandatory Rate Relief and who occupy small premises with a rateable value of up to £6,000.
2	Consider as a solution, a retrospective change to the 2017-18 policy

	framework, as set out in the report, to increase Discretionary awards by 20% to all Voluntary and Community organisations, who currently receive 80% Discretionary Rate Relief and who occupy small premises with a rateable value of up to £6,000.
3	Note the financial implications for the potential policy changes which, if adopted, will cost £16.2k for 2017-18 and approximately £18k during 2018-19.

REPORT DETAILS

1.00	EXPLAINING THE REVISED POLICY FRAMEWORK FOR MANDATORY AND DISCRETIONARY RELIEF
1.01	Registered Charities and Community Amateur Sports Clubs (CASC) occupying non-domestic property 'wholly and mainly' are automatically entitled to Mandatory Rate Relief at 80%. The cost of awarding Mandatory Rate Relief is funded in full by Welsh Government.
1.02	The law also allows the Council to award Discretionary 'top-up' relief of up to 20% to charities or CASC's but the cost of funding Discretionary 'top-up' relief is funded 75% by the Council and 25% by Welsh Government.
1.03	Voluntary and Community organisations are not entitled to Mandatory Rate Relief. However, the Council can provide Discretionary Rate Relief up to 100% but the cost of funding these type of reliefs is partly funded by the Council (10%) and partly funded by Welsh Government (90%).
1.04	For several years, Welsh Government have introduced temporary schemes to support small businesses who operate from small premises, otherwise known as Small Business Rates Relief (SBR). The scheme had been due to end in March 2017 but was extended into 2017-18 and Welsh Government recently announced that SBR in Wales will be made a permanent scheme from 2018-19. SBR is fully funded by Welsh Government, unlike Discretionary Rate Relief, which is partly funded by Council Tax payers.
1.05	In line with the SBR scheme, businesses with a rateable value of up to £6,000 usually qualify for 100% rate relief and those with a rateable value between £6,001 and £12,000 receive 'tapered relief' from 100% to zero.
1.06	Regrettably, the law says that properties occupied by Charities and Community organisations are not eligible for SBR and if local authorities are not in a financial position to award discretionary relief, such organisations are often required to pay business rates at a disproportionate rate compared to other commercial ratepayers who might qualify for SBR.
1.07	Section 47 of the Local Government Finance Act 1998 provides wide ranging discretionary powers to provide Discretionary Rate Relief and

	cabinet could choose to amend the current policy framework retrospectively from the start of 2017-18, providing any proposed changes have the effect of reducing not increasing the amount paid by Charities and Community organisations.
1.08	As a solution, an amendment to the 2017-18 Discretionary Rate Relief policy framework is possible in order to target additional 20% rate relief to Charities and Community organisations occupying small premises with a rateable value of up to £6,000.
1.09	This would effectively result in awarding 20% 'top-up' relief to registered Charities and awarding additional 20% Discretionary Relief to Voluntary and Community organisations who occupy premises with a rateable value of up to £6,000. The policy change will ensure that a broad range of 88 Charities, Voluntary and Community organisations benefit from 100% rate relief.
1.10	Setting a rateable threshold of up to £6,000 in order to qualify for 20% Discretionary 'top-up' will ensure rate relief is affordable to the Council, but more importantly, ensures 'top-up' relief is targeted at those organisations who operate out of small premises and who would otherwise qualify for 100% SBR if the law permitted.

2.00	RESOURCE IMPLICATIONS
2.01	The cost of awarding retrospective 'top-up' 20% relief to registered Charities and providing 20% additional Discretionary Relief to Voluntary and Community organisations (with rateable values of up to £6,000) will be £16,200 for 2017-18 which can be met from existing budget provision set aside to deal with potential hardship applications.
2.02	The cost of awarding additional levels of rate relief in 2018-19 will be approximately £18,000, but when combined with the cost of the wider scheme providing 80% rate relief to all other organisations with rateable values in excess of £6,000, the overall scheme will cost £29,000 in 2018-19.
2.03	The Council must continue to set aside adequate budget provision to deal with any new applications for Discretionary Relief and/or Hardship relief during 2018-19 and therefore it is prudent to build into the 2018-19 base budget a pressure of £18,000.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	Proposals to amend the Discretionary Rate Relief scheme received unanimous support from members at full Council, although the final decisions to consider changes to the policy framework ultimately rest with the cabinet.
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4.00	RISK MANAGEMENT
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4.01	The implementation of this amended policy framework would ensure that Charities, Voluntary and Community organisations are treated fairly and consistently, notwithstanding that the aim of the amended policy framework is designed to provide 20% additional Discretionary Rate Relief to those organisations occupying small premises.
4.02	To mitigate against hardship for those organisations that do not qualify for 100% rate relief, but who will continue to qualify for 80% Discretionary Rate Relief, the continuation of the Hardship Rate Relief, backed-up with adequate funding from the Council, will allow the Council to act in those cases where there is genuine hardship and where it is in the public interest to act.

5.00	APPENDICES
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5.01	Appendix 1 to this report sets out the revised policy framework for Discretionary Rate Relief for 2017-18 and proceeding financial years so that determinations can be made on a consistent and reasonable basis.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	<p>Local Government Finance Act 1988 – section 47 Local Government and Rating Act 1997 (schedule 3) Business Rates – Policy Framework (as amended) for Mandatory & Discretionary Reliefs</p> <p>Contact Officer: David Barnes, Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
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7.01	<p>Business Rates: is the commonly used name for national non domestic rates, a tax on the occupation of non-domestic property.</p> <p>Small Business Rate Relief (SBR): is a Welsh Government funded scheme that provides business rate relief for businesses occupying small property with rateable values up to £12,000. Under the scheme, businesses</p>
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with a rateable value of up to £6,000 receive 100% relief and those with a rateable value between £6,001 and £12,000 receive relief that is tapered from 100% to zero.

Most businesses qualify for SBR other than those occupied by:

- a council, police authority or the Crown
- charities, registered clubs or not-for-profit bodies
- advertising rights, car parks, sewage works or electronic communications apparatus

Mandatory Rate Relief: where a non-domestic property is occupied by a charity or a Community Amateur Sports Club (CASC) and the property is put to use 'wholly or mainly' for charitable purposes, there is an automatic entitlement to an 80% reduction in the rate bill, the cost of which is funded by Welsh Government.

Community Amateur Sports Clubs: 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 the club meets certain qualifying conditions. The CASC scheme generally requires less regulation than if a sports club registers as a charity. Clubs that have CASC status automatically qualify for 80% Mandatory Business Rate Relief.

Discretionary Rate Relief: Registered Charities automatically receive an 80% reduction in the rate bill but local authorities can use discretionary powers to award additional discretionary 'top-up' relief of up to 20%. Other voluntary groups and 'not-for-profit' organisations which are not registered charities are not eligible for Mandatory Rate Relief can also receive discretionary rate relief up to 100%.

Hardship Rate Relief: The Council, at its discretion, can sometimes award rate relief up to 100% in exceptional circumstances to non-domestic ratepayers who are experiencing hardship, and where it is reasonable for the Council to grant rate relief having regard to the interests of local council tax payers who partly fund hardship awards.

Medium Term Financial Strategy: a strategy otherwise referred to as MTFs which forecasts the resources the Council is likely to have over the next three years and which sets out the plans and solutions for managing with reducing resources over this period.