

CABINET

8 MARCH 2016

BUSINESS RATE RELIEF

Portfolio Holder: Councillor Rupert Turpin, Business Management

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Summary

This report reviews the current procedures for granting discretionary relief from National Non-Domestic (Business) Rates for charities and other non-profit making organisations.

1. Budget and Policy Framework

- 1.1 It is the responsibility of Cabinet to approve the procedures for the award of discretionary relief from National Non-Domestic (Business) Rates. At this stage Cabinet are being asked to give notice that the current guidelines for awarding relief are to be ended on 31 March 2017, whilst a more detailed review of the policy is undertaken.

2. Background

- 2.1 National Non-Domestic Rates (NNDR) or “business rates” are payable by owners of non-residential premises in accordance with the Local Government Finance Act 1988.
- 2.2 The 1988 Act, as amended, gives the Council mandatory powers to award rate relief, as well as discretionary powers to award rate relief in certain circumstances. This includes discretionary powers to grant relief from non domestic rates on property occupied by charities and other non-profit making organisations. Currently the cost of any relief is shared between Medway Council (49%), the Government (50%) and Kent & Medway Fire & Rescue Authority (1%).
- 2.3 Current policy for the determination of awards of relief and the guidelines that underpin such awards were set out in a report to Cabinet on 12 March 2013 and can be found at Appendix 1.

- 2.4 An important background point to note is that the Council is not responsible for determining the rating assessment of a property. That duty rests with the Valuation Office who determines the rateable value of all properties.
- 2.5 For the organisations without charitable status to be eligible for this particular relief they have to be a non-profit making body. In addition, their premises must be used for charitable, philanthropic or religious purposes, or concerned with education, social welfare, science, literature or the fine arts, or used wholly or mainly for recreation by a not-for-profit club or society.

3. The Current Position

3.1 Discretionary Relief is currently awarded over the following categories:

- Discretionary rate relief up to 100% of the rates bill
- Discretionary top up relief, granted to some organisations in receipt of mandatory relief to take relief up to 100% of rates bill (registered charities receive mandatory rate relief at 80% of rates bill).

3.2 Current discretionary relief levels to organisations already in receipt of mandatory relief are set out at Appendix 1 and in practice are almost exclusively 20%. As the table in section 3.3 shows, the Council is currently awarding some £398,500 of top up discretionary relief in 2015/16 costing the Council £195,300.

3.3 As at 31 January 2016 the Council had granted the following amounts of relief:

Description	% funded by Medway Council	Amount of Relief £000's	Cost to the Council £000's
Mandatory relief	49	7,571.0	3,709.8
Discretionary top up	49	398.5	195.3
Discretionary relief only	49	202.7	99.3
Total		8,172.2	4,004.4

4. Options

- 4.1 Members may revoke or vary any previous decision to determine either discretionary top up rate relief or discretionary only rate relief. A decision may only be revoked, and a relevant variation of a determination may only be made, so that the revocation or variation takes effect at the expiry of a financial year, and so that at least one year's notice is given. Thus, any decision to revoke or vary made prior to 31 March 2016 will not come into effect until 1 April 2017.
- 4.2 Members may wish to include extra qualifying criteria, especially in respect of national organisations, whereby relief is only given where they can show there is some specific benefit to the residents of Medway Council over and above the benefit to the residents of other areas in which the charity operates.

5. Advice and analysis

- 5.1 The receipt of relief from business rates can be a lifeline for many voluntary organisations, which in turn help to contribute to the educational, philanthropic, religious or cultural needs of Medway residents.
- 5.2 The Council's contribution towards funding the relief (49%) is fairly high. With the Government suggesting local authorities will be able to retain all Non Domestic Rating income within a few years, the cost borne by Medway Council would increase considerably.
- 5.3 By announcing before the 31 March 2016 that the current guidelines for awarding relief are to be ended on 31 March 2017, Members and officers could pursue a more detailed review of the policy for awarding relief that could be announced in the new financial year.
- 5.4 Whether the outcome of the review is to stay with the existing guidelines or to amend them, they could then in both events be effective from 1 April 2017.

6. Risk Management

Risk	Description	Action to avoid or mitigate risk
Increased caseload	Likelihood D (Low) Impact 3 (Marginal) Sudden influx of new charity occupiers into the Medway area resulting in extra awards and associated cost	Monthly monitoring of relief awarded & return to Cabinet for new guidelines if appropriate

7. Financial and legal implications

- 7.1 The financial and legal implications are set out in the body of this report.

8. Recommendations

- 8.1 That Cabinet rescinds the existing guidelines with effect from 31 March 2017 and instructs officers to notify relevant organisations by 31 March 2016.
- 8.2 That Cabinet receives a further paper in the new financial year proposing a revised set of guidelines to be implemented from 1 April 2017.

9. Suggested reasons for decision

- 9.1 Relief from business rates where appropriate is a crucial factor in the survival of many voluntary organisations that support the educational, cultural and economic well being of the Medway area.

- 9.2 By cancelling the existing guidelines, organisations will have sufficient notice of upcoming changes whilst delaying the new guidelines until the start of the new financial year will ensure sufficient time is available to create an equitable and affordable policy for the award of such relief from 1 April 2017.

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Appendices

Appendix 1 - Guidelines for the Award of Discretionary Rate Relief

Background papers

Cabinet 12 March 2013 *Business Rate Relief*
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2535&Ver=4>

GUIDELINES FOR THE AWARD OF DISCRETIONARY RATE RELIEF

- (i) Where bars are in operations, bar profits should be taken into account. A minimum bar profit of 30% on turnover should be used to ensure that any discretionary relief granted does not subsidise the bar.
- (ii) For sports clubs, sailing and Yacht clubs, relief should only be considered if more than 50% of the “sports” membership lives in the Council’s area. Social members should not be included.
- (iii) That membership fees and other charges should be reasonable.
- (iv) There should be reasonable evidence of financial need and that reasonable efforts have been made to raise funds.
- (v) There must be a positive benefit for the community of Medway.
- (vi) That membership of the organisation should generally be open to all sections of the community.

Discretionary Rate Relief for Charities

Charitable organisations entitled to 80% mandatory relief may also receive a further 20% “top-up” award to the Council’s discretion. The following guideline amounts should be taken into account when considering such applications.

Type of Organisation	Discretionary Relief as a Proportion of the Gross Amount Payable
Scout Groups	20%
Youth Organisations	20%
Village Halls/Community Associations	20%
Welfare & Other Voluntary Organisations	20%
Charity Shops	20%
Housing Associations	Nil
Voluntary Aided Schools, Colleges & Universities	Nil
Non state funded educational establishments	20%
Other Organisations	On merit

Discretionary Rate Relief for Non-Profit Making Organisations

Non-profit making organisations whose main objectives are charitable, otherwise philanthropic, religious, concerned with education, social welfare, science, literature, the fine arts, or whose premises are used wholly or mainly for recreation may receive up to 100% rate relief at the Council's discretion. The following guideline amounts should be taken into account when considering such applications.

Type of Organisation	Guideline Amount
Youth Organisations	100%
Village Halls/Community Associations	100%
Education & Training Organisations	100%
Welfare & Other Voluntary Organisations	100%
Sports Clubs	100%
Local Theatres	100%
Sailing/Yacht Clubs	100%
Other Organisations	On Merit