

CABINET
17 JANUARY 2017
BUSINESS RATE RELIEF
ADDENDUM REPORT

Portfolio Holder: Councillor Rupert Turpin, Business Management

Report from: Phil Watts, Chief Finance Officer

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Summary

To set out the outcome of discussion at the Business Support Overview and Scrutiny Committee meeting held on 5 January 2017.

1. Background

1.1 The Chief Finance Officer introduced a report outlining the proposed options for a revised set of guidelines for the award of discretionary relief from National Non-Domestic (Business) Rates for charities and other non-profit making organisations. On 8 March 2016 Cabinet had agreed to rescind the existing guidelines with effect from 31 March 2017 and to receive a further paper proposing a revised set of guidelines to be implemented from 1 April 2017. Three options had been consulted upon, as follows:

- Option 1 – Reinstatement of the current guidelines whereby all charities, not for profit organisations and community amateur sports clubs would be treated the same and receive the maximum relief of 100%.
- Option 2 – The Council's preferred option would involve the implementation of guidelines with a variable level of discretionary relief based on the purpose of the charity, not for profit organisation or community amateur sports club.
- Option 3 – Charity and community amateur sports club properties in receipt of mandatory relief (a reduction in their business rates bill of 80%) would not receive any discretionary top up. Any not for profit organisation properties which currently received 100% discretionary relief would have their award limited to 80% discretionary relief.

1.2 The Chairman welcomed the representatives of charities, not for profit making organisations and community amateur sports clubs who had been invited to attend the meeting to make representations about the options under

consideration and respond to Members' questions. He asked the representatives of each organisation to address the Committee in turn.

1.3 Age UK Medway

- Option 1 was the preferred option and option 2 was the second preference.
- There was uncertainty about how organisations would be categorised under option 2 and how the review process would operate.
- Option 3 would result in a 20% increase in costs which would have an impact on the organisation's sustainability.
- Generally, charities had absorbed a range of reductions in income and were as lean as they could be in an effort to break even.

1.4 In response to questions by members of the Committee, the following additional points were made:

- Age UK was not a national charity and Age UK Medway was constituted locally.
- Without discretionary rate relief, it was estimated that the increase in costs for the shop in Gillingham would be £3.5K per annum.
- The price for a day visit at a day centre was £42 and any increase in costs would impact on service users.

1.5 City Lawn Tennis Club

- The club had been in existence for 100 years; there were currently 20 members of all ages and abilities, each paying £60 a year.
- The club operated a junior fun club.
- The club had received discretionary rate relief for a number of years and was paying £550 per annum to the Council in rent although the grass courts could only be used for 6 months of the year.

1.6 In response to questions by members of the Committee, the following additional points were made:

- Saturday afternoon sessions for young people attracted 8 to 10 visitors each paying £3.
- Without discretionary rate relief, the additional burden on the club would be £135 per annum.
- An increase in membership fees of more than £5 a year would risk the club's competitiveness compared to other local tennis clubs.
- The club had to pay for affiliation to the Lawn Tennis Association.

1.7 Holcombeians Sports Club

- Expensive new astroturf pitches had been laid last year at the club's premises in Rochester.
- Option 1 was the preferred option and option 2 was the second preference although this would require individual needs assessments.
- The club supported Medway Council and had many young members with 400 attending a recent one day hockey event.

- The success of the national hockey teams had helped attract 50 new junior members to the club.
- Without discretionary rate relief the cost to the club would be £1.8K per annum.

1.8 In response to questions by members of the Committee, the following additional points were made:

- Three local secondary schools used the club's facilities each week and the club worked closely with primary school teachers to provide after school activity for children.
- Under option 2, the club may have to change its constitution to state that it was improving the quality of life for young people / supporting vulnerable people to therefore qualify for 100% relief.

1.9 Medway Asthma Self Help

- The charity had been offering help and support to vulnerable people for 20 years, raising awareness, conducting outreach campaigns and supporting G.P's.
- A popular weekly advice centre was currently held with a qualified nurse in attendance.
- The charity received a grant which covered 55% of its costs. The remaining 45% was raised by members.
- Option 1 was the preferred option and option 2 was the second preference.

1.10 In response to questions by members of the Committee, the following additional points were made:

- It was envisaged that, without discretionary rate relief, the charity would have to close as it was becoming increasingly difficult to raise funds or find volunteers.
- The charity worked with the Clinical Commissioning Group and attended local health and wellbeing events.
- The charity's free allergy testing service, which could be instrumental in helping to control asthma, might have to close.

1.11 Medway Voluntary Action

- This was an umbrella support organisation for the voluntary and community sector.
- Reduced funding, increased demand for services and more favourable leases for commercial organisations all contributed to the challenges which organisations faced.
- In such fragile circumstances, morale among staff and volunteers was low.
- Although options 2 or 3 would achieve small financial gains for the Council, they might lead to problems in the longer term as a result of reduced support to the community and more people presenting to social services.
- The cost of the organisation's training services would increase under options 2 or 3.

- The Council should not treat charities as businesses even though they operated in a business like way.

1.12 In response to questions by members of the Committee, the following additional points were made:

- There was a real danger that charities would close under new rate relief guidelines as many were already struggling as a result of not receiving a Council grant.
- As a support organisation, it may be difficult to categorise Medway Voluntary Action although it was anticipated that it would come under 'Supporting Vulnerable People'.

1.13 Nucleus Arts

- The charity supported the Council's strategic priorities and it was not in Medway's interest to remove its 20% discretionary rate relief.
- Given the key services that they provided to the local community, charities should not be considered as a burden to the Council but rather as organisations providing economic support and social capital.
- If charities were to cease operating there would be a financial burden on the Council and the most vulnerable in the community would not have a voice.
- If discretionary rate relief was not provided, the Nucleus Arts sites would close down and this would have a negative economic impact on the Council's budget.
- 80% of charities were small and 80% of those small charities were uncertain if they could survive for the next five years.

1.14 In response to questions by members of the Committee, the following additional points were made:

- Three Nucleus Arts sites within Maidstone had closed after Maidstone Council had introduced new rate relief guidelines which had increased costs by £100K. This meant that support could no longer be offered to around 100 vulnerable people.
- The charity had no core funding in Medway and its four sites would close if options 2 or 3 were pursued. This would include the main site in Chatham High Street which provided support to vulnerable people suffering social isolation and mental health issues.
- The charity helped people to develop skills that increased their employability.

1.15 Strood Pelican Cruising Club

- The club had 87 members and set membership fees at a level that retired people could afford.
- Option 1 was the preferred option although the club could continue to operate under option 2.
- The club had not been aware that it qualified for rate relief until this year.

1.16 In response to questions by members of the Committee, the following additional points were made:

- The club operated on a short term lease so was trying to build up its funds.
- There may be uncertainty about which category the club would fall under as it was a leisure club that also supported vulnerable people.

1.17 Members discussed the proposed options and the following points were made:

- The representatives of the groups had provided powerful testimony of how they were supporting not only service users but also professional service providers. They had demonstrated how, without additional rate relief, there was a real danger that some would close.
- If the Council was not able to accept the consequences of introducing new guidelines, it should not make any changes.
- It should not be assumed that there were groups currently in receipt of discretionary rate relief that were not deserving of it.
- It was important to be mindful that a consequence of the Council's decision may be a loss of match funding by the Government.
- The full impact that a charity or voluntary group was having on the wellbeing of vulnerable people was difficult to quantify. Any financial savings achieved by a change to the guidelines might therefore be outweighed by the wider implications of reducing in the level of support to the community.
- Options 2 and 3 would have a disproportionately negative impact on the Council.
- It was important that Cabinet had sight of all available information including the list of which organisations would have to pay something towards their business rates bill if Option 2 was pursued.
- The fragility of the voluntary sector needed to be understood. It was important that vulnerable people could have confidence that the charities supporting them could continue to do so.
- Many tax payers benefited either directly or indirectly from the support provided by the voluntary sector. Some people who were currently not vulnerable may become so if this support were no longer provided.
- The categorisation of organisations under option 2 would be difficult and there was a danger that some would be unaware that they could claim.
- Consideration of new guidelines for business rate relief provided an opportunity for the Council to assess the level of tax payers money that was supporting each organisation and whether this was appropriate in every case.
- Under option 2, a review process would give assurance that any organisation could ask for its categorisation to be reviewed.
- The new guidelines would allow for a more meaningful and intelligent process for determining business rate relief.
- The Chief Finance Officer advised that, under the review process, an initial review would be undertaken by the Revenues and Benefits Service Manager with second stage reviews being undertaken by the Chief Finance Officer.

1.18 A Member then moved the following:

Cabinet is recommended to support option one on the basis of:

1. This being the most widely supported option by the community and voluntary sector.
2. Option two leading to very subjective decision making along with the increased cost of managing such a process.
3. The cost to taxpayers to substitute the voluntary and charity services lost being potentially greater than the savings made by the proposal.

1.19 In accordance with Rule 12.6 of the Council Rules, the following Committee Members requested that their votes in favour of the motion be recorded in the minutes:

Councillors Griffiths, Maple, Murray and Freshwater.

1.20 On being put to the vote, the motion was lost.

1.21 The Committee considered the report and the consultation that had taken place and referred Committee members' comments to the Cabinet for consideration on 17 January 2017.

2. Chief Finance Officer's Comments

2.1 During the discussion at Overview and Scrutiny, the Committee stated that it was important that Cabinet had sight of all available information including the list of which organisations would have to pay something towards their business rates bill if Option 2 was pursued.

2.2 This information is attached in an Exempt Appendix. Whilst each organisation received the correct information relating to the impact on its own property or properties when being consulted on the proposed changes, a small error in the total number of properties receiving/not receiving relief was quoted in the consultation questionnaire and subsequently repeated at Overview and Scrutiny. The corrected totals are shown at the foot of the Exempt Appendix.

3. Recommendations

3.1 The Business Support Overview and Scrutiny Committee considered the report and the consultation that had taken place and referred Committee Members' comments to the Cabinet for consideration on 17 January 2017.

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Appendices

Exempt Appendix