

TITLE OF REPORT: Review of Council's Discretionary Rate Relief Policy

REPORT OF: Darren Collins, Strategic Director Corporate Resources

Purpose of the Report

1. The purpose of the report is to consider a proposal to review and consult upon the Council's Discretionary Rate Relief policy.

Background

2. Local Councils are able to award discretionary rate relief under the provisions of the Local Government Finance Act 1988 (S.47) as amended and the Localism Act 2011 (S.69)
3. The current Discretionary Rate Relief policy was last reviewed in 1998 and is focused on the trading activities of organisations with licensed bars and membership. A copy of the policy and summary of awards is attached at Appendix 2.
4. The Council is able to award rate relief to business ratepayers providing they meet certain criteria. The two main categories of criteria are:
 - i. Mandatory Rate Relief – which awards 80% rate relief where organisations are registered charities
 - ii. Discretionary Rate Relief – allows the Council to award up to 100% (20% where a registered charity is receiving 80%)
5. Discretionary Rate Relief is intended for institutions / organisations which are not established for profit and whose main objects are charitable, philanthropic, concerned with education, social welfare, literature or fine arts.
6. Funding arrangements for business rates changed in April 2013, with local authorities retaining 50% of business rates. Under existing Government proposals it is expected that by the year 2020 local authorities will retain 100% of all rate income.
7. Following the funding changes introduced in 2013 the cost of financing rate relief now falls to each local council. The cost of discretionary rate relief for 2016/17 is estimated to be £150,000.
8. Legislative changes announced in the Chancellor's budget in March 2016 will remove some ratepayers from discretionary rate relief as 'small business rate relief' is extended to cover 100% of rate charges on properties with a rateable value of up

to £12,000 with tapered relief between £12,000 and £16,000 rateable value (subject to certain conditions).

Proposal

9. It is proposed to undertake a consultation exercise with stakeholders and the community on a rate relief policy that is fit for purpose and able to support those organisations whose objectives align with the Council's Vision 2030.
10. A number of factors are to be considered during the consultation to ensure that relief is provided to the most appropriate organisations. These include:
 - i. Introducing a financial assessment which would look to not award relief to organisations that are financially able to pay their rate liability.
 - ii. Only allow relief to organisations whose members / customers are in the main residents of the borough of Gateshead.
 - iii. A review of the support provided to Aided Schools.
 - iv. Consider how and whether to support:
 - a. Sport & Social Clubs.
 - b. The emerging culture of 'community interest companies' and 'social enterprise organisations'.
 - c. Organisations which have a rate liability as a result of an asset transfer.
 - v. Overall affordability and impact.

Recommendations

11. Cabinet is recommended to:
 - i. Agree to the proposal to consult and seek views on the most appropriate ways to provide discretionary rate relief.
 - ii. Note that a further report will be presented to Cabinet on the outcomes of the consultation process.

For the following reasons:

To ensure the optimum use of the Council resources.

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APPENDIX 1

Policy Context

1. The proposal in this report is to assist in the delivery of the Council Plan and Vision 2030 whilst also providing value for money in supporting organisations.

Background

2. A business rates update was presented to Corporate Resources Advisory Group on 18 July 2016. This update featured the current position with regard to discretionary rate relief.
3. The statutory framework for discretionary rate relief policies is provided under the provisions of the Local Government Finance Act 1988 (S.47) as amended and the Localism Act 2011 (S.69). Any policy agreed by the Council must be in the interests of the council tax payers of the borough.
4. A copy of the current policy and summary of awards is attached at Appendix 2.
5. The Council is able to award rate relief to business ratepayers providing they are satisfied that the institutions / organisations are not established for profit and whose main objects are charitable, philanthropic, concerned with education, social welfare, literature or fine arts.
6. Following the changes to the funding arrangements for business rates in 2013 discretionary rate relief is now funded fully by local authorities. Currently local authorities retain 50% of rate income but under existing central government proposals will from 2020 retain 100% of income
7. The cost of rate relief in 2015/16 was £146k and is expected to be £150k in the current year.
8. A revaluation of all business premises has been undertaken by the Valuation Office Agency and the new draft valuation list was published at the end of September. The impact of the revaluation is currently being assessed. A revised 'small business rate relief' (SBRR) scheme was announced in the Chancellor's budget in March 2016. The revised scheme is intended to extend the SBRR scheme and allow 100% relief on premises with a rateable value below £12,000 and taper relief on values between £12,000 and £16,000 rateable value.
9. This proposed change will, in certain cases remove the need to allow discretionary rate relief for specific organisations. Analysis of the impact of these changes is underway using the draft valuation list data.
10. Government has encouraged local authorities to provide rate relief to child care providers by using their local discount powers. In Gateshead we have over 30 children's nurseries registered for business rates, some of which are registered charities and receive 80% rate relief, some may also qualify for small business rates relief.
11. An increasing number of Community Interest Groups and Social Enterprises are emerging and the Council currently doesn't provide either a local discount or relief for these activities.

12. The Council has the authority to grant rate relief in respect of part occupied premises. This requires the Valuation Officer to certify the value of the portion of the premises which are not occupied. It is proposed to include this in any new policy and for this to be administered under delegated powers of Strategic Director Corporate Resources. .
13. The Council are also able to provide relief in the form of 'hardship' relief. Remitting rates on the grounds of hardship the council must be satisfied that the ratepayer would sustain hardship, if the authority did not do so, **and** it is reasonable for the authority to do so, given that the funding of this relief comes from the council tax payers of the Borough.

Consultation

14. The Leader and Deputy Leader have been consulted on this report. The proposed consultation exercise will seek the views of council tax payers and business rate payers on alternative options for awarding Discretionary Rate Relief

Alternative Options

15. A potential alternative would be for the Council to determine that it will not provide any discretionary rate relief.

Implications of Recommended Options

16. Resources

- a) **Financial Implications** - Cost of the current discretionary rate relief scheme in current year estimated to be £150,000.
- b) **Human Resource Implications** - There are no human resource implications
- c) **Property Implications** - There are no property implications

17. **Risk Management Implications** – a review of the discretionary rate relief policy must ensure stability for future financing.
18. **Equality and Diversity Implications** – A revised equalities impact assessment will be required for a revised policy.
19. **Crime and Disorder Implications** – There are no implications
20. **Sustainability Implications** – There are no implications
20. **Human Rights Implications** – There are no implications
21. **Area and Ward Implications** – A revised policy may affect organisations located across the borough.

APPENDIX 2

DISCRETIONARY RATE RELIEF EFFECTIVE 1st APRIL 1998:

AMOUNT OF RELIEF

QUALIFYING CRITERIA

Up to 100%	Where no licensed bar exists and the organisation is dependent on voluntary contributions only, OR if there are exceptional circumstances.
80%	Where no bar exists and the organisation is dependent on subscription income at a level to attract a wide range of members and voluntary contributions only.
60%	Where a licensed bar exists, BUT where members allow schools or other bodies the use of their facilities either free or at a substantially reduced charge.
40%	Where a licensed bar exists and where members allow schools or other bodies the use of their facilities either free or at substantially reduced charge, BUT where the majority of income is derived from social activities rather than sporting activities.
20%	Aided schools – this gives the schools 100% relief.
20%	Where a licensed bar exists and where members allow schools or other bodies the use of their facilities with little or no reduction in charges.
10%	Where a licensed bar exists and where little or no other use of facilities are granted to schools or other bodies.
5%	Where annual membership fees are set at a relatively high level and viewed as being a more exclusive type of organisation, e.g. Golf Clubs.