

TITLE OF REPORT: Discretionary Rate Relief Policy**REPORT OF: Darren Collins, Strategic Director of Corporate Resources**

Purpose of the Report

1. Cabinet is requested to recommend to Council a revised Discretionary Rate Relief policy following consultation.

Background

2. The provisions which allow the Council to award Discretionary Rate Relief are contained within the Local Government Finance Act 1988 (S.47) and the Localism Act 2011 (S.69). This legislation allows the award of rate relief in the following circumstances:
 - Only if it is satisfied that it would be reasonable for it to do so, having regard to the interests of persons liable to pay council tax set by it.
 - The property is occupied for the purposes of one or more institutions or other organisations:
 - None of which is established or conducted for profit, and
 - Each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or fine arts or
 - Is wholly 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. A report was presented to Cabinet on 8th November 2016 recommending consultation on a revised policy. The existing policy was not considered fit for purpose in the current financial context. Consultation was supportive of undertaking a financial assessment of applicants for relief and relief to be given to organisations which provide benefits for the borough and its residents.
4. The Council is facing a number of changes with regard to the financing arrangements for business rates, in particular:
 - Revaluation of all business premises from April 2017.
 - Transitional arrangements for phasing the impacts of revaluation.
 - Introduction of a new Small Business Rate Relief scheme.
 - The future retention of all business rate income locally.

5. The proposed Discretionary Rate Relief policy seeks to balance the changing financial context, the financial consequences to the Council both now and in the future and the impact on rate paying organisations that are the recipients of relief.
6. During the Spring Budget the Chancellor set out the Governments proposals for the design of a discretionary rates support scheme, to be administered by local authorities. The Government are to make available a discretionary fund of £300 million over four years to support businesses that face the steepest increases in their business rates as a result of revaluation. This scheme will be administered separately to the discretionary rate relief policy proposed in this report.

Proposal

7. The proposed Discretionary Rate Relief policy will cap the level of award and will where possible, consider entitlement to other reliefs, such as 'small business rate relief' in the first instance. The policy will be implemented with effect from 1 April 2017.
8. As part of the proposal it is considered appropriate to introduce a financial assessment for certain types of organisation which would make any award based upon ability to pay and ensure that awards are only paid where necessary.
9. The new proposal will adopt the following principles;
 - i. Discretionary Rate Relief applications will only be considered after any other relief entitlements where possible (such as Small Business Rate Relief).
 - ii. To limit the amount of Discretionary Rate Relief that can be awarded and cap the maximum award of up to 20% for all applicants.
 - iii. To award Discretionary Rate Relief to Registered Charities and Charitable Incorporated Organisations;
 - Charitable Incorporated Organisations' which have been the subject of a community asset transfer from the Council.
 - Youth and community projects / organisations working within the Borough of Gateshead.
 - iv. Membership of the organisation must be made up in the majority of residents of the Borough of Gateshead and the activities undertaken by that organisation must be for the benefit and delivered within the Borough of Gateshead
 - v. To limit the award the award of Discretionary Rate Relief to 'Social and Sports Clubs' up to a maximum of 20% and any award be based upon a financial assessment. The financial assessment will use the latest set of audited accounts, which must have been professionally certified within the last twelve months. Where any net profit, reserves, retained surplus or cash on deposit or in hand, exceeds the amount of relief being applied for then no relief will be awarded. Where said amount is less than the amount being applied for, then relief will be awarded at no more than 20% and any award would be structured around access to residents of the borough and level of membership fees.

10. There are a number of other elements to Discretionary Rate Relief which include;
- i. Rural Rate Relief – for the coming year 1st April 2017 ratepayers entitled to mandatory rural rate relief will be eligible for an increased level of relief.
 - ii. Local Newspapers will be entitled to claim £1,500 business rates discount.
 - a. In both of the above instances the amounts are to be funded through Discretionary Rate Relief but this will in turn be funded by central government through grant.
 - iii. Part Occupied Relief – the Council has discretion to award rate relief in respect of ‘partly occupied premises’ for a temporary period. Where considered appropriate the Council seek certificates from the Valuation Office Agency to award relief.
 - iv. Hardship Relief – the Council may consider reducing or remitting rate charges where it considers that ‘hardship’ would otherwise be caused to the ratepayer. In considering applications for this type of relief the Council must be satisfied that it would be reasonable for it to do so, having regard to the interests of persons liable to pay council tax set by it.
11. The award of Discretionary Rate Relief to ‘faith schools’ will end from April 2018. This will allow Direct Schools Grant to be allocated to all schools and be presented to the Schools Forum in February 2018. For 2017/18 it is proposed that there will be transitional arrangements in place and these schools will continue to receive the same level of discretionary rate relief as currently.

Recommendations

12. Cabinet is requested to recommend that Council:
- (i) Approves the proposed policy set out in paragraphs 7 to 11 above.
 - (ii) Delegates powers to the Strategic Director, Corporate Resources to administer this policy.

For the following reasons;

- (i) To establish a Discretionary Rate Relief policy under the statutory provisions of Local Government Finance Act 1988 (S.47) and the Localism Act 2011 (S.69).
- (ii) To provide a policy that supports the residents of the Borough of Gateshead and is based upon ability to pay.

APPENDIX 1

Policy Context

1. The proposal in this report will support the vision for Gateshead as outlined in the Council plan in particular the key council priority of ensuring a sustainable Gateshead through best use of resources.

Background

2. The Local Government Finance Act 1988 (S.47) and the Localism Act 2011 (S.69) provide the statutory framework for the Council to award Discretionary Rate Relief.
3. A revised Discretionary Rate Relief policy needs to consider the financial position of the Council as well as the impact of any changes on the organisations currently in receipt of discretionary rate relief. Key considerations of a revised policy are:
 - The financial standing of organisations and their ability to pay
 - The membership profile of organisations which should be predominantly made up from Gateshead residents
 - The services provided by organisations should be delivered within the borough for the benefit of Gateshead residents
4. Under the currently policy, the Council does not award Discretionary Rate Relief to:
 - Charity shops
 - Day nurseries
 - Community Amateur Sports Clubs (CASC's)

It is proposed that a revised policy would continue to not award Discretionary Rate Relief to those organisations.

Consultation

5. Following a report to Cabinet on 8th November consultation on a revised policy took place between 9th December 2016 and 16th January 2017 and consulted both residents and current recipients of relief.
6. There were 60 responses to the questionnaire and this reflected 88 different types of organisations. The consultation resulted in 78% of respondents agreeing that a Discretionary Rate Relief policy should be provided by the Council. It was agreed by 62% of responders that such a policy should be based upon an ability to pay and 68% agreed this should be reviewed annually. In terms of charitable incorporated organisations which have taken over the running of community assets 65% of responders agreed they should receive priority. 55% agreed relief should not be provided in respect of administrative bases for organisations. In terms of social impact 68% agreed this should be a factor taken into consideration while 55% agreed relief should only be awarded where membership is made up of residents of the Borough of Gateshead and services delivered within the borough.

7. The Leader and Deputy Leader have been consulted on the contents of this report.

Alternative Options

8. Alternative options could include not having a discretionary rate relief policy and pay no relief or agree a policy which makes higher awards of rate relief at additional cost to the Council.

Implications of Recommended Option

9. **Resources:**

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that the implementation of the proposed policy is estimated to achieve a £70,000 budget saving.
 - b) **Human Resources Implications** – There are no human resource implications directly arising from this report.
 - c) **Property Implications** - There are no property implications directly arising from this report.
10. **Risk Management Implication** - Introducing this revised policy delivers support where needed and overwhelming support from the consultation exercise shows the principles being adopted are supported.
11. **Equality and Diversity Implications** - A Comprehensive Impact Assessment has been carried out following the outcome of the consultation process.
12. **Crime and Disorder Implications** – There are no crime and disorder implications.
13. **Health Implications** – There are no Health Implications.
14. **Sustainability Implications** - There are no sustainability implications arising from this report.
15. **Human Rights Implications** – There are no Human Rights implications arising from this report
16. **Area and Ward Implications** - This policy will affect all recipients of discretionary rate relief across the borough.

Background Information

17. Local Government Finance Act 1988
Localism Act 2011
Consultation exercise
Comprehensive Impact Assessment