

**REPORT OF THE STRATEGIC DIRECTOR (CHIEF FINANCE OFFICER)**  
**TO THE EXECUTIVE**  
**1 FEBRUARY 2008**

**Business Rates – Discretionary Rate Relief Criteria Review**

**1.0 Introduction & Report Summary**

- 1.1 The purpose of this report is to agree a new simplified process for awarding National Non-Domestic Rate discretionary relief (business rates relief) that supports delivery of the Council's Corporate Plan and Community Strategy. The report will aim to establish a clear, transparent policy with an unambiguous link to the aims, objectives and priorities of the Council.
- 1.2 This report is a review of the criteria for granting discretionary rate relief from rates on any non-domestic property only and makes no proposals in relation to mandatory rate relief as the Council has no discretion in such matters; where it acts as the agent of central government.
- 1.3 The contact officer for this report is Paul Howden, Revenues & Benefits Client Manager (Tel: 01235 540385; email paul.howden@southoxon.gov.uk).

**2.0 Recommendations**

Members are requested to approve:

- 2.1 *The categories of organisation eligible for National Non-Domestic Rates discretionary rate relief from 1 April 2008 as set out in Appendix A of the report.*
- 2.2 *The level of award to different types of organisation from 1 April 2008 as set out in Appendix B of the this report, subject to any over-riding considerations that mitigate against making an award to a particular organisation.*
- 2.3 *A cap of £8,000 on the amount of discretionary rate relief and £4,000 on the amount of discretionary top-up rate relief that any organisation can receive in respect of a particular premises in any one financial year, unless it is in the financial interests of the Council to facilitate a larger amount being awarded. The cap limits are to be reviewed each financial year and will rise in line with inflation and the non-domestic rates multiplier.*
- 2.4 *The decision to award discretionary relief to be delegated to the Chief Finance Officer based on the categories agreed by the Executive.*
- 2.5 *A review of the eligibility of the organisations that are currently being granted rate relief.*

2.6 *The criteria for discretionary relief will to be reviewed at least every three years in line with the changing priorities of the Council commencing from year 2010 – 2011.*

### **3.0 Relationship with the Council’s Vision, Strategies and Policies**

3.1 This report supports the Council’s Vision and Priorities. It also supports the Vale Community Strategy. It does not conflict with any Council strategy or any Council policy.

### **4.0 Background**

4.1 The Local Government Finance Act 1988, as amended, sets out the general categories of organisations and properties that are eligible for relief. Certain types of organisations such as Charities, some sports clubs and certain rural businesses are entitled to mandatory relief from rates on any non-domestic property, providing certain criteria is met. Local councils have discretion to grant further top-up relief on the remaining bill. Councils also have discretion to grant relief on all or part of any rate bill for property that is occupied by certain non-profit making bodies and business in rural areas.

4.2 Table 1 below summarises the eligibility for relief, the type and amount of relief which is available and the financial implications. When the Council grants discretionary relief only a proportion of the relief is borne by the Council. A proportion of the cost is also borne by the national non-domestic rates pool which all rates collected nationally are paid into. Therefore, discretionary rate relief can be a cost effective means of providing support to charities, certain types of sports clubs and certain rural businesses.

**Table 1**

<b>Property Occupied by</b>	<b>Type of Relief</b>	<b>Amount of Relief</b>	<b>Proportion offset against NNDR Pool</b>	<b>Proportion borne locally by taxpayers</b>
<ul style="list-style-type: none"> <li>• <b>Registered Charity</b></li> <li>• <b>Community Amateur Sports Club</b></li> <li>• <b>Charities exempt from Registration</b></li> </ul>	Mandatory	80%	100%	-
	Discretionary	Up to 20%	25%	75%
<b>Not established or conducted for profit e.g.. village hall</b>	Discretionary	Up to 100%	75%	25%
<b>Rural Rate Relief - Pub, Post Office etc</b>	Mandatory	80%	100%	-
	Discretionary	Up to 20%	75%	25%
<b>General Rural Business</b>	Discretionary	Up to 100%	75%	25%
<b>Hardship Relief</b>	Discretionary	Up to 100%	75%	25%

- 4.3 The Council's existing criteria, used to determine whether or not an eligible ratepayer is granted discretionary relief and the different levels of relief that would be awarded was established by the Council's Executive on 21 October 2005.
- 4.4 In accordance with the 21 October 2005 report, discretionary relief was to be awarded to organisations as detailed in Appendix B column headed "21 October 2005 Report".
- 4.5 The existing criteria for awarding discretionary rate relief do not fully take account of the Council's objectives as set out in its Corporate Plan and Community Strategy. The new model ensures that the aims and objectives in these documents drive the choice of types of organisation to which the Council will offer discretionary rate relief.
- 4.6 From reviewing the national non-domestic rates' database it would appear that the Executive's decision has not yet been fully implemented and this has therefore led to inconsistency. Furthermore, the 21 October 2005 report did not consider the awarding of discretionary rate relief in relation to businesses in rural areas and as a result there is no consistency or clear policy.

## **5.0 Changes to Existing Criteria**

The main proposed changes to the 2005 Executive decision are:

- 5.1 With regard to sports clubs, there would no longer be a differentiation between clubs that have licensed bars and those that do not. Instead, the aim would be to encourage sports clubs to register with HM Revenue and Customs as Community Amateur Sports Clubs (CASC's)
- 5.2 Since 1 April 2004, sports clubs that have registered with HM Revenue & Customs as CASC's are entitled to 80% mandatory rate relief. Councils can also "top-up" the relief at their discretion, effectively granting CASC's the same rights to rate relief as registered charities.
- 5.3 There are currently 22 sports clubs in the Vale that have been identified as having already registered as CASC's and as a result they are receiving mandatory rate relief rather than discretionary rate relief. This is at no cost to the Council as Mandatory relief is borne by the NNDR pool (Government) as shown in Table 1 above.
- 5.4 There is no legal obligation for sports clubs to register as CASC's and some of the clubs currently receiving discretionary rate relief may not be eligible to register E.g. where a club is semi – professional or where it limits access to participation due to excessive joining fees or required standards. However, some clubs may have not yet applied for registration and as a result continue to receive discretionary rate relief at a cost to the Council. The criteria for discretionary rate relief should be changed to make it clear that any club that has not applied for registration will normally have its discretionary rate relief reduced.
- 5.5 As an incentive to register, clubs that do not apply for CASC status would initially receive 50% discretionary rate relief which would then be reduced to 30% over a three year period. However at the same time the Council can encourage Clubs to apply for CASC status and provide the necessary assistance. If a sports club can prove they are

not eligible for CASC status they would continue to receive 50% discretionary relief. The potential savings if the remaining 31 sports clubs that have been identified were to register as CASC's in year one would be approximately £6,155.

- 5.6 A further incentive to encourage CASC registration would be the offer of 5% discretionary top-up rate relief in addition to the 80% mandatory relief. The cost of awarding the 22 clubs currently registered as CASC's with 5 % discretionary rate relief would be approximately £2,455.
- 5.7 The implementation of the above would ensure that the Council would not penalise clubs who have a bar and use any profits from it to further develop the club and its facilities. Sports clubs will receive more relief through CASC registration and if any club is primarily a social club with a bar then they will not be eligible for CASC status and will therefore normally receive less relief.
- 5.8 Businesses that occupy premises with a rateable value of less than £15,000 are entitled to Small Business Rate Relief (SBRR) (subject to certain conditions) which is awarded at no cost to the Council. At present there are around 17 clubs with rateable values under £15,000 that may be eligible for SBRR. It is therefore proposed that potentially eligible clubs be encouraged to complete an application for SBRR (as well as any other ratepayers in receipt of discretionary relief). As a further incentive it is proposed that potentially eligible clubs are advised that failure to apply for SBRR will result in any award of discretionary rate relief being based on what their rate liability would be if SBRR had been applied. This will again reduce the cost to the Council. In addition to this, organisations which currently receive rate relief may not feel inclined to appeal against their rateable value. Officers will therefore encourage these organisations to appeal, as any reduction in the rate liability will also reduce the Council's rate relief burden.
- 5.9 The non-domestic rating legislation makes provision for 50% mandatory rural rate relief for certain general stores, post offices, general food stores, petrol filling stations and public houses. Councils can also top-up the relief to 100% at their discretion. Furthermore, provision is made for the awarding of discretionary rural rate relief in respect of premises in rural areas that are used for purposes beneficial to the local community.
- 5.10 As mentioned in 4.5 above, the 21 October 2005 report did not consider rural rate relief and there is currently inconsistency in its application across the district. During a review of the national non-domestic rates database a possible 21 accounts were identified that had not applied for, but may be eligible for mandatory rural rate relief. Furthermore, whilst some rural post offices and general stores appear to have been awarded 50% discretionary rural top-up relief, others have not, without any clear reasoning behind the decision. It is therefore proposed that discretionary rural rate relief is awarded to all eligible rural post offices and general stores at 50% across the district. This would cost £6,700.
- 5.11 With regard to village halls, where the hall is run by a registered charity it is proposed that they will receive 20% discretionary top-up rate relief in addition to the 80% mandatory rate relief that they receive. The majority of village halls in the district (currently 53 out of 60) identified have already obtained charitable status and are

therefore receiving 100% relief (80% mandatory relief and 20% top-up). Where village halls are not run by a registered charity it is proposed that they will receive 90% discretionary rate relief which will be reduced to 70% over a three year period. The purpose of this is to encourage such organisations to obtain charitable status on the basis that they should be run for the benefit of the community and have open access, etc.

- 5.12 Organisations applying for discretionary rate relief will need to satisfy the Council that they support its aims and objectives and that they do not discriminate against any sectors of the community.
- 5.13 It is recommended that a cap is placed on the amount of discretionary rate relief that any organisation can receive in respect of an individual premises (unless it is in the overriding interests of the council taxpayers to award more). At present, there is no cap and the Council is potentially vulnerable if an organisation enlarges its premises and attracts a higher level of non-domestic rates as a result. Officers propose that the cap be set at £8,000 for discretionary rate relief (at a cost of £2,000 to the Council) and £4,000 for top-up relief to charities or CASC's (at a cost of £3,000 to the Council) The figures of £8,000 and £4,000 are not ones that have any scientific or empirical evidence to support them, but seem to be a reasonable amount and exceed the level of discretionary rate relief currently being paid out in respect of all premises under the current arrangements. There are no current cases where the level of relief exceeds £8,000 for discretionary rate relief and £4,000 for top-up relief. The limits should be reviewed on an annual basis and raised in line with inflation and the non-domestic rates multiplier.
- 5.14 In relation to the caps detailed above, it is proposed that a degree of flexibility is included where the financial interests of the Council could be helped. SOLL is the social enterprise which has a contract to manage several of the Council's leisure facilities. By awarding 20 % top-up relief to SOLL (which would amount to around £40,693 in relief) and negotiating a reduction in the contract fee by the amount, it would be possible to save the Council in the region of £10,173 per year (the cost to the Council in awarding the relief being approximately £30,520). SOLL has already agreed to this change in principle. The same option unfortunately cannot be applied to CLS (the social enterprise which manages the White Horse Leisure and Tennis Centre) because they do not receive a management fee.
- 5.15 It is proposed that the decision to award discretionary rate relief based on the categories agreed by the Executive be delegated to the Chief Finance Officer. This will ensure that there is no delay in informing applicants of the outcome of their application. Furthermore, the current process for awarding discretionary rate relief means that before a decision is made the applicant is required to submit detailed information, and then each application is assessed individually. This is time consuming for both officers and the organisations seeking discretionary relief and does not accord with the practice of the other district councils in Oxfordshire, all of which make category based awards.
- 5.16 The targeting of discretionary rate relief in line with the Council's objectives helps in promoting a strong and sustainable local economy and helps to provide access to a number of services and facilities. Other benefits include, encouraging participation and

local action and the protection and improvement of the local natural and rural environment.

- 5.17 The introduction of a new process based on categories of organisation that are eligible for discretionary rate relief, rather than officer assessment of individual applications, should ensure that the Council treats all organisations equally and fairly.
- 5.18 All of the potentially eligible categories of organisation have been compared against the Council's Community Strategy and Corporate Plan to determine which might be the priorities. Appendix A contains the results of that exercise and shows a number of categories where there is a clear direct link to one or more Community Strategy and/or Corporate Plan priorities. It also shows a group of categories that do not link in any way clearly to the Community Strategy and Corporate Plan as mentioned above.
- 5.19 By awarding discretionary rate relief the Council is providing significant financial support to the Vale's voluntary and community sector and some small but important rural businesses. It is important that residents of the Vale are aware of the support that is provided. Therefore, as well as the statutory information that is provided to ratepayers with their bills, the Council will produce publicity from time to time to ensure that the community is aware of how the Vale helps these sectors and, what help is available.

## **6.0 Implementing the Changes in Criteria**

- 6.1 If the recommendations in this report are approved, officers will write to all organisations currently receiving discretionary rate relief, and those who are not currently receiving relief but will under the new arrangements, to inform them of the amount of relief they will receive in 2008-2009. Officers will also make a concerted effort to encourage the take up of CASC registration and entitlement to Small Business Rate Relief (SBRR).
- 6.2 When considering applications officers will carry out a basic assessment of each individual application to ensure that in offering discretionary rate relief the Council's corporate aims are being pursued. This will, however, be a scaled down version of what currently happens, as there will be a much clearer position regarding those organisations that are considered to be priority and those that are not.

## **7.0 Financial Implications**

- 7.1 The full cost of mandatory rate relief awarded is borne by the national non-domestic rate pool. Table 1, mentioned under 4.2 above, shows the implications of awarding discretionary rate relief, the cost of which is shared between the Council and the national non-domestic rate pool.
- 7.2 The current budget for discretionary rate relief is £58,870. There are currently 151 organisations receiving discretionary rate relief with the average cost to the Council being £329 per award.
- 7.3 There are a number of uncertainties attached to the new arrangements that make it difficult to predict exact overall costs. Chief amongst these is the number of organisations that will successfully apply for charitable or CASC status. Suffice to say, the more that officers are able to encourage take up, the better it will be for the Council.

Officers have estimated that in 2008/2009 costs will not exceed the current 2007/2008 budget of £58,870 based on the proposals in this report. The annual cost should also reduce in the following two financial years when the incentives kick in. However, if relief was awarded to SOLL as explained in 5.15 above there would be an overall saving to the Council of £10,173. This makes good business sense.

- 7.4 There is always a risk that new eligible organisations may move into the district, or that existing eligible organisations may expand and increase their rate liability. However, these risks are of very low probability and, the caps on awards will protect the Council. In addition, this new mechanism of awarding relief will allow the Council to review the awards it makes on an annual basis taking into account budgetary constraints.

## **8.0 Legal Implications**

- 8.1 Section 47 of the Local Government Finance Act 1988 gives councils the discretion to decide on the amount of relief they give and the rules they use to determine that amount. This report proposes the adoption of guidelines which the Council will take into account when exercising that discretion. The guidelines reflect how the Council would normally approach a particular case. It would not be lawful to adopt strict rules. The proposals comply with the law and reflect government guidance, allowing each case to be treated on its merits.

- 8.2 The Local Government Finance Act 1988 requires that recipients of discretionary rates relief are given notice of a full financial year of the intention to change the relief granted. As the Council notified recipients during 2005/06 that their awards for 2006/07 maybe varied from 1 April 2008, it has met this statutory requirement. Ongoing, the Council will continue to make annual awards and notify recipients accordingly.

## **9.0 Conclusion**

- 9.1 The proposals set out in this report will provide a simple, transparent process that aligns awards of discretionary rate relief with the Council's Community Strategy and Corporate Plan. They provide incentives for some organisations to achieve CASC or charity status, thereby shifting the majority of the burden of relief from the local council taxpayers to the national exchequer. They propose standardising the discretionary rate relief for sports organisations that are unable to achieve CASC status at 50% and non-charitable village hall organisations at 70%. Furthermore, they introduce a policy for discretionary rural rate relief to achieve consistency and introduces financial flexibility for the Council. This review will help to ensure that a limited budget is effective in supporting the Council's vision, aims and priorities.

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Background Papers: None

**Discretionary relief categories and links to the Corporate Plan and Community Strategy**

Type of Organisation	Corporate Plan	Community Strategy	Description
<i>Categories supported due to a specific link to the Corporate Plan and Community Strategy</i>			
Sports Clubs/Recreational Organisations		CS9	Maximise opportunities for older people to exercise
			Increase use of local facilities
Youth Organisations	CP04		Help disadvantaged groups and individuals within the Vale to realize their full potential
Village/Community Halls/Community Centres		CS5	Foster a spirit of community by developing infrastructure and breaking down barriers between different groups
			Encourage local issues groups
		CS9	Increase support for older people to avoid isolation
			Maximise opportunities for older people to exercise
Rural Post Offices/General Stores		CS5	Support for economic vitality across all sectors including small rural businesses
			CP03
Pre-Schools		CS8	Support parents and guardians
		CS9	Greater support for young parents
Community Care Organisations		CS5	Foster a spirit of community by developing infrastructure and breaking down barriers between different groups
			CS9
		CP04	Help disadvantage groups and individuals within the Vale to realise their full potential
Advice Organisations		CS9	Increase support for older people to avoid isolation
			Greater Support for young parents
		CS5	Promote and support volunteering
Art Charities – Performance, Teaching & Museums		CS3	Expanded range of facilities/affordable venues
		CS5	Support for economic vitality across all sectors including small rural businesses
		CP03	Encourage a strong and sustainable economy which benefits all who live in, work in or visit the Vale
<i>Categories with no direct link and, therefore, not supported</i>			
Charity Shops	NONE	NONE	
Church Aided Schools	NONE	NONE	
Public Schools	NONE	NONE	
Registered Social Landlords (administrative premises)	NONE	NONE	
Organisations not Supporting the Aims and Objectives i.e. Religious Organisations	NONE	NONE	
Schools/Educational	NONE	NONE	
National Charities	NONE	NONE	
Art Charities not Performance and Teaching related	NONE	NONE	
Rural Public Houses & Petrol Filling Stations	NONE	NONE	
General Rural Businesses	NONE	NONE	
Conservation/Environmental Charities	NONE	NONE	



**Guidelines for Discretionary Rate Relief Award Levels**

Relief Category	21 October 2005 Report		Proposed Relief Levels	
Sports Clubs Non CASC	Discretionary With Bar Discretionary No Bar	25% 50%	Discretionary Year 1 Discretionary Year 2 Discretionary Year 3	50% 40% 30%
Community Amateur Sports Clubs (CASC)	Mandatory Only	80%	Mandatory Discretionary	80% 5%
Rural Relief	* Not Included		Mandatory	50%
Rural Shop	Mandatory	50%	<u>and</u> Post Office -Discretionary	50%
Rural Food Shop			Rural Shop -Discretionary	50%
Rural Public House			Rural Food Shop - Discretionary	0%
Rural Petrol Filling Station			Pub -Discretionary	0%
Other Rural Businesses			Petrol Filling Station -Discretionary	0%
Schools	Mandatory Only	80%	Mandatory Only	80%
Charity Shops	Mandatory Only	80%	Mandatory Only	80%
National Charities	Mandatory Only	80%	Mandatory Only	80%
Housing Associations	Mandatory Only	80%	Mandatory Only	80%
Playgroups	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%
Village/ Community Halls/ Community Centres	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%	Mandatory Top-up <u>or</u> Discretionary Year 1 Discretionary Year 2 Discretionary Year 3	80% 20% 90% 80% 70%
Citizens Advice Bureaux	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%
Scouts & Guides, Youth Clubs Renamed Youth	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%
Serving/Benefiting the Local Community Renamed Community Care	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%
Art Centres & Musical Organisations Renamed and split into three	Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%	<u>Arts - Performance, Teaching Museums</u> Mandatory Top-up <u>or</u> Discretionary	80% 20% 100%
Arts - Performance, Teaching Museums Arts - General i.e. not performance or teaching			<u>Arts - General</u> Mandatory Only	80%
New Category Charities Not Supporting Aims i.e. Religious Organisations	* Not Included		Mandatory Only	80%
New Category Environmental Charities	* Not Included		Mandatory Only	80%

\* These categories were not included in the scope of the 21 October 2005 report

\*\* Discretionary awards are made subject to funding available.