

**Report To: Cabinet**

**Date of Meeting: 14 January 2014**

**Lead Member / Officer: Julian Thompson-Hill / Paul Mcgrady**

**Report Author: Rod Urquhart**

**Title: Discretionary Rate Relief**

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**1. What is the report about?**

To review the levels of Discretionary Rate Relief awarded to Charities and Non Profit making organisations.

**2. What is the reason for making this report?**

To receive an update on the current levels of cost to Denbighshire County Council, to consider actions necessary to generate savings for Discretionary Rate Relief (DRR) for 2015-16 and to consider further amendments to the Discretionary Rate Relief Criteria.

**3. What are the Recommendations?**

That Members approve the proposed amendments to the Discretionary Rate Relief Criteria to be applied from 1<sup>st</sup> April 2014 for new applicants and 1<sup>st</sup> April 2015 for existing applicants, as set out in paragraphs 4.1 – 4.9 below.

**4. Report details.**

**BACKGROUND**

The objective of discretionary rate relief is to give assistance to charitable and nonprofit making organisations that may for example have difficulty in paying their rates and are of benefit to the local community, such as village halls.

As part of the Mid Term Financial Plan covering the period 2014/15 to 2016/17, significant savings are required as a result in the reduction in Government Grants.

In order to meet these savings a complete review of the organisations receiving Discretionary Rate Relief has been undertaken. A review of the guidelines was undertaken in 2012 and the organisations were notified of the levels of relief for 2013/14. Under the current legislation as we are part way through 2013/14 the earliest we can amend the rate relief from is 2015/16 for the existing applicants, but with immediate effect for any new applications.

4.0 PROPOSED AMENDMENTS TO THE DRR CRITERIA TO BE APPLIED FROM 1<sup>st</sup> APRIL 2014 NEW CASES & 1<sup>st</sup> APRIL 2015 FOR EXISTING ORGANISATIONS

4.1 National or Regional Charities

Currently a number of National or Regional Charities receive top up relief, whilst a check on the Charity Commission website indicates that they make annual surpluses in excess of £1 million + or have unrestricted reserves, again in the millions of pounds. It is recommended that no further relief, other than the 80% Mandatory Relief is awarded in these cases as clearly there is the ability to pay the Business Rates liability.

4.2 £26,000 annual surplus and £100,000 unrestricted reserves cap.

Reviewing the accounts for the organisations in receipt of DRR for 2013-14 has also highlighted that several clearly have the means to pay their business rates either through their annual surpluses or through their unrestricted reserves

4.3 It is therefore proposed that the Discretionary Rate Relief criteria be amended to include a requirement that the average annual surpluses (based on the two most recent sets of accounts) should not exceed £26,000 (the average annual earnings of a full time worker). This would ensure that resources are spent on those organisations in genuine need of relief.

4.4 It is also proposed that a condition around unrestricted reserves is added to the DRR criteria to include a requirement that unrestricted reserves should not exceed £100,000. Restricted reserves would not be taken into account.

4.5 Bar provision

The current criterion for DRR specifies that 'bar provision in facilities should be to assist the organisation in providing a sporting purpose service'. It is suggested this is amended so that bar income is ancillary to the organisation, rather than the main income stream. It could be argued that this is acceptable for a Bowls Club as it is clear that the main purpose of the club is to play bowls (and thus the provision of the bar is ancillary to the bowling).

4.6 However, with respect to Social Clubs in some cases the bar appears not to be an ancillary service as it is not clear what other regular activities/provision is on offer at the Club other than a bar. Up to now all Social Clubs have been in receipt of 100% DRR, as it is recognised that they have a value to the local community particularly in terms of community space available for hire. However, if the criteria are to be applied fairly and consistently, it could be argued that in future such organisations should not be granted DRR or at a reduced rate.

- 4.7 If at any point in the future an application for DRR came in from a social club where the bar was still *not* an ancillary service, but the accounts were suggesting that the social club was not in a position to pay their business rates, they would be eligible to apply for Section 49/Hardship Relief. If an application came in from a social club and it was found that the bar provision was less than 50% of the income (i.e. it was an ancillary service) the club would be eligible for 100% DRR.
- 4.8 Football Clubs  
Similarly, the Football clubs are primarily funded through bar receipts, albeit that the proceeds are then re-invested to run the football club. As with bowls clubs it could be argued that this is acceptable as it is clear that the main purpose of the club is to play football (and thus the provision of the bar is ancillary to the football).
- 4.9 Housing Associations  
In line with many other authorities' consideration for Discretionary Rate Relief should be reviewed, as in many cases the Housing Association is making a substantial annual surplus and has unrestricted cash reserves. Clearly in these cases there is an ability to pay the rates due. However any Housing Association, disaffected by the suggested changes could be considered for S49 Hardship Relief, which would have a lower cost to the Council.
- 4.10 FORECAST SAVINGS FOR 2015-16
- 4.11 The budget for Discretionary Rate Relief and Hardship Relief for 2013-14 is £1113k. The total spend to date is £142,884. If no more applications are received or approved during this financial year the cost savings will be £63,516
- 4.12 Appendix 1 shows the projected cost for 2014/15 and 2015/16, based on a forecast increase in inflation. However for 2015/16 there is also a savings projection based on these estimates.

#### ARGUMENTS/CONCLUSIONS

- 4.13 There are both ethical and financial reasons for the Council to ensure that the DRR and Section 49 Schemes are applied consistently and fairly to rural businesses, charitable and nonprofit making organisations that may have difficulty in paying their rates and are of benefit to the local community.
- 4.14 It is proposed that the Discretionary Rate Relief criteria be amended as per Appendix 2, to include a requirement that the average annual surpluses (based on the two most recent sets of accounts) should not exceed £26,000. (the average annual earnings of a full time worker). This would ensure that resources are spent on those organisations in genuine need of relief.
- 4.15 It is also proposed that a condition around unrestricted reserves is added to the DRR criteria to include a requirement that unrestricted reserves should not

exceed £100,000. This will ensure that those organisations that have the means to pay their business rates pay their business rates, but protect those organisations that have expenditure planned for the future in earmarked/restricted reserves.

- 4.16 It is proposed that the current criteria for DRR which specifies that 'bar provision in facilities should be an ancillary service' is applied more rigorously, which would result in social clubs whose bar income exceeds 50% of its overall income no longer eligible for DRR.

**5. How does the decision contribute to the Corporate Priorities?**

The effective targeting of relief will ensure organisations providing services for vulnerable people are protected.

**6. What will it cost and how will it affect other services?**

The costs associated with the reviews are within the current budgets. There will be a recurring saving of £63,516 to the Council's revenue budget from 2015/16 as a result of the changes to the treatment of Discretionary Rate Relief

**7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.**

Not applicable as the guidelines are being changed rather than creating a new policy.

**8. What consultations have been carried out with Scrutiny and others?**

None

**9. Chief Finance Officer Statement**

The proposals enable the Council to continue to support organisations with rate mandatory relief but place restrictions on discretionary relief for certain organisations. Given the difficult financial situation the Council will be facing in 2015/16 it needs to review all expenditure and reduce accordingly.

**10. What risks are there and is there anything we can do to reduce them?**

If there is not a robust set of guidelines relating to the award of Discretionary Rate Relief then further pressures will be put on the Council's budgets.

**11. Power to make the Decision**

Discretionary Rate Relief is awarded under Section 47 of the Local Government Finance Act 1988.