

WIRRAL COUNCIL
CABINET
3 FEBRUARY 2011

SUBJECT:	DISCRETIONARY RATE RELIEF FOR NON PROFIT MAKING ORGANISATIONS
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	CLLR JEFF GREEN
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 Cabinet on 22 July 2010, requested a review of the Discretionary Rate Relief policy.
- 1.1. Due to legislative requirements, any changes in Council policy will only take effect from 1 April 2012 for existing recipients of discretionary rate relief.

2.0 RECOMMENDATIONS

- 2.1 That Members increase the Discretionary Rate Relief budget for 2010-11 by £190,000 to meet the current demand.
- 2.2 That the award of top up Discretionary Rate Relief to voluntary and aided schools, foundation, and trust schools be met from the Schools Budget from 2011-12 subject to the agreement of the Schools Forum on 25 January 2011.
- 2.3 That all future discretionary rate relief applications in respect of properties with a rateable value of less than £18,000 be accompanied by a Small Business Rate Relief (SBRR) application to encourage SBRR take up and then to continue to reduce the reliance on the Discretionary Rate Relief budget.
- 2.4 That, with effect from 1 April 2012, Community Interest Companies and social welfare organisations that occupy properties with rateable values under £18,000 (in line with the SBRR limits) be entitled to full discretionary rate relief and those occupying properties of £18,000 or more be considered by Members on a case by case basis

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 There is a clear need to review the level of the Discretionary Rate Relief budget in view of the current budgetary pressures and the area of greatest demand is Voluntary and Aided Schools which account for £337,000.
- 3.2 In view of the varied nature of the organisations that receive relief and the functions that they fulfil, especially during periods of economic recession, officers feel that it would be a counter productive move to reduce the level of relief to other organisations.
- 3.3 The Schools Forum met on 25 January 2011 to consider a proposal to contribute an annual amount from the Schools Budget equivalent to the cost of awarding relief to eligible schools with effect from 2011-12
- 3.4 An exercise to encourage organisations that receive full discretionary rate relief to apply for small business rate relief as well could realise net savings of approximately £15,000 per annum
- 3.5 Community Interest Companies (CICs) are a relatively new phenomenon that are regulated nationally, tend to have a community objective and tend not to be established for private gain or profit, however, consideration to award a given percentage of relief dependent on the size of the rateable value would seem appropriate. Given the opportunity to limit the burden on the Discretionary Rate Relief budget by use of Small Business Rate Relief (SBRR) legislation, it would appear reasonable to apply a capping level at the SBRR rateable value levels.
- 3.6 The Government has indicated that it sees social enterprise at the heart of a reform of public services and, consequently, this may result in an increase within this category of relief in future. There are a number of social enterprise companies that currently benefit from discretionary rate relief assistance such as organisations set up to assist educational establishments in training for vocational qualifications.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 Section 47 of the Local Government Finance Act 1988 and the NNDR (Discretionary Relief) Regulations 1989 detailed the scheme for relief. In 1989 and 2002 the Government issued guidance notes urging local authorities to exercise their power of granting relief generously to organisations which satisfied the criteria. The suggested criteria have been broadly adopted by the Authority and are reproduced in Appendix A.
- 4.2 Council policy has its foundation in a report to the Policy and Resources Committee on 24 January 1990, as amended in December 1992, that 100% discretionary rate relief be given to certain non profit making voluntary or sporting organisations which broadly fit the criteria laid down.

- 4.3 Members last reviewed the Discretionary Rate Relief policy in 2007 and minor amendments to the policy took effect from April 2008.
- 4.4 Discretionary rate relief tends to be awarded to three different categories of organisation:-
- a. Charities who currently receive 80% mandatory relief funded by the Government, may receive the additional 20% as top up discretionary rate relief
 - b. Organisations not established nor conducted for profit may receive up to 100% discretionary rate relief
 - c. Eligible ratepayers situated in a designated rural settlement area currently receive 50% mandatory relief topped up by the additional 50% rate relief at the discretion of the Council
- 4.5 The various categories of organisations currently in receipt of rate relief are detailed in Appendix B together with the amount of relief awarded. The categories that receive the largest amounts of relief are Voluntary and Aided Schools (including Foundation Schools), Welfare Organisations, and Charity Shops at a cost to the Authority of £337,000, £84,000 and £66,000 respectively.
- 4.6 The General Fund is required to fund 75% of any discretionary relief awarded in respect of top up cases and 25% of any relief awarded in other circumstances.
- 4.7 The budgetary provision for discretionary rate relief in 2010-11 stands at £459,600. The actual amount awarded this year is likely to be £650,000.
- 4.8 The primary reason for the increase in the amount awarded has been the recent change of status by a number of schools in the area to foundation, or trust status.
- 4.9 When the criteria were last reviewed, this Authority continued to reflect Government suggestions to be generous in its policy towards appropriate organisations.
- 4.10 Currently, if an organisation broadly fulfils the criteria, full relief from the annual charge is allowed. There is, however, a need to review changing circumstances and costs and in view of current budget issues it is thought appropriate that current policy be reviewed.

5.0 RELEVANT RISKS

- 5.1 Non Domestic Rates legislation requires 12 months notice, commencing on 1 April, of any variation in discretionary rate relief. If this notice to current recipients is delayed beyond 1 April 2011, potential savings can only commence with effect from 1 April 2013.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Whilst the Council contributes substantial discretionary rate relief to the welfare sector, considering an option to reduce the levels at this time was not deemed appropriate.
- 6.2 The entire full discretionary element amounts to a £60,000 cost to the Discretionary Rate Relief Budget, and consequently it was determined to focus the review on the higher value areas.

7.0 CONSULTATION

- 7.1 A number of rating authorities comparable to Wirral have been consulted with regard to their discretionary rate relief policies.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising directly from this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 Relief can be given up to 100% of the amount due and, of any amount awarded, 75% is borne by the Government via the National Pool. The remaining 25% would be met by the General Fund.
- 9.2 It is proposed that any new policy for existing recipients will take effect from 1 April 2012.
- 9.3 The Discretionary Rate Relief budget is £459,600 in 2010-11. Demand is likely to be £650,000 and therefore an additional £190,000 is required in 2010-11.
- 9.4. Transferring the schools element to the Schools Budget from 2011-12 would reduce General Fund expenditure by £337,000.
- 9.5. There are no IT, Staffing or Asset resource implications arising from this report.

10.0. LEGAL IMPLICATIONS

- 10.1 There are none arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising directly from this report.

11.2 Equality Impact Assessment (EIA)

(a) Is an EIA required? No

11.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

REPORT AUTHOR:

Peter Peasgood

Principal Incomes Officer

telephone: (0151) 666 3238

email: peterpeasgood@wirral.gov.uk

FNCE/4/11

APPENDICES

A – Policy and Resources Committee extract

B – Award of Discretionary Rate Relief by Category

REFERENCE MATERIAL

Statistical data obtained from the integrated Revenues and Benefits system.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	22 July 2010
Cabinet	4 February 2010
Cabinet	10 January 2008

APPENDIX A

The following is an extract of Policy and Resources Committee Report (FNCE/4/90) approved by min 386 (P&R) of 24 January 1990 as amended by minute 185 (P&R) of 15 December 1992 which details the criteria that has been used to assess applications.

1. ACCESS

- 1.1. Is membership open to all sections of the community? There may be legitimate restrictions placed on membership which relate for example to ability in a sport or the achievement of a standard in the field covered by the organisation or where the capacity of the facility is limited. Clubs or organisations should not be considered if they have membership rates set at such a high level as to exclude the general community. In general, the club or organisation must be prepared to show that the criteria by which it considers applications for membership are consistent with the principle of open access.
- 1.2. Does the organisation actively encourage membership from particular groups in the community e.g. young people, women, older age groups, persons with disability, ethnic minorities, etc? An organisation which encouraged such membership might expect more sympathetic consideration than one which made no effort to attract members from groups which the Authority considered to be particularly deserving of support.
- 1.3. Are the facilities made available to people other than members, e.g. schools, casual public sessions etc? The wider use of facilities should be encouraged and rate relief might be one form of recognition that an organisation was promoting its facilities more widely.

2. PROVISION OF FACILITIES

- 2.1. Does the organisation provide training or education for its members? Are there schemes for particular groups to develop their skills e.g. young people, the disabled, retired people? An organisation providing such facilities might deserve more support than one which did not.
- 2.2. Have the facilities available been provided by self-help or grant aid? The fact that a club uses or has used self-help for construction or maintenance or had facilities funded by grant aid might be an indicator.
- 2.3. Does the organisation run a bar? The mere existence of a bar should not in itself be a reason for not granting relief. The Authority should look at the main purpose of the organisation. In sports clubs for example the balance between playing and non-playing members might provide a useful guide as to whether the main purpose of the club is sporting or social activities. A social club whose main aim is to bring together people with similar interests should not be excluded from relief just because of the existence of a licensed bar.

- 2.4. Does the organisation provide facilities which indirectly relieve the Authority of the need to do so, or enhance and supplement those which it does provide? Authorities should not refuse relief on the grounds that an organisation is in competition with the Authority itself, but should look at the broader context of needs of the community as a whole. A new need, not being provided by the Authority itself but identified as a priority for action, might be particularly deserving of support.

3. **OTHER CONSIDERATIONS**

- 3.1. Is the organisation affiliated to local or national organisations e.g. local sports or arts councils, national representative bodies, i.e. are they actively involved in local/national development of their interests?
- 3.2. If the organisation is a sporting club, whose main activities are a recognised eligible sport, has it registered with the Inland Revenue as a Community Amateur Sports Club (CASC). If not the club should be encouraged to do so.
- 3.3. Is the membership drawn from people mainly resident in the charging authority's area? Although authorities will have in mind that 25% of the cost of any relief given will be borne by the Council Taxpayers in their area, particular difficulties may arise with hereditaments which straddle local authorities boundaries and which under Regulation 6 of the Non-Domestic Rating (Miscellaneous Provisions) Regulations 1989 (S.I. 1989 No. 1060) will now fall to be shown in one list. In these cases and in those where hereditaments are situated close to an authority's boundary, a proportion of the membership may come from another charging authority area. Also for geographical reasons, or because of the nature of the terrain, particular facilities may be the only ones available for a wide area. In such cases the joint use of facilities by one or more similar organisations is not uncommon. In most cases there will be a measure of reciprocity between the memberships of organisations from different areas.
- 3.3. Authorities may wish to add further criteria or substitute relevant alternative criteria, which are appropriate to the furthering of their policies and the needs of the community such as development programmes. They should also bear in mind the need to encourage new activities in the wide range of organisations for which relief from rates is available.
- 3.4. The manner in which charities or organisations are funded should also be considered. In cases of full or substantial funding from central government; either directly or through an agency, council or similar body, which is funded or established by central government, consideration should be given to the merit of awarding relief.
- 3.5. Are members paid to participate? The Authority may wish to consider whether to award relief where payments or other significant benefits are provided to players. Exceptions may be the reimbursement of reasonable travel expenses or reasonable provision and maintenance of club owned equipment. The

Authority may look favourably on clubs whose paid players contribute more to the club than just playing e.g. by coaching younger members.

- 3.6. The Authority may wish to consider the extent to which the organisation's activities contribute to local community strategies or authority objectives for developing neighbourhood identity, community building or social inclusion.
- 3.7. Housing Associations, universities, further education colleges and independent schools are specifically excluded from receiving discretionary rate relief as per Cabinet decision dated 10 January 2008

APPENDIX B

Award of Discretionary Rate Relief (by category)

Type of Organisation	No	Cost to Authority £000
Voluntary and Aided Schools	39	337
Youth Organisations	47	13
Charity Shops	74	66
Welfare Organisations	95	84
Community and Residents Associations	50	45
Training Organisations	4	11
Miscellaneous Mandatory	23	15
National Charities	5	2
Theatre Charities	4	2
Playgroups	1	-
Museums	2	12
Religious groups	7	2
Rural Relief	1	-
Total discretionary Top up cases		590
Miscellaneous Discretionary	1	7
Community Amateur Sports Club	9	5
Soccer Clubs	8	4
Rugby Clubs	8	11
Cricket Clubs	7	4
Tennis Clubs	12	4
Bowling Clubs	8	2
Sailing Clubs	8	4
Miscellaneous Sports	10	6
Miscellaneous Discretionary	12	4
Golf Clubs	5	1
Community Centres	10	3
Community Interest Company	1	2
Advice Centres	3	4
Total Full discretionary cases		60
Totals	454	650