



**POLICY AND RESOURCES SCRUTINY COMMITTEE –  
15TH APRIL 2014**

**SUBJECT: DISCRETIONARY RATE RELIEF APPLICATIONS**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151  
OFFICER**

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**1. PURPOSE OF REPORT**

- 1.1 This report sets out details of an application for discretionary rate relief and notes the decision proposed by the Acting Head of Corporate Finance under delegated powers.

**2. SUMMARY**

- 2.1 The Council is able to assist a wide range of voluntary and sporting organisations by granting rate relief. This report contains details of an application received for discretionary rate relief and the proposal for the determination of the application to be formally implemented on the 22nd day of April 2014.

**3. LINKS TO STRATEGY**

- 3.1 The granting of rate relief is a very cost effective way in which the Council can pursue its Regeneration objective by giving financial assistance to local organisations.

**4. THE REPORT**

**4.1 BACKGROUND**

- 4.1.1 Under the Council's Scheme of Delegation applications for discretionary rate relief submitted to the Council are determined by the Council's Head of Corporate Finance.
- 4.1.2 The determination is exercised following consideration of the Council's Policy on discretionary rate relief supplemented by guidance from Welsh Government and Central Government.

**4.2 THE APPLICATION**

**Smart Credit Union Ltd**

- 4.2.1 An application for discretionary rate relief has been received from the above organisation in respect of its premises at Abacus House, 44 Windsor Street, Caerphilly for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> July 2013, and in respect of 64-66 Cardiff Road, Caerphilly from 16<sup>th</sup> July 2013 onwards.

- 4.2.2 Members should be aware that currently the Authority would bear 10% of any discretionary rate relief awarded, with the Welsh Government Pool bearing the remaining 90%.
- 4.2.3 The business rate liability of the organisation's premises for 2013/14 is as follows:
- Abacus House, 44 Windsor Street, Caerphilly - £1,922.74 (1<sup>st</sup> April 2013 to 31<sup>st</sup> July 2013)  
64-66 Cardiff Road, Caerphilly - £11,770.66 (16<sup>th</sup> July 2013 to 31<sup>st</sup> March 2014)
- 4.2.4 Credit Unions within the meaning of the Credit Unions Act 1979 are registered as Industrial and Provident Societies and regulated by the Financial Services Authority (the same body that regulates banks and building societies) and, as such, they cannot be registered charities regulated by the Charity Commission. However, it is possible that they may be considered to be a charity governed by charitable law if they have a charitable purpose that fits within one of the categories listed in the Charities Act 2011. In this case, the application is for discretionary rate relief, and not mandatory (charitable) rate relief, therefore this report only considers eligibility for discretionary relief.
- 4.2.5 A credit union is a financial co-operative owned and controlled by its members. Credit Unions offer a friendly, convenient and secure place to save with access to relatively low cost loans.
- 4.2.6 When making a decision concerning whether to grant discretionary relief, under the Local Government Finance Act 1988 (LGFA 1988) billing authorities must have regard to any relevant guidance issued by the Welsh Ministers. Welsh Government Guidance on Friendly and Industrial and Provident Societies states that 'these societies do not normally meet the requirements set out in sections 45 [mandatory relief] and 47 [discretionary relief] of the LGFA 1988', however, 'it still remains for each billing authority to decide whether or not...[to grant]...rate relief under the provisions of rating legislation.'
- 4.2.7 Admission to membership of the Smart Money Credit Union Ltd is restricted to individuals residing in the Caerphilly County Borough, Blaenau Gwent County Borough or Newport City areas or being employed by one of 15 designated employers such as the local authorities, housing associations and the local health board existing within the locality of those areas. There is a membership entrance fee of no more than £5.00 and the same fee is payable annually thereafter (subject to change by agreement at the annual general meeting).
- 4.2.8 The credit union advises that each member makes regular payments into their savings account; this fund then provides the basis for preferential rate loans. The income generated by lending helps to meet operating expenses, build reserves and pay savers competitive dividends. Members are encouraged to save for their future, and in return they receive access to a range of financial services, including affordable loans and a secure place to save.
- 4.2.9 The objects of Smart Money Credit Union Ltd are the:
- Promotion of thrift among its Members by saving regularly;
  - Creating of loans as a source of credit for members at fair, reasonable rates of interest;
  - The use and control of Members' savings for their mutual benefit; and
  - Training and education of Members in the wise use of money and offering advice in the management of their financial affairs.
- 4.2.10 To be eligible for discretionary rate relief, the credit union must satisfy the following conditions:
- a) the organisation or institution occupying the premises must not be established or conducted for profit; and
  - b) each of the organisation's main objects must be charitable, or otherwise philanthropic or religious, or concerned with education, social welfare, science, literature, or fine arts.

- 4.2.11 Looking at condition a), whilst the issue of dividends to members under the rules of this credit union is certainly a means of profit sharing, the legal requirement is not whether or not a profit is made and shared, but whether the organisation was established for that purpose. It appears that profit is not a motive in the Smart Money Credit Union's establishment, as the main objectives are for purpose of providing sources of credit, and opportunities to save for the mutual benefit of its members. In the case of this credit union, any dividends are likely to be relatively modest in any event, and capped at a maximum of 8%.
- 4.2.12 Regarding condition b), the importance of the word 'each' cannot be overstated; the fact that some or most of the main objects are charitable or otherwise philanthropic or religious, or concerned with education, social welfare etcetera will not be sufficient.
- 4.2.13 Having reviewed the rules of Smart Money Credit Union Limited, the objects listed within the organisation's rules (and set out in paragraph 4.2.9 above) are not considered to be wholly or mainly charitable. The objects appear mainly to be for the benefit of its members in creating sources of credit and using members savings for their mutual benefit. However, it is acknowledged that some of the credit union's objectives, such as promotion of thrift and financial management and education may be considered a charitable purpose, but those are only some of the main objectives and not enough to say the organisation is wholly or mainly charitable or otherwise, as required under the regulations.
- 4.2.14 On dissolution of the organisation, any funds remaining after payment of debts and other liabilities are firstly to be transferred to another credit union, with charitable purposes only coming into consideration if the first option is not followed.
- 4.2.15 Furthermore, it is noted that the rules allow for the distribution of any surplus profit for charitable purposes, but this appears to be ancillary to the main objects and does not necessarily mean that the business of the credit union is in itself charitable. In fact, the rules state that other matters, namely developing the institutional capital base of the credit union, paying dividends to members and rebates on interest paid by or due from members take precedence over using any surplus for social, cultural or charitable purposes.
- 4.2.16 Whilst not charitable, some objects of the credit union may be considered philanthropic, or concerned with education or social welfare in the sense that help is offered with management of finances. Loans offered can alleviate social problems associated with loan sharks and pay-day lenders, but it is the view of the Acting Head of Corporate Finance that this social welfare aspect only applies to some rather than each of the credit union's objects.
- 4.2.17 Taking all of the above matters into consideration, it is proposed not to award discretionary rate relief in this case because it appears that Smart Money Credit Union Ltd does not clearly satisfy all of the relevant qualifying criteria.
- 4.2.18 Members are advised that there are 2 other credit unions operating within the Caerphilly county borough area, however, as they are occupying much smaller premises, they automatically qualify for 100% small business rate relief and so have nothing to pay.
- 4.2.19 **Proposal (to be implemented on 22nd day of April 2014):**

**Discretionary rate relief be not awarded.**

## **5. EQUALITIES IMPLICATIONS**

- 5.1 This report is to advise Members of the proposed determination of the application(s) for discretionary rate relief so the Council's full Equalities Impact Assessment process does not need to be applied.

## **6. FINANCIAL IMPLICATIONS**

6.1 These are contained within the report.

## **7. PERSONNEL IMPLICATIONS**

7.1 There are no personnel implications.

## **8. CONSULTATIONS**

8.1 There are no consultation responses which have not been reflected in this report.

## **9. RECOMMENDATIONS**

9.1 Members note the proposed determination of the application(s) for discretionary rate relief under delegated powers which will be implemented on the 22nd day of April 2014.

## **10. REASONS FOR THE RECOMMENDATIONS**

10.1 As set out throughout the report.

## **11. STATUTORY POWER**

11.1 Section 47 of the Local Government Finance Act 1988.

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Background Papers:

Rate Relief Application Forms, contact ext 3421