



POLICY AND RESOURCES SCRUTINY COMMITTEE – 20TH JANUARY 2015

SUBJECT: REVIEW OF NNDR DISCRETIONARY RATE RELIEF POLICY

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

1. PURPOSE OF REPORT

- 1.1 To present the Scrutiny Committee with details of proposed changes to the Authority's Discretionary Rate Relief Policy. These include the re-categorisation of some elements of the Policy, the introduction of an appeals procedure and the consideration of potential changes that will generate savings to support the Authority's Medium-Term Financial Plan (MTFP).
- 1.2 To seek the views of Scrutiny on the potential changes prior to proposals being presented to Cabinet on the 4th February 2015.

2. SUMMARY

- 2.1 Where a property does not qualify for Mandatory Rate Relief, rating Authorities will consider the award of Discretionary Rate Relief under Section 47 of the Local Government Finance Act 1988. Authorities have discretion to grant relief of up to 100% to certain non-profit making bodies. To be eligible, the ratepayer must be a non-profit making body and the rateable property must be used for charitable, philanthropic or religious purposes, or concerned with education, social welfare, science, literature or the fine arts, or used wholly or mainly for recreation by a not-for-profit club or society.
- 2.2 Mandatory Rate Relief is a separate matter and is currently fixed at 80% of the rates payable where the ratepayer is a charity, or trustees for a charity, and the property is wholly or mainly used for charitable purposes (Section 43, Local Government Finance Act 1988). Mandatory Rate Relief is fully funded by the Welsh Government National Non-Domestic Rates (NNDR) pooling arrangements. Charities should be registered with the Charities Commission unless they are excepted from registration (e.g. scouts and guides, various religious charities) or exempt from registration because they are listed under the Charities Act 1993 or other legislation such as places of public religious worship, universities and museums.
- 2.3 Where a ratepayer is in receipt of 80% Mandatory Rate Relief, discretionary relief of up to 20% may also be granted and this is known as Top-Up Discretionary Relief.
- 2.4 This report sets out details of proposed changes to the Authority's Discretionary Rate Relief Policy that will address some anomalies in the existing policy and also provide the potential to generate savings to support the Medium-Term Financial Plan (MTFP).

3. LINKS TO STRATEGY

- 3.1 The Authority collects National Non-Domestic Rates on behalf of the Welsh Government. The sums collected across Wales are pooled and re-distributed to individual Authorities on a formula basis.
- 3.2 Discretionary Rate Relief and Top-Up Discretionary Relief are part-funded by the Authority and any savings arising from changes to the Council's policy will support the MTFP.

4. THE REPORT

- 4.1 Discretionary Rate Relief is currently funded by Local Authorities (10%) and the Welsh Government (90%). However, where CCBC awards Top-Up Discretionary Relief, the Council funds 75% with 25% being funded by the Welsh Government. As at July 2014, 104 non-domestic ratepayers within the County Borough were in receipt of Discretionary Rate Relief, with 178 ratepayers receiving Top-Up Discretionary Relief. The projected spend for the 2014/15 financial year for both Discretionary Rate Relief and Top-Up Discretionary Relief is £541k, of which £224k is funded by CCBC and £317k by the Welsh Government.
- 4.2 The Authority's criteria in relation to Discretionary Rate Relief have been amended periodically since 1996. All applicants are required to complete a standard application form and submit such further information as the Council may require to form an opinion on the application e.g. annual accounts, constitution, subscription details. All applications are treated on merit in accordance with Welsh Government criteria.
- 4.3 The current policy has a 'Miscellaneous Organisations' category, which now needs to be reviewed and updated. It is proposed that this category is sub-divided into three main Sections, one of which will be a new Section to deal with Social Enterprises, Community Interest Companies and Credit Unions. The three Sections would be as follows: -
- 4.3.1 **Section 1** - 100% relief to be awarded for qualifying not-for-profit organisations whose objects are wholly or mainly philanthropic, and/or educational and/or focussed on social welfare, and are provided for: -
- children
 - and/or young people
 - and/or disabled people
 - and/or unemployed people
 - and/or socially or economically disadvantaged people.
- 4.3.2 **Section 2** - A new category to be created for Social Enterprises, Community Interest Companies and Credit Unions whose objects are wholly or mainly charitable and where articles of association or similar approved documentation are provided which satisfy the various conditions set out in rating legislation regarding the non-profit making criteria expected to be in place for eligibility to receive discretionary rate relief. The use of the premises must also be wholly or mainly charitable. It is proposed that relief in this category should be 100% for premises with a rateable value up to £75,000 and 50% where the rateable value exceeds £75,000. This would be a new category that would enable the Authority to consider relief specifically for such organisations but, compared to the current policy, would limit exposure to larger relief claims.
- 4.3.3 **Section 3** - Qualifying organisations not covered by the specific categories set out within the policy to receive a maximum of 20% relief (previously 100%). The number of organisations in this category is expected to be small.
- 4.4 Currently, where an organisation is refused Discretionary Rate Relief by the Head of Corporate Finance under delegated powers, the Authority will explain in writing why the application was unsuccessful. However, the Policy does not currently contain any details on

the right to appeal. It is therefore proposed that applicants will in future be advised of their right of appeal against the determination and if such an appeal is made then it must be made in writing to the Director of Corporate Services & Section 151 Officer within 28 days of the date of the original determination letter. The ratepayer's appeal must clearly set out in detail the reason(s) why the organisation believes that discretionary rate relief should be allowed. The decision of the Director of Corporate Services & Section 151 Officer will be final and there will be no further right of appeal.

4.5 As part of the MTFP process Members are asked to consider restricting or removing Top-Up Discretionary Relief under certain circumstances. The following options are put forward for consideration: -

4.5.1 Consider restricting or removing Top-Up Discretionary Relief where an organisation occupies one or more rating assessments within the Authority's area, which cumulatively amount to a total rateable value exceeding **£100,000**. Currently 2 ratepayers would be affected by this change i.e. Coleg Gwent and Coleg Y Cymoedd (Ystrad Mynach College). The following savings could be achieved: -

Current cost of 20% top-up relief to CCBC (75%): £85,899

Potential Savings: -

If only 10% top-up relief awarded: **£42,950**

If only 5% top-up relief awarded: **£64,424**

If no top-up relief awarded: **£85,899**

4.5.2 Consider restricting or removing Top-Up Discretionary Relief where an organisation occupies one or more rating assessments within the Authority's area, which cumulatively amount to a total rateable value exceeding **£75,000**. Currently 4 ratepayers would be affected by this change i.e. Coleg Gwent, Coleg Y Cymoedd (Ystrad Mynach College), CFBT Education Trust and Groundwork Caerphilly. The potential savings are as follows: -

Current cost of 20% top-up relief to CCBC (75%): £98,232

Potential Savings: -

If only 10% top-up relief awarded: **£49,116**

If only 5% top-up relief awarded: **£73,674**

If no top-up relief awarded: **£98,232**

4.5.3 Consider reducing top-up relief for charities qualifying for 80% mandatory relief that operate within CCBC and Wales only (e.g. Llamau Ltd and Rhymney Valley Women's Aid). The following savings could be realised: -

Current cost of 20% top-up relief to CCBC (75%): £21,109

Potential Savings: -

If only 10% top-up relief awarded: **£10,555**

If only 5% top-up relief awarded: **£15,832**

If no top-up relief awarded: **£21,109**

4.5.4 Consider reducing top-up relief for Charities qualifying for 80% mandatory relief that operate across the UK (e.g. CAB, Tenovus and Barnardos).

Current cost of 20% top-up relief to CCBC (75%): £30,184

Potential Savings: -

If only 10% top-up relief awarded: **£15,092**

If only 5% top-up relief awarded: **£22,638**

If no top-up relief awarded: **£30,184**

- 4.6 Officers feel that the proposed change outlined in paragraph 4.5.1 should be considered at this time but that the potential changes outlined in paragraphs 4.5.2 to 4.5.4 should not be considered further at this stage in the MTFP process.
- 4.7 Members should note that any agreed changes to the Discretionary Rate Relief Policy would be subject to a statutory notice period and as such would not become effective until April 2016.

5. EQUALITIES IMPLICATIONS

- 5.1 Any agreed changes to Top-Up Discretionary Relief would impact on the budgets of those organisations listed in the options set-out in paragraphs 4.5.1 to 4.5.4. Further information from affected organisations would be required during the statutory notice period in order to fully assess the implications.

6. FINANCIAL IMPLICATIONS

- 6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

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

9. RECOMMENDATIONS

- 9.1 Members of the Scrutiny Committee are asked to consider and comment upon the following: -

9.1.1 The proposed re-categorisation of the 'Miscellaneous Organisations' category and suggested policy amendments as set out in paragraphs 4.3.1 to 4.3.3 of the report.

9.1.2 The proposed appeals process as outlined in paragraph 4.4.

9.1.3 The Officer supported proposal to restrict or remove Top-Up Discretionary Relief where an organisation occupies one or more rating assessments within the Authority's area, which cumulatively amount to a total rateable value exceeding £100,000 (paragraph 4.5.1).

9.1.4 The potential to restrict or reduce Top-Up Discretionary Relief in other categories as set-out in paragraphs 4.5.2 to 4.5.4, albeit that these proposals are not supported by Officers at this stage in the MTFP process.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that the Scrutiny Committee is given an opportunity to comment on the content of this report prior to the matter being considered by Cabinet at its meeting on the 4th February 2015.

11. STATUTORY POWER

11.1 Local Government Finance Act 1998.

Author: Stephen Harris, Interim Head of Corporate Finance

E-mail: harrisr@caerphilly.gov.uk Tel: 01443 863022

Consultees: Nicole Scammell, Acting Director of Corporate Services & S151 Officer
John Carpenter, Council Tax and Non-Domestic Rate Manager
Gail Williams, Interim Head of Legal Services & Monitoring Officer
David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services