

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	14 FEBRUARY 2017
SUBJECT:	DISCRETIONARY BUSINESS RATES RELIEF POLICY – CHARITIES AND NON-PROFIT MAKING ORGANISATIONS
PORTFOLIO HOLDER(S):	COUNCILLOR HYWEL EIFION JONES (PORTFOLIO HOLDER – FINANCE)
HEAD OF SERVICE:	MARC JONES (HEAD OF FUNCTION - RESOURCES AND SECTION 151 OFFICER)
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LOCAL MEMBERS:	NOT APPLICABLE

A - Recommendation/s and reason/s

RECOMMENDATION

- That the Executive adopts the current Discretionary Business Rates Relief Policy- Charities and Non-Profit Making Organisations as detailed in Appendix A for the financial year 2017/18 only and instructs the Head of Function (Resources) and Section 151 Officer to ensure that administrative procedures before 31 March 2017 advise relevant charities and non-profit making organisations that the policy will apply for 2017/18 only and will cease on 31 March 2018.
- That the Executive agrees to delay the public consultation on the policy during 2016/17 and the Head of Function (Resources) and Section 151 Officer reports back to the Executive regarding the development of this policy for the future after taking into account the Welsh Government's review of its relief for small businesses and the effect of the revaluation regarding the cost of the current policy, during 2017/18.

BACKGROUND

Non-domestic properties (apart from certain exemptions, such as agriculture, places of worship, property used by the disabled etc.) are liable to payment of non-domestic rates. These are commonly termed business rates although not all ratepayers are businesses in the ordinary sense. Indeed, the system of reliefs is partly designed to alleviate the burden of taxation on occupiers other than business.

Local Authorities in Wales must grant mandatory rate relief provided for within the Local Government Finance Act 1998 (LGFA88), as amended by the Local Government Act 2003.

Under the LGFA88 local authorities can also grant discretionary relief or remission from rates up to 100% of the rates payable. This applies to the properties occupied by:

- Charities ("20% top-up" in addition to 80% mandatory relief);
- Other non-profit making organisations.

The cost of granting discretionary business rates relief is borne in part by the National Non-Domestic Rates (NNDR) Pool (i.e. Welsh Government) and by local council taxpayers.

For example, the proportion borne by the Welsh Government in respect of non-profit making organisations is 90% of the cost. This means, that every £1 spent by the Council buys relief worth £10 to the ratepayer.

However, in respect of the cost of the "20% top-up", the proportion borne by the Welsh Government is 25% of the cost. This means that for every £7.50 spent by the Council buys relief worth £10 to the ratepayer.

THE DECISION OF THE EXECUTIVE IN FEBRUARY 2016

In February 2016, the Executive extended its Discretionary Business Rates Relief Policy – Charities and Non-Profit Making Organisations for one year and authorised the Portfolio Holder (Finance) and the Head of Resources (Function) and Section 151 Officer to undertake a public consultation based on the matters raised during the review completed in November 2015 and also, to look at the possibility could relief from the business rates be achieved at a lower cost to the Authority in respect of charities and non profit making organisations.

It is fair to report to the Executive that no formal consultation has been undertaken in accordance with the Executive's wish back in February 2016. A number of reasons have emerged during the year, in the opinion of the Portfolio Holder (Finance) and Head of Function (Resources) and Section 151 Officer, to delay the consultation to a date after the appointment of the new Council in May 2017 and also having regard to the effect of the revaluation and the Welsh Government's new policies with regard to business rates. Consequently, it is recommended that the current policy is adopted for a further year. Here are the reasons that the consultation should be delayed –

- On 29 September 2016, the new Valuation List for 2017 was published in draft as a result of the revaluation of business rates based on rateable values having an antecedent date of April 2015. The draft list will be updated weekly until the final list is published on 1 April 2017. As a consequence of this revaluation the Welsh Government has announced two schemes to lessen the impact of the revaluation on businesses. Firstly, in September 2016 it was announced that a transitional relief scheme would be introduced for specific businesses (those who were regarded as small businesses under previous legislation) where their rateable values had increased significantly (this will not apply to charities and non profit making organisations). The scheme will run for three years from 1 April 2017 to 30 March 2020. The Welsh Government consulted on this scheme and the new regulations came into force on 31 December 2016; and secondly, it was also announced, in December 2016, that additional financial assistance would be provided to assist high street shops, pubs and restaurants with their business rates, (it is unlikely that charities and non profit making organisations will benefit from this second scheme). The final scheme has not yet been published;
- The Executive is reminded that the Welsh Government continues to extend year on year, one key policy with regard to support in respect of business rates, based on the financial announcements of the Chancellor of the Exchequer in the annual Autumn statement, being the Extended Mandatory Scheme to provide business rates support for Small Businesses (this scheme is not relevant to charities and non profit making organisations and the mandatory scheme has been extended annually for the last 6 years). The Welsh Governemnt has confirmed that this scheme will apply again for 2017/18 **BUT** a general review of the policy will be undertaken by the Welsh Government during 2017/18 with the intention of creating a **PERMANENT** business rates relief scheme for small businesses which is better targetted to small businesses. It has to be stated however, that as a consequence of the introduction of a transitional business rates relief scheme, additional relief for high street shops, pubs and restaurants and the confirmation that the extended mandatory relief for small businesses will apply in 2017/18 it has complicated business' understanding of each scheme, created problems for the software companies to produce a software that will bill correctly and complicated the administration of busines rates generally;
- There is uncertainty in respect of the billing timetable for business rates in respect of 2017/18. It is hoped that the software companies can amend the software to bill promptly but there is a risk that this will not be achieved. The software we recieve must be tested to ensure that bills are created correctly. As a significant number of businesses on the Island gain from the small business rates relief, if bills are sent out promptly, before the software is checked that is correctly reflects the new legislation there is a potential for significant rebilling. The situation is constantly being reviewed;
- The November 2015 review of the current policy for charities and non profit making organisations was positive. I remind the Executive of its conclusions –

- a. The current discretionary business rates relief policy for charities and non-profit making organisations has been a success in that virtually no applications have been made that are not covered by the policy. It was first adopted in April 2003 as a policy renewable every 5 years and was extended (as amended) for a further 5 years from April 2008 and annually for each subsequent year thereafter. The policy has achieved its original aim when adopted of consistency of interpretation and ease of administration. No individual application has been considered individually by the Head of Function (Resources) and Section 151 Officer under Category G of the policy as a consequence of the flexibility contained within Categories E(1) to F(2);
- b. Additional discretionary business rates relief is being provided to charities and non-profit organisations whose aims are similar to that of the Authority's corporate objectives; **The Council is currently reviewing its corporate objectives.**
- c. The following issues have however been raised regarding the operation of the current discretionary business rates relief policy for charities and non-profit making organisations –
- Should the Authority continue to renew its policy on an annual basis or decide on a policy for a fixed term of no more than 2, 3, 4 or 5 years? Should review of the policy be linked to the period covered by the Authority's Corporate Plan or the next rateable revaluation date? **It is acknowledged that this remains a valid question.**
 - For charity shops with a rateable value of £12,000 or less, due to the granting of Enhanced Small Business Rates Relief to commercial businesses, it can now be argued that there is less or even no perceived fiscal advantage to charity shops who get the mandatory 80% business rates relief. The Authority currently holds the view that as Charity shops are becoming more and more "High Street" in appearance, competing directly with commercial retailers, granting the "top-up" discretionary relief to charities would give undue fiscal advantage over local businesses. **Welsh Government during 2017/18 will be consulting on a better targeted, permanent business rates relief for small businesses. It would be advantageous to await the outcome of this consultation.**
 - The Authority has a current budget of £60k to meet the cost of the scheme. For 2016/17 the scheme is expected to cost £56,900. This provides, for 2016/17, £188,972 discretionary business rates relief to charities and non-profit making bodies. The cost difference is met by the Welsh Government. In 2016/17 a further £633,850 mandatory relief is also granted to these bodies the full cost being met by the Welsh Government from the Central Business Rates Pool. Should the Authority under difficult financial circumstances increase its budget to award more relief to charity shops or consider restricting the amount of discretionary relief awarded to 90% not 100% and for the "top-up" relief to 10% instead of 20%? Should bodies whose functions relate more closely to the Authority's corporate objectives be protected? Should the Authority, having regard to the increasing cost of this scheme consider alternative reliefs such as hardship relief, for certain categories i.e. the 20% "top-up" relief. 75% of the cost of hardship relief is borne by the Central Business Rates Pool – this could lead to the Executive adopting formal hardship relief policy as against currently, the Section 151 Officer dealing with each case individually. **It is better to see the impact of the revaluation on expenditure during 2017/18 before considering this part of the conclusions.**
 - The application criteria have remained unchanged since the inception of the policy. Should these now be reviewed and greater importance given to some over others or have some criteria even been omitted? **It is acknowledged that this remains a valid question.**

B - What other options did you consider and why did you reject them and/or opt for this option?

The current relief policy has been a success, in that virtually no applications have been made that are not covered by the policy. This has led to a significant reduction in applications being considered individually.

Not to extend the current discretionary business rates relief policy for Charities and non-profit making organisations, would mean that each application would have to be dealt with individually by the Head of Function (Resources) and Section 151 Officer taking account of guidance from Welsh Government and Executive guidance/policies. (See Council's Constitution – Scheme of Delegation to Specific Officers (Head of Function (Resources) /Section 151 Officer – Section and specific duty detailed under 3.5.3.5.19)

If the Executive is of the opinion that a consultation should be undertaken in accordance with their wish back in February 2016 the decision on the new policy would have to be delayed until March 2017 after completion of the consultation. If a decision is not made in March 2017 the Head of Function (Resources) and Section 151 Officer. as mentioned above, would have to deal with each case individually.

C - Why is this a decision for the Executive?

The decisions to grant relief from Business Rates to charities and non profit making organisations has been delegated to the Head of Function (Resources) and Section 151 Officer. The Executive is being asked to create guidance and a policy for the officer to refer to ensuring consistency and fairness with regard to each decision.

CH - Is this decision consistent with policy approved by the full Council?

This policy contributes to the corporate aims of the Authority – mainly regenerating our community and developing the economy and transforming leisure services.

D - Is this decision within the budget approved by the Council?

A budget of £60k has been earmarked within the 2017/18 budget. There is uncertainty if this budget will be sufficient as a result of the revaluation and the increase in the multiplier (which is above inflation). The effect of each revaluation is neutral with regard to the level of income collected from business rates nationally and as there has been a fall of 3% with regard to rateable values in Wales with regard to the local lists from 2010 to 2017 (even though an increase in 26% on the national list in Wales has offset this reduction), the increase in the multiplier will make up the fall in rateable values – but there will be local variances between areas and types of businesses.

On the Isle of Anglesey, the rateable value on the local list has fallen -1.0% between the 2010 and 2017 lists. There are variances over the various sectors –

- Retail - 1.8%
- Industrial -15.7%
- Offices + 2.1%
- Others + 6.8%

By adopting the current policy for business rates relief for charities and non profit making organisation in respect of 2017/18 the cost to the Authority is estimated to be approximately £58k (based on rateable values on the 2017 List and applying the increase in the multiplier of 2.7% - which is in line with the earmarked budget of £60k). However, the actual cost during 2017/18 will also depend on successful appeals against rateable values and back-dated adjustments for previous years.

Over the last 4 years for Charities and non-profit making organisations on the Island the cost to the Welsh Government and the Council is as follows :-

Year	Description	£*	Pool Cost %	Pool Cost £	YMCC Cost %	YMCC Cost £
2013 / 2014	Mandatory	582,988	100	582,988	0	0
	Discretionary "Top-up"	58,096	25	14,524	75	43,572
	Discretionary Non-Profit	116,789	90	105,614	10	11,175
	TOTAL	757,873	-	703,126	-	54,747
2014 / 2015	Mandatory	544,991	100	544,991	0	0
	Discretionary "Top-up"	59,301	25	14,825	75	44,476
	Discretionary Non-Profit	119,811	90	107,830	10	11,981
	TOTAL	724,103	-	667,646	-	56,457
2015 / 2016	Mandatory	548,065	100	548,065	0	0
	Discretionary "Top-up"	60,923	25	15,231	75	45,692
	Discretionary Non-Profit	111,509	90	100,358	10	11,151
	TOTAL	720,497	-	663,654	-	56,843
2016 / 2017	Mandatory	633,854	100	633,854	0	0
	Discretionary "Top-up"	58,464	25	14,616	75	43,848
	Discretionary Non-Profit	130,508	90	117,457	10	13,051
	TOTAL	822,826	-	765,927	-	56,899

* These figures reflect adjustments for previous years during 2016/17 unlike Appendix A which shows figures relating to 2016/17 only.

DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	Author of report
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
Appendix A – Business Rates Relief Policy for Charities and Non-Profit Making Organisations.		
FF - Background papers (please contact the author of the Report for any further information):		
Isle of Anglesey Executive decision 8 February 2016		
The Non-Domestic Rating (Chargeable Amounts)(Wales) Regulations 2016 No. 1247		

APPENDIX A

Category	Description	Mandatory	Discretionary	Total	Cost to Council	No
A (1)	Village Halls, Community Centres, Memorial Institutes, Old People Clubs, Scout and Guide Associations, Sea Cadets, Hospices, Playgroups	80% £96,409	20% £24,102	100% £120,511	£18,076	58
A (2)	Maritime safety	80% £31,376	20% £7,844	100% £39,220	£5,883	6
B (1)	Recreation Clubs, Theatres, Band Rooms and Museums – (registered charity)	80% £18,795	20% £4,699	100% £23,494	£3,524	8
B (2)	Recreation Clubs, Theatres, Band Rooms and Museums – (not a registered charity)	0% £0	100% £94,828	100% £94,828	£9,482	30
C (1)	Educational organisations statutory or open to all	80% £4,957	20% £1,239	100% £6,196	£929	1
C (2)	Educational organisations	80% £287,007	0% £0	80% £287,007	£0	11
CH	Charity Shops	80% £55,568	0% £0	80% £55,568	£0	19
D	Regeneration, Employment, Rehabilitation Organisations	80% £4,658	20% £1,165	100% £5,823	£874	1
DD	Race equality and ethnic minority	80% £0	20% £0	100% £0	£0	0
E (1)	Registered charity or a charitable purpose whose objectives have substantial common ground with Council objectives and which mainly serve Island residents	80% £65,649	20% £16,412	100% £82,061	£12,309	6
E (2)	Not a registered charity but whose objectives have substantial common ground with Council objectives and which mainly serve Island residents	0% £0	100% £13,243	100% £13,243	£1,324	5
F (1)	Registered charity or a charitable purpose whose objectives are supported by the Council but, either there is not substantial common ground with Council objectives or they do not mainly serve Island residents	80% £0	0% £0	100% £0	£0	0
F (2)	Not a registered charity and whose objectives are supported by the Council but, either there is not substantial common ground with Council objectives or they do not mainly serve Island	0% £0	80% £908	100% £908	£91	1
FF	Agricultural show grounds	80% £15,552	20% £3,888	100% £19,440	£2,916	1
G	Not any of the above categories	Various £0	Various £0	Various £0	£0	0
Totals – 2016/2017		£579,971	£168,328	£748,299	£55,408	147
Cost per Band D – 2016/17					£1.83	