

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	8 February 2016
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

RECOMMENDATIONS

- 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 2016/17 only and instructs the Head of Function (Resources) and Section 151 Officer to ensure that administrative procedures before 31 March 2016 advise relevant charities and non-profit making organisations that the policy will apply for 2016/17 only and will cease on 31 March 2017.
- That the current budget of £50k is increased by £7k to £57k to meet the cost of the proposed scheme during 2016/17.
- That during 2016/17 the Head of Function (Resources) and Section 151 Officer to undertake a public consultation on the policy, based on the issues raised by the November 2015 review and also to investigate whether alternative business rates relief can be provided at less cost to the Authority, for charities and non-profit making organisations.

REASONS AND 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 every £7.50 spent by the Council buys relief worth £10 to the ratepayer.

In March 2015, 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 then Acting Head Function (Resources) and Section 151 Officer to review the current policy during 2015/16 and if applicable, undertake a public consultation process. If, as a consequence of the review and any consultation undertaken, changes are recommended to the policy, it is the Executive’s view that adequate lead time was given for Charities and non-profit making organisations to take into account the effect of any such changes on their organisations.

The Executive is also reminded that one key business rates relief policy continues to be extended year on year by the Welsh Government, based on financial announcements by the Chancellor of the Exchequer in the Autumn statement each year, this is the mandatory Enhanced Small Business Rate Relief Scheme and the Welsh Government has confirmed that this will apply for 2016/17. This mandatory scheme has now been extended annually for the last 5 years. The Island also has top level Assisted Area status within which are designated Enterprise Zones, which has a targeted business rate relief schemes for certain types of businesses. This is administered directly by the Welsh Government but requires dialogue with Welsh Government to avoid the granting of different reliefs in excess of the rates liability.

These reliefs do not apply to charities and non-profit making organisations.

Charities and non-profit making organisations in March 2015 were, therefore, informed that the Council’s discretionary policy would end on 31 March 2016 if a decision was not taken to extend the policy. To extend the current discretionary policy, new application forms will have to be sent and completed by businesses. Those who also receive mandatory relief (80%) i.e. charities or charitable purpose, as part of their overall relief will still get this automatically – they do not have to apply.

During the current year there was a degree of uncertainty whether the Welsh Government intended to extend the funding for other discretionary relief schemes adopted by the Executive for 2015/16 i.e. Open for Business Relief Scheme, New Business Development Relief Scheme, Wales Retail Relief Scheme and Enhanced Local Needs Relief Scheme. As a consequence of the Chancellor’s Autumn statement, the Welsh Government confirmed that only the Mandatory Enhanced Small Business Rate Relief Scheme would be funded and the other schemes listed would all cease when planned, but mainly at the end of March 2016 apart from the New Business Development Relief Scheme.

A review of the Authority’s current discretionary business rates relief for charities and non-profit making organisations following the Chancellor’s Autumn statement was, therefore, undertaken arriving at the following conclusions:-

- 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);
- 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 following issues have, however, been raised regarding the operation of the current discretionary business rates relief policy for charities and non-profit making organisations –
 1. 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?
 2. 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.
 3. The Authority has a current budget of £50k to meet the cost of the scheme. For 2015/16 the scheme is expected to cost £56,843. This provides, for 2015/16, £172,432 discretionary business rates relief to charities and non-profit making bodies. The cost difference is met by the Welsh Government. In 2015/16 a further £548,065 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 a formal hardship relief policy as against currently, the Section 151 Officer dealing with each case individually.
 4. 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 being omitted?

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 – and specific duty detailed under 3.5.3.5.19).

C - Why is this a decision for the Executive?

The policy has achieved the Executive's aim of consistency of interpretation and ease of administration. It would seem correct to conclude, therefore, that generally, the policy Guidelines adopted in 2008 and renewed annually from 2013 thereafter has been a success. The Executive is asked to adopt the policy for a further year pending a review during 2016/17.

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?

The cost to the Authority of adopting this policy for 2016/17 will be nearly £57k – which is £7k above the current budget of £50k. It is proposed that £57k will be provided within the budget for 2016/17 (a £7k increase to the current budget which has not changed for a number of years). This budget is there to meet the specific cost to the Authority and its Council Tax payers of granting nearly £720k of both mandatory (£548k) and discretionary (£173k) business rate relief for charities and non-profit making organisations. Most of the cost of this relief is borne by the Welsh Government’s Business Rates Pool.

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 £	IoACC Cost %	IoACC Cost £
2012/2013	Mandatory	613,961	100	613,961	0	0
	Discretionary “Top-up”	79,493	25	19,873	75	59,620
	Discretionary Non-Profit	82,700	90	74,430	10	8,270
	TOTAL	776,154	-	708,264	-	67,890
2013/2014	Mandatory	582,988	100	582,988	0	0
	Discretionary “Top-up”	58,096	25	14,524	75	43,572
	Discretionary Non-Profit	117,349	90	105,614	10	11,175
	TOTAL	758,433	-	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

*These costs include adjustments for previous years. For Appendix A costs shown refer to 2015/16 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 16 March 2015.	

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% £99,312	20% £24,828	100% £124,140	£18,621	63
A (2)	Maritime safety	80% £31,118	20% £7,779	100% £38,897	£5,834	6
B (1)	Recreation Clubs, Theatres, Band Rooms and Museums – (registered charity)	80% £19,565	20% £4,891	100% £24,456	£3,670	9
B (2)	Recreation Clubs, Theatres, Band Rooms and Museums – (not a registered charity)	0% £0	100% £90,132	100% £90,132	£9,013	28
C (1)	Educational organisations statutory or open to all	80% £4,916	20% £1,229	100% £6,145	£922	1
C (2)	Educational organisations	80% £257,546	0% £0	80% £257,546	£0	11
CH	Charity Shops	80% £51,719	0% £0	80% £51,719	£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% £59,966	20% £14,991	100% £74,997	£11,243	29
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% £15,424	20% £3,856	100% £19,280	£2,892	1
G	Not any of the above categories	Various £0	Various £0	Various £0	£0	0
	Totals – 2015/2016	£544,224	£162,114	£706,338	£54,393	174
	Cost per Band D – 2015/16				£1.80	