

# ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO	EXECUTIVE
DATE	18 MARCH 2013
SUBJECT	DISCRETIONARY RELIEFS FROM PAYMENT OF THE NON-DOMESTIC RATES (BUSINESS RATES) FOR CHARITIES AND NON-PROFIT MAKING ORGANISATIONS.
PORTFOLIO HOLDER(S)	COUNCILLOR JOHN CHORLTON
LEAD OFFICER(S)	HEAD OF SERVICE (FINANCE)
CONTACT OFFICER	GERAINT JONES (x2651)

## Nature and reason for reporting

To provide a report on mandatory and discretionary reliefs that are available from payment of business rates for charities and non-profit making organisations.

To approve a Local Discretionary Business Rates Relief Policy Scheme for Charities and Non-Profit making organisations effective from 1 April 2013.

## A – Introduction / Background / Issues

### Introduction 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;
- Hardship relief

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

For example, the proportion borne by the WG 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 WG is 25% of the cost. This means that for every £7.50 spent by the Council buys relief worth £10 to the ratepayer.

The LGFA88 allows local authorities to award hardship relief if the payment of the business rates would cause hardship and it is in the interest of the local council taxpayers to do so. The cost of granting discretionary relief is also borne in part by the NNDR Pool and the local council taxpayers. The proportion borne by the WG in respect of granting hardship relief is 75% of the cost. This means that for every £2.50 spent by the Council buys relief worth £10 to the rate payer.

### **Current position**

**Appendix A** summarises the business, organisation and charity property eligible for mandatory/discretionary business rates relief and also business rates discounts under current legislation. This gives a complete picture of relief and discounts available to businesses from payment of the business rates. The purpose of this report however, is solely with regard to mandatory and discretionary business rates relief for charities and non-profit making organisations i.e. items 1, 2, 3 and 4 of Appendix A.

The Authority's current policy of discretionary business rates relief for charities and non-profit making organisations is given in **Appendix B**. It has operated since 1<sup>st</sup> April 2003. It was also a policy renewable every 5 years and was extended for a further 5 years by the Authority from April 2008.

When deciding to extend the current policy for a further 5 years, the Authority's Executive on 25 February 2008 was of the view that **"the operation of the policy guidelines adopted 5 years ago along with the relevant delegated power to officers, had achieved the Executive's aim of consistency of interpretation and ease of administration. The introduction of categories E(1) through to F(2) had allowed officers to award relief without repeated recourse to the Executive for decision. Indeed, the flexibility contained within categories E(1) to F(2) had meant that Category G had not been used. It would seem correct to conclude therefore, that generally, the policy Guidelines adopted five years ago had been a success."**

The Authority's Executive resolved that the current policy guidelines for discretionary relief for charities and non-profit making organisations be readopted for a further 5 years up to 31 March 2013. A decision needs to be taken on whether to extend the current policy and for what period.

**Appendix B** provides a breakdown of the relief awarded and the cost to the Authority during 2012/13 (in bold) and the relief awarded and cost to the Authority during 2008/2009 (in brackets).

With regard to hardship relief the officers consider each case individually in respect of businesses who are finding it difficult to pay the business rates. Little or no hardship relief has been awarded over recent years as satisfying both criteria - that actual payment of business rates causes the hardship and that it must be of benefit to the local council taxpayer has been difficult to meet. There have also been very few claims submitted.

### **B - Considerations**

- Generally, the current policy continues to achieve the Executive's aim of consistency of interpretation and ease of administration and that the policy Guidelines adopted 10 years ago continue to be a success.
- The cost to the local council taxpayer of the local discretionary business rates relief scheme has over the last five years increase by approximately 47% i.e. from £33,465 in 2008/09 to £49,287 in 2012/13. The total number of charities and non-profit making organisations receiving discretionary relief having increased by 33% i.e. from 127 to 169.

- The increase in cost is mainly due to categories A(1), A(2), and E(1), where the Authority's policy is to award an additional 20% discretionary business rates relief for charities and organisations in these categories. In awarding the additional 20%, 75% of its cost is borne by local council tax payers.
- Organisations and charities that receive mandatory relief under category D, are failing to apply for the additional 20% discretionary relief allowed by the policy, despite officers sending them application forms and asking them to apply for the additional relief.
- Early in 2012, the Welsh Government undertook a general "Business Rates Policy Review" under Professor Brian Morgan and published its conclusions in May 2012. 2 of the 19 recommendations of the published report deal with matters concerning this report. The Welsh Government also published its response in October 2012 and in matters relevant to this report recommended that:-
  1. Professor Brian Morgan, as Chair of the Task and Finish Group was to continue to examine business rate relief for charities, social enterprises and credit unions and further consultation in this area is on-going. One of the proposals is to reduce mandatory relief to 50% from 80% and to set a limit on the number of charity shops in an area.
  2. To increase awareness of the existing hardship provisions. The Welsh Government is proposing to seek a more consistent approach across Wales but recognising that local authorities are ideally positioned to understand local need and circumstances.
- The current discretionary rate relief policy is due to end on 31 March 2013. If a new policy or the deadline of the current policy is not extended beyond 31 March 2013, organisations and charities will have to reapply and be considered individually by the Head of Service.
- A decision to extend the policy should be made before the 31 March 2013. It is a requirement of regulations that due notice of a termination of a discretionary business rates policy at the end of a financial year must be made prior to the end of the previous financial year.

<b>C – Implications and Impacts</b>	
<b>1</b>	<b>Finance / Section 151</b>
<b>2</b>	<b>Legal/Monitoring Officer</b>
<b>3</b>	<b>Human Resources</b>
<b>4</b>	<b>Property Services</b> (see notes – separate document)
<b>5</b>	<b>Information and Communications Technology (ICT)</b>
<b>6</b>	<b>Equality</b> (see notes – separate document)
<b>7</b>	<b>Anti-poverty and Social</b> (see notes – separate document)
<b>8</b>	<b>Communication</b> (see notes – separate document)
<b>9</b>	<b>Consultation</b> (see notes – separate document)
<b>10</b>	<b>Economic</b>
<b>11</b>	<b>Environmental</b> (see notes – separate document)
<b>12</b>	<b>Crime and Disorder</b> (see notes – separate document)
<b>13</b>	<b>Outcome Agreements</b>

## CH - Summary

- The Authority's Discretionary business rates relief is due to end on 31 March 2013. Organisations and charities have been given the required notices that this policy was coming to an end on 31 March 2013. This was done in March 2012.
- Appendix A details the reliefs and discounts allowed to business, organisations and charities in respect of business rates property. Appendix B gives details of the current discretionary business rates relief policy.
- The current discretionary business rates relief policy has been in operation since 2003 and has generally met the Executive's requirements of consistency of interpretation and ease of administration.
- However, the current policy has not been reviewed or consulted upon for a decade.
- The Welsh Government is currently reviewing mandatory and discretionary relief for charities, social enterprises and credit unions and is undertaking further consultation in this area

## D - Recommendation

1. The current policy guidelines are readopted for a further 1 year up to 31 March 2014.
2. Organisations and charities are to be advised of this decision before 31 March 2013 and also that the policy will come to an end on 31 March 2014.
3. Note that there will be a review of the policy and a consultation on revised policy guidelines during 2013 – 2014 in respect of discretionary business rates relief having regard to the Welsh Government's own review. A new or revised discretionary rate relief policy to be adopted as a consequence from 1 April 2014.

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**Date: 5 March 2013**

## Appendices:

Appendix A – "Summary of Business Rates Reliefs and Discounts"

Appendix B – "Current Isle of Anglesey County Council Discretionary Business Rates Relief Policy Guidelines"

## Background papers

- "Business Rates Wales Review: Incentivising Growth" – May 2012
- "Welsh Government Response to the Business Rates Review" – October 2012

**APPENDIX A**

PROPERTY ELIGIBLE FOR RATE RELIEF	TYPE OF RELIEF	AMOUNT OF RELIEF	FINANCIAL IMPLICATIONS	
			Proportion offset against Payments into the NDR Pool	Proportion borne locally by community taxpayers
			%	%
1. Property wholly or mainly used for charitable purposes which is occupied by a registered charity or charity shop	Mandatory Discretionary	80 Up to further 20	100 25	- 75
2. Community Amateur Sports Clubs (CASCs)	Mandatory Discretionary	80 Up to further 20	100 25	- 75
3. Property, all or part of which is occupied for the purposes of non-profit making:  a) institution or other organisation whose main objects are philanthropic or religious or concerned with social welfare, science, literature of the fine arts; or  b) club, society or other organisation and is used for the purposes of recreation.	Discretionary	Up to 100	90	10
4. Property, all or part of which is occupied, where the billing authority is satisfied that the ratepayer would suffer hardship.	Discretionary	Up to 100%	75	25
5. Property, all or part of which is occupied, other than as trustee, by a charging or precepting authority.	None	None	-	-
6. Shops and offices which are unoccupied for:  a) 0 to 3 months b) after 3 months  Industrial property which is unoccupied for:  a) 0 to 6 months b) after 6 months	Mandatory None  Mandatory None	100 None  100 None	100 -  100 -	- -  - -
7. Shops and offices which are partly occupied for a short period only (Section 44A of the LGFA)  a) 0 to 3 months b) after 3 months  Industrial property which is partly occupied for a short period only (Section 44A of the LGFA)  a) 0 to 6 months b) after 6 months	Mandatory None  Mandatory None	100 None  100 None	100 -  100 -	- -  - -

PROPERTY ELIGIBLE FOR RATE RELIEF	TYPE OF RELIEF	AMOUNT OF RELIEF	FINANCIAL IMPLICATIONS	
			Proportion offset against Payments into the NDR Pool	Proportion borne locally by community taxpayers
		%	%	%
8. Property which is unoccupied and has a rateable value of £2,600 or less.	Mandatory	100	100	-
9. <u>Small Business Rate Relief Scheme for occupied property</u> – from 1 April 2010 (Default Scheme)				
a) most properties with a rateable value of £2,400 or less	Mandatory Discretionary	50 Up to 100	100 -	- 100
b) most properties with a rateable value between £2,401 and £7,800	Mandatory Discretionary	25 Up to 100	100 -	- 100
c) Post Offices (and a property that includes a Post Office) with a rateable value of £9,000 or less	Mandatory	100	100	-
ch) Post Offices (and a property that includes a Post Office) with a rateable value between £9,001 and £12,000	Mandatory Discretionary	50 Up to 100	100 -	- 100
d) Child Care premises with a rateable value of £12,000 or less	Mandatory Discretionary	50 Up to 100	100 -	- 100
dd) Retail Premises with a rateable value between £7,801 and £11,000 which are used wholly or mainly for the sale of any goods, which include: <ul style="list-style-type: none"> <li>i. the sale of meals, refreshments or intoxicating liquor for consumption on or off the premises on which they are sole or prepared</li> <li>ii. petrol or other automotive fuels for fuelling motor vehicles intended or adapted for use on roads</li> </ul> <p>(Note: retail business occupying more than on property in Wales will only be eligible for relief on one property)</p>	Mandatory Discretionary	25 Up to 100	100 -	- 100
e) Credit Unions with a rateable value of £9,000 or less	Mandatory Discretionary	50 Up to 100	100 -	- 100

PROPERTY ELIGIBLE FOR RATE RELIEF	TYPE OF RELIEF	AMOUNT OF RELIEF	FINANCIAL IMPLICATIONS	
			Proportion offset against Payments into the NDR Pool	Proportion borne locally by community taxpayers
		%	%	%
<p><u>Small Business Rate Relief (Default Scheme)(Continued)</u></p> <p>Small business rates relief does not apply to property occupied by the Crown and charging and precepting authorities, by charities and non-profit making organisations, advertising boards, car parks, sewage works or electronic communications apparatus.</p> <p>The following properties continue to get relief and will not be affected by the Enhanced Scheme –</p> <p>Properties with a rateable value between £10,501 and £11,000 in receipt of 25% retail relief - all others will receive the enhanced relief. Post Offices in receipt of 100% or 50% relief; Registered Child Care premises with rateable value between £9,001 and £12,000 in receipt of 50% relief.</p> <p><u>Small Business Rate Relief Scheme for occupied property</u> – from 1 October 2010 to 31 March 2014 (Enhanced Scheme)</p> <p>a) most properties with a rateable value of £6,000 or less</p> <p>b) most properties with a rateable value of between £6,001 and £12,000 will receive relief that will be reduced on a tapered basis from 100% to zero –</p> <p>Rateable Value £7,000 83.4% relief  Rateable Value £8,000 66.6% relief  Rateable Value £9,000 50.0% relief  Rateable Value £10,000 33.3% relief  Rateable Value £11,000 16.6% relief</p> <p>Where businesses receive a higher rate of relief under the Default Scheme rather than the Enhanced Scheme, they will receive the rate of relief most beneficial to them.</p>	<p>Mandatory</p> <p>Mandatory Discretionary</p>	<p>100</p> <p>Tapered Up to 100</p>	<p>100</p> <p>100 -</p>	<p>-</p> <p>- 100</p>
<b>10. <u>Discretionary Business Rates Discount</u></b>	Discretionary	Up to 100	-	100
<b>11. <u>Business Rates Discount – Enterprise Zones</u></b>	Discretionary	Up to 100	100	-

**APPENDIX B**

Category	Description	Mandatory	Discretionary	Total	Cost to Council	No
<b>A (1)</b>	Village Halls, Community Centres, Memorial Institutes, Old People Clubs, Scout and Guide Associations, Sea Cadets, Hospices, Playgroups	80% <b>£105,300</b> (£64,285)	20% <b>£25,095</b> (£16,090)	100% <b>£130,395</b> (£80,375)	<b>£18,821</b> (£12,065)	<b>69</b> (56)
<b>A (2)</b>	Maritime safety	80% <b>£29,958</b> (£7,115)	20% <b>£7,295</b> (£1,780)	100% <b>£37,253</b> (£8,895)	<b>£5,471</b> (£1,335)	<b>6</b> (4)
<b>B (1)</b>	Recreation Clubs, Theatres, Band Rooms and Museums – (registered charity)	80% <b>£6,577</b> (£5,330)	20% <b>£1,581</b> (£1,330)	100% <b>£8,158</b> (£6,660)	<b>£1,186</b> (£995)	<b>8</b> (7)
<b>B (2)</b>	Recreation Clubs, Theatres, Band Rooms and Museums – (not a registered charity)	0% <b>£0</b> (£0)	100% <b>£82,327</b> (£81,560)	100% <b>£82,327</b> (£81,560)	<b>£8,233</b> (£8,155)	<b>31</b> (34)
<b>C (1)</b>	Educational organisations statutory or open to all	80% <b>£4,158</b> (£3,405)	20% <b>£1,040</b> (£850)	100% <b>£5,198</b> (£4,255)	<b>£780</b> (£635)	<b>1</b> (1)
<b>C (2)</b>	Educational organisations	80% <b>£253,247</b> (£100,295)	0% <b>£0</b> (£0)	80% <b>£253,247</b> (£100,295)	<b>£0</b> (£0)	<b>10</b> (13)
<b>CH</b>	Charity Shops	80% <b>£57,350</b> (£30,910)	0% <b>£0</b> (£0)	80% <b>£57,350</b> (£30,910)	<b>£0</b> (£0)	<b>21</b> (15)
<b>D</b>	Regeneration, Employment, Rehabilitation Organisations	80% <b>£26,342</b> (£3,145)	20% <b>£425</b> (£785)	100% <b>£26,767</b> (£3,930)	<b>£319</b> (£590)	<b>8</b> (3)
<b>DD</b>	Race equality and ethnic minority	80% <b>£0</b> (£0)	20% <b>£0</b> (£0)	100% <b>£0</b> (£0)	<b>£0</b> (£0)	<b>0</b> (0)
<b>E (1)</b>	Registered charity or a charitable purpose whose objectives have substantial common ground with Council objectives and which mainly serve Island residents	80% <b>£55,225</b> (£37,165)	20% <b>£13,298</b> (£9,290)	100% <b>£68,523</b> (£46,455)	<b>£9,974</b> (£6,970)	<b>28</b> (18)
<b>E (2)</b>	Not a registered charity but whose objectives have substantial common ground with Council objectives and which mainly serve Island residents	0% <b>£0</b> (£0)	100% <b>£17,906</b> (£3,680)	100% <b>£17,906</b> (£3,680)	<b>£1,791</b> (£370)	<b>10</b> (3)
<b>F (1)</b>	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% <b>£15,431</b> (£13,950)	0% <b>£0</b> (£0)	100% <b>£15,431</b> (£13,950)	<b>£0</b> (£0)	<b>6</b> (7)
<b>F (2)</b>	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% <b>£0</b> (£0)	80% <b>£0</b> (£0)	100% <b>£0</b> (£0)	<b>£0</b> (£0)	<b>0</b> (0)
<b>FF</b>	Agricultural show grounds	80% <b>£14,464</b> (£12,545)	20% <b>£3,616</b> (£3,135)	100% <b>£18,080</b> (£15,680)	<b>£2,712</b> (£2,350)	<b>1</b> (1)
<b>G</b>	Not any of the above categories	Various <b>£0</b> (£0)	Various <b>£0</b> (£0)	Various <b>£0</b> (£0)	<b>£0</b> (£0)	<b>0</b> (0)
	<b>Totals – 2012/2013</b> (Totals – 2008/2009)	<b>£568,052</b> (£278,1456)	<b>£152,583</b> (£118,500)	<b>£720,635</b> (£396,645)	<b>£49,287</b> (£33,465)	<b>199</b> (162)
	<b>Cost per Band D – 2012/13</b> (Cost per Band D – 2008/09)				<b>£1.65</b> (£1.17)	