

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE
DATE:	17 MARCH 2014
SUBJECT:	1. UPDATE ON BUSINESS RATES POLICY DEVELOPMENTS 2. DISCRETIONARY RELIEFS FROM PAYMENT OF THE NON-DOMESTIC RATES (BUSINESS RATES) FOR CHARITIES AND NON-PROFIT MAKING ORGANISATIONS
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LOCAL MEMBERS:	NONE

A - Recommendation/s and reason/s

Recommendations

1. To note the recent business rate policy developments.
2. The current policy guidelines to grant discretionary reliefs from payment of non domestic rates for Charities and Non-Profit Organisations are readopted for a further 1 year up to 31 March 2015.
3. Organisations and charities are to be advised of this decision before 31 March 2014 and also that the policy will come to an end on 31 March 2015.
4. The Resources Department will undertake a general review and consult upon revised policy guidelines during 2014/2015 in respect of discretionary business rates relief. A new or revised discretionary rate relief policy to be adopted as a consequence from 1 April 2015.

Reasons

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 – 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.

Current position

The Authority's current local policy of discretionary business rates relief for charities and non-profit making organisations is given in **Appendix A**. It has operated since 1st April 2003. It was also a policy renewable every 5 years and was extended for a further 5 years by the Executive from April 2008 to March 2013. The Executive on 18 March 2013 decided that the policy guidelines be readopted for a further 12 months up to 31 March 2014. All organisations and charities were advised of this decision before 31 March 2013 and also that the policy would come to an end on 31 March 2014.

Policy changes

In April 2013 the Minister for Economy, Science and Transport (the Minister) launched a consultation on the Business Rates Task and Finish Group's Review into Business Rates Relief for Charities and Social Enterprises. The consultation closed on 28 June 2013 and a further announcement on the Minister's next steps was planned for the Autumn 2013.

On 1 October 2013 the Minister gave the Welsh Assembly in Plenary Proceedings a "Statement: Update on Business Rates Policy". The statement included the following with regard to business rates reliefs:-

- Introduction of two new local discretionary business rates reliefs schemes from 1 October 2013, "Open for Business" and "New Development Schemes". The Portfolio Holder (Finance) introduced both schemes for the Island on 5 December 2013 effective from 1 October 2013 under delegated executive powers;
- With regard to charities and social enterprises specific recommendations of the task and finish group such as, a reduction in the mandatory relief for charities from 80% to 50% required primary legislation. The Minister has written to the UK Government and devolved administrations to initiate discussion on the recommendations concerning levels of reliefs for charities and social enterprises as well as other wider tax avoidance issues;
- To work with the Minister for Local Government and Government Business that the existing regime places a responsibility on local authorities to monitor the sale of new goods in charity shops.

On 5 December 2013 in the Autumn Statement by the Chancellor of the Exchequer to the UK Parliament further national non-domestic rates related changes were announced. This statement included:-

- Continuation of the enhanced Small Business Rate Relief into 2014/2015 with an extension to the scheme where a person buys a new property next year which is eligible in rateable value terms they can claim relief on this new property. The WG has confirmed that the enhanced Small Business Rate Relief will apply in Wales but as to relaxation of eligibility no advice has been received on Welsh ministers' intentions;
- 2% cap of the national non-domestic rates multiplier. Welsh Ministers have confirmed that this will be repeated in Wales;
- Empty Property Occupation relief. This is basically the same as the "Open for Business" scheme adopted by the Portfolio Holder (Finance) on 5 December 2013, except that the scheme in England will give 18 months relief instead of 12. Welsh Ministers have not yet indicated that they wish to extend the relief period in Wales;
- £1,000 relief for designated retail properties. No indication as yet whether or not this will be implemented in Wales;
- Giving local authorities the option of offering businesses payment by 12 monthly instalments. This will **not** apply from April 2014 in Wales.

Over recent years, business rates policy and reliefs has become more complicated and therefore more difficult for business to comprehend and staff to administer. This is shown in **Appendix B** which provides a detailed description of both mandatory and discretionary reliefs that are available and how the costs of funding such reliefs are funded.

Local Discretionary Business Rates Relief Policy Scheme for Charities and Non-Profit making organisations

Having regard to the above policy changes and intentions, a decision needs to be taken on whether to extend the current policy, for what period and whether it will be appropriate that a formal consultation exercise is carried out during 2014/2015 on the “ way forward”. This was not undertaken on 2013/2014 as planned, having regard to the WG’s own review and policy announcements. (The policy under consideration is parts 1, 2 & 3 of **Appendix B**).

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

Generally, the current policy granting reliefs to charities and non-profit making organisations 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.

However, the current policy has not been reviewed or consulted upon for a decade.

The WG has recently reviewed mandatory and discretionary relief for charities, social enterprises and credit unions and is undertaking further consultation with the UK Government and devolved administrations in this area.

C - Why is this a decision for the Executive?

The current discretionary rate relief policy is due end on 31 March 2014. If a new policy or the deadline of the current policy is not extended beyond 31 March 2014, non-profit making organisations and charities will have to reapply and be considered individually by the Executive. Currently, applications falling within the remit of the policy are administered by officers within Revenues and only those not covered by the policy considered by the Executive.

A decision to extend the policy should be made before the 31 March 2014. 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.

As this is an extension to a current policy consideration could be given for the Portfolio Holder (Finance) to be given the delegated authority to make the decision on behalf of the Executive as a whole.

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

It is a policy previously approved by the Executive and requires further Executive endorsement to extend the current policy.

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

The cost to the local council taxpayer of this local discretionary business rates relief is £49,548 during 2013/14 (see **Appendix A**). The total number of charities and non-profit making organisations receiving discretionary relief 178.

Current budgetary provision to meet the cost of this scheme is £50,000.

DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	Author of the report
3	Legal / Monitoring Officer (mandatory)	None
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:		
<p>Appendix A - "Current Isle of Anglesey County Council Discretionary Business Rates Relief Policy Guidelines for Charities and Non-Profit Making Organisations"</p> <p>Appendix B - "Summary of Business Rates Reliefs and Discounts"</p>		
FF - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> • "Business Rates Wales Review: Incentivising Growth" - May 2012; • "Welsh Government Response to the Business Rates Review" - October 2012; • "Consultation on the Business Rates Task and Finish Group's Review into Business Rates Relief for Charities and Social Enterprises" - April 2013; • "The Record of Proceedings of the National Assembly for Wales 1 October 2013". 		

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% £94,258	20% £23,567)	100% £117,825	£17,675	63
A (2)	Maritime safety	80% £29,956	20% £7,489	100% £37,445	£5,617	6
B (1)	Recreation Clubs, Theatres, Band Rooms and Museums – (registered charity)	80% £11,452	20% £2,863	100% £14,315	£2,147	9
B (2)	Recreation Clubs, Theatres, Band Rooms and Museums – (not a registered charity)	0% £0	100% £94,003	100% £94,003	£9,400	31
C (1)	Educational organisations statutory or open to all	80% £4,269	20% £1,067	100% £5,336	£800	1
C (2)	Educational organisations	80% £247,928	0% £0	80% £247,928	£0	11
CH	Charity Shops	80% £49,787	0% £0	80% £49,787	£0	19
D	Regeneration, Employment, Rehabilitation Organisations	80% £6,849	20% £1,712	100% £8,561	£1,284	3
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% £38,606	20% £9,651	100% £48,257	£7,238	22
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% £25,126	100% £125,126	£2,513	11
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% £891	100% £891	£89	1
FF	Agricultural show grounds	80% £14,848	20% £3,712	100% £18,560	£2,784	1
G	Not any of the above categories	Various £0	Various £0	Various £0	£0	0
Totals – 2013/2014		£497,952	£170,081	£668,033	£49,548	178
Cost per Band D – 2013/14					£1.67	

PROPERTY ELIGIBLE FOR RATE RELIEF	TYPE OF RELIEF	AMOUNT OF RELIEF	FINANCIAL IMPLICATIONS	
			Proportion offset against Payments into the NNDR Pool	Proportion borne locally by council 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	Discretionary	Up to 100	90	10
b) Club, society or other organisation and is used for the purposes of recreation.				
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	Mandatory	100	100	-
b) after 3 months	None	None	-	-
Industrial property which is unoccupied for:-				
a) 0 to 6 months	Mandatory	100	100	-
b) after 6 months	None	None	-	-
7. Shops and offices which are partly occupied for a short period only (Section 44A of the LGFA):-				
a) 0 to 3 months	Mandatory	100	100	-
b) after 3 months	None	None	-	-
Industrial property which is partly occupied for a short period only (Section 44A of the LGFA):-				
a) 0 to 6 months	Mandatory	100	100	-
b) after 6 months	None	None	-	-
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

PROPERTY ELIGIBLE FOR RATE RELIEF	TYPE OF RELIEF	AMOUNT OF RELIEF	FINANCIAL IMPLICATIONS	
			Proportion offset against Payments into the NNDR Pool	Proportion borne locally by council taxpayers
			%	%
<p>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:-</p> <ul style="list-style-type: none"> i. the sale of meals, refreshments or intoxicating liquor for consumption on or off the premises on which they are sold or prepared ii. petrol or other automotive fuels for fuelling motor vehicles intended or adapted for use on roads <p>(Note: retail businesses occupying more than one property in Wales will only be eligible for relief on one property)</p>	Mandatory Discretionary	25 Up to 100	100 -	- 10
<p>e) Credit Unions with a rateable value of £9,000 or less</p> <p><u>Small Business Rate Relief (Default Scheme)(Continued)</u></p> <p>Small business rate 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 2015 (Enhanced Scheme)</p> <ul style="list-style-type: none"> a) most properties with a rateable value of £6,000 or less 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:- <ul style="list-style-type: none"> 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>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>	Mandatory Discretionary	50 Up to 100	100 -	- 100
<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>	Mandatory Mandatory Discretionary	100 Tapered Up to 100	100 100 -	- - 100
10. Discretionary Business Rates Discount	Discretionary	Up to 100	-	100
11. Business Rates Discount – Enterprise Zones	Discretionary	Up to 100	100	-
12. “New Development” Relief – from 1 October 2013 to 30 September 2016 Relief for the first 18 months from payment of business rates for new builds that remain unoccupied.	Discretionary	Up to 100	100	-
13. “Open for Business” Relief – from 1 October 2013 to 31 March 2015 Relief for retail properties which become occupied from payment of business rates for 12 months for properties with a rateable value of £45,000 or less that have been unoccupied continuously for a period of 12 month or more.	Discretionary	Up to 50	100	-