



Leicester
City Council

CABINET

31 MARCH 2008

BUSINESS RATES - DISCRETIONARY RATE RELIEF POLICY

REPORT OF THE CHIEF FINANCE OFFICER

1.0 PURPOSE

- 1.1 To recommend minor changes to the current discretionary rate relief policy, following a review. This will better formalise current arrangements. The relief will also be awarded for a longer period than a year. This will reduce the administrative work for the organisations and the Authority by not having to apply/process applications each year.

2.0 BACKGROUND

- 2.1 The main provisions conferring the discretionary power on billing authorities to grant rate relief are contained in Section 47 of the Local Government Finance Act 1988. Authorities have discretion to grant rate relief from all or part of the amount of non-domestic rates payable. The Council is entitled to exercise its discretion as it wishes, although the Government has produced good practice guidance.
- 2.2 The starting point is to consider whether an organisation or institution applying for rate relief is eligible for mandatory rate relief. This relief is fully funded by the Government. Generally, registered charities or those exempt from registration are eligible for 80% mandatory relief as long as the properties are used for charitable purposes. This relief can be topped up to 100% at the discretion of the authority and the top-up attracts 25% central government funding. The cost of the remaining 75% is borne by the City Council, i.e. the Council Tax payer.
- 2.3 Where mandatory rate relief is not available, authorities can consider the award of discretionary rate relief. Authorities have discretion to grant relief of up to 100% to certain non-profit making bodies. Central Government meets 75% of all discretionary relief granted, with the City Council meeting the remaining 25%. Thus, this type of relief is a cost effective means of promoting local objectives.

- 2.4 The range of bodies eligible for discretionary rate relief is wide. To be eligible for consideration, the ratepayer must be a non-profit making body and the property 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.
- 2.5 Some non-profit making sports clubs that do not have charitable status are also eligible.
- 2.6 Charity shops can receive rate relief if they are used mainly for the sale of goods donated to the charity and the proceeds of the sales are applied for the purposes of the charity. Friendly and Industrial and Provident Societies may also be eligible for rate relief.
- 2.7 Local Authorities are specifically excluded from claiming rate relief. Hence, the City Council cannot apply for rate relief for its leisure centres, schools etc.

3.0 CURRENT POLICY

- 3.1 The present policy was approved by Cabinet in November 2002. The Chief Finance Officer has delegated authority from Cabinet to authorise / approve discretionary relief. A report is sent to the Select Committee each year highlighting the amount of relief granted, the cost to the Authority / Government and the criteria used for granting the relief.
- 3.2 Authorities must not adopt a policy or rule that is applied in a blanket fashion without consideration of the merits of the individual case. This does not, however, mean that a broad policy cannot be adopted for consistency purposes. Consideration should be given carefully on the merit of any bona fide application for relief, taking into account the contribution that the organisation makes to the local area.
- 3.3 The extent to which relief is granted tends to depend on the extent to which organisations benefit the generality of the population of Leicester, as opposed to exclusive membership requirements (on the one hand) or benefits the citizens of the wider region or county (on the other).
- 3.4 There are no organisations that are specifically excluded from applying for rate relief provided they meet the broad criteria. Consideration is also given to the cost of the relief, which has to partly be borne by the authority, i.e. the Council Tax payers.

4.0 AMENDMENTS TO THE CURRENT POLICY

- 4.1 A full review of the current policy has been undertaken, and it was concluded that the current policy has operated efficiently in meeting the wider objectives. The minor amendments to the policy are recommended below:

- a. To formally state our position in not allowing relief to housing associations and independent schools. This is then consistent with the treatment of the City Council, as social landlords and state schools provider, who are excluded from applying for relief.
 - b. All applications are to be reviewed in 2008, then in 2010 and every three years thereafter. Any new applications in the interim period will be assessed in the year in which the application is made but reviewed again in line with all the existing applications. The organisations will still be under a duty to inform the Authority of any changes that may affect the level of relief awarded. This amendment to the policy will reduce the administrative burden on the organisation and the Authority in not having to review all the applications every year.
 - c. That the threshold rateable value limit for awarding relief to charity shops be increased in line with the appropriate percentage increase for shops following the five-yearly revaluation of all non-domestic properties. The next revaluation is effective from 1st April 2010. The authority to increase this threshold be formally delegated to the Chief Finance Officer.
 - d. The criterion for awarding relief to community organisations is slightly amended by referring to the closeness of the organisations work to the Council's corporate plan, and its priorities and objectives.
- 4.2 The revised policy is shown in Appendix 1. The above changes will update the present policy and will not negatively affect those organisations currently in receipt of relief.

5.0 LEGAL IMPLICATIONS

- 5.1 Legal implications are covered in the report.

Peter Nicholls
Service Director – Legal Services

6.0 FINANCIAL IMPLICATIONS

- 6.1 Due to the nature of the funding framework, any relief funded by the Authority will affect the Council's revenue budget. There is, however, likely to be little impact given the degree of change from the existing policy.

Steve Charlesworth
Head of Strategy and Development

7.0 RECOMMENDATION

- 7.1 Cabinet is asked to consider the report and:
- a. Approve the policy described in this report and attached;
 - b. That all applications be reviewed in 2008, 2010 and every third year thereafter;
 - c. That the Chief Finance Officer increase the charity shops threshold rateable value limit by an appropriate percentage following the 2010 revaluation and all subsequent revaluations;
 - d. That the criteria for awarding relief to community / non-profit making organisations be adopted in accordance with that shown in Appendix 1.

8.0 REPORT AUTHOR/OFFICER TO CONTACT

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Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)