

Committee:	Date:
Finance Committee	17 February 2015
Subject:	Public
Non-Domestic Rates – Review of Discretionary Rate Relief	
Report of:	For Decision
Chamberlain	

Summary

This report advises the Committee of the results of this year's annual review of discretionary non-domestic rate relief that is currently being granted under Section 47 of the Local Government Finance Act 1988 and considers whether any changes from the present levels of relief are required.

The Local Government Finance Act 1988 governs the way in which discretionary rate relief should be granted. Registered charities are entitled to receive 80% mandatory rate relief and the City of London as a Billing Authority has power to grant discretionary relief of up to a further 20%. Non-profit making organisations can be given up to 100% discretionary relief. The cost of discretionary reliefs is one of the variables taken into account in the calculation of the City's share of retained business rates.

Three cases of charities receiving both mandatory and discretionary rate relief are reviewed in this report together with two cases of non-profit making organisations receiving discretionary rate relief only. For all organisations reported, it is proposed that discretionary relief be continued at the levels previously determined. If the recommendations are agreed and it is determined that there should be no changes in the levels of relief currently awarded, the total estimated cost of discretionary relief to be met from the City's share of business rates is £104,170.

The estimated cost of discretionary rate relief in 2015/16 includes relief to cases being dealt with under delegated powers. Applications for discretionary rate relief where the recommended amount of relief in any year is no higher than £5,000 are dealt with under powers delegated to the Chamberlain. All applications for relief from not for profit organisations that can be defined as Social Investment Finance Intermediaries and Business Incubators are delegated to the Chamberlain for decision regardless of the recommended amount of relief.

Recommendations

Members are asked to:

- a) agree that discretionary relief be continued at the levels previously determined for all organisations reported noting that for 2015/16 the total estimated cost of the discretionary relief to be met from the City's share

of business rates is £104,170 and £2,817 will be met from the premium;
and

- b) if applicable, state the reasons for any withdrawal or reduction in any recipient's relief in accordance with the advice of the Comptroller and City Solicitor.

Main Report

Background

1. On 21 February 2012 the Finance Committee reviewed the procedures previously adopted for considering applications for discretionary rate relief and agreed the criteria to be used in determining such applications for 2012/13 onwards.
2. The procedures adopted for considering applications for discretionary rate relief are set out in Appendix 1. The agreed criteria are set out in Appendix 2. The model adopted to assess the financial strength of organisations applying for discretionary rate relief where the relief to be granted under the criteria exceeds a set amount (the financial model) is set out in Appendix 3.
3. The rating regulations require a Billing Authority to give one year's written notice if the level of discretionary rate relief is to be reduced or to be discontinued. Such decisions can only take effect from the commencement of a financial year. The Regulations restrict, therefore, any such reductions from taking effect until 1 April 2016. No notice is required of an increase in rate relief.

Outcome of Review

4. Appendix 4 contains details of the levels of discretionary rate relief that would be granted in 2015/16 if relief continues to all organisations at the same levels at previously determined. Cases being dealt with under delegated powers are excluded from Appendix 4.
5. The organisations currently in receipt of discretionary rate relief have been reviewed. Based upon the agreed criteria no changes are suggested in the proposed level of discretionary relief compared with that previously determined.

Applications dealt with under Powers Delegated to Officers

6. Applications for discretionary rate relief where the recommended amount of relief in any year is no higher than £5,000 are dealt with under powers delegated to the Chamberlain. All applications for relief from not for profit organisations that can be defined as Social Investment Finance Intermediaries and Business Incubators are delegated to the Chamberlain for decision regardless of the recommended amount of relief.

7. In the past year applications from seven registered charities were considered under powers delegated to officers. It was determined that three organisations did not sufficiently meet the City of London's criteria for relief and that no discretionary relief should be granted. Discretionary rate relief totalling £5,445 was granted to four organisations.
8. No new applications have been received from not for profit organisations that can be defined as Social Investment Finance Intermediaries and Business Incubator.
9. Details of the applications considered under delegated powers are contained in Appendix 5.

Financial Implications

10. Under the arrangements in place from 1 April 2013 when the rates retention scheme was introduced 50% of income and therefore 50% of the costs of reliefs are met from the government's central share. The remaining 50% is funded from the local share. The local share is then divided between the City Corporation (30%) and the Greater London Authority (20%).
11. For 2015/16, assuming existing levels of relief continue to apply, the total estimated cost of the discretionary relief to be met from the City's share of business rates is £104,170 as set out below:

Type of organisation	Discretionary relief total £	City Share (30%) £
Registered Charities	142,931	42,879
Non-Profit Making	204,302	61,291
Total	347,233	104,170

Included in the above totals are cases being dealt with under delegated powers. These cases have been excluded from appendix 4.

12. The estimated cost of the City's share of discretionary reliefs is one of the variables taken into account in the calculation of the City's share of retained business rates.
13. If the City of London levies a premium of 0.4p in 2015/16, assuming existing levels of relief continue to apply, the total estimated cost of the discretionary relief to be borne from the proceeds of the premium is £2,817.
14. The cost of discretionary rate relief applicable to any additional amounts levied under the Crossrail business rate supplement is borne wholly by the Greater London Authority from the proceeds of the supplement.

Appendices

- Appendix 1 - Procedure agreed to determine claims for discretionary rate relief
- Appendix 2 - Criteria adopted for considering claims for discretionary rate relief
- Appendix 3 - Financial model
- Appendix 4 - Organisations subject to the review of discretionary rate relief
- Appendix 5 – Applications dealt with under delegated powers

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**PROCEDURE AGREED TO DETERMINE CLAIMS
FOR DISCRETIONARY RATE RELIEF**

Procedure agreed in determining claims for discretionary rate relief

1. In accordance with the Government's guidance there are 15 points which require consideration and it was decided that the following ground rules be adopted:

Ground Rule		Remarks
a)	Where a charity or non-profit making organisation fulfils less than 8 of the points	In such cases, no relief be granted
b)	Where a charity or non-profit making organisation fulfils 8 or more of the points	In such cases, consideration be given to the level of relief to be granted
c)	Where (b) above applies in considering whether or not to grant relief	That regard is had to: (i) the financial position of the charity or organisation; and (ii) the cost to the council tax payer

Considering the level of relief

Registered charities applying for discretionary relief

2. Under the provisions of the Local Government Finance Act 1988, registered charities are automatically entitled to receive 80% mandatory relief and there is power to grant up to a further 20% at the Committee's discretion.
3. It was agreed that consideration be given to allowing this additional relief up to the full 20% level of relief allowed by law.
4. To determine the maximum level of the additional relief to be granted, the following was adopted:

Points fulfilled	Maximum additional relief to be granted
0 to 7	Nil
8 or 9	5%
10 or 11	10%
12 or 13	15%
14 or 15	20%

**PROCEDURE AGREED TO DETERMINE CLAIMS
FOR DISCRETIONARY RATE RELIEF**

5. In all cases, before determining what relief should be granted, consideration must be given to:
- a) the financial position of the charity; and
 - b) the cost to the council tax payers, who bear 75% of any additional amount allowed.

Non-profit making organisations applying for discretionary relief

6. Under the provisions of the Local Government Finance Act 1988, the Committee has power to grant up to 100% relief at its discretion.
7. It was agreed that consideration be given to allowing additional relief up to the full 100% level allowed by law.
8. To determine the level of relief to be granted, the following was adopted:

Points fulfilled	Maximum relief to be granted
0 to 7	Nil
8 or 9	25%
10 or 11	50%
12 or 13	75%
14 or 15	100%

9. In all cases, before determining what relief should be granted, consideration must be given to:
- a) the financial position of the non-profit making organisation; and
 - b) the cost to the council tax payers who bear 25% of the amount allowed.

Criterion effective from 1 April 2013

10. For 2013/14 onwards the annual maximum amount of discretionary rate relief granted to any organisation is limited to £300,000.

Criterion effective from 1 April 2014

11. For 2014/15 onwards no discretionary relief will be granted to hospitals funded by the National Health Service or similar Government funded organisations.

**CRITERIA ADOPTED FOR CONSIDERING CLAIMS
FOR DISCRETIONARY RATE RELIEF**

CRITERIA	MODEL ANSWER
<p>➤ <u>ACCESS</u></p> <p>1) Can any individual from the community, become a member of the organisation? If there is no membership structure, can any individual assist in the organisation's administration and decision making process?</p>	YES
<p>2) Are there any restrictions on membership, which require a high level of achievement, which would exclude the general Community? If there is no membership structure, is the organisation aimed at providing services to specialised groups of individuals such as Doctors, Lawyers, and other highly qualified individuals?</p>	NO
<p>3) Is the membership or voting rights of the organisation determined by the votes of existing members or is it restricted by the trustees/management of the organisation in any way?</p>	NO
<p>4) Does the organisation work for the benefit of particular deserving groups within the Community? (E.g. young people, women, ethnic minorities or the sick and disabled).</p>	YES
<p>5) Does the organisation make its facilities and or make services available to all sections of the community irrespective of membership? (E.g. buildings, schools, casual public sessions, publications, helplines etc.).</p>	YES
<p>6) Are non-members excluded from using the organisation's facilities, or from using services, provided by the organisation?</p>	NO
<p>➤ <u>PROVISION OF FACILITIES</u></p> <p>7) Does the organisation provide training or education for its members or education for the benefit of the community as a whole?</p>	YES

**CRITERIA ADOPTED FOR CONSIDERING CLAIMS
FOR DISCRETIONARY RATE RELIEF**

CRITERIA	MODEL ANSWER
8) Are there schemes for particular groups to develop their skills? (e.g. young, retired or disabled persons)	YES
9) Did the organisation's membership pay for the provision and improvement of its facilities?	YES
10) Were the facilities funded by grant aid?	NO
11) Is the provision of a licensed bar the main purpose of the organisation?	NO
12) Does the organisation provide a service provided by the City of London? If so does this organisation assist in meeting the needs of the Community as a whole?	YES
<p style="text-align: center;">➤ <u>OTHER CONSIDERATIONS</u></p> 13) Is the organisation affiliated to or does it have close and identifiable links with other local or national organisations? (E.g. public bodies, local sport bodies, charities, arts councils or national representative bodies).	YES
14) Is there an active involvement in the local or national development of the organisation's interest?	YES
15) Is the membership drawn from, or does the organisation directly benefit, the residents of the City of London?	YES

FINANCIAL MODEL**Model agreed by the Finance Committee to assess the financial strength of organisations applying for discretionary rate relief**

- A. The model only applies after the organisation has achieved a points score sufficient to qualify for a proportion of discretionary rate relief under the agreed criteria.
- B. Before the financial model is applied, the organisation must qualify under these procedures for a total amount of discretionary rate relief of at least £15,000 in the case of charities in receipt of mandatory rate relief, or at least £1,000 in the case of non-profit making organisations in receipt of discretionary rate relief only.
- C. The model is based on the latest published final financial accounts of the organisation.
- D. The organisation's financial strength is compared with the amount of discretionary relief calculated under the points score basis, in order to measure whether the organisation has sufficient resources to pay the amount of rates for which discretionary relief might otherwise be given. This is done by a two stage process:

Stage 1 Surplus Financial Position

- i. Establish whether the organisation has an annual surplus on its general fund activities. Exclude one-off items and unrealised gains in order to reflect the annual operating position. These are included at a later stage within the net asset values.
- ii. Where the adjusted annual surplus is less than five times the total calculated amount of discretionary rate relief, do not reduce the amount of discretionary rate relief.
- iii. Where the adjusted annual surplus of charities entitled to mandatory rate relief is at least five times the total calculated amount of discretionary rate relief, do not consider charities any further for discretionary relief.
- iv. Where the adjusted annual surplus of non-profit making organisations is at least five times the total calculated amount of discretionary rate relief, award non-profit making organisations 50% of the amount of discretionary rate relief calculated according to their points score.

FINANCIAL MODEL

Stage 2 **Net Assets Financial Position**

- i. For organisations which do not have a surplus sufficient to result in a reduction under Stage 1, examine the amount of net assets available to the general fund activities.
- ii. Where the amount of net assets is less than ten times the total amount of discretionary rate relief proposed do not reduce the amount of discretionary rate relief.
- iii. Where the amount of net assets of charities entitled to mandatory rate relief is at least ten times the total amount of discretionary rate relief proposed, do not consider charities any further for discretionary relief.
- iv. Where the amount of net assets of non-profit making organisations is at least ten times the total amount of discretionary rate relief proposed award non-profit making organisations 50% of the amount of discretionary rate relief calculated according to their points score.
- v. However, if the net assets appear from the accounts to be insufficiently realisable, do not reduce the amount of discretionary rate relief.

RELIEFS TO CHARITIES UNDER SECTION 47(2) LOCAL GOVERNMENT FINANCE ACT 1988

Case no	Ratepayer's details (charities in receipt of mandatory and discretionary rate relief)	Rates due 2015/16 based on expected national multiplier of 49.3p excluding City premium and business rates supplement (£)	Discretionary relief granted in 2014/15	Relief to be allowed in 2015/16	Amount of relief to be allowed in 2015/16 (£)	Change from level previously determined	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
1	Bishopsgate Foundation (Including 2-4 & 14 Brushfield Street) 230 Bishopsgate Rateable value £248,000 1 st -3 rd Floors, 228 Bishopsgate Rateable value £15,500	2015/16 rates Mandatory relief Amount due	129,905 <u>-103,924</u> 25,981	15%	15%	19,485	No
2	Museum of London London Wall Rateable value £1,680,000	2015/16 Mandatory relief Amount	828,240 <u>-662,592</u> 165,648	10%	10%	82,824	No
3	Youth Hostels Association 38 Carter Lane Rateable value £126,000	2015/16 rates Mandatory relief Amount due	62,118 <u>-49,694</u> 12,424	15%	15%	9,318	No

NEW APPLICATIONS DEALT WITH UNDER DELEGATED POWERS

Applications dealt with under Powers Delegated to Officers

1. Discretionary rate relief was granted under powers delegated to officers to four registered charities as summarised below:

Applicant	Discretionary relief	
	%	Amount £
Broadway Homelessness and Support	5%	3,668
Genesis Community Foundation	5%	1,239
The Transformation Trust	5%	205
Drive Forward Foundation	5%	333
	Total	5,445

2. It was determined that the following registered charities did not sufficiently meet the City of London's criteria for relief and that no discretionary relief should be granted:

Applicant	Property Address
The Association of Masters in Business Administration	Part Basement & 2nd Floor, 25 Hosier Lane
The Bread Tin	3 rd & 4 th Floors, 1 Creed Court, 4 th Floor, 3 Creed Court 1st Floor 4 Creed Court
UK Health Forum	Part 1st F West, Fleetbank House 2-4 Salisbury Square