

Committee: Finance Committee	Date: 16 February 2016
Subject: Non-Domestic Rates – Review of Discretionary Rate Relief	Public
Report of: Chamberlain	For Decision
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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 £106,603.

The estimated cost of discretionary rate relief in 2016/17 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 2016/17 the total estimated cost of the discretionary relief to be met from the City's share

of business rates is £106,603 and £2,860 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 21st 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.

Current Position

3. All the organisations referred to in this report are in receipt of discretionary rate relief in the current year 2015/16. Appendix 4 (in the non-public section of the agenda) contains details of the levels of discretionary rate relief that would be granted in 2016/17 if relief continues to all organisations at the same levels as previously determined. A total of 23 cases were reviewed. In 20 cases 80% mandatory rate relief was topped up by between 5% and 15% of discretionary rate relief. In three cases including one Business Incubator discretionary rate relief was awarded.

Options

4. The options available are that discretionary relief be continued at the levels previously determined for all organisations reported or that a decision is made that discretionary rate relief should no longer apply. 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 2017
5. It should be noted that for 2016/17 the total estimated cost of the discretionary relief to be met from the City's share of business rates is £106,603 while £2,860 will be met from the premium (based on a premium of 0.4p in the £).

Proposals

6. 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.
7. 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. No new applications have been received from such organisations.
8. In the past year new applications from three registered charities were considered under powers delegated to officers. It was determined that two organisations did not sufficiently meet the City of London's criteria for relief and that no discretionary relief should be granted. Discretionary rate relief of £746.86 was granted to one organisation.
9. Details of the new applications considered under delegated powers are contained in Appendix 5 (in the non-public section of the agenda).

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 2016/17, 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 £106,603 as set out below:

Type of organisation	Discretionary relief total £	City Share (30%) £
Registered Charities	149,382	44,815
Non-Profit Making	205,960	61,788
Total	355,342	106,603

Included in the above totals are cases being dealt with under delegated powers. These cases have been excluded from appendix 4 (in the non-public section of the agenda).

12. If the City of London levies a premium of 0.4p in 2016/17, 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 £2,860

13. 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.

14. 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.

Conclusion

15. The result of the review of discretionary rate relief is that based upon the agreed criteria no changes are suggested in the proposed level of discretionary relief compared with that previously determined.

16. Appendix 4 (in the non-public section of the agenda) contains details of the levels of discretionary rate relief that would be granted in 2016/17 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.

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 (non-public) - Organisations subject to the review of discretionary rate relief
- Appendix 5 (non-public) – Applications dealt with under delegated powers

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