

# APPENDIX E

## WAVERLEY BOROUGH COUNCIL

### CORPORATE OVERVIEW AND SCRUTINY COMMITTEE 26 NOVEMBER 2012

#### EXECUTIVE - 4 DECEMBER 2012

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**Title:**

**NATIONAL NON-DOMESTIC RATES  
DISCRETIONARY RATE RELIEF POLICY**

**[Portfolio Holder for Finance: Cllr Mike Band]  
[Wards Affected: N/A]**

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**Summary and purpose:**

In November 2011, the Council undertook its four-yearly review of Waverley's policy for awarding discretionary rate relief. However, in the light of draft legislative changes published by the Government at that time that would potentially affect the policy, the Council agreed not to make any changes for 2012/13 only and asked to receive a report back in 2012 when the full impact was known. Members are now asked to agree the approach for the 3-year period 2013/14 to 2015/16 inclusive.

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**How this report relates to the Council's Corporate Priorities:**

The provision of financial assistance to community organisations within the Borough supports a range of Corporate Priorities including Improving Lives. Rate relief also provides good value for money as the Government pay for a proportion of the cost.

**Equality and Diversity Implications:**

There are equality and diversity implications in awarding rate relief and it is important that clear criteria are in place that does not discriminate against any particular organisation.

**Resource and legal implications:**

In accordance with normal practice, after the end of the period covered by the Council's policy, notice has been given to those organisations currently receiving relief that their relief will be terminated at the end of this current financial year, and the scheme will be reviewed. There are potential financial implications, which are described in this report.

Currently, in most cases 25% of any discretionary rate relief agreed falls on the General Fund but if mandatory relief is 'topped-up' then the Council pays 75% of the relief. The 2012/2013 Budget is £134,700 which includes provision for the Council's approved costs as shown in Annexe 2.

The main changes to the legislative framework affecting business rates and discretionary relief have been as follows:

Localism Act 2011 – The Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to enable authorities to go beyond the limited circumstances where relief can be given to enable relief to be given in any circumstances. This is subject to the condition that relief can only be granted where it would be reasonable to do so having regard to the interests of council taxpayers in its area. The full cost of granting relief under this provision is met fully by Waverley and not shared with the Government.

Local Government Act 2012 – This Act includes the Government's Business Rates Retention scheme. This Act is relevant because the regulations change the way that discretionary rate relief is funded. The regulations make no change to how current discretionary rate reliefs are funded but future awards to organisations meeting the requirements of Section 47 of the 1988 Act will be subject to Waverley paying 40% of the rates foregone rather than 25 or 75% currently. The core legislation governing discretionary rate relief eligibility as described in paragraphs 3-5 has not been changed, with the exception of the additional general changes included in the Localism Act.

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## **Introduction and Background**

1. Current legislation allows local authorities to grant discretionary rate relief on the rates payable by the following organisations:
  - i) charities
  - ii) non-profit making organisations whose objects are charitable, philanthropic or religious or concerned with education, social welfare, science, literature or fine arts.
  - iii) non-profit making clubs, societies or other organisations using premises for the purpose of recreation
  - iv) village stores, post offices in rural settlements and other businesses in rural settlements that exist to benefit the local community and where the award of relief is in the interests of Waverley's council taxpayers.
  
2. The Council's current policy is to review the guidelines used by the Council for the granting of discretionary relief on a four-yearly cycle, following the election of a new Council. In accordance with this policy, notice was given in March 2012 to all organisations currently receiving discretionary rate relief to terminate the existing relief with effect from 31 March 2013. All organisations will need to reapply under the new policy guidelines. Once the Council has approved its policy, Waverley's Scheme of Delegation allows the Deputy Chief Executive to agree applications from organisations that are eligible under the Policy. Only when an organisation objects to the Deputy Chief Executive's decision will an application come to the Executive for a decision.

## **Granting of rate relief**

3. There are two elements of rate relief under the legislation. The first is mandatory relief that attracts relief at the rate of either 50% or 80%. The second, discretionary relief permits the billing authority to offer relief of up to 100%. (This report does not cover the discretionary relief provisions under Section 49 of the Act covering 'hardship', which is an issue considered by the Deputy Chief Executive of the Executive on a case-by-case basis).
4. Mandatory relief relates either to charities or trustees of a charity, which receive 80% relief, or to those properties covered by the regulations which are more commonly known as the 'rural rate relief', where the relief is granted at 50%. Where mandatory relief applies, the full amount of the relief given is borne by the NNDR Pool, and no cost of the mandatory relief falls upon the billing authority's General Fund.
5. This report is concerned with the granting of the discretionary relief under Section 47 of the Local Government Finance Act 1988. The Government has amended these statutory provisions under the Localism Bill.
6. Waverley's existing policy for the granting of discretionary rate relief was last reviewed in December 2011. The current policy guidelines adopted by the Council are described below and a summary is attached at Annexe 1. These guidelines indicate both the level of relief given and the type of organisation, and are used when considering applications for relief to ensure that consistent decisions are made in line with Council policy.

## **Waverley's current policy guidelines**

7. Paragraph 1 above identifies the various types of organisations that a local authority can grant discretionary rate relief on the rates payable under the legislation. A billing authority has the discretion to grant up to 100% relief. A full list of the organisations currently receiving discretionary rate relief is included at Annexe 2. Waverley's current policy for the period 2012/ 2013 only is to grant discretionary rate relief as follows:
  - i) Charities receiving 80% mandatory relief will not normally receive any additional discretionary relief, except for a number of individual cases that have previously been approved by the Council. There are currently 53 organisations that currently receive 20% discretionary relief granted in addition to the 80% mandatory relief. The amount of WBC discretionary relief given in 2012-13 under this category is £49,162 with £36,871 of this being met by the General Fund.
  - ii) 80% discretionary relief is granted for non-profit making organisations whose objects are charitable, philanthropic or religious or concerned with education, social welfare, science, or for the purpose of recreation and who are not in receipt of mandatory relief. In 2007 the Council agreed to include Waverley's leisure centres under this heading as they are operated under a 'commercial trust' model by DC leisure which meets the

rate relief criteria. The amount of WBC discretionary relief given in 2012-13 under this category is £352,243, with £88,060 of this being met by the General Fund.

iii) Where a sports club within Waverley is not allowed to register with the Inland Revenue as a Community Amateur Sports Club (CASC) and therefore be entitled to mandatory relief, the Council has awarded 50% discretionary relief (currently 5 in Waverley). The amount of WBC discretionary relief given in 2012-13 under this category is £11,496, with £2,874 of this being met by the General Fund.

iv) Discretionary rate relief for properties in rural settlements is considered only for sole general stores, post offices or chemist shops. Since the Council first agreed this policy in 1998, applications from a number of other businesses in rural settlements have been considered by Members, but no relief has been granted. The amount of WBC discretionary relief given in 2012-13 under this category is £19,761, with £6,636 of this being met by the General Fund.

7. The total amount relief granted in 2012-2013 is £432,664. As a general rule, 75% of the discretionary relief granted is offset against the contributions made by Waverley to the National Non-Domestic Rates Pool with the balance of 25% being borne locally and met from the authority's General Fund. However, for those charitable organisations that receive mandatory relief, any discretionary relief top-up granted is apportioned 25% to the Pool and 75% locally. As a result of this apportionment, the overall cost to Waverley of granting discretionary relief in 2012/2013 is £134,442 which is included in the approved budget.
8. It has come to light in the year that there are two organisations whose objectives and activities align with Waverley's policy but neither receive discretionary relief – Farnham Museum and Sandy Hill Bungalow community centre in Farnham. Both organisations currently receive 80% mandatory rate relief and it would be consistent with the policy to consider awarding a top up of 20% discretionary relief. The discretionary relief for the Farnham Museum would be £2,270 in total of which Waverley would need to contribute 40% (£920). As owner of the building, Waverley would make the full saving of £2,270 in rates payable. The 20% rate relief for Sandy Hill bungalow would be £2,590 of which Waverley would need to contribute 40% (£1,030). If these additional awards are made, the financial implication would be as follows:

Budget 2012/13	<u>£134,700</u>
Current cost to WBC	£134,440
Additional cost – Farnham Museum	£920
Additional cost - Sandy Hill Bungalow	£1,030
Less – rates saving Farnham Museum	-£2,270
Total cost	<u>£134,120</u>

## **Options for Discretionary Rate Relief Policy 2013/14 to 2015/16**

9. There are a number of options available to the authority for discretionary business rate relief:
- a) To continue with the current policy and consider new requests for discretionary rate relief under the provisions in the Localism Act on a case by case basis;
  - b) As (a) but with the addition of the Farnham Museum and the Sandy Hill Bungalow, Farnham
  - c) To withdraw some categories of the existing discretionary rate relief policy;
  - d) To withdraw the discretionary rate relief to those organisations receiving a 20% top-up to mandatory relief they receive – this would save Waverley £36,871;
10. In considering the options, Members are asked to consider a number of factors:
- Other financial and service pressures
  - Consistency of application of the Council's discretion across organisations
  - The need for clear and robust policy guidelines that enable the Director of Finance to fulfil his delegated authority to consider applications for relief, minimising the risk of challenge and objection
  - Waverley's aims, objectives and priorities

## **Discretion to award business rate reductions under section 69 of the Localism Act**

11. The Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to enable authorities to go beyond the limited circumstances where relief can be given to enable relief to be given in any circumstances. This is subject to the condition that relief can only be granted where it would be reasonable to do so having regard to the interests of council taxpayers in its area. The full cost of granting relief under this provision is met fully by Waverley and not shared with the Government.
12. It is proposed that delegation will be requested for the Deputy Chief Executive, in conjunction with the Finance Portfolio Holder, to make decisions and only if an objection is received would the Executive need to consider the case.

## **Recommendation**

It is recommended to the Council that

1. the policy for the granting of discretionary rate relief for the period 2013/14 to 2015/16 remains the same as the current policy with the addition of the Sandy Hill Bungalow, Farnham and the Farnham Museum;
2. the policy on the use of the provision for granting discretionary rate relief to any body other than those currently included in the approved policy is to do so on a case by case basis provided that any proposed reductions are clearly in the wider interests of Waverley's council taxpayers; and
3. in relation to recommendation 2, delegation be given to the Deputy Chief Executive, in conjunction with the Finance Portfolio Holder, to make decisions about such applications and only if an objection is received would the Executive need to consider the case.

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### Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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WAVERLEY BOROUGH COUNCIL

**Current Discretionary Rate Relief Guidelines operated by Waverley Borough Council**

The following guidelines apply to the period 1 April 2012 to 31<sup>st</sup> March 2013.

For organisations that satisfy the conditions of Section 47 of the Local Government Finance Act 1988 for the granting of discretionary relief, and who are not in receipt of mandatory relief in respect of the property, for the general categories of properties listed below the rates chargeable will be reduced by 80%.

- (i) Welfare organisations; improvement of health and teaching of first aid; care of the sick, crippled and disabled.
- (ii) Institutes; village halls; community centre.
- (iii) Premises used for the advancement of religion.
- (iv) Educational Trusts.
- (v) National Trust premises.
- (vi) Youth Hostel.
- (vii) (a) Sports and Youth Clubs, whose membership is of a primarily local character, and where no liquor licence is in operation,  
  
(b) In respect of those organisations falling into (vii) (a) above, **where a liquor licence is operated to reduce the payment of rates chargeable by 50%.**
- (viii) the sole village store, post office and chemist shop in a rural settlement.
- (ix) Waverley's leisure centres operated on a 'commercial trust' basis

For organisations that satisfy the conditions of Section 47, to remit the rates chargeable on premises used as Day Centres for the Elderly and premises used by the following bodies:-

Scouts and Guides Associations  
Hindhead Playing Fields Association  
WRVS Gostrey Club  
Haslemere Educational Museum  
Chantry's Community Association  
40 Degreez  
Voluntary Action South West Surrey  
Godalming Museum Trust  
Old Kiln Museum Trust

Remit the payment of rates chargeable against the premises used by the following bodies for the purposes specified:

St. John Ambulance Brigade	Ambulance Station
Red Cross	Ambulance Station
Phyllis Tuckwell Hospice	Charity Shop
Cranleigh Village Hospital Trust	Charity Shop
Citizens Advice Bureaux	Advice Centres

For organisations that satisfy the conditions of Section 43 (6B) (rural properties) and qualify for 50% mandatory relief, to reduce the payment of the rates chargeable by a further 30%, thereby giving total relief of 80%.