

WAVERLEY BOROUGH COUNCIL CORPORATE OVERVIEW & SCRUTINY COMMITTEE

24 JUNE 2013

EXECUTIVE – 2 JULY 2013

Title:

FINANCIAL SUPPORT FOR COMMUNITY INTEREST COMPANIES

[Portfolio Holder for Finance: Cllr Mike Band]

[Wards Affected: N/A]

Summary and purpose:

In December 2012, the Council undertook its four-yearly review of Waverley's policy for awarding discretionary rate relief and approved the policy for the period to 2015/16 inclusive. Since then, an application for rate relief has been received from a 'Community Interest Company' (CIC) in the Borough. Currently, such companies are not currently eligible for rate relief under Waverley's policy, therefore, Members are asked to agree how any future requests for financial support from CICs should be considered.

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:

Rate Relief

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 2013/2014 Budget for discretionary rate relief awarded is £134,700 which covers Waverley's element of the cost of all approved relief under the current policy approved up to 31/3/13.

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 the wider 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.

The Local Government Act 2012 changed the way that mandatory and discretionary rate relief is funded from 1/4/13. Future awards of discretionary relief 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. Waverley will also meet 40% of new mandatory relief awarded from 1/4/13.

Grants to Community Organisations

Waverley operates its Community Partnerships Fund and awards grants totalling £744k to help towards the running costs of 29 organisations. In addition the Council contributes £42k to the joint Voluntary Panel which also supports local community organisations. Both schemes are well established and have approved and transparent award criteria and approval processes.

Introduction and Background

1. Waverley has received an application for rate relief from a registered Community Interest Company (CIC). The application has been carefully considered and officers have concluded that it does not qualify for mandatory rate relief as the company is not a registered charity and it does not meet Waverley's discretionary rate relief policy requirements. However, officers do recognise that the applicant does provide facilities and services which support the local community and this is at the heart of their business model so this has prompted officers to propose to Members the best way that Waverley could consider requests for financial support from CICs in the future.

What is a Community Interest Company?

2. A CIC is a type of company, designed in particular for social enterprises that want to use their profits or assets for public good. A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community. CICs cannot also be charities. The Government has appointed a regulator of CICs.
3. To be a CIC a business has to pass the 'community interest test'. This requires demonstration that the purpose could be regarded as being in the community or wider public interest. CICs don't get any special tax advantages but they can sometimes use this status to attract grant funding. Officers do not know how many CICs there are in the Borough.
4. The application for rate relief has come from the Indigo Café, Frensham Road, Lower Bourne. The ratepayer is 'a village café' with a community focus selling locally produced goods and running an evening youth café. The Police hold surgeries there as well as NCT groups, children's groups (lego building group) and groups for old single people etc. Indigo Café CIC is not a registered charity nor is it a trust, so there is no entitlement to mandatory rate relief. The ratepayer is not a charity and the business trades as a café. Therefore, for the purpose of assessing whether rate relief can be awarded, it cannot be deemed that the premises are occupied by a not for profit organisation with charitable objects.

What are the options for providing financial support to CICs?

- i. Widen Waverley's discretionary rate relief policy – The Council could agree to add an additional category of Community Interest Companies to its policy. The Localism Act powers would have to be applied which means that the Council would pay for the full cost of the rate relief. Decisions would have to be taken on a case by case basis throughout the year and the Council would have to establish whether granting the rate relief would be in the interests of the wider council taxpayers of Waverley. There is no specific criteria approved by Members which enables a relative assessment to be made of the community value between different applications.
- ii. Agree that CICs can apply for grant funding under Waverley's Community Partnerships Fund provided that they met the scheme's criteria. This would enable Members to evaluate applications for financial support in a fair and transparent process against pre-agreed criteria. The relative merits of applications from a range of community organisations can be compared and scrutinised by Members ahead of making decisions as part of the annual budget setting process.

Discretionary rate relief - Waverley's current policy guidelines

5. Waverley's Discretionary Rate Relief Policy for the period 2013/14 to 2015/16 inclusive was approved by Council in December 2012. Until 2012 legislation only allowed relief to be given to specific categories of organisation with the cost being shared between us and the Government (we now bear 40%). The Localism Act 2011 means that we can now also give relief to any other organisation where it is in the interest of the wider council tax payers to do so, but we pick up the full cost.
6. Waverley's current policy for 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.
 - 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.
 - 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.
 - iv) Discretionary rate relief for properties in rural settlements is considered only for sole general stores, post offices or chemist shops.

Waverley's Community Partnership Fund

7. Waverley's Community Partnership Fund provides financial support towards the running costs of a range of community organisations that provide key services and facilities across the Borough. There is no requirement to be a charity or a trust but there are Member-approved criteria and an assessment framework with a well established Member scrutiny process. There is an annual application round that

opens in the Autumn with grants being approved in the following February as part of the budget-setting suite of reports.

8. In recent years, and in 2013/14, part of the funding budget has been left unallocated to give Members the ability of considering urgent or high priority applications during the year.

Conclusion

9. In summary, prompted by the application for rate relief from the Indigo Café Community Interest Company, officers have identified the alternative ways that any request for financial support from Community Interest Companies in the Borough could be considered. It is important to note that CICs are unlikely to fall into the categories specified in the rate relief legislation, therefore, any rate relief would have to be considered using the Localism Act powers so Waverley would pay for the full cost.
10. Officers have concluded that the most appropriate route for such requests would be applications to the Waverley Community Partnership Fund. It would also be appropriate for Waverley's partnership funding officer to offer assistance to CICs who are seeking funding and for those CICs to be directed towards town and parish councils and Surrey County Council as well as Waverley.

Recommendation

It is recommended that the Council:

1. recognises that CICs exist and make a contribution to the community;
2. agrees that CICs are not included within the discretionary rate relief policy;
3. agrees that the Indigo Café is invited to submit an application for grant support under the Waverley Community Partnerships Fund for 2014/2015; and
4. agrees that any future application for rate relief from a CIC is considered on its merits and, if it doesn't meet Waverley's approved policy, the organisation is invited to submit a grant funding application, provided that it meets the criteria, and is also directed towards SCC and their respective town or parish council to seek funding.

Background Papers

Executive report December 2012 – Discretionary Rate Relief Policy
Executive report February 2013 – Waverley Community Partnership Grants.

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