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**TITLE: Discretionary Rate Relief**

Committee: Community & Environment Committee

Date: Tuesday 10<sup>th</sup> September 2013.

Author: Julie Cornwell, Partnerships Officer.  
Rod Urquhart, Operations Manager, ARP.

**[N91]**

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1.0 ISSUE

1.1 To receive an update on actual savings against target savings for Discretionary Rate Relief (DRR) for 2013-14 and to consider further amendments to the Discretionary Rate Relief Criteria.

2.1 RECOMMENDATION(S)

2.1 That Members note the savings made as a result of implementing the Discretionary Rate Relief Service Review Improvement Plan.

2.2 That Members approve the proposed amendments to the Discretionary Rate Relief Criteria to be applied from 1<sup>st</sup> April 2014, as set out in paragraph 7.0.

2.3 That Members note the changes to funding arrangements to DRR from 2013/14 under the new Business Rates Retention Scheme and that this will result in a saving of £69,000 in the Council's revenue budget.

3.0 BACKGROUND

3.1 The objective of discretionary rate relief is to give assistance to charitable and nonprofit making organisations that may for example have difficulty in paying their rates and are of benefit to the local community, such as village halls.

3.2 As part of the 4-year Mid Term Financial Strategy covering the period 2011/12 to 2014/15, which was presented at the Full Council meeting in February 2011, Members approved a saving on Discretionary Rate Relief (DRR) of £10,000 for 2012/13, increasing to a £20,000 recurring saving from 2013/14 onwards.

3.3 To meet the mid-term saving target of £10,000 in 2012/13 a new criteria was approved at Community & Environment Sub-Committee on 5<sup>th</sup> January 2012. Members also instructed officers to undertake a Service Review on the Discretionary Rate Relief Policy for completion by October 2012, to secure the additional £10,000 recurring savings required in 2013/14.

3.4 The Discretionary Rate Relief Service Review Improvement Plan was approved by Community and Environment Committee on 21<sup>st</sup> November

2012. This involved setting a £2,000 cap on the level of Discretionary Rate Relief awarded, with a Section 49/Hardship scheme introduced to support those organisations that would not be able to pay the balance of their business rates bill. Applying this model was predicted to exceed the savings target of £10,000 by over £5,000, with all but one of the current organisations in receipt of discretionary rate relief predicted to maintain the 2012-13 level of support.

#### 4.0 ACTUAL SAVINGS AGAINST TARGET SAVINGS FOR 2013-14

4.1 The budget for DRR and Hardship Relief for 2013-14 was £69,988.60. The total spend to date is £56,282.15. If no more applications are received or approved during this financial year the cost savings will be £13,706.45 *above and beyond* the target saving of £10,000 from the 2012-13 budget.

4.2 Historically, where a ratepayer received hardship relief the District Council bore 25% of the cost of the relief granted as opposed to where a ratepayer received discretionary rate relief the District Council bore 75% of the cost of the relief granted.

4.3 Six Leisure Centres and Sports Associations have been awarded Section 49/Hardship Relief, two did not apply and so will pay the balance of their rates bill thus securing the required savings.

4.4 In addition, under the guidelines pre-schools are not eligible to receive DRR as premises “*must not* be predominately used for administration purposes or provide a primary function of education”. A charity shop and a profit-making business are also not receiving DRR or Hardship/Section 49 relief in 2013-14 and have thus contributed to the savings.

#### 5.0 PROPOSED AMENDMENTS TO THE DRR CRITERIA TO BE APPLIED FROM 1<sup>st</sup> APRIL 2014

##### 5.1 Post Offices

Part of assessing all of the applications has involved reviewing the accounts of those organisations. It has become apparent that some of the post offices currently receiving DRR are making significant surpluses and they therefore should not need financial assistance from the Council to pay their rates (see Appendix A). It is acknowledged that post offices are critical facilities particularly in rural areas, but it is questionable whether the Council should be granting discretionary rate relief when the accounts of the post offices in question show that each made significant profits or took considerable drawings from the business.

5.2 It is therefore proposed that as part of the next annual assessment, Post Offices are asked to provide details of the number of FTE staff working at the establishment and that DRR is only awarded to those post offices where the

business meets or falls below paying the average annual wage (pro-rata for part time staff) of £26,000. This would be calculated by adding up the post office salary, wages bill, net profit and any drawings, divided by the number of FTE staff. Based on the accounts provided by the post offices as part of the recent annual assessment, applying this method would almost certainly result in three post offices having to pay 50% of their rates bill, potentially generating an income of £1,314.46 for the District Council. There is also the potential that further savings would be made depending on the number of staff employed at other post offices and the state of their accounts.

5.3 £26,000 annual surplus and £100,000 unrestricted reserves cap.

Reviewing the accounts for the organisations in receipt of DRR for 2013-14 has also highlighted that several clearly have the means to pay their business rates either through their annual surpluses or through their unrestricted reserves (see Appendix B).

5.4 It is therefore proposed that the Discretionary Rate Relief criteria be amended to include a requirement that the average annual surpluses (based on the two most recent sets of accounts) should not exceed £26,000 (the average annual earnings of a full time worker). This would ensure that resources are spent on those organisations in genuine need of relief (See Appendix C).

5.5 It is also proposed that a condition around unrestricted reserves is added to the DRR criteria to include a requirement that unrestricted reserves should not exceed £100,000. Restricted reserves would not be taken into account.

5.6 If this method was applied, 5 organisations would have to pay 20% of their business rates bill, generating an income of £1,590.17 for the District Council.

5.7 Bar provision

The current criteria for DRR specifies that 'bar provision in facilities should be an ancillary service'. Appendix D highlights those clubs where currently the bar provision is in excess of 50% of the income of the club. It could be argued that this is acceptable for a Bowls Club as it is clear that the main purpose of the club is to play bowls (and thus the provision of the bar is ancillary to the bowling).

5.8 However, with respect to Social Clubs in some cases the bar appears not to be an ancillary service as it is not clear what other regular activities/provision is on offer at the Club other than a bar. Up to now all Social Clubs have been in receipt of 100% DRR, as it is recognised that they have a value to the local community particularly in terms of community space available for hire. However, if the criteria are to be applied fairly and consistently, it could be argued that in future such organisations should not be granted DRR.

5.9 If the current criteria were applied in this way four social clubs would be affected. They would be required to pay 100% of their business rates bill as they are not eligible for mandatory relief. This would generate an income of £8,286.80 for the Council.

5.10 If at any point in the future an application for DRR came in from a social club where the bar was still *not* an ancillary service, but the accounts were suggesting that the social club was not in a position to pay their business rates, they would be eligible to apply for Section 49/Hardship Relief. If an application came in from a social club and it was found that the bar provision was less than 50% of the income (i.e. it was an ancillary service) the club would be eligible for 100% DRR.

#### 5.11 Football Clubs

Similarly, the Football clubs are primarily funded through bar receipts, albeit that the proceeds are then re-invested to run the football club. As with bowls clubs it could be argued that this is acceptable as it is clear that the main purpose of the club is to play football (and thus the provision of the bar is ancillary to the football).

5.12 As of 2013-14, there is a £2k cap on the amount of DRR that any organisation can receive. The impact of this on the football clubs was not identified as part of the Service Review as the review focused on those organisations in receipt of both mandatory and discretionary relief (the three football clubs do not qualify for mandatory relief) or rural relief. There are three football clubs that this has impacted on (See Appendix E). In recognition of the lack of consultation with those clubs, a 'local discount' has been applied to their business rates bill for 2013-14, meaning that the bills for 2013-14 were as they were in 2012-13.

5.13 Newmarket Town Football Club's two most recent sets of accounts show that the Club has unrestricted reserves of £103,937. Therefore if the proposed amendments were made to the criteria they would not be eligible for any DRR from 2014-15. However, they do qualify for Small Business Rates relief which equates to £2,429.29 (80% of the charge).

5.14 Under the current criteria, Ely City Football Club and Soham Town Football Club would qualify for DRR up to the limit of £2,000. This would mean that the Clubs would have to pay a balance of £6,595.20 and £6,686.80 respectively. Based on the accounts provided by the Clubs to date, it is not likely that they would qualify for hardship relief at this point.

## 6.0 CHANGES TO THE TREATMENT OF BUSINESS RATES FROM 2013/14

6.1 From 1 April 2013, the Government introduced new legislation concerning the treatment of business rates for local authorities. In previous years, Councils have collected the business rates from its local businesses and paid them into the Central Government Pool. The Government then repaid an element of this back to all authorities as part of their annual Funding Settlement. Under this system, any discretionary rate relief awarded would be split between the District Council and the Government on a 75/25 basis. In 2012/13, this Council budgeted for a £89,500 contribution towards the cost of

DRR awards and this was part of the overall revenue budget funded by the council taxpayers of the District. For 2013/14, this budget was reduced to £69,985.

- 6.2 From 2013/14, the Government has introduced a new Business Rates Retention Scheme. This scheme enables the District Council to keep an element of its business rates. Each Council was given a Baseline figure by the Government as the starting point for how much business rates they could retain. For billing authorities like ourselves, this was 40% of the estimated total business rates that we are forecast to collect during 2013/14. 50% of the business rates are payable to Central Government and 9% and 1% to the County Council and Fire Authority respectively.
- 6.3 Under this new scheme, both Discretionary Rate Relief and Mandatory Rate Relief will be accounted for in a different way. Under the new rates retention scheme, the existing costs of mandatory and discretionary reliefs have been accounted for within local authorities' business rates baselines. However, any changes in these costs will be shared 50:50 between central and local government; 40% of the local government element has been built into this Council's baseline.
- 6.4 These changes mean that DRR will no longer be met from the Council's own revenue budget. Instead it will be accounted for within the Collection Fund. Any surplus or deficit on the Collection Fund is then shared out across Central Government, the District Council, County and Fire in the percentages set out in paragraph 6.2 above. Consequently, the £69,000 budget for DRR in the 2013/14 will no longer be required and this will be removed from the budget during this financial year as part of the budget monitoring process.

## 7.0 ARGUMENTS/CONCLUSIONS

- 7.1 There are both ethical and financial reasons for the District Council to ensure that the DRR and Section 49 Schemes are applied consistently and fairly to rural businesses, charitable and nonprofit making organisations that may have difficulty in paying their rates and are of benefit to the local community.
- 7.2 It is proposed that the Discretionary Rate Relief criteria be amended as per Appendix C, to include a requirement that the average annual surpluses (based on the two most recent sets of accounts) should not exceed £26,000. (the average annual earnings of a full time worker). This would ensure that resources are spent on those organisations in genuine need of relief.
- 7.3 It is also proposed that a condition around unrestricted reserves is added to the DRR criteria to include a requirement that unrestricted reserves should not exceed £100,000. This will ensure that those organisations that have the means to pay their business rates pay their business rates, but protects those organisations that have expenditure planned for the future in earmarked/restricted reserves.

- 7.4 It is proposed that as part of the next annual assessment, Post Offices are asked to provide details of the number of FTE staff working at the establishment, salary and wage details, drawings and profits and that DRR is only awarded to those post offices where the business meets or falls below paying the average annual wage (pro-rata for part time staff) of £26,000.
- 7.5 It is proposed that the current criteria for DRR which specifies that 'bar provision in facilities should be an ancillary service' is applied more rigorously, which would result in social clubs whose bar income exceeds 50% of its overall income no longer eligible for DRR.
- 7.6 It is proposed that the Football Clubs are reminded of the changes to the DRR scheme that applied from 2013-14, and informed of the implications for their clubs from 2014-15 onwards.

#### 8.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 8.1 There will be a recurring saving of £69,000 to the Council's revenue budget from 2013/14 as a result of the changes to the treatment of DRR under the Business Rates Retention Scheme.
- 8.2 Tighter DRR criteria will ensure that those organisations with the means to pay business rates will pay. Under the new Business Rates Retention Scheme the District Council would keep 40% of any income generated (as detailed in the last column of each Appendices), with 50% going to Central Government, 9% to County and 1 % to Fire and Rescue Service. If the proposals above are implemented it is anticipated that the District Council will receive an additional income of up to £16,000.
- 8.3 A full INRA is attached at Appendix F.

#### 9.0 APPENDICES

- 9.1 Appendix A – Post Office data - **EXEMPT**  
Appendix B – Organisations likely to be affected by proposed £26k annual surplus and £100k unrestricted reserves cap.  
Appendix C – Proposed ECDC criteria for Discretionary Rate Relief from April 2014.  
Appendix D – Social Clubs data.  
Appendix E - Football Clubs data - **EXEMPT**  
Appendix F – INRA.

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**Background Documents**

Rate Relief Report,  
Community & Environment  
Sub-Committee, 01-03-12

DRR Service Review Stage  
1 Report and Committee  
Paper

DRR Service Review Stage  
2 report and Committee  
Paper 21-11-12

**Location**

Room FF 115  
The Grange,  
Ely

**Contact Officer**

Julie Cornwell  
Partnerships Officer  
(01353) 616352

E-mail:

[julie.cornwell@eastcambs.gov.uk](mailto:julie.cornwell@eastcambs.gov.uk)

**Organisations that would be affected by the proposed £26k annual surplus and £100k unrestricted reserves caps - Appendix B**

<b>ARP Account Number</b>	<b>Name of Organisation</b>	<b>Business Rate Charge</b>	<b>Mandatory Relief (80%)</b>	<b>Discretionary Relief (20%)</b>	<b>Average Annual Surplus (over two years)</b>	<b>Unrestricted Reserves (averaged over two years)</b>	<b>Balance to pay if proposed criteria applied</b>	<b>Potential Income for ECDC</b>
90779327	Ely and Soham Dial-A-Ride	£ 5,381.50	£ 4,305.20	£ 1,076.30	£ 75,153.50	£ 150,492.00	£ 1,076.30	£ 430.52
90775676	Viva Arts and Community Group, Soham	£ 4,030.40	£ 3,224.32	£ 806.08	£ 38,653.00	£ 90,719.00	£ 806.08	£ 322.43
90182608	Rural Cambs Citizens Advice Bureau	£ 3,206.00	£ 2,564.80	£ 641.20	£ 32,584.00	£ 125,479.00	£ 641.20	£ 256.48
90001448	Burwell and District Day Centre	£ 1,419.80	£ 1,135.84	£ 283.96	£ 5,437.00	£ 100,599.00	£ 283.96	£ 113.58
90778533	ADEC	£ 5,839.50	£ 4,671.60	£ 1,167.90	£ 16,446.00	£ 127,372.50	£ 1,167.90	£ 467.16
								£1,590.17

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**Current East Cambridgeshire District Council**  
**Discretionary Rate Relief Criteria**

The maximum amount of Discretionary Rate Relief that can be awarded is £2,000.

All of the following criteria must apply for an application to be eligible:

No restrictive membership practices.
Evidence of support for disadvantaged groups where the applicant is a community organisation.
Facilities/services must demonstrate benefit to local people/redistribution of majority funding to local communities.
Bar provision in facilities should be an ancillary service.
Unrestricted reserves should not exceed £100,000
Average Annual surpluses (based on the two most recent sets of accounts) should not exceed £26,000.

One of the following criteria must also apply for the application to be eligible:

The applicant is a local Charity or Trust <i>not</i> a Housing Association; social club, a national, regional or county charity. Their premises <i>must not</i> be predominately used for administration purposes or provide a primary function of education/meeting facilities, car parking, a shop or catering outlet.
The applicant is a Scout, Guide or Youth Group.
The applicant is a Local Community Support Service (for example a Local Citizens Advice Bureau or a Community Voluntary Service (CVS)).
The applicant is a village Hall, Community or Cultural Centre, Museum, Sports Association or Leisure Centre (not registered charities but meet the charitable purpose criteria as set out in the 2006 Charities Act).
The applicant is a village shop, petrol station, public house or post office that has a rateable value of £16,500 or less, that is within the boundaries of a rural settlement of less than 3,000, that is used for the purposes that are of benefit to the local community and is the last essential service in the settlement.



## Impact and Needs/Requirements Assessment (INRA)

### Initial Screening

Initial screening needs to take place for all new/revised Council policies. 'Policy' needs to be understood broadly to include all Council policies, strategies, services, functions, activities and decisions. This stage must be completed at the earliest opportunity to determine whether it is necessary to undertake an INRA for this activity.

<b>Name of Policy:</b>	Rate Relief Criteria amendments
<b>Lead Officer (responsible for assessment):</b>	Julie Cornwell
<b>Department:</b>	Community Services
<b>Others Involved in the Assessment (i.e. peer review, external challenge):</b>	Darren Dixon, Head of Community Services. Rod Urquhart, Head of Operations, ARP.
<b>Date Initial Screening Completed:</b>	20/06/13

- (a) **What is the policy trying to achieve?** i.e. What is the aim/purpose of the policy? Is it affected by external drivers for change? What outcomes do we want to achieve from the policy? How will the policy be put into practice?

There are both ethical and financial reasons for the District Council to ensure that the Discretionary Rate Relief (DRR) and Section 49 (Hardship) Schemes are applied consistently and fairly to rural businesses, charitable and nonprofit making organisations that may have difficulty in paying their rates and are of benefit to the local community.

- (b) **Who are its main beneficiaries?** i.e. who will be affected by the policy?

The District Council will be the main beneficiary of implementing the proposed changes. However, some organisations currently in receipt will be affected by any changes to the current DRR criteria.

- (c) **Is this assessment informed by any information or background data?** i.e. consultations, complaints, applications received, allocations/take-up, satisfaction rates, performance indicators, access audits, census data, benchmarking, workforce profile etc.

The Service Review of Rate Relief in 2012-13 and resulting improvement plan recommended an annual assessment of the applicant organisations to ensure they meet ECDCs criteria and the legislative requirements of operating DRR. This INRA is based on the new information and sets of accounts received from the eligible organisations that the annual assessment of Business Rates produced.

**(d) Does this policy have the potential to cause an impact (positive, negative or neutral) on different groups in the community, on the grounds of (please tick all that apply):**

**Ethnicity**  
**Gender**  
**Disability**


**Age**  
**Religion and Belief**  
**Sexual Orientation**


**Please explain any impact identified (positive, negative or neutral):** i.e. What do you already know about equality impact or need? Is there any evidence that there is a higher or lower take-up by particular groups? Have there been any demographic changes or trends locally? Are there any barriers to accessing the policy or service?

None of the groups above are specifically affected in a positive, negative or neutral way.

**(e) Does the policy affect service users or the wider community?**

**YES/NO/Na**

**(f) Does the policy have a significant effect on how services are delivered?**

**YES/NO/Na**

**(g) Will it have a significant effect on how other organisations operate?**

**YES/NO/Na**

**(h) Does it involve a significant commitment of resources?**

**YES/NO/Na**

**(i) Does it relate to an area where there are known inequalities, e.g. disabled people's access to public transport etc?**

**YES/NO/Na**

If you have answered **YES** to any of the questions above, then it is necessary to proceed with a full equality impact assessment. If the answer is **NO**, then this judgement and your response to the above questions will need to be countersigned by your Head of Service and then referred to the Council's Equal Opportunities Working Group (EOWG) for scrutiny and verification. Please forward completed and signed forms to Nicole Pema, Principal HR Officer.

**Signatures:**

**Completing Officer:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Head of Service:** \_\_\_\_\_ **Date:** \_\_\_\_\_