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**TITLE: Service Review of Discretionary Rate Relief**

Committee: Community & Environment Committee

Date: Wednesday 21<sup>st</sup> November 2012

Author: Julie Cornwell, Partnerships Officer

[M153]

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1.0 ISSUE

1.1 To consider the Stage II Discretionary Rate Relief Service Review report.

2.0 RECOMMENDATION(S)

2.1 That Members approve the Discretionary Rate Relief Service Review Stage II Report and the implementation of the Improvement Plan.

3.0 BACKGROUND/OPTIONS

3.1 As part of the 4-year savings covering the period 2011/12 to 2014/15, which were 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.

3.2 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 by 2013/14.

4.0 ARGUMENTS/CONCLUSIONS

4.1 The Service Review Team considered five options for making the required cost savings. These options were identified following a comparison of East Cambs District Council's Discretionary Rate Relief criteria against those of the other ARP partner authorities.

4.2 Consultation was carried out with organisations currently in receipt of Discretionary Rate Relief (DRR) alongside modelling work against the levels of funding each of these organisations would potentially receive against each option.

- 4.3 A review of Hardship Relief was also carried out to ensure that the impact of any changes to DRR criteria could be off-set by those affected organisations being able to apply for Hardship Relief.
- 4.4 The Service Review Group concludes that Option E is the preferred option – a capping of the maximum Discretionary Rate Relief payment at £2,000 and the ability of organisations to apply for Hardship Relief to ensure overall financial levels of support are maintained. Under this preferred mechanism identified in the Improvement Plan, all but one of the current 78 beneficiaries of rate relief will retain existing levels of financial support.
- 4.5 The Draft Stage II Report and Improvement Plan was considered by the Scrutiny Committee on 12<sup>th</sup> November 2012, and any comments from Scrutiny Committee will be verbally reported at this Committee meeting.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 5.1 If the preferred option ‘Option E’ was approved, there would be cost savings of over £15,000, exceeding the required savings target by over £5,000.
- 5.2 Equality Impact Assessment (INRA) completed and attached at Appendix 2.

6.0 APPENDICES

- 6.1 Appendix 1 - Discretionary Rate Relief Review, Stage II Report and associated Appendices.
- 6.2 Appendix 2 – Equality Impact Assessment.

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<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Rate Relief Report, Community & Environment Sub-Committee, 01-03-12	Room FF 115 The Grange, Ely	Julie Cornwell Partnerships Officer (01353) 616352 E-mail: julie.cornwell@eastcambs.gov.uk

**Discretionary Rate Relief Criteria Comparison Table**

Below is a summary of the key differences in the way Discretionary Rate Relief is awarded across the ARP Councils.

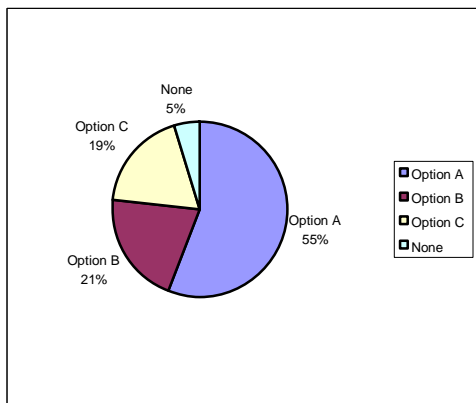
	ECDC	FHDC	Breckland	St Eds
<b>Reserves taken into account?</b>	<b>No</b>	<p><b>Yes</b> “It should be considered that rate relief should not normally be granted if an organisation/business is capable of supporting itself financially without assistance from other reliefs or grants”.</p> <ul style="list-style-type: none"> <li>• Meets no Council Priorities or significant reserves or operating surpluses – No top up relief</li> <li>• National Charity – No top up Relief</li> <li>• Meets a limited amount of the Council’s Priorities &amp; no significant reserves or operating surpluses – 5% top up relief.</li> <li>• Meets most of the Council’s Priorities &amp; no significant reserves or operating surpluses – 10% top up relief.</li> <li>• Meets all of the Council’s Priorities &amp; no significant reserves or operating surpluses – 15% top up relief.</li> </ul>	<p><b>Yes</b> “It should be considered that rate relief should not normally be granted if an organisation/business is capable of supporting itself financially without assistance from other reliefs or grants”.</p>	<p><b>Yes</b> “any applicant with reserves or annual surpluses above the following levels are not eligible for discretionary rate relief:-                      (i) Reserves: £100,000 in reserves, including a minimum of £30,000 in liquid assets; or                      (ii) Average annual surplus: £25,000”</p>
<b>Cap on level awarded?</b>	<b>No</b>	<p><b>Yes</b> “The level of relief will be linked to the Council’s priorities up to a maximum of 95%”</p>	<b>Yes</b> - £2,000	<b>Yes</b> - £5,000

<p><b>Varied level of discretionary rate relief according to category?</b></p>	<p><b>No but</b> All eligible sports and leisure clubs must be registered for governments Community Amateur Sports Club (CASC) scheme.</p>	<p><b>Yes</b> <u>i) Competition with other local businesses</u> (mainly relates to Sports and social clubs) Concern has arisen in the past over the subsidisation of a facility that may be in direct competition with local businesses, notably public houses. For this reason the Council limits relief to 50%. Alternatively, where there is Charitable Status (80% exemption), no “top-up” relief is allowed. <b>ii) Sports Clubs</b> Sports clubs should apply for Community Amateur Sport Club status in the first instance prior to submitting an application for rate-relief. If successful they would receive an 80% exemption at no cost to the Council. If they had a permanent bar on the premises then they would benefit an extra 30% relief – see 2 above. This relief would cost the Local Authority nothing as it is Mandatory. If unsuccessful they may then approach the Council for discretionary rate relief. Once registered a CASC may still seek top-up rate relief of 20% from the Council.</p>	<p><b>Yes</b> <u>i) Competition with other local businesses</u> (mainly relates to Sports and social clubs) Concern has arisen in the past over the subsidisation of a facility that may be in direct competition with local businesses, notably public houses. For this reason the Council limits relief to 50%. Alternatively, where there is Charitable Status (80% exemption), no “top-up” relief is allowed. <b>ii) Sports Clubs</b> Sports clubs should apply for Community Amateur Sport Club status in the first instance prior to submitting an application for rate-relief. If successful they would receive an 80% exemption at no cost to the Council. If they had a permanent bar on the premises then they would benefit an extra 30% relief – see 2 above. This relief would cost the Local Authority nothing as it is Mandatory. If unsuccessful they may then approach the Council for discretionary rate relief. Once registered a CASC may still seek top-up rate relief of 20% from the Council.</p>	<p><b>Yes</b> (i) Charities, Organisations meeting the conditions of Charitable Purpose, and Trustees for a Charity (excluding offices and shops); this is known as ‘top-up’ relief: 20% (ii) Institutions not established or conducted for profit and whose main aims are charitable and philanthropic, religious or concerned with social welfare, education, science, literature or the fine arts: 50% (iii) Boy Scouts, Girl Guides, Boys Brigade and Youth Clubs: 100% (iv) Recreational Organisations – Village Halls, Community Centre, Recreation Grounds: 100% (v) Sport and Social Clubs without a bar: 75% (vi) Sports and Social Clubs with a bar: 50%</p>
<p><b>Exclusions?</b></p>	<p><b>Yes-</b></p> <ul style="list-style-type: none"> <li>- No housing associations, Not predominately used for administration purposes.</li> <li>- Not providing a primary function of education or meeting facilities, car</li> </ul>	<p><b>No exclusions stated but –</b></p> <ul style="list-style-type: none"> <li>- Consideration must be given to guidelines for rate relief applications from village shops and small rural businesses. At least one of the guidelines must be met.</li> </ul>	<p><b>No exclusions stated but –</b></p> <ul style="list-style-type: none"> <li>- Consideration must be given to guidelines for rate relief applications from village shops and small rural businesses. At least one of the guidelines must be met.</li> </ul>	<p><b>Yes -</b></p> <ul style="list-style-type: none"> <li>i) charity shops;</li> <li>(ii) national charities;</li> <li>(iii) Regional Charities (eg Suffolk Wide, cross county etc);</li> <li>(iv) Organisations with significant</li> </ul>

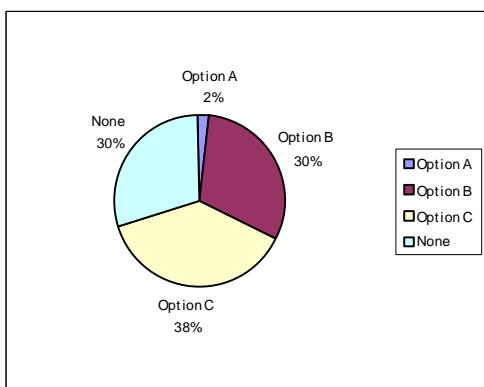
	<p>parking, a shop or catering outlet.</p> <ul style="list-style-type: none"> <li>- Village shops, petrol stations, public houses or post offices must have a rateable value no higher than £16,500, must be within the boundaries of a rural settlement of less than 3000, that is used for the purposes that are the benefit to the local community and is the last essential service in the settlement.</li> </ul>			<p>assets;</p> <ul style="list-style-type: none"> <li>(v) Organisations with significant operating surpluses;</li> <li>(vi) Housing Associations;</li> <li>(vii) hostel accommodation;</li> <li>(viii) health services;</li> <li>(ix) faith/religious/ethnically based organisations where the promotion of the religion/faith/belief is the main purpose; and</li> <li>(x) political party associations, trade organisations and employment organisations.</li> </ul>
<b>Consideration of level of ancillary services?</b>	<b>Limited</b> – only in the case of a bar, with no definition of ‘ancillary’.	<b>Yes</b> – in relation to all activities	<b>Yes</b> – in relation to all activities	<b>No</b> -

**Service Review of Discretionary Rate Relief consultation**

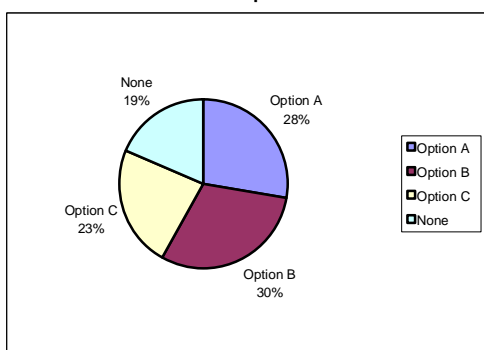
Preferred Option



Second choice



Least Preferred Option



Feedback

- As a community sports centre and a not-for-profit charity we constantly juggle balancing the cost to the community for activities against making enough money to ensure we cover our costs and allow for maintenance and improvements.
- B) with its sliding scale seems the most progressive option.
- The charity aims to make a modest surplus each year and has held its charges for several years to benefit the maximum number of local users. The reserves are held to fun future liabilities for repairs and redecoration. Total redecoration will be due in or around 2014.

- The figures quoted are only examples therefore it is difficult to judge. I feel the status quo should remain as in the past year the club has invested in extra machinery making extra work for the members who are not getting any younger, to help keep the costs down, even so our green maintenance contract is increasing by £50 per month. As the club is situated in a village and Bowls is a gentle sports with a social aspect it is available to combat social isolation and meets the national initiative of 'keeping active/sport for all'.
- Currently we have healthy reserves but this will not always be the case, as the current financial climate is due to get harder with grants potentially being reduced. Option B would be the smart option.
- We have to fund raise to pay large expenses i.e. insurance for our village Hall. We are not asking to be subsidised, but rates would put another burden on volunteers who work hard for our Village Hall.
- Option A is preferred as being a very small playgroup with charitable status we will never have reserves or surplus that will exceed the amounts stated.
- The Village Hall is run as a Charity for community usage and therefore if the amount was as the example it would still be good for us as we like you must keep our outgoings down.
- We hope that option C would give us the maximum level of relief. As a village Hall we struggle to find the funds to cover our yearly costs and maintain the hall to a good standard.
- Relief should be targeted at registered charities with an annual income below £10,000. Many small organisations rely on the goodwill of dedicated volunteers, who are out of pocket due to their dedication. Extra demand would be a death knell.
- Very difficult to judge, depending on the business need different amounts of working capital and surpluses to be carried forward for future projects. Easiest to treat all in the same manner. A hardship award system would be useful.
- None of the above – if reductions have to be made (and this decision seems to have been already decided) a reduction of (say) 5% to all discretionary recipients should be applied to prevent impossible hardship to some organisations.
- As a charity with limited income we would find it very difficult to pay rates.
- Annual reserves will never exceed £25,000 as any surplus funds are reinvested in the upkeep of the green. Also, as a registered CASC we receive 80% relief so a cap on the level awarded by amount of percentage would not impact on us financially.
- Don't understand option A? We are a small village post office and store – if rate relief is not given then the future of this store will be in doubt.
- Brinkley Memorial Hall is a small charity with extremely limited resources which strives to make the Hall available for use by the local community. Option A would continue to grant us complete relief. B & C would have considerable negative impact on our ability to continue to function.
- Option A would have the least negative impact on Coveney Village Hall, we are such a small village if we have to start paying rates this only meeting place in the village that has no pub, no shop would find it impossible to continue running. We need to do all we can not to have to pay rates.
- With charitable organisations being always short of funding the discretionary rate relief in the past has almost been essential to continued operation.

- Option A. We are never likely to have anywhere near the reserves of £100,000 or an annual surplus of £25,000. As a charitable self-funding organisation for 27 years, not having discretionary relief could result in our closure.
- Our objective is to be awarded the maximum discretionary rate relief to enable us to continue our work in serving the community to the high level we have already achieved.
- 1) We have no reserve all income is used for the maintenance of the building for the local community to use 2) this would be less than 3) there is some 250 people from children to pensioners who use the community centre every week.
- Having small organisations have low resources but using own building with high rates – but no liquid funds or low income.
- We are a small organisation where any additional costs would have a dramatic effect on our ability to raise sufficient funds to cover our running costs.
- Target groups for relief run by volunteers and these investing profits back. Target rural provision as profitability is difficult with ↓ numbers but worthy and cuts car journeys; increases community spirit and community involvement.
- A village hall: reserves/assets and annual surplus are unusual. Trustees struggle to maintain hall. DRR is essential to the continuation of the local amenity.
- Rate can be awarded in terms of 59 sq ft of business area e.g.
  - 1500ft<sup>2</sup> 50%
  - 1000ft<sup>2</sup> 75%
  - 500ft<sup>2</sup> 100%

Also it can be capped to say £2,000. Regarding based on assets: I think that would be wrong because a company/person having assets does not allow for current climate or working cash flows. To save further could reduce max. allowable as 75%.

- As a registered charity and solely dependent on income raised locally any additional cost is a negative factor.
- As a rural shop, it is an extremely financial struggle to meet the costs of bills and keep the shop open. If relief is not awarded it will only deepen the burden. This may result in closure of our business, creating an impact on the community especially the elderly.
- This is not an option we would choose but it is the most preferable. As you can see from our audit accounts we made a loss and another £2k charge would have severe consequences for our centre.
- Option A + C would have no impact on our finances. Whereas B would. The enclosed accounts demonstrate that we cannot absorb any extra costs.
- As a non-profit making charitable organisation, every penny has to be considered carefully and fund raising to cover essentials is becoming harder annually in the current economy.
- Considering ones liquid assets cannot be a good thing. There must be an alternative to this. Having a cap is potentially good to the Council and the applicant. These rules should be for new applicants only and not existing.
- Small local shop.
- The above ranking would have the least impact on the Paradise Centre. Money has been carefully set aside to help refurbish and repair the building as they wear out. It appears we are to be punished for doing a good job. Our yearly surplus is rarely more than £15,000 which is equal to one members of staff.



- The village Hall income is almost equal to the expenditure. Hire charges are kept affordable to ensure local groups in this deprived area can afford to use the facility.
- Any charity or Trust with a surplus of £25k or serves of £100k should be contributing to tax or re-distributing to community.
- Our church shop is primarily a drop in opportunity for lonely and vulnerable people, and trade is a very small way, supporting by donations. It does enjoy the financial support of the church council which has must greater resources, but is supported by giving from the congregation.
- As a small charity we do not hold large reserves or make much surplus income if any. Option B would increase our costs. I am not sure how C would impact us, as I don't know how much we would pay without relief.
- Option A would leave organisations with a lower income receiving the most help. Option C would benefit the smaller organisations but still help those with hardship. Option B would make all pay 5% of charge which could cause hardship to some organisations.
- We think 'B' would be fairest for everyone. We don't like the uncertainty of where the cap would be for C. Our estate valuation – tho' not turnable into liquid assets without destroying our purpose – puts us over the limit for A.
- We are a charity that mainly relies on fund raising to continue to run the pre-school. We do not make big profits and our reserves are minimum that is the reason Option A is the least negative impact. At the moment we do not pay rates, and 95% of the total relief would still leave our charity liable to pay the 5%. That's why option 3 is the most negative impact to the pre-school.
- The amount of our business rate before relief exceeds our annual surplus. Therefore charities with bigger surpluses would be better placed to meet the additional cost.

Meeting also held on 17<sup>th</sup> September 2012, with the Leisure Centres to discuss the options and potential impacts of each. The main concern echo's those above: i.e. the inability for the centres and associations to continue running if they loose the 'top up' rate relief. There was also concern that they may not qualify for Hardship Relief, as they hadn't been presented with any criteria.

A meeting was also held with a representative from Ely Outdoor Sports Association, as they could not attend the meeting on 17<sup>th</sup> September. The main concerns were inability to pay the 'top-up' without increasing membership fees, which would potentially have a big impact on membership, the increasing workload for volunteers to apply for hardship relief and the lack of dignity in applying for hardship relief.

**Section 49 Business Rate Criteria**

ARP to complete:

Business rates charge	£
Mandatory relief	£
Discretionary relief	£
Net Figure	£
Payments	£

We will consider each application for hardship relief on its own merits but when doing so we must:

- Be satisfied that it is reasonable to grant such relief having regard to the interests of the council taxpayers by considering the financial cost as well as the effect on employment prospects and amenities were a business to close.
- Be satisfied that the ratepayer would sustain hardship if relief were not granted.
- Treat the decision to reduce or remit rates as the exception rather than the rule.
- Take into account all relevant factors affecting the ability of a business to pay its rates.
- Only award relief for a period for which there is clear evidence of hardship.
- Be satisfied that a ratepayer is suffering genuine financial hardship.

- Hardship relief will only be granted for the financial year to which it relates following which applicants will need to re-apply.

- Accounts supplied for last two years need to relate specifically to the building for which relief is sought.

- Applicants will have to meet all of the essential criteria listed below in A and at least 2 of the additional criteria in B.

**A) Essential Criteria**

- 1) The organisation is currently trading at a loss or only generates a profit due to exceptional circumstances e.g. the organisation is in receipt of significant grant funding/management fee from an external body.
- 2) That a short-term award of hardship will materially serve to ensure the future of the business, the continued provision of the amenity/or employment opportunities.
- 3) That notwithstanding this hardship, the business has a credible future.
- 4) A business plan/recovery plan is in place to ensure that the business/amenity is viable in the long-term
- 5) Hardship relief being a discretionary relief is by definition operating and can only be given under European Commission rules, if it and other state aid i.e.

assistance from a public body or publicly funded body is under the de-minimus limit (currently £156, 368 over 3 years).

## **B) Additional Criteria**

- 1) That the business is providing a local amenity to residents and the loss of this amenity would have a detrimental impact on the area/residents.
- 2) That where the applicant, in addition to running the business, fulfils or meets social needs in the community. Social needs could include (but are not restricted to) improving health, reducing rural isolation, improving community cohesion and integration.
- 3) That the applicant provides a service or facility that could improve the health and well-being of the local community.
- 4) That the loss of the company/amenity would lead to a significant number of job losses.
- 5) That the loss of the company/amenity would lead to an empty site/s commercial premise/s that would have a significant impact on the locality.
- 6) A new business is being built up, a valuable service to its community, which is not provided elsewhere in the immediate locality. Until a firm customer base or membership is established, the owner/proprietor may experience short-term financial hardship, jeopardising the future of the business.
- 7) A proprietor is running an established business selling artisan style or even unique products, but has run into temporary financial difficulty. Loss of the business would be detrimental to the community and would not be replaced.
- 8) The applicant is suffering financial hardship and provides a service which enhances tourism and therefore encourages visitors to the area.
- 9) The owner or sole proprietor has been prevented from carrying his/her business because of a serious illness/and or convalescence.

To demonstrate the above, the following factors should be considered;

- a) What would be the effect on the locality if the business ceased trading?
- b) Would the loss of the business be detrimental to the provision of services and facilities?
- c) What would be the impact on unemployment/employment prospects?
- d) Are there alternative suppliers in the vicinity?
- e) What are the future prospects for the business and to what extent would granting relief assist the future viability of the business? Would it prevent the business from going into liquidation?
- f) What plans does the business have to ensure its future viability?
- g) Has hardship in any form been demonstrated?
- h) Have any other appropriate methods of support been considered?

NON-DOMESTIC RATES  
APPLICATION FOR SECTION 49 RELIEF  
Covering letter

For enquiries-  
Telephone: 0845 702 3092  
E-mail: [nndr@angliarevenues.gov.uk](mailto:nndr@angliarevenues.gov.uk)

The Local Government Finance Act 1988 allows East Cambridgeshire District Council to grant rate relief in certain circumstances. We will consider each application for hardship relief on its own merits but when doing so we must:

- Be satisfied that it is reasonable to grant such relief having regard to the interests of the council taxpayers by considering the financial cost as well as the effect on employment prospects and amenities were a business to close.
- Be satisfied that the ratepayer would sustain hardship if relief were not granted.
- Treat the decision to reduce or remit rates as the exception rather than the rule.
- Take into account all relevant factors affecting the ability of a business to pay its rates.
- Only award relief for a period for which there is clear evidence of hardship.
- Be satisfied that a ratepayer is suffering genuine financial hardship.

This form should be completed in full. Upon completion, please return the form and the supporting documentation to the Operations Manager, Anglia Revenues Partnership,

Breckland House  
St Nicholas Street  
Thetford  
Norfolk  
IP24 1BT

Please provide copies of:-

- At least the last two years of audited accounts of the business. If your business has traded for less than two years, you should supply all available financial information since the commencement of trading.
- Details of income and expenditure for the last 3 months
- A projected income for the next twelve months
- Any other information that may support your application relating to the information you have provided in your application (e.g. cashflow forecast/ business plan)

Application form for section 49 relief

Date of application:

Business Rates Account reference number:

Business name:

Telephone number:

e-mail address:

Address of the property for which relief is sought:

How long has your business occupied these premises?

Nature of the business:

For what period is relief sought?

If you are applying for a reduction please state the amount of reduction that are applying for?

How many staff do you employ?

Full-time:

Part-time

What percentage of these staff are based within East Cambridgeshire? (see attached map of the district boundary)

Is there a business providing the same or similar service in your area?

What benefits does your business provide to the local community?

What factors have led to the business suffering hardship?

How will the company/business suffer if relief is not granted?

What steps or actions have you taken to improve the situation?

What outcomes do you expect to achieve if relief is awarded?

Have you sought or received any other financial assistance? If yes, please give details:

Do you currently own or run any other businesses? If yes, please give details:

Is there any other information you can provide that can be taken into account?

**You must supply the following evidence in support of your application**

**Checklist:**

- ↑ At least the last two years of audited accounts of the business. If your business has traded for less than two years, you should supply all available financial information since the commencement of trading.
- ↑ Details of income and expenditure for the last 3 months
- ↑ A projected income for the next twelve months
- ↑ Any other information that may support your application relating to the information you have provided in your application (e.g. cashflow forecast/ business plan)

Applicants are required to submit a copy of their latest audited accounts. Where an Audit Certificate is not available it will be necessary for applicants to demonstrate that their accounts have been accepted by the Inland Revenue.

Where up-to-date accounts cannot be provided, the council may require the submission of a current statement of affairs, certified by the applicant's accountant.

The Council will wish to establish whether or not business rates represent a significant proportion of the running expenses of the business. We will also wish to examine details of the extent and nature of the total debts of the business that are outstanding. In this respect, the application form requires applicants to submit estimates of the current trading position and indebtedness of their business.

The balance sheet of the business should be capable of demonstrating that the business cannot continue as a going concern under current trading conditions without such assistance as the council can offer.

**Declaration**

I hereby certify that all of the information contained within this application and the supporting documentary is accurate and complete to the best of my knowledge. Any relief will be immediately repayable in the event of any material inaccuracy or false information.

I authorise the Operations Manager at ARP to consult and share information with East Cambridgeshire District Council's Economic Development Team in relation to this application. I also authorise the Economic Development Team to supply information to the Operations Manager in connection with this application.

Signature of ratepayer or person authorised to sign on behalf of the ratepayer:

Name:	Position:
Signature:	Date:

## Important

- The business rates remain payable while the application is being processed
- Once the application has been processed, any change in your circumstances could affect your entitlement and you have a legal duty to tell us within 21 days of any such change
- Rate relief is subject to periodic review

Please return this form to the Operations Manager at the following address:

Anglia Revenues Partnership  
Breckland House  
St Nicholas Street  
Thetford  
Norfolk  
IP24 1BT

## Data protection statement

Your personal information will be held and used in accordance with the requirements of the Data Protection Act 1998.

This authority is under a duty to protect the public funds that it administers and, to this end, may use the information you have provided on this form within this authority for the prevention and detection of fraud. It may also share this information with other bodies administering or in receipt of public funds, solely for these purpose



## Appendix D

### 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 ancillary service.

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.

**Improvement Plan (Draft)**

Issue	Recommendation	Timetable for Implementation	Budget Implications
Hardship Relief Policy	Introduce a new District 'Section 49' – Hardship Relief Policy	To be applied from 1 <sup>st</sup> April 2013	NIL
Revised Discretionary Rate Relief Criteria	Approve the proposed changes to the ECDC criteria	To be applied from 1 <sup>st</sup> April 2013	A saving of around £15,000
Administration of process	ARP/ECDC:  To review how we promote the scheme(s) To review transparency of decision making process To modify procedures	To be applied from 1 <sup>st</sup> April 2013	NIL

**Impact and Needs/Requirements Assessment (INRA)**

<b>Name of Policy:</b>	Service Review of Discretionary Rate Relief
<b>Lead Officer (responsible for assessment):</b>	Julie Cornwell, Partnerships Officer
<b>Department:</b>	Community Services
<b>Others Involved in the Assessment (i.e. peer review, external challenge):</b>	Service Review Team: Cllr Gareth Wilson, Cllr Tom Kerby, Darren Dixon, Linda Grinnell, Allison Conder, Darren Hill, Rod Urquhart (ARP), Julie Reeve (ARP)
<b>Date INRA Completed:</b>	22 <sup>nd</sup> October 2012.

**'Policy' needs to be understood broadly to include all Council policies, strategies, services, functions, activities and decisions.**

- (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?

As part of the 4-year savings covering the period 2011/12 to 2014/15, which were 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.

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 by 2013/14.

- (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. Any organisation eligible to receive DRR or hardship Relief in future will also be affected by the changes to the criteria.

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

The discretionary rate relief criteria for ARP authorities (Forest Heath, Breckland and St Edmundsbury) were compared with the current ECDC discretionary rate relief criteria. The current levels of spend on discretionary rate relief for these three local authorities were also compared to this Council.

Hardship relief criteria applied by ARP authorities and other local authorities from across the country were compared during the process of developing new criteria for ECDC. The levels of spend for 2011-12 for ARP authorities was also compared.

See Compare and Consult elements of the Stage Two Report.

The modelling work to identify which options would have what impact was carried out by looking at the effects of each option on those currently in receipt of DRR.

**(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**

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

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

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

**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?

No particular group listed above will feel any change as a result of the amended DRR criteria if the preferred option identified in the Stage 2 report is chosen. The Council will save money whilst only 9 (out of the current 87) organisations will feel any impact of the changes. 8 of the 9 organisations will be able to secure the funding from another form of rate relief also covered as part of this review.

**(e) Does the policy have a differential impact on different groups?**

<b>YES/NO/Not Applicable</b>
------------------------------

- |   |                                  |
|---|----------------------------------|
| <b>(f) Is the impact <i>adverse</i> (i.e. less favourable) on one or more groups?</b>   | <del>YES/NO/Not Applicable</del> |
| <b>(g) Does it have the potential to disadvantage or discriminate unfairly against any of the groups in a way that is unlawful?</b> | <del>YES/NO/Not Applicable</del> |

**(h) What additional information is needed to provide a clear picture of how the activity is impacting on different communities and how will you collect this information, i.e. expert groups, further research, consultation\* etc?** Where there are major gaps in information that cannot be addressed immediately, these should be highlighted in your recommendations and objectives at the end of the INRA.

No further information is needed. A full options appraisal has been carried out using the Service Review Process. This included 'compare' and 'Consult' elements. It also included a SWOT analysis

\* The Consultation Register is available to assist staff in consulting with the Council's stakeholders. If you are consulting on a new or revised policy contact the Principal HR Officer.

**(i) Do you envisage any problems with these methods of information collection?** i.e. not accessible to all, timescale not long enough to obtain all of the necessary information, translation facilities not available, insufficient resources etc.

N/A

**(j) If it has been possible to collect this additional information, summarise the findings of your research and/or consultation (please use a separate sheet if necessary).**

See Stage 2 DRR Review for full breakdown of consultation results and comparison with ARP partners.

**(k) What are the risks associated with the policy in relation to differential impact and unmet needs/requirements?** i.e. reputation, financial, breach of legislation, service exclusion, lack of resources, lack of cooperation, insufficient budget etc.

No one particular or identified group is being affected. If the preferred option identified within the Service Review is selected by Members, only one organisation will receive less rate relief as a result of the changes. This could result in negative publicity for the Council. However, if Members choose a different option, more organisations could be affected (although even then it would not have a differential impact on a particular group as listed above).

**(l) Use the information gathered in the earlier stages of your INRA to make a judgement on whether there is the potential for the policy to result in unlawful discrimination or a less favourable impact on any group in the community, and what changes (if any) need to be made to the policy.**

Option 1:	No major changes, the evidence shows no potential for discrimination.	←
Option 2:	Adjust the policy to remove barriers or to better promote equality.	
Option 3:	Continue the policy despite potential for adverse impact or missed opportunity to promote equality.	
Option 4:	Stop and remove the policy – if the policy shows actual or potential unlawful discrimination it must be stopped and removed or changed.	

**(m) Where you have identified the potential for adverse impact, what action can be taken to remove or mitigate against the potential for the policy to unlawfully discriminate or impact less favourably on one or more communities in a way that cannot be justified?** Include key activities that are likely to have the greatest impact (max. 6). Identified actions should be specified in detail for the first year but there may be further longer term actions which need to be considered. To ensure that your actions are more than just a list of good intentions, include for each: the person responsible for its completion, a timescale for completion, any cost implications and how these will be addressed. It is essential that you incorporate these actions into your service plans.

The hardship relief policy was reviewed alongside DRR to ensure that if the criteria for DRR was amended to include a cap on the amount of award that could be given, that organisations could apply for Hardship Relief as a 'top-up', thus not losing incurring any increased expenditure overall.

This completed INRA will need to be countersigned by your Head of Service. **Please forward completed and signed forms to Nicole Pema, Principal HR Officer.**

All completed INRAs will need to be scrutinised and verified by the Council's Equal Opportunities Working Group (EOWG) and published on the Council's Intranet to demonstrate to local people that the Council is actively engaged in tackling potential discrimination and improving its practices in relation to equalities. Please be aware that you will be asked to attend a half-an-hour session to summarise the findings of the INRA to the EOWG Verification panel.

**Signatures:**

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

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

# **DRAFT FINAL REPORT**

## **REVIEW OF DISCRETIONARY RATE RELIEF**

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## **REVIEW OF DISCRETIONARY RELIEF**

### 1.0 INTRODUCTION

#### 1.1 Background

1.1.1 The review of discretionary rate relief was instigated by the Community and Environment Sub Committee on 1 March 2012.

#### 1.2 Review Team

1.2.1 The review was undertaken by the Head of Community Services, Head of Finance, Principal Leisure and Community Services Officer, Partnerships Officer, Business Development Manager, Councillor Tom Kerby and Councillor Gareth Wilson, with support from Rod Urquhart, Operations Manager (Support & Fraud), Anglia Revenues Partnership (ARP).

#### 1.3 Timetable

1.3.1 The timetable for the completion of the review is outlined below:-

DATE	MEETING/COMMITTEE	REPORT
1 <sup>st</sup> March 2012	Community and Environment Sub Committee	Terms of Reference Stage 1 Report.
12 November 2012	Scrutiny Committee	Agreement of final draft Improvement Plan
21 <sup>st</sup> November 2012	Community and Environment Committee	Final Report and Improvement Plan

#### 1.4 Terms of Reference

1.4.1 Community and Environment Sub Committee agreed the Terms of Reference of the review on 1<sup>st</sup> March 2012 (Ref: Agenda Item 6 Appendix 1). It was identified at the first meeting of the service review group on 1<sup>st</sup> July 2012 that it was crucial to include hardship relief within the scope of the review, as this is also a form of discretionary relief that the District Council can award, which if awarded comes from the same budget as the other forms of discretionary relief already included within the scope of the review.

1.4.2 The service review Risk Assessment also identified the potential for a significant number of new applications (either as services are divested to new charities or as a result of the recession). Therefore the service review group agreed to aim to exceed the target savings of £10,000 to mitigate the risk.

### 2.0 DESCRIPTION OF SERVICES

#### 2.1 Description of Discretionary Rate Relief

2.1.1 The District Council has the ability to grant discretionary rate relief, either to 'top up' the 80% mandatory rate relief, or to give discretionary relief alone. 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.

2.1.2 Where a ratepayer receives discretionary rate relief the District Council bears 75% of the cost of the relief granted.

## 2.2 Description of Hardship Relief

2.2.1 Hardship Relief Section 49 of the Local Government Finance Act 1988 allows a local authority to reduce or remit the whole or part of the rates payable by the ratepayer provided that:

- The ratepayer would sustain hardship without the support of the authority
- It is reasonable for the authority to do so having regard to the interests of persons subject to council tax.

2.2.2 There is no statutory definition of hardship. However, Central Government has issued guidance on hardship relief.

2.2.3 Where a ratepayer receives hardship relief the District Council bears 25% of the cost of the relief granted.

## 2.3 Links to Corporate Objectives and Strategic Policy

2.3.1 The table below links the service to the Council's corporate objectives agreed by Policy and Resources Committee on 26<sup>th</sup> April 2012.

<b>Corporate Objective</b>	<b>Service Objective</b>
<p><b>High Quality Services</b></p> <p>To run an efficient and effective Council to deliver best value for its residents</p>	<p>Rate relief supports those business and organisations that may otherwise not be viable and often are the last service of its kind in their community. Ensuring that such services are protected will be a critical part of the service review.</p>
<p>To build the foundations for growth of the economy of East Cambridgeshire supporting job creation and improving the quality of life and the environment</p>	<p>Rate relief has an important role in supporting local businesses and organisations to thrive and grow. In the current financial climate it is critical that the review supports the applicants that are in greatest need, also ensuring that the communities with limited infrastructure will realise the most benefits.</p>

## 2.4 Resources

2.4.1 The approved budget for the discretionary rate relief (including hardship relief) in 2012/13 is £89,805 and will be reduced to £79,805 for 2013/14, in accordance with the Council's Mid Term Financial Strategy.

2.4.2. Anglia Revenues Partnership (ARP) manages the process of issuing application forms, corresponding with businesses and organisation's in receipt of relief and assessing an applicant's eligibility against a set of criteria. The District Council makes a financial contribution towards ARP based on the caseload of all of the services that ARP delivers.

2.4.3 District Council resource comprises of 5% of the time of the Partnership Officer with support from the Head of Community Services and 5% of the Business Development Manager's time.

### 3.0 OUTCOMES OF THE REVIEW

#### 3.1 Policy

Policy will depend on the outcome of the review, but could include

- (i) Defined principles of why we are giving rate relief
- (ii) Defined priorities and objectives of the discretionary and hardship relief schemes
- (iii) Clear relationship between policy and the funds available to support the policy
- (iv) The integration of national policy guidance

#### 3.2 Performance/Operation

- (i) Review of current service delivery of both discretionary and hardship rate relief
- (ii) Revised eligibility criteria for discretionary rate relief and hardship relief.
- (iii) Greater transparency of the processes

#### 3.3 Resources

- (i) Achievement of efficiency or value for money service provision
- (ii) Revisions will be driven by the mid-term financial strategy target of a recurring £10,000 reduction from 2013-14

#### 3.4 Initial Issues Identified by The Review Team

These initial issues were identified by the Review Team:

- Recognition of the need to build financial provision for a potential net increase of applications seeking discretionary rate relief and hardship relief, due to the current financial climate.
- Review the relationship between discretionary rate relief and hardship relief to ascertain whether, where appropriate, any savings can be made by encouraging hardship relief applications as an alternative to discretionary rate Relief.

## 4.0 COMPARE

### 4.1 Methodology

4.1.1 The discretionary rate relief criteria for ARP authorities (Forest Heath, Breckland and St Edmundsbury) were compared with the current ECDC discretionary rate relief criteria. The current levels of spend on discretionary rate relief for these three local authorities were also compared to this Council.

4.1.2 Hardship relief criteria applied by ARP authorities and other local authorities from across the country were compared during the process of developing new criteria for ECDC. The levels of spend for 2011-12 for ARP authorities was also compared.

### 4.2 Comparisons with other Local Authority Processes – Discretionary Rate Relief

4.2.1 A summary comparison table of the discretionary rate relief criteria applied by the four ARP partner authorities is attached at Appendix A. ECDC is the only authority not currently taking the level or type of reserves into account. ECDC is also the only authority not capping the level of discretionary rate relief awarded. Two of the other authorities apply a fixed cap, with the other applying a percentage cap.

4.2.2 The other authorities also vary the level of 'top-up- awarded by category – notably all three acknowledge the potential of unfair competition that may arise through subsidising a facility - such as a sports and social club that has a bar - that may be in direct competition with local businesses, notably public houses. These organisations receive 50% of the top up.

4.2.3 The table below illustrates the total levels of funding awarded for 2011-12:

Local Authority	Breckland	Forest Heath	St Edmundsbury	East Cambs
Total Discretionary Rate Relief Awarded	£47,817.23	£11,752.69	£113,068.31	£95,136.50
Number of Applications <sup>1</sup>	152	51	136	110

### 4.3 Comparisons with other Local Authority Processes – Hardship Relief

4.3.1 A review of hardship business rate relief criteria across a number of Councils in the Country (including ARP authorities) has identified the following factors;

- Local Authorities must be satisfied that a business is financially viable in the longer-term before considering whether to offer support from public funds.
- Copies of the last 2 years financial accounts and details of income and expenditure for the last 3 months are usually required in order to inform a decision.
- Support is generally only provided to companies currently trading at a loss.
- A business plan indicating the steps the company is making to move into profit is required.

<sup>1</sup> This is approximate as some cases may have been awarded after 01/04/12 which relate to 2011-12.

- The hardship situation is seen to be a temporary one and not one likely to be repeated year after year.
- The granting of relief would prevent the business from going into liquidation.
- There are other social or economic implications for the area if the business ceases; e.g. loss of a valuable local facility or loss of a substantial number of jobs.
- It should be of benefit to council taxpayers in general for the relief to be granted.

4.3.2 The table below illustrates the total levels of Hardship Relief awarded for 2011-12:

Local Authority	Breckland	Forest Heath	St Edmundsbury	East Cambs
Total Hardship Relief Awarded	£1,677.31	£54,043.49	£5,092.78	£0
Number of applications supported	2	4	1	0

## 5.0 CONSULT

### 5.1. Methodology

5.1.1 The methodology for the 'Consult' element of the review is defined by the agreed 'Statement of Consultation' agreed by Internal Overview and Scrutiny Committee on 29 March 2010. The specific requirements as agreed in the Stage 1 report are as follows:-

“The current beneficiaries of discretionary rate relief will be consulted on the possible options for awarding rate relief from 2013-14. The precise nature of this consultation will be developed as issues and improvements are identified during Stage 2 of the review.

There will be dialogue with our colleagues in neighbouring authorities and collaboration with our partners at Anglia Revenue Partnership to ensure that the proposals are robust”.

5.1.2 As a result of the decision taken by the service review group to broaden the review to include hardship relief, the consultation also made reference to hardship relief.

### 5.2 Review Group SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>▪ Supports local businesses that provide key essential services, often in isolated rural communities.</li> <li>▪ Supports organisations that increase volunteering and improve community engagement and cohesion.</li> <li>▪ Supports organisations that provide a place for communities to meet.</li> <li>▪ Supports organisations that contribute to improving the health and well-being of our residents.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ There is the potential to save money by changing the criteria.</li> <li>▪ There is an opportunity to save money by developing a set of criteria for hardship relief and applying that where appropriate (as the District Council pays</li> </ul>

proportionally less towards this type of relief).
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>▪ The District Council could potentially be subsidising businesses or organisations that should be adopting a more sustainable business model.</li> <li>▪ Over the last two years awarding discretionary rate relief has cost the District Council between £95,000 - £85,000 each year.</li> </ul>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Withdrawing all or part of the discretionary rate relief 'top-up' would potentially result in closure of key businesses and organisations.</li> <li>▪ There would be reputational damage to the District Council if organisations folded as a result of withdrawing discretionary rate relief.</li> <li>▪ There could be an increase in applications for both discretionary rate relief and hardship relief due to the current recession.</li> </ul>

### 5.3 Stakeholder Questionnaires

5.3.1 The service review group agreed that the questionnaire should be sent to the 87 organisations that received discretionary rate relief in 2011-12. It was agreed that this should be based on three potential options for making the savings that were identified as a result of comparing our current rate relief criteria with the criteria of the other ARP member authorities. These were:

<p><b><u>Option A: Consideration of reserves and liquid assets</u></b></p> <p>Any applicant with reserves or annual surpluses above the following levels is not eligible for rate relief:</p> <ul style="list-style-type: none"> <li>i) Reserves: £100,000 in unrestricted reserves, including a minimum of £30,000 in liquid assets; or</li> <li>ii) Average annual surplus: £25,000 or more.</li> </ul>
<p><b><u>Option B: A cap on the level awarded by percentage per organisation</u></b></p> <p>The level of relief awarded will be up to a maximum of 95% of the total charge.</p>
<p><b><u>Option C: A cap on the level awarded by set amount per organisation</u></b></p> <p>The level of discretionary relief awarded will be no greater than a set amount, for example £2,000.</p> <p>However, consideration for awarding hardship relief could then be given to those organisations exceeding the cap level, subject to meeting the hardship relief eligibility criteria. Organisations granted hardship relief will be financially no worse off.</p>

### 5.4 Summary of Responses

5.4.1 43 consultees responded to the questionnaire, which is a return rate of 49%. This reflects the importance that organisations place on 'top-up' relief and how much many of them rely on this funding to stay afloat. A copy of the summary results and individual comments can be found at Appendix B.

5.4.2 Option A: 'Consideration of reserves and liquid assets' was the preferred option for 55% of respondents. However it was the least preferred option for 28%. This

correlates broadly with the size of the organisation, with those smallest organisations in greatest support of this option.

- 5.4.3 Option B: A cap on the level awarded by percentage per organisation was preferred by 21%, was second choice for 30% and least preferred by 30%. Therefore overall, this option would not be the most supported by current recipients of discretionary rate relief.
- 5.4.4 Option C: 'A cap on the level awarded by set amount per organisation', was supported by some organisations, with it being the most preferred or second choice of 49%. This option seems to have caused confusion to some organisations, particularly where they didn't know the amount of top-up they currently receive or where they have incorrectly assumed they automatically exceed the example of £2,000 given.
- 5.4.5 A hardship relief scheme may be cautiously welcomed but the response was muted as there were no criteria for the organisations to assess themselves against prior to submitting their consultation response.
- 5.4.6 The leisure centres were very concerned about the potential impact of any of the consultation options and thus two meetings were arranged to discuss this. The main concern echoed those of other respondents to the consultation: i.e. the inability for the centres and associations to continue running if they lose the 'top up' rate relief. There is a reluctance to increase membership fees to off-set any business rates payable, due to fears of a reduction in members as a result. There was also concern that they may not qualify for hardship relief, the increasing workload for volunteers to apply for hardship relief and the lack of dignity in applying for hardship relief.
- 5.4.7 Consultation and comparison with the other ARP authorities also highlighted that the current requirement around all eligible sports and leisure clubs registering for the Government's Community Amateur Sports Club (CASC) scheme should be removed. 'Umbrella groups' are not able to join CASC and the decision whether to register as a CASC, as a charity or simply continue as they are should remain with the organisation.
- 5.4.8 Consultation also highlighted the need to include specific reference to Sports Associations in addition to Leisure Centres within the discretionary rate relief criteria, as the two are different but equally important within the local community.
- 5.4.9 An issue was also raised that some voluntary and community organisations may feel that applying for hardship relief would be undignified and implied that they were unable to run their organisations effectively.

## 6.0 CHALLENGE

### 6.1 Basis of the Service

- 6.1.1 The provision of discretionary rate relief or hardship relief is not a statutory service. However, the 'Local Government Act 2000' introduced the power for local authorities to promote economic, social and environmental well-being.



## 6.2 The Strategic Contribution of Rate Relief Provision

### 6.2.1 The benefits of rate relief include: -

- Supporting the local economy: (i) Local employers (ii) Key Services
- Supporting the voluntary and community sector.
- Supporting organisations in isolated rural areas.

6.2.2 The Cambridgeshire Rural Strategy 2010-15 identifies 6 priorities for action to ensure that people living in rural Cambridgeshire will have access to the jobs and services they require; the rural economy will be successful and diverse and the environment will be protected and enhanced. One of those priorities is 'to Protect and Enhance Rural Services'. Actions arising from this part of the Strategy aim to:

- Halt the decline of essential rural services.
- Support communities so they are able to play a greater role in finding their own solutions for viable service provision.

ECDC is in a position to support this priority through awarding rate relief.

6.2.3 The Government is clear that it sees the voluntary sector playing an increasing role in shaping society over the coming years. The Localism Act 2011, gives new rights and powers to the voluntary and community sector to enable them to have more control over delivering services within their communities. Providing rate relief to local voluntary and community groups enables those organisations to focus efforts their core function (rather than fundraising to pay a business rate bill), which is often delivering services that statutory providers are no longer able to provide.

## 6.3 Ceasing the Service

6.3.1 If discretionary rate relief were withdrawn there would be significant impacts on the business and voluntary/community sectors. This could include organisations closing and a resulting rise in unemployment, a reduction in service provision and the level of volunteering in the community.

6.3.2 Withdrawing rate relief would have a disproportionate impact on the most vulnerable in our communities – younger and older people and the low paid. This is because very few services would be left in villages, so people who cannot afford cars would not easily be able to access the remaining services in larger towns.

## 7.0 COMPETE

### 7.1 Methodology

7.1.1 This element of the review considers alternative methods of service delivery including opportunities for joint working with other agencies. It is informed by the 'Consult' and 'Challenge' element of the service review as outlined in Section 5.0 and 6.0.

## 7.2 Current Service Delivery

- 7.2.1 ARP manages the process of issuing application forms, corresponding with businesses and organisation's in receipt of relief and assessing an applicant's eligibility against a set of criteria. A report is then produced for ECDC, recommending refusal or approval of the application. Once a decision has been made (by officers under delegated powers), ARP is notified who in turn notifies the applicant of the outcome and issues an amended bill.
- 7.2.2 In the past organisations have been awarded discretionary rate relief for up to three years, but from 2013-14, discretionary rate relief will require an application to be submitted and reviewed annually. Hardship relief must be awarded on an annual basis, ceasing at the end of the financial year, regardless of the date the application was made.
- 7.2.3 ECDC approved 87 applications for discretionary rate relief in 2011-12, at a cost of £95,136.50. As of the end of September 2012, £82,471.75 of discretionary rate relief has been awarded, which means that the District Council is on track to remain within the 2012-13 budget of £89,805.
- 7.2.4 A recent Freedom Of Information request revealed that since 2008 the District Council has not approved any applications for hardship relief. However three have recently been received: two of which were refused and one is under consideration.
- 7.2.5 Currently, wherever an application for hardship relief is submitted, the District Council receives an outline from ARP with a recommendation for approval/refusal based on national guidance. This process takes no account of local objectives or priorities.
- 7.2.6 Amendments to the ECDC criteria for discretionary rate relief were approved in January 2012, in order to realise the £10,000 savings required for 2012-13. This review focused on changes to the types of organisations eligible to receive funding and resulted in withdrawing support for: Housing Associations; social clubs; all national, regional and county charities; premises which are for predominately administration purposes; and applications from premises owned by local charities providing a primary function of education/meeting facilities, car parks, shops, and catering outlets. This was anticipated to have impacted on 12 organisations, although this cannot be confirmed until the end of the financial year when the list of organisations awarded relief is available.

## 7.3 Review of Hardship Relief Policy

- 7.3.1 In addition to reviewing the current discretionary rate relief criteria, the service review team explored how 'fit for purpose' the current process for awarding hardship relief was.
- 7.3.2 Reviewing other local authority hardship criteria demonstrated that government requirements could be met whilst applying criteria that reflect local priorities. To meet the government guidance it was identified that hardship relief could only be granted for a period of up to 1 year following which applicants will need to re-apply. To check that the applicant met the criteria, accounts would have to be supplied for the last two years that need to relate specifically to the building for which relief is sought.

7.3.3 The application of ECDC specific criteria would ensure that the budget is targeted at the services and organisations most valued by the District Council and our communities. The criteria could be divided into two sections: 'essential' (where the applicants must meet all of the criteria) and 'additional' (where the applicant must meet at least 2 of the criteria).

7.3.4 The 'additional' criteria best reflect local priorities, for example "that the applicant provides a service or facility that could improve the health and well-being of the local community". The proposed draft criteria can be found at Appendix C.

#### 7.4 Options Appraisal

7.4.1 Given that the types of organisations eligible to receive funding are now broadly in line with those of our ARP partner authorities (with the exception of the CASC criteria as stated at 5.4.7 above), the options for making the further savings required, focused on the impact that blanket reduction and capping options would have.

7.4.2 The review team did not feel it was appropriate or necessary to make value judgements on which voluntary and community organisations or local businesses 'deserved' to receive the full 20% discretionary top-up, in order to make the savings.

7.4.3 Five options were worked through a process of modelling against the 87 organisations in receipt of discretionary rate relief in 2011-12. They were:-

Option A: Consideration of the reserves and liquid assets of each organisation

Option B: A cap on the level awarded by percentage per organisation

Option C: A cap on the level awarded by set amount per organisation – set at £5,000

Option D: A cap on the level awarded by set amount per organisation – set at £2,000

Option E: A cap on the level awarded by set amount per organisation – set at £2,000 with option to off-set against hardship relief

#### 7.5 Option A: Consideration of reserves and liquid assets

7.5.1 This option would mean that organisations with £100,000 in unrestricted reserves, including a minimum of £30,000 in liquid assets; or an average annual surplus of £25,000 or more would not be eligible for discretionary rate relief.

7.5.2 There was broad agreement within the review team of the fundamental principle of an organisation paying their business rates if they are in a financial position to be able to do so. However, the review team were not supplied with the accounts of all of the current recipients of discretionary rate relief and so were unable to work this option through the modelling process.

7.5.3 It was acknowledged that the sports associations and leisure centres could potentially be impacted by this option. Due to the current Service Level Agreement arrangements that the District Council has with the leisure centres, some accounts were available and checked against this option, with the following results:

Organisation	Over £100,00 unrestricted reserves?	Over £30,000 liquid assets?	Average Annual surplus over £25,000?	Eligible for DRR based on Option A criteria?
SLM Community Leisure Charitable Trust (Paradise Pool)	Y	Y	Y	N
Ellesmere Centre	N	Y	N	N
Soham and District Sports Association	N	Y	N	N
Burwell Sports Association	N	N	N	Y
Ely Outdoor Sports Association	N	N	N	Y
Paradise Sports Centre	N	Y	Y	N
Littleport Leisure Centre	N	N	N	Y

7.5.4 The process of attempting to use this criteria highlighted a number of considerations:

- i) To assess the 'average' annual surplus, three years of accounts would be needed.
- ii) New business would not be able to provide three years worth of accounts so an acceptable alternative would need to be identified.
- iii) It is very difficult to judge from a set of accounts what level of liquid assets an organisation has.
- iv) Four of the key organisations offering leisure provision in the District would not be eligible for discretionary rate relief moving forwards.
- v) If the 'liquid assets' element of the criteria was removed a further two leisure centres would have passed the test above, leaving only Paradise Pool and Paradise Sports Centre ineligible under this criteria.
- vi) Due to the lack of up-to-date accounts for all 87 organisations that were consulted (and the varying levels of detail provided within the accounts), it is not possible to estimate the potential savings this option may offer.

7.5.5 Notwithstanding the findings above, Option A was the preferred option of respondents to the consultation, which suggests that many recipients of discretionary rate relief are also in support of the principle of organisations paying at least a proportion of their business rates if they can afford it.

#### 7.6 Option B: A cap on the level awarded by percentage per organisation

7.6.1 This option would affect all future successful applicants of discretionary rate relief. Consultation has shown that whilst some (generally the larger organisations) feel that this option is fairer as it "spreads the pain", even a slight reduction in the current level of relief awarded could result in some organisations and businesses folding.

7.6.2 Modelling work based on a 95% cap (of the 20% top-up) would only result in savings of £3,863.34 – significantly less than the required £10,000 savings, and allowing no flexibility for meeting additional applications. To meet the savings and provide additional savings to offset potential increases in demand would require a significant cut to the level of funding awarded and was therefore not a preferred option for the review group and not worked up any further.

7.7 Option C: A cap on the level awarded by set amount per organisation – set at £5,000

7.7.1 Modelling work identified potential savings totalling £11,976.00 if a cap was set at £5,000 per application. This would mean that four organisations would be affected as follows:

Organisation	Current Top-up	Saving to ECDC if £5k cap applied <sup>2</sup>	Cost to organisation if £5k cap applied
Paradise Sports Centre	£8,427.20	£2,570.40	£3,427.20
Soham and District Sports Association	£11,175.20	£4,631.40	£6,175.20
Littleport Leisure	£12,549.20	£5,661.90	£7,549.20
Leisure in the Community (Paradise Pool)	£11,816.40	–£1,704.10	None <sup>3</sup>

7.7.2 Whilst applying this option would meet the cost savings, there is very little flexibility for off-setting additional applications for DRR or hardship relief. Of even greater concern is the significant impact that this option would have on the leisure centres – particularly Soham and District Sports Association and Littleport Leisure who are already operating at a loss or with very low levels of profit, depending on the amount of maintenance undertaken in any given year.

7.8 Option D: A cap on the level awarded by set amount per organisation – set at £2,000 (without hardship relief)

7.8.1 Modelling work identified potential savings totalling £21,882.43 if a cap was set at £2,000 per application. This means that nine organisations would be affected as follows:

Organisation	Current Top-up	Saving to ECDC if £2k cap applied <sup>4</sup>	Cost to organisation if £2k cap applied
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<sup>2</sup> All 87 organisations receive 80% mandatory relief. ECDC pays a 75% contribution of the top-up relief, with central government paying the remaining 25%. Therefore the figures in the last two columns will not balance with the figures in the first column.

<sup>3</sup> As per the Contract between the District Council and Leisure in the Community (SLM), the District Council is obligated to pay the equivalent of the current top-up funding should the criteria change at any point during the contract period (3 years, with an option to extend for a further 2). Therefore any cap must take this into consideration and may result in increased cost to the authority until the Council is able to re-negotiate the contract.

<sup>4</sup> All 87 organisations receive 80% mandatory relief. ECDC pays a 75% contribution of the top-up relief, with central government paying the remaining 25%. Therefore the figures in the last two columns will not balance with the figures in the first column.

Paradise Sports Centre	£8,427.20	£4,820.40	£6,427.20
Soham and District Sports Association	£11,175.20	£6,881.40	£9,175.20
Littleport Leisure	£12,549.20	£7,911.90	£10,549.20
Leisure in the Community (Paradise Pool)	£11,816.40	-£2,454.10	None <sup>5</sup>
Burwell Community Sports	£3,801.40	£1,351.05	£1,801.40
City of Ely Bowls Club	£2,816.70	£612.53	£816.70
Stetchworth Sports Committee	£2,839.60	£629.70	£2,839.60
Mepal Outdoor Centre	£3,778.50	£1,333.88	£3,778.50
Ely Outdoor Sports Association	£3,022.80	£767.10	£1,022.80

7.8.2 Applying this option would meet the cost savings and provide flexibility for offsetting additional applications for DRR or hardship relief. However, this option would have significant impact on leisure provision across the District, with the majority of these organisations already operating at a loss or with very low levels of profit, depending on the amount of maintenance undertaken in any given year.

7.8.3 The review team were very keen to mitigate the impact on leisure provision and thus carried out additional modelling based on the adoption of new hardship relief criteria and the likelihood of the 9 organisations above meeting those criteria.

7.9 Option E: A cap on the level awarded by set amount per organisation – set at £2,000 (with hardship relief)

7.9.1 Modelling work identified potential savings totalling £15,358.00 if a cap was set at £2,000 per application but with the balance of the ‘top-up’ made up from hardship relief. The modelling assumes that 7 out of the 9 organisations at 7.8.1 above would be eligible based on accounts provided. The impact would be as follows:

Organisation	Current Top-up	Saving to ECDC if £2k cap applied <sup>6</sup> and hardship relief was awarded	Cost to organisation if £2k cap applied and hardship relief was awarded
Paradise Sports Centre	£8,427.20	£4,820.40	£6,427.20
Soham and District	£11,175.20	£4,587.60	£0

<sup>5</sup> As per the Contract between the District Council and Leisure in the Community (SLM), the District Council is obligated to pay the equivalent of the current top-up funding should the criteria change at any point during the contract period (3 years, with an option to extend for a further 2). Therefore any cap must take this into consideration and may result in increased cost to the authority until the Council is able to re-negotiate the contract.

<sup>6</sup> All 87 organisations receive 80% mandatory relief. ECDC pays a 75% contribution of discretionary rate relief, with central government paying the remaining 25%. ECDC pays a 25% contribution of hardship relief, with central government paying the remaining 75%. Therefore the figures in the last two columns will not balance with the figures in the first column.

Sports Association			
Littleport Leisure	£12,549.20	£5,274.60	£0
Leisure in the Community (Paradise Pool)	£11,816.40	-£2,454.10	None <sup>7</sup>
Burwell Community Sports	£3,801.40	£900.70	£0
City of Ely Bowls Club	£2,816.70	£408.35	£0
Stetchworth Sports Committee	£2,839.60	£419.80	£0
Mepal Outdoor Centre	£3,778.50	£889.25	£0
Ely Outdoor Sports Association	£3,022.80	£511.40	£0

7.9.2 Paradise Sports Centre consistently operates at a profit and therefore would not meet the hardship relief criteria. Leisure in the Community has only recently taken over the contract for Paradise Pool and therefore has not provided accounts specific to the pool to enable an assessment for eligibility for hardship relief to be made. However, the previous contractor operated the facility at a loss, so there is potential to consider the facility once accounts are available, which may result in further savings for the authority.

## 8.0 CONCLUSIONS

8.1 As part of the Mid Term Financial Strategy the Council set a reduced discretionary rate relief/hardship relief budget for 2013-14 of £79,805, - a recurring saving of £10,000. The service review group identified that this savings target needed to increase to take account of potential increases in applications.

8.2 Early in the review process, it was accepted that the list of eligible organisations for rate relief could not be reduced further given the importance of their roles in delivering key local services. Therefore, the only option available was to review the level and type of financial support to each beneficiary to meet the required cost saving.

8.3 Upon reviewing the criteria used by the other ARP authorities to establish best practice, it was clear that the review group would need to consider the impact and potential savings of capping by either percentage or set amount. In addition, the group agreed to look at the alternative support mechanism of Hardship Relief, which would have the additional benefit of enabling the District Council to be more effective in managing a potential increase in the amount of applications likely to be received over the coming years.

8.4 Current beneficiaries were consulted on a number options including the consideration of reserves, capping the amount of rate relief or receiving a percentage reduction in benefit. The outcome of the consultation identified the

<sup>7</sup> As per the Contract between the District Council and Leisure in the Community (SLM), the District Council is obligated to pay the equivalent of the current top-up funding should the criteria change at any point during the contract period (3 years, with an option to extend for a further 2). Therefore any cap must take this into consideration and may result in increased cost to the authority until the Council is able to re-negotiate the contract.

importance of rate relief to voluntary and third sector organisation and the standard percentage reduction was less favoured option.

- 8.5 The service review group concluded that 'Option E: A cap on the level awarded by set amount per organisation – set at £2,000 (with hardship relief)' is the preferred option. Applying this model will mean the Council will exceed its savings target of £10,000 by over £5,000, with all but one of the current organisations in receipt of discretionary rate relief receiving existing levels of support.
- 8.6 Selecting Option E would result in 78 organisations receiving all of their top-up through the application of discretionary rate relief. The remaining 9 would receive £2,000 discretionary rate relief and be invited to apply for hardship relief to meet the outstanding 'top-up' balance. Based on the accounts the review group looked at, 7 of those organisations would in theory be eligible for hardship relief. Leisure in the Community (Paradise Pool) would receive its outstanding top-up due to contractual obligations. Therefore only Paradise Sports Centre would be any worse off (£6,427.20). The review group acknowledges that applying for hardship relief will result in additional form-filling for applicants, but felt that this impact was off-set by the applicant securing the 'top-up' funding they regard as crucial to the sustainability of their organisation.
- 8.7 In order to implement Option E, the ECDC discretionary rate relief criteria would need to be revised. The proposed revised ECDC discretionary rate relief criteria are attached at Appendix D. Option E would also necessitate the production of local 'Section 49 – Hardship Relief' criteria as attached at Appendix C.
- 8.8 During the process of the review, consideration was also given to the transparency and type of information available to potential applicants on the mechanisms for applying for relief and the decision making process. The Review Team recommends the Council and ARP review how we promote the scheme(s) and feedback the outcome of the decision making process to the applicant.
- 8.9 In recommending this proposal and the Improvement Plan identified in Appendix E, the Review Team has identified it will realise the following outcomes required at the commencement of the review:
- A defined policy and priorities for Discretionary Rate Relief and Hardship Relief
  - A revised and more effective process for awarding rate relief
  - Efficiency savings of at least £15,000 identified to meet Medium Term Financial Strategy and any future growth in applications
  - A policy that limits the financial impact to individual organisations.



**Section 49 Business Rate Criteria**

ARP to complete:

Business rates charge	£
Mandatory relief	£
Discretionary relief	£
Net Figure	£
Payments	£

We will consider each application for hardship relief on its own merits but when doing so we must:

- Be satisfied that it is reasonable to grant such relief having regard to the interests of the council taxpayers by considering the financial cost as well as the effect on employment prospects and amenities were a business to close.
- Be satisfied that the ratepayer would sustain hardship if relief were not granted.
- Treat the decision to reduce or remit rates as the exception rather than the rule.
- Take into account all relevant factors affecting the ability of a business to pay its rates.
- Only award relief for a period for which there is clear evidence of hardship.
- Be satisfied that a ratepayer is suffering genuine financial hardship.

- Hardship relief will only be granted for the financial year to which it relates following which applicants will need to re-apply.

- Accounts supplied for last two years need to relate specifically to the building for which relief is sought.

- Applicants will have to meet all of the essential criteria listed below in A and at least 2 of the additional criteria in B.

**A) Essential Criteria**

- 1) The organisation is currently trading at a loss or only generates a profit due to exceptional circumstances e.g. the organisation is in receipt of significant grant funding/management fee from an external body.
- 2) That a short-term award of hardship will materially serve to ensure the future of the business, the continued provision of the amenity/or employment opportunities.
- 3) That notwithstanding this hardship, the business has a credible future.
- 4) A business plan/recovery plan is in place to ensure that the business/amenity is viable in the long-term
- 5) Hardship relief being a discretionary relief is by definition operating and can only be given under European Commission rules, if it and other state aid i.e.

assistance from a public body or publicly funded body is under the de-minimus limit (currently £156, 368 over 3 years).

## **B) Additional Criteria**

- 1) That the business is providing a local amenity to residents and the loss of this amenity would have a detrimental impact on the area/residents.
- 2) That where the applicant, in addition to running the business, fulfils or meets social needs in the community. Social needs could include (but are not restricted to) improving health, reducing rural isolation, improving community cohesion and integration.
- 3) That the applicant provides a service or facility that could improve the health and well-being of the local community.
- 4) That the loss of the company/amenity would lead to a significant number of job losses.
- 5) That the loss of the company/amenity would lead to an empty site/s commercial premise/s that would have a significant impact on the locality.
- 6) A new business is being built up, a valuable service to its community, which is not provided elsewhere in the immediate locality. Until a firm customer base or membership is established, the owner/proprietor may experience short-term financial hardship, jeopardising the future of the business.
- 7) A proprietor is running an established business selling artisan style or even unique products, but has run into temporary financial difficulty. Loss of the business would be detrimental to the community and would not be replaced.
- 8) The applicant is suffering financial hardship and provides a service which enhances tourism and therefore encourages visitors to the area.
- 9) The owner or sole proprietor has been prevented from carrying his/her business because of a serious illness/and or convalescence.

To demonstrate the above, the following factors should be considered;

- a) What would be the effect on the locality if the business ceased trading?
- b) Would the loss of the business be detrimental to the provision of services and facilities?
- c) What would be the impact on unemployment/employment prospects?
- d) Are there alternative suppliers in the vicinity?
- e) What are the future prospects for the business and to what extent would granting relief assist the future viability of the business? Would it prevent the business from going into liquidation?
- f) What plans does the business have to ensure its future viability?
- g) Has hardship in any form been demonstrated?
- h) Have any other appropriate methods of support been considered?

NON-DOMESTIC RATES  
APPLICATION FOR SECTION 49 RELIEF  
Covering letter

For enquiries-  
Telephone: 0845 702 3092  
E-mail:[nndr@angliarevenues.gov.uk](mailto:nndr@angliarevenues.gov.uk)

The Local Government Finance Act 1988 allows East Cambridgeshire District Council to grant rate relief in certain circumstances. We will consider each application for hardship relief on its own merits but when doing so we must:

- Be satisfied that it is reasonable to grant such relief having regard to the interests of the council taxpayers by considering the financial cost as well as the effect on employment prospects and amenities were a business to close.
- Be satisfied that the ratepayer would sustain hardship if relief were not granted.
- Treat the decision to reduce or remit rates as the exception rather than the rule.
- Take into account all relevant factors affecting the ability of a business to pay its rates.
- Only award relief for a period for which there is clear evidence of hardship.
- Be satisfied that a ratepayer is suffering genuine financial hardship.

This form should be completed in full. Upon completion, please return the form and the supporting documentation to the Operations Manager, Anglia Revenues Partnership,

Breckland House  
St Nicholas Street  
Thetford  
Norfolk  
IP24 1BT

Please provide copies of:-

- At least the last two years of audited accounts of the business. If your business has traded for less than two years, you should supply all available financial information since the commencement of trading.
- Details of income and expenditure for the last 3 months
- A projected income for the next twelve months
- Any other information that may support your application relating to the information you have provided in your application (e.g. cashflow forecast/ business plan)

Application form for section 49 relief

Date of application:

Business Rates Account reference number:

Business name:

Telephone number:

e-mail address:

Address of the property for which relief is sought:

How long has your business occupied these premises?

Nature of the business:

For what period is relief sought?

If you are applying for a reduction please state the amount of reduction that are applying for?

How many staff do you employ?

Full-time:

Part-time

What percentage of these staff are based within East Cambridgeshire? (see attached map of the district boundary)

Is there a business providing the same or similar service in your area?

What benefits does your business provide to the local community?

What factors have led to the business suffering hardship?

How will the company/business suffer if relief is not granted?

What steps or actions have you taken to improve the situation?

What outcomes do you expect to achieve if relief is awarded?

Have you sought or received any other financial assistance? If yes, please give details:

Do you currently own or run any other businesses? If yes, please give details:

Is there any other information you can provide that can be taken into account?

**You must supply the following evidence in support of your application**

**Checklist:**

- ↑ At least the last two years of audited accounts of the business. If your business has traded for less than two years, you should supply all available financial information since the commencement of trading.
- ↑ Details of income and expenditure for the last 3 months
- ↑ A projected income for the next twelve months
- ↑ Any other information that may support your application relating to the information you have provided in your application (e.g. cashflow forecast/ business plan)

Applicants are required to submit a copy of their latest audited accounts. Where an Audit Certificate is not available it will be necessary for applicants to demonstrate that their accounts have been accepted by the Inland Revenue.

Where up-to-date accounts cannot be provided, the council may require the submission of a current statement of affairs, certified by the applicant's accountant.

The Council will wish to establish whether or not business rates represent a significant proportion of the running expenses of the business. We will also wish to examine details of the extent and nature of the total debts of the business that are outstanding. In this respect, the application form requires applicants to submit estimates of the current trading position and indebtedness of their business.

The balance sheet of the business should be capable of demonstrating that the business cannot continue as a going concern under current trading conditions without such assistance as the council can offer.

**Declaration**

I hereby certify that all of the information contained within this application and the supporting documentary is accurate and complete to the best of my knowledge. Any relief will be immediately repayable in the event of any material inaccuracy or false information.

I authorise the Operations Manager at ARP to consult and share information with East Cambridgeshire District Council's Economic Development Team in relation to this application. I also authorise the Economic Development Team to supply information to the Operations Manager in connection with this application.

Signature of ratepayer or person authorised to sign on behalf of the ratepayer:

Name:	Position:
Signature:	Date:

## Important

- The business rates remain payable while the application is being processed
- Once the application has been processed, any change in your circumstances could affect your entitlement and you have a legal duty to tell us within 21 days of any such change
- Rate relief is subject to periodic review

Please return this form to the Operations Manager at the following address:

Anglia Revenues Partnership  
Breckland House  
St Nicholas Street  
Thetford  
Norfolk  
IP24 1BT

## Data protection statement

Your personal information will be held and used in accordance with the requirements of the Data Protection Act 1998.

This authority is under a duty to protect the public funds that it administers and, to this end, may use the information you have provided on this form within this authority for the prevention and detection of fraud. It may also share this information with other bodies administering or in receipt of public funds, solely for these purpose

**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 ancillary service.

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.



**Improvement Plan (Draft)**

Issue	Recommendation	Timetable for Implementation	Budget Implications
Hardship Relief Policy	Introduce a new District 'Section 49' – Hardship Relief Policy	To be applied from 1 <sup>st</sup> April 2013	NIL
Revised Discretionary Rate Relief Criteria	Approve the proposed changes to the ECDC criteria	To be applied from 1 <sup>st</sup> April 2013	A saving of around £15,000
Administration of process	ARP/ECDC: To review how we promote the scheme(s) To review transparency of decision making process To modify procedures	To be applied from 1 <sup>st</sup> April 2013	NIL

**Impact and Needs/Requirements Assessment (INRA)**

<b>Name of Policy:</b>	Service Review of Discretionary Rate Relief
<b>Lead Officer (responsible for assessment):</b>	Julie Cornwell, Partnerships Officer
<b>Department:</b>	Community Services
<b>Others Involved in the Assessment (i.e. peer review, external challenge):</b>	Service Review Team: Cllr Gareth Wilson, Cllr Tom Kerby, Darren Dixon, Linda Grinnell, Allison Conder, Darren Hill, Rod Urquhart (ARP), Julie Reeve (ARP)
<b>Date INRA Completed:</b>	22 <sup>nd</sup> October 2012.

**'Policy' needs to be understood broadly to include all Council policies, strategies, services, functions, activities and decisions.**

- (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?

As part of the 4-year savings covering the period 2011/12 to 2014/15, which were 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.

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 by 2013/14.

- (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. Any organisation eligible to receive DRR or hardship Relief in future will also be affected by the changes to the criteria.

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

The discretionary rate relief criteria for ARP authorities (Forest Heath, Breckland and St Edmundsbury) were compared with the current ECDC discretionary rate relief criteria. The current levels of spend on discretionary rate relief for these three local authorities were also compared to this Council.

Hardship relief criteria applied by ARP authorities and other local authorities from across the country were compared during the process of developing new criteria for ECDC. The levels of spend for 2011-12 for ARP authorities was also compared.

See Compare and Consult elements of the Stage Two Report.

The modelling work to identify which options would have what impact was carried out by looking at the effects of each option on those currently in receipt of DRR.

**(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**

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

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

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

**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?

No particular group listed above will feel any change as a result of the amended DRR criteria if the preferred option identified in the Stage 2 report is chosen. The Council will save money whilst only 9 (out of the current 87) organisations will feel any impact of the changes. 8 of the 9 organisations will be able to secure the funding from another form of rate relief also covered as part of this review.

**(e) Does the policy have a differential impact on different groups?**

<b>YES/NO/Not Applicable</b>
------------------------------

- |   |                                  |
|---|----------------------------------|
| <b>(f) Is the impact <i>adverse</i> (i.e. less favourable) on one or more groups?</b>   | <del>YES/NO/Not Applicable</del> |
| <b>(g) Does it have the potential to disadvantage or discriminate unfairly against any of the groups in a way that is unlawful?</b> | <del>YES/NO/Not Applicable</del> |

**(h) What additional information is needed to provide a clear picture of how the activity is impacting on different communities and how will you collect this information, i.e. expert groups, further research, consultation\* etc?** Where there are major gaps in information that cannot be addressed immediately, these should be highlighted in your recommendations and objectives at the end of the INRA.

No further information is needed. A full options appraisal has been carried out using the Service Review Process. This included 'compare' and 'Consult' elements. It also included a SWOT analysis

\* The Consultation Register is available to assist staff in consulting with the Council's stakeholders. If you are consulting on a new or revised policy contact the Principal HR Officer.

**(i) Do you envisage any problems with these methods of information collection?** i.e. not accessible to all, timescale not long enough to obtain all of the necessary information, translation facilities not available, insufficient resources etc.

N/A

**(j) If it has been possible to collect this additional information, summarise the findings of your research and/or consultation (please use a separate sheet if necessary).**

See Stage 2 DRR Review for full breakdown of consultation results and comparison with ARP partners.

**(k) What are the risks associated with the policy in relation to differential impact and unmet needs/requirements?** i.e. reputation, financial, breach of legislation, service exclusion, lack of resources, lack of cooperation, insufficient budget etc.

No one particular or identified group is being affected. If the preferred option identified within the Service Review is selected by Members, only one organisation will receive less rate relief as a result of the changes. This could result in negative publicity for the Council. However, if Members choose a different option, more organisations could be affected (although even then it would not have a differential impact on a particular group as listed above).

**(l) Use the information gathered in the earlier stages of your INRA to make a judgement on whether there is the potential for the policy to result in unlawful discrimination or a less favourable impact on any group in the community, and what changes (if any) need to be made to the policy.**

Option 1:	No major changes, the evidence shows no potential for discrimination.	←
Option 2:	Adjust the policy to remove barriers or to better promote equality.	
Option 3:	Continue the policy despite potential for adverse impact or missed opportunity to promote equality.	
Option 4:	Stop and remove the policy – if the policy shows actual or potential unlawful discrimination it must be stopped and removed or changed.	

**(m) Where you have identified the potential for adverse impact, what action can be taken to remove or mitigate against the potential for the policy to unlawfully discriminate or impact less favourably on one or more communities in a way that cannot be justified?** Include key activities that are likely to have the greatest impact (max. 6). Identified actions should be specified in detail for the first year but there may be further longer term actions which need to be considered. To ensure that your actions are more than just a list of good intentions, include for each: the person responsible for its completion, a timescale for completion, any cost implications and how these will be addressed. It is essential that you incorporate these actions into your service plans.

The hardship relief policy was reviewed alongside DRR to ensure that if the criteria for DRR was amended to include a cap on the amount of award that could be given, that organisations could apply for Hardship Relief as a 'top-up', thus not losing incurring any increased expenditure overall.

This completed INRA will need to be countersigned by your Head of Service. **Please forward completed and signed forms to Nicole Pema, Principal HR Officer.**

All completed INRAs will need to be scrutinised and verified by the Council's Equal Opportunities Working Group (EOWG) and published on the Council's Intranet to demonstrate to local people that the Council is actively engaged in tackling potential discrimination and improving its practices in relation to equalities. Please be aware that you will be asked to attend a half-an-hour session to summarise the findings of the INRA to the EOWG Verification panel.

**Signatures:**

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

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

# **DRAFT FINAL REPORT**

## **REVIEW OF DISCRETIONARY RATE RELIEF**

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## **REVIEW OF DISCRETIONARY RELIEF**

### 1.0 INTRODUCTION

#### 1.1 Background

1.1.1 The review of discretionary rate relief was instigated by the Community and Environment Sub Committee on 1 March 2012.

#### 1.2 Review Team

1.2.1 The review was undertaken by the Head of Community Services, Head of Finance, Principal Leisure and Community Services Officer, Partnerships Officer, Business Development Manager, Councillor Tom Kerby and Councillor Gareth Wilson, with support from Rod Urquhart, Operations Manager (Support & Fraud), Anglia Revenues Partnership (ARP).

#### 1.3 Timetable

1.3.1 The timetable for the completion of the review is outlined below:-

DATE	MEETING/COMMITTEE	REPORT
1 <sup>st</sup> March 2012	Community and Environment Sub Committee	Terms of Reference Stage 1 Report.
12 November 2012	Scrutiny Committee	Agreement of final draft Improvement Plan
21 <sup>st</sup> November 2012	Community and Environment Committee	Final Report and Improvement Plan

#### 1.4 Terms of Reference

1.4.1 Community and Environment Sub Committee agreed the Terms of Reference of the review on 1<sup>st</sup> March 2012 (Ref: Agenda Item 6 Appendix 1). It was identified at the first meeting of the service review group on 1<sup>st</sup> July 2012 that it was crucial to include hardship relief within the scope of the review, as this is also a form of discretionary relief that the District Council can award, which if awarded comes from the same budget as the other forms of discretionary relief already included within the scope of the review.

1.4.2 The service review Risk Assessment also identified the potential for a significant number of new applications (either as services are divested to new charities or as a result of the recession). Therefore the service review group agreed to aim to exceed the target savings of £10,000 to mitigate the risk.

### 2.0 DESCRIPTION OF SERVICES

#### 2.1 Description of Discretionary Rate Relief

2.1.1 The District Council has the ability to grant discretionary rate relief, either to 'top up' the 80% mandatory rate relief, or to give discretionary relief alone. 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.

2.1.2 Where a ratepayer receives discretionary rate relief the District Council bears 75% of the cost of the relief granted.

## 2.2 Description of Hardship Relief

2.2.1 Hardship Relief Section 49 of the Local Government Finance Act 1988 allows a local authority to reduce or remit the whole or part of the rates payable by the ratepayer provided that:

- The ratepayer would sustain hardship without the support of the authority
- It is reasonable for the authority to do so having regard to the interests of persons subject to council tax.

2.2.2 There is no statutory definition of hardship. However, Central Government has issued guidance on hardship relief.

2.2.3 Where a ratepayer receives hardship relief the District Council bears 25% of the cost of the relief granted.

## 2.3 Links to Corporate Objectives and Strategic Policy

2.3.1 The table below links the service to the Council's corporate objectives agreed by Policy and Resources Committee on 26<sup>th</sup> April 2012.

<b>Corporate Objective</b>	<b>Service Objective</b>
<p><b>High Quality Services</b></p> <p>To run an efficient and effective Council to deliver best value for its residents</p>	<p>Rate relief supports those business and organisations that may otherwise not be viable and often are the last service of its kind in their community. Ensuring that such services are protected will be a critical part of the service review.</p>
<p>To build the foundations for growth of the economy of East Cambridgeshire supporting job creation and improving the quality of life and the environment</p>	<p>Rate relief has an important role in supporting local businesses and organisations to thrive and grow. In the current financial climate it is critical that the review supports the applicants that are in greatest need, also ensuring that the communities with limited infrastructure will realise the most benefits.</p>

## 2.4 Resources

2.4.1 The approved budget for the discretionary rate relief (including hardship relief) in 2012/13 is £89,805 and will be reduced to £79,805 for 2013/14, in accordance with the Council's Mid Term Financial Strategy.

2.4.2. Anglia Revenues Partnership (ARP) manages the process of issuing application forms, corresponding with businesses and organisation's in receipt of relief and assessing an applicant's eligibility against a set of criteria. The District Council makes a financial contribution towards ARP based on the caseload of all of the services that ARP delivers.

2.4.3 District Council resource comprises of 5% of the time of the Partnership Officer with support from the Head of Community Services and 5% of the Business Development Manager's time.

### 3.0 OUTCOMES OF THE REVIEW

#### 3.1 Policy

Policy will depend on the outcome of the review, but could include

- (i) Defined principles of why we are giving rate relief
- (ii) Defined priorities and objectives of the discretionary and hardship relief schemes
- (iii) Clear relationship between policy and the funds available to support the policy
- (iv) The integration of national policy guidance

#### 3.2 Performance/Operation

- (i) Review of current service delivery of both discretionary and hardship rate relief
- (ii) Revised eligibility criteria for discretionary rate relief and hardship relief.
- (iii) Greater transparency of the processes

#### 3.3 Resources

- (i) Achievement of efficiency or value for money service provision
- (ii) Revisions will be driven by the mid-term financial strategy target of a recurring £10,000 reduction from 2013-14

#### 3.4 Initial Issues Identified by The Review Team

These initial issues were identified by the Review Team:

- Recognition of the need to build financial provision for a potential net increase of applications seeking discretionary rate relief and hardship relief, due to the current financial climate.
- Review the relationship between discretionary rate relief and hardship relief to ascertain whether, where appropriate, any savings can be made by encouraging hardship relief applications as an alternative to discretionary rate Relief.

## 4.0 COMPARE

### 4.1 Methodology

4.1.1 The discretionary rate relief criteria for ARP authorities (Forest Heath, Breckland and St Edmundsbury) were compared with the current ECDC discretionary rate relief criteria. The current levels of spend on discretionary rate relief for these three local authorities were also compared to this Council.

4.1.2 Hardship relief criteria applied by ARP authorities and other local authorities from across the country were compared during the process of developing new criteria for ECDC. The levels of spend for 2011-12 for ARP authorities was also compared.

### 4.2 Comparisons with other Local Authority Processes – Discretionary Rate Relief

4.2.1 A summary comparison table of the discretionary rate relief criteria applied by the four ARP partner authorities is attached at Appendix A. ECDC is the only authority not currently taking the level or type of reserves into account. ECDC is also the only authority not capping the level of discretionary rate relief awarded. Two of the other authorities apply a fixed cap, with the other applying a percentage cap.

4.2.2 The other authorities also vary the level of 'top-up- awarded by category – notably all three acknowledge the potential of unfair competition that may arise through subsidising a facility - such as a sports and social club that has a bar - that may be in direct competition with local businesses, notably public houses. These organisations receive 50% of the top up.

4.2.3 The table below illustrates the total levels of funding awarded for 2011-12:

Local Authority	Breckland	Forest Heath	St Edmundsbury	East Cambs
Total Discretionary Rate Relief Awarded	£47,817.23	£11,752.69	£113,068.31	£95,136.50
Number of Applications <sup>1</sup>	152	51	136	110

### 4.3 Comparisons with other Local Authority Processes – Hardship Relief

4.3.1 A review of hardship business rate relief criteria across a number of Councils in the Country (including ARP authorities) has identified the following factors;

- Local Authorities must be satisfied that a business is financially viable in the longer-term before considering whether to offer support from public funds.
- Copies of the last 2 years financial accounts and details of income and expenditure for the last 3 months are usually required in order to inform a decision.
- Support is generally only provided to companies currently trading at a loss.
- A business plan indicating the steps the company is making to move into profit is required.

<sup>1</sup> This is approximate as some cases may have been awarded after 01/04/12 which relate to 2011-12.

- The hardship situation is seen to be a temporary one and not one likely to be repeated year after year.
- The granting of relief would prevent the business from going into liquidation.
- There are other social or economic implications for the area if the business ceases; e.g. loss of a valuable local facility or loss of a substantial number of jobs.
- It should be of benefit to council taxpayers in general for the relief to be granted.

4.3.2 The table below illustrates the total levels of Hardship Relief awarded for 2011-12:

Local Authority	Breckland	Forest Heath	St Edmundsbury	East Cambs
Total Hardship Relief Awarded	£1,677.31	£54,043.49	£5,092.78	£0
Number of applications supported	2	4	1	0

## 5.0 CONSULT

### 5.1. Methodology

5.1.1 The methodology for the 'Consult' element of the review is defined by the agreed 'Statement of Consultation' agreed by Internal Overview and Scrutiny Committee on 29 March 2010. The specific requirements as agreed in the Stage 1 report are as follows:-

“The current beneficiaries of discretionary rate relief will be consulted on the possible options for awarding rate relief from 2013-14. The precise nature of this consultation will be developed as issues and improvements are identified during Stage 2 of the review.

There will be dialogue with our colleagues in neighbouring authorities and collaboration with our partners at Anglia Revenue Partnership to ensure that the proposals are robust”.

5.1.2 As a result of the decision taken by the service review group to broaden the review to include hardship relief, the consultation also made reference to hardship relief.

### 5.2 Review Group SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>▪ Supports local businesses that provide key essential services, often in isolated rural communities.</li> <li>▪ Supports organisations that increase volunteering and improve community engagement and cohesion.</li> <li>▪ Supports organisations that provide a place for communities to meet.</li> <li>▪ Supports organisations that contribute to improving the health and well-being of our residents.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ There is the potential to save money by changing the criteria.</li> <li>▪ There is an opportunity to save money by developing a set of criteria for hardship relief and applying that where appropriate (as the District Council pays</li> </ul>

proportionally less towards this type of relief).
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>▪ The District Council could potentially be subsidising businesses or organisations that should be adopting a more sustainable business model.</li> <li>▪ Over the last two years awarding discretionary rate relief has cost the District Council between £95,000 - £85,000 each year.</li> </ul>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Withdrawing all or part of the discretionary rate relief 'top-up' would potentially result in closure of key businesses and organisations.</li> <li>▪ There would be reputational damage to the District Council if organisations folded as a result of withdrawing discretionary rate relief.</li> <li>▪ There could be an increase in applications for both discretionary rate relief and hardship relief due to the current recession.</li> </ul>

### 5.3 Stakeholder Questionnaires

5.3.1 The service review group agreed that the questionnaire should be sent to the 87 organisations that received discretionary rate relief in 2011-12. It was agreed that this should be based on three potential options for making the savings that were identified as a result of comparing our current rate relief criteria with the criteria of the other ARP member authorities. These were:

<p><b><u>Option A: Consideration of reserves and liquid assets</u></b> Any applicant with reserves or annual surpluses above the following levels is not eligible for rate relief:</p> <ul style="list-style-type: none"> <li>i) Reserves: £100,000 in unrestricted reserves, including a minimum of £30,000 in liquid assets; or</li> <li>ii) Average annual surplus: £25,000 or more.</li> </ul>
<p><b><u>Option B: A cap on the level awarded by percentage per organisation</u></b> The level of relief awarded will be up to a maximum of 95% of the total charge.</p>
<p><b><u>Option C: A cap on the level awarded by set amount per organisation</u></b> The level of discretionary relief awarded will be no greater than a set amount, for example £2,000.</p> <p>However, consideration for awarding hardship relief could then be given to those organisations exceeding the cap level, subject to meeting the hardship relief eligibility criteria. Organisations granted hardship relief will be financially no worse off.</p>

### 5.4 Summary of Responses

5.4.1 43 consultees responded to the questionnaire, which is a return rate of 49%. This reflects the importance that organisations place on 'top-up' relief and how much many of them rely on this funding to stay afloat. A copy of the summary results and individual comments can be found at Appendix B.

5.4.2 Option A: 'Consideration of reserves and liquid assets' was the preferred option for 55% of respondents. However it was the least preferred option for 28%. This

correlates broadly with the size of the organisation, with those smallest organisations in greatest support of this option.

- 5.4.3 Option B: A cap on the level awarded by percentage per organisation was preferred by 21%, was second choice for 30% and least preferred by 30%. Therefore overall, this option would not be the most supported by current recipients of discretionary rate relief.
- 5.4.4 Option C: 'A cap on the level awarded by set amount per organisation', was supported by some organisations, with it being the most preferred or second choice of 49%. This option seems to have caused confusion to some organisations, particularly where they didn't know the amount of top-up they currently receive or where they have incorrectly assumed they automatically exceed the example of £2,000 given.
- 5.4.5 A hardship relief scheme may be cautiously welcomed but the response was muted as there were no criteria for the organisations to assess themselves against prior to submitting their consultation response.
- 5.4.6 The leisure centres were very concerned about the potential impact of any of the consultation options and thus two meetings were arranged to discuss this. The main concern echoed those of other respondents to the consultation: i.e. the inability for the centres and associations to continue running if they lose the 'top up' rate relief. There is a reluctance to increase membership fees to off-set any business rates payable, due to fears of a reduction in members as a result. There was also concern that they may not qualify for hardship relief, the increasing workload for volunteers to apply for hardship relief and the lack of dignity in applying for hardship relief.
- 5.4.7 Consultation and comparison with the other ARP authorities also highlighted that the current requirement around all eligible sports and leisure clubs registering for the Government's Community Amateur Sports Club (CASC) scheme should be removed. 'Umbrella groups' are not able to join CASC and the decision whether to register as a CASC, as a charity or simply continue as they are should remain with the organisation.
- 5.4.8 Consultation also highlighted the need to include specific reference to Sports Associations in addition to Leisure Centres within the discretionary rate relief criteria, as the two are different but equally important within the local community.
- 5.4.9 An issue was also raised that some voluntary and community organisations may feel that applying for hardship relief would be undignified and implied that they were unable to run their organisations effectively.

## 6.0 CHALLENGE

### 6.1 Basis of the Service

- 6.1.1 The provision of discretionary rate relief or hardship relief is not a statutory service. However, the 'Local Government Act 2000' introduced the power for local authorities to promote economic, social and environmental well-being.

## 6.2 The Strategic Contribution of Rate Relief Provision

### 6.2.1 The benefits of rate relief include: -

- Supporting the local economy: (i) Local employers (ii) Key Services
- Supporting the voluntary and community sector.
- Supporting organisations in isolated rural areas.

6.2.2 The Cambridgeshire Rural Strategy 2010-15 identifies 6 priorities for action to ensure that people living in rural Cambridgeshire will have access to the jobs and services they require; the rural economy will be successful and diverse and the environment will be protected and enhanced. One of those priorities is 'to Protect and Enhance Rural Services'. Actions arising from this part of the Strategy aim to:

- Halt the decline of essential rural services.
- Support communities so they are able to play a greater role in finding their own solutions for viable service provision.

ECDC is in a position to support this priority through awarding rate relief.

6.2.3 The Government is clear that it sees the voluntary sector playing an increasing role in shaping society over the coming years. The Localism Act 2011, gives new rights and powers to the voluntary and community sector to enable them to have more control over delivering services within their communities. Providing rate relief to local voluntary and community groups enables those organisations to focus efforts their core function (rather than fundraising to pay a business rate bill), which is often delivering services that statutory providers are no longer able to provide.

## 6.3 Ceasing the Service

6.3.1 If discretionary rate relief were withdrawn there would be significant impacts on the business and voluntary/community sectors. This could include organisations closing and a resulting rise in unemployment, a reduction in service provision and the level of volunteering in the community.

6.3.2 Withdrawing rate relief would have a disproportionate impact on the most vulnerable in our communities – younger and older people and the low paid. This is because very few services would be left in villages, so people who cannot afford cars would not easily be able to access the remaining services in larger towns.

## 7.0 COMPETE

### 7.1 Methodology

7.1.1 This element of the review considers alternative methods of service delivery including opportunities for joint working with other agencies. It is informed by the 'Consult' and 'Challenge' element of the service review as outlined in Section 5.0 and 6.0.



## 7.2 Current Service Delivery

- 7.2.1 ARP manages the process of issuing application forms, corresponding with businesses and organisation's in receipt of relief and assessing an applicant's eligibility against a set of criteria. A report is then produced for ECDC, recommending refusal or approval of the application. Once a decision has been made (by officers under delegated powers), ARP is notified who in turn notifies the applicant of the outcome and issues an amended bill.
- 7.2.2 In the past organisations have been awarded discretionary rate relief for up to three years, but from 2013-14, discretionary rate relief will require an application to be submitted and reviewed annually. Hardship relief must be awarded on an annual basis, ceasing at the end of the financial year, regardless of the date the application was made.
- 7.2.3 ECDC approved 87 applications for discretionary rate relief in 2011-12, at a cost of £95,136.50. As of the end of September 2012, £82,471.75 of discretionary rate relief has been awarded, which means that the District Council is on track to remain within the 2012-13 budget of £89,805.
- 7.2.4 A recent Freedom Of Information request revealed that since 2008 the District Council has not approved any applications for hardship relief. However three have recently been received: two of which were refused and one is under consideration.
- 7.2.5 Currently, wherever an application for hardship relief is submitted, the District Council receives an outline from ARP with a recommendation for approval/refusal based on national guidance. This process takes no account of local objectives or priorities.
- 7.2.6 Amendments to the ECDC criteria for discretionary rate relief were approved in January 2012, in order to realise the £10,000 savings required for 2012-13. This review focused on changes to the types of organisations eligible to receive funding and resulted in withdrawing support for: Housing Associations; social clubs; all national, regional and county charities; premises which are for predominately administration purposes; and applications from premises owned by local charities providing a primary function of education/meeting facilities, car parks, shops, and catering outlets. This was anticipated to have impacted on 12 organisations, although this cannot be confirmed until the end of the financial year when the list of organisations awarded relief is available.

## 7.3 Review of Hardship Relief Policy

- 7.3.1 In addition to reviewing the current discretionary rate relief criteria, the service review team explored how 'fit for purpose' the current process for awarding hardship relief was.
- 7.3.2 Reviewing other local authority hardship criteria demonstrated that government requirements could be met whilst applying criteria that reflect local priorities. To meet the government guidance it was identified that hardship relief could only be granted for a period of up to 1 year following which applicants will need to re-apply. To check that the applicant met the criteria, accounts would have to be supplied for the last two years that need to relate specifically to the building for which relief is sought.

7.3.3 The application of ECDC specific criteria would ensure that the budget is targeted at the services and organisations most valued by the District Council and our communities. The criteria could be divided into two sections: 'essential' (where the applicants must meet all of the criteria) and 'additional' (where the applicant must meet at least 2 of the criteria).

7.3.4 The 'additional' criteria best reflect local priorities, for example "that the applicant provides a service or facility that could improve the health and well-being of the local community". The proposed draft criteria can be found at Appendix C.

#### 7.4 Options Appraisal

7.4.1 Given that the types of organisations eligible to receive funding are now broadly in line with those of our ARP partner authorities (with the exception of the CASC criteria as stated at 5.4.7 above), the options for making the further savings required, focused on the impact that blanket reduction and capping options would have.

7.4.2 The review team did not feel it was appropriate or necessary to make value judgements on which voluntary and community organisations or local businesses 'deserved' to receive the full 20% discretionary top-up, in order to make the savings.

7.4.3 Five options were worked through a process of modelling against the 87 organisations in receipt of discretionary rate relief in 2011-12. They were:-

Option A: Consideration of the reserves and liquid assets of each organisation

Option B: A cap on the level awarded by percentage per organisation

Option C: A cap on the level awarded by set amount per organisation – set at £5,000

Option D: A cap on the level awarded by set amount per organisation – set at £2,000

Option E: A cap on the level awarded by set amount per organisation – set at £2,000 with option to off-set against hardship relief

#### 7.5 Option A: Consideration of reserves and liquid assets

7.5.1 This option would mean that organisations with £100,000 in unrestricted reserves, including a minimum of £30,000 in liquid assets; or an average annual surplus of £25,000 or more would not be eligible for discretionary rate relief.

7.5.2 There was broad agreement within the review team of the fundamental principle of an organisation paying their business rates if they are in a financial position to be able to do so. However, the review team were not supplied with the accounts of all of the current recipients of discretionary rate relief and so were unable to work this option through the modelling process.

7.5.3 It was acknowledged that the sports associations and leisure centres could potentially be impacted by this option. Due to the current Service Level Agreement arrangements that the District Council has with the leisure centres, some accounts were available and checked against this option, with the following results:

Organisation	Over £100,00 unrestricted reserves?	Over £30,000 liquid assets?	Average Annual surplus over £25,000?	Eligible for DRR based on Option A criteria?
SLM Community Leisure Charitable Trust (Paradise Pool)	Y	Y	Y	N
Ellesmere Centre	N	Y	N	N
Soham and District Sports Association	N	Y	N	N
Burwell Sports Association	N	N	N	Y
Ely Outdoor Sports Association	N	N	N	Y
Paradise Sports Centre	N	Y	Y	N
Littleport Leisure Centre	N	N	N	Y

7.5.4 The process of attempting to use this criteria highlighted a number of considerations:

- i) To assess the 'average' annual surplus, three years of accounts would be needed.
- ii) New business would not be able to provide three years worth of accounts so an acceptable alternative would need to be identified.
- iii) It is very difficult to judge from a set of accounts what level of liquid assets an organisation has.
- iv) Four of the key organisations offering leisure provision in the District would not be eligible for discretionary rate relief moving forwards.
- v) If the 'liquid assets' element of the criteria was removed a further two leisure centres would have passed the test above, leaving only Paradise Pool and Paradise Sports Centre ineligible under this criteria.
- vi) Due to the lack of up-to-date accounts for all 87 organisations that were consulted (and the varying levels of detail provided within the accounts), it is not possible to estimate the potential savings this option may offer.

7.5.5 Notwithstanding the findings above, Option A was the preferred option of respondents to the consultation, which suggests that many recipients of discretionary rate relief are also in support of the principle of organisations paying at least a proportion of their business rates if they can afford it.

#### 7.6 Option B: A cap on the level awarded by percentage per organisation

7.6.1 This option would affect all future successful applicants of discretionary rate relief. Consultation has shown that whilst some (generally the larger organisations) feel that this option is fairer as it "spreads the pain", even a slight reduction in the current level of relief awarded could result in some organisations and businesses folding.

7.6.2 Modelling work based on a 95% cap (of the 20% top-up) would only result in savings of £3,863.34 – significantly less than the required £10,000 savings, and allowing no flexibility for meeting additional applications. To meet the savings and provide additional savings to offset potential increases in demand would require a significant cut to the level of funding awarded and was therefore not a preferred option for the review group and not worked up any further.

7.7 Option C: A cap on the level awarded by set amount per organisation – set at £5,000

7.7.1 Modelling work identified potential savings totalling £11,976.00 if a cap was set at £5,000 per application. This would mean that four organisations would be affected as follows:

Organisation	Current Top-up	Saving to ECDC if £5k cap applied <sup>2</sup>	Cost to organisation if £5k cap applied
Paradise Sports Centre	£8,427.20	£2,570.40	£3,427.20
Soham and District Sports Association	£11,175.20	£4,631.40	£6,175.20
Littleport Leisure	£12,549.20	£5,661.90	£7,549.20
Leisure in the Community (Paradise Pool)	£11,816.40	–£1,704.10	None <sup>3</sup>

7.7.2 Whilst applying this option would meet the cost savings, there is very little flexibility for off-setting additional applications for DRR or hardship relief. Of even greater concern is the significant impact that this option would have on the leisure centres – particularly Soham and District Sports Association and Littleport Leisure who are already operating at a loss or with very low levels of profit, depending on the amount of maintenance undertaken in any given year.

7.8 Option D: A cap on the level awarded by set amount per organisation – set at £2,000 (without hardship relief)

7.8.1 Modelling work identified potential savings totalling £21,882.43 if a cap was set at £2,000 per application. This means that nine organisations would be affected as follows:

Organisation	Current Top-up	Saving to ECDC if £2k cap applied <sup>4</sup>	Cost to organisation if £2k cap applied
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<sup>2</sup> All 87 organisations receive 80% mandatory relief. ECDC pays a 75% contribution of the top-up relief, with central government paying the remaining 25%. Therefore the figures in the last two columns will not balance with the figures in the first column.

<sup>3</sup> As per the Contract between the District Council and Leisure in the Community (SLM), the District Council is obligated to pay the equivalent of the current top-up funding should the criteria change at any point during the contract period (3 years, with an option to extend for a further 2). Therefore any cap must take this into consideration and may result in increased cost to the authority until the Council is able to re-negotiate the contract.

<sup>4</sup> All 87 organisations receive 80% mandatory relief. ECDC pays a 75% contribution of the top-up relief, with central government paying the remaining 25%. Therefore the figures in the last two columns will not balance with the figures in the first column.

Paradise Sports Centre	£8,427.20	£4,820.40	£6,427.20
Soham and District Sports Association	£11,175.20	£6,881.40	£9,175.20
Littleport Leisure	£12,549.20	£7,911.90	£10,549.20
Leisure in the Community (Paradise Pool)	£11,816.40	£-2,454.10	None <sup>5</sup>
Burwell Community Sports	£3,801.40	£1,351.05	£1,801.40
City of Ely Bowls Club	£2,816.70	£612.53	£816.70
Stetchworth Sports Committee	£2,839.60	£629.70	£2,839.60
Mepal Outdoor Centre	£3,778.50	£1,333.88	£3,778.50
Ely Outdoor Sports Association	£3,022.80	£767.10	£1,022.80

7.8.2 Applying this option would meet the cost savings and provide flexibility for offsetting additional applications for DRR or hardship relief. However, this option would have significant impact on leisure provision across the District, with the majority of these organisations already operating at a loss or with very low levels of profit, depending on the amount of maintenance undertaken in any given year.

7.8.3 The review team were very keen to mitigate the impact on leisure provision and thus carried out additional modelling based on the adoption of new hardship relief criteria and the likelihood of the 9 organisations above meeting those criteria.

7.9 Option E: A cap on the level awarded by set amount per organisation – set at £2,000 (with hardship relief)

7.9.1 Modelling work identified potential savings totalling £15,358.00 if a cap was set at £2,000 per application but with the balance of the ‘top-up’ made up from hardship relief. The modelling assumes that 7 out of the 9 organisations at 7.8.1 above would be eligible based on accounts provided. The impact would be as follows:

Organisation	Current Top-up	Saving to ECDC if £2k cap applied <sup>6</sup> and hardship relief was awarded	Cost to organisation if £2k cap applied and hardship relief was awarded
Paradise Sports Centre	£8,427.20	£4,820.40	£6,427.20
Soham and District	£11,175.20	£4,587.60	£0

<sup>5</sup> As per the Contract between the District Council and Leisure in the Community (SLM), the District Council is obligated to pay the equivalent of the current top-up funding should the criteria change at any point during the contract period (3 years, with an option to extend for a further 2). Therefore any cap must take this into consideration and may result in increased cost to the authority until the Council is able to re-negotiate the contract.

<sup>6</sup> All 87 organisations receive 80% mandatory relief. ECDC pays a 75% contribution of discretionary rate relief, with central government paying the remaining 25%. ECDC pays a 25% contribution of hardship relief, with central government paying the remaining 75%. Therefore the figures in the last two columns will not balance with the figures in the first column.

Sports Association			
Littleport Leisure	£12,549.20	£5,274.60	£0
Leisure in the Community (Paradise Pool)	£11,816.40	-£2,454.10	None <sup>7</sup>
Burwell Community Sports	£3,801.40	£900.70	£0
City of Ely Bowls Club	£2,816.70	£408.35	£0
Stetchworth Sports Committee	£2,839.60	£419.80	£0
Mepal Outdoor Centre	£3,778.50	£889.25	£0
Ely Outdoor Sports Association	£3,022.80	£511.40	£0

7.9.2 Paradise Sports Centre consistently operates at a profit and therefore would not meet the hardship relief criteria. Leisure in the Community has only recently taken over the contract for Paradise Pool and therefore has not provided accounts specific to the pool to enable an assessment for eligibility for hardship relief to be made. However, the previous contractor operated the facility at a loss, so there is potential to consider the facility once accounts are available, which may result in further savings for the authority.

## 8.0 CONCLUSIONS

8.1 As part of the Mid Term Financial Strategy the Council set a reduced discretionary rate relief/hardship relief budget for 2013-14 of £79,805, - a recurring saving of £10,000. The service review group identified that this savings target needed to increase to take account of potential increases in applications.

8.2 Early in the review process, it was accepted that the list of eligible organisations for rate relief could not be reduced further given the importance of their roles in delivering key local services. Therefore, the only option available was to review the level and type of financial support to each beneficiary to meet the required cost saving.

8.3 Upon reviewing the criteria used by the other ARP authorities to establish best practice, it was clear that the review group would need to consider the impact and potential savings of capping by either percentage or set amount. In addition, the group agreed to look at the alternative support mechanism of Hardship Relief, which would have the additional benefit of enabling the District Council to be more effective in managing a potential increase in the amount of applications likely to be received over the coming years.

8.4 Current beneficiaries were consulted on a number options including the consideration of reserves, capping the amount of rate relief or receiving a percentage reduction in benefit. The outcome of the consultation identified the

<sup>7</sup> As per the Contract between the District Council and Leisure in the Community (SLM), the District Council is obligated to pay the equivalent of the current top-up funding should the criteria change at any point during the contract period (3 years, with an option to extend for a further 2). Therefore any cap must take this into consideration and may result in increased cost to the authority until the Council is able to re-negotiate the contract.

importance of rate relief to voluntary and third sector organisation and the standard percentage reduction was less favoured option.

- 8.5 The service review group concluded that 'Option E: A cap on the level awarded by set amount per organisation – set at £2,000 (with hardship relief)' is the preferred option. Applying this model will mean the Council will exceed its savings target of £10,000 by over £5,000, with all but one of the current organisations in receipt of discretionary rate relief receiving existing levels of support.
- 8.6 Selecting Option E would result in 78 organisations receiving all of their top-up through the application of discretionary rate relief. The remaining 9 would receive £2,000 discretionary rate relief and be invited to apply for hardship relief to meet the outstanding 'top-up' balance. Based on the accounts the review group looked at, 7 of those organisations would in theory be eligible for hardship relief. Leisure in the Community (Paradise Pool) would receive its outstanding top-up due to contractual obligations. Therefore only Paradise Sports Centre would be any worse off (£6,427.20). The review group acknowledges that applying for hardship relief will result in additional form-filling for applicants, but felt that this impact was off-set by the applicant securing the 'top-up' funding they regard as crucial to the sustainability of their organisation.
- 8.7 In order to implement Option E, the ECDC discretionary rate relief criteria would need to be revised. The proposed revised ECDC discretionary rate relief criteria are attached at Appendix D. Option E would also necessitate the production of local 'Section 49 – Hardship Relief' criteria as attached at Appendix C.
- 8.8 During the process of the review, consideration was also given to the transparency and type of information available to potential applicants on the mechanisms for applying for relief and the decision making process. The Review Team recommends the Council and ARP review how we promote the scheme(s) and feedback the outcome of the decision making process to the applicant.
- 8.9 In recommending this proposal and the Improvement Plan identified in Appendix E, the Review Team has identified it will realise the following outcomes required at the commencement of the review:
- A defined policy and priorities for Discretionary Rate Relief and Hardship Relief
  - A revised and more effective process for awarding rate relief
  - Efficiency savings of at least £15,000 identified to meet Medium Term Financial Strategy and any future growth in applications
  - A policy that limits the financial impact to individual organisations.