



## Overview & Scrutiny Committee

Agenda Item No. 10

### Briefing Paper

Report of: Mike Parker, Director, Economic Prosperity & Place

Date: Thursday 3<sup>rd</sup> October 2013

Open

### National Non Domestic Rate Relief (NNDR)

#### 1. Summary

1.1 This report sets out the responses to the consultation carried out during March-May 2013 regarding the new scheme of NNDR relief proposed for April 2014 and proposes the final scheme to be agreed at Cabinet on 22<sup>nd</sup> October 2013.

#### 2. Background

2.1 The collection of NNDR is undertaken by local authorities from those who occupy non-domestic properties. Each non-domestic property has a rateable value (RV) which is normally set by the Valuation Office. The RV broadly represents the yearly rent the property could have been let for on the open market.

2.2 The amount of Business Rates due on a property is calculated by multiplying the RV of the property by a multiplier set by the government each financial year.

2.3 There are some entitlements to relief from the payment of these business rates, for example for the benefit of small businesses, occupation of a single property with a RV less than £12,000 attracts relief on a sliding scale up to 100% if the RV is less than £6,000 (this lasts until March 2014). Charities and registered community amateur sports clubs are entitled to 80% relief where the property is occupied by the charity or club and is wholly or mainly used for charitable purposes or as a sports club.

2.4 The local authority also has discretion to offer further relief to charities, sports clubs, non profit making organisations or in cases of hardship.

2.5 At the 19<sup>th</sup> February 2013 meeting of Cabinet it was agreed that the current scheme of NNDR relief would cease on 31<sup>st</sup> March 2014 and a new scheme would come into effect on 1<sup>st</sup> April 2014. A scheme was agreed for consultation which took place between 31<sup>st</sup> March 2013 and 31<sup>st</sup> May 2013.

2.6 All current recipients of discretionary rate relief were notified in writing before 31<sup>st</sup> March 2013 that the existing scheme will end on 31<sup>st</sup> March 2014 and the new scheme will take effect on 1<sup>st</sup> April 2014.

**3. The Proposed Scheme w.e.f 1<sup>st</sup> April 2013**

- 3.1 The basic principles under which the new scheme to take effect from 1<sup>st</sup> April 2014 would operate are:
- i. The scheme shall operate for a three year period between 1<sup>st</sup> April 2014 and 31<sup>st</sup> March 2017; at the end of the three year period, the Council reserves the right to review the scheme and all recipients again.
  - ii. The Council will require all recipients to submit their most recent accounts on an annual basis by 31<sup>st</sup> March of the financial year in order to confirm their continued eligibility for the following year. Failure to do so will result in the award being withdrawn.
  - iii. Upon review of the accounts submitted at iii) the Council reserves the right to notify the recipient of the withdrawal of relief if their financial circumstances are such that it is deemed that an award of relief is not considered financially necessary.
  - iv. The Council will consider requests against the agreed eligibility criteria and the financial impact of funding such requests.
- 3.2 The outcome of the consultation process is shown at Appendix 2, including respondent, their response and the officer comments and, where appropriate, proposed changes to the eligibility criteria. In addition, a recent request for support has highlighted the need to include as eligible, applications submitted for Rural Rate Relief. This relief is not often utilised but it was introduced by the Local Government & Rating Act 1997 and gives the authority discretion to grant relief to businesses that provide a benefit to the local community and are identified in the authority's Rural Settlement List (comprising all rural settlements in this district below a population of 3,000) and have a rateable value less than £16,500.
- 3.3 The Council received 24 responses to its consultation (from 23 different bodies) and in the vast majority of instances the benefit they receive will not be affected in the new scheme. One of the beneficiaries of the current relief scheme is the Community Housing Group (CHG) and they have suggested an alternative to the Council's proposal which would have seen their relief phased out over a four year period, to offer them 50% relief for a five year period and they would agree with the Council that the value of this benefit would be put towards a scheme to improve skills and reduce unemployment across the district. Officers recommend that this proposal be accepted and that further discussions are undertaken with CHG to develop this initiative.
- 3.4 However, the CHG are in the process of switching all except their Property Services over to charitable status and this would give them the benefit of 80% mandatory relief in terms of NNDR. The financial impact of this is discussed below.

- 3.5 With regard to leisure centres, the consultation originally proposed that under the new scheme these be excluded with the exception of those buildings run for the Council by DC Leisure, until the current arrangement ended. For simplicity it is now proposed that delegated authority be granted for officers and Cabinet Member to agree the position on leisure centres going forward, once the current arrangement ceases and the new one for the new centre comes into effect and that Leisure Centres, where the freehold is owned by Wyre Forest District Council but run by another organisation, be included as eligible.
- 3.6 The Council still retains the power under the Localism Act 2011 to award discounts to any organisation (including businesses) whether profit making or not, wherever it lies within the district; but the authority has to fund the whole cost of such relief. The Council may, therefore, from time to time consider the economic imperative of doing this where it supports business grants and job creation for the betterment of the district.

**4. Financial Implications of the new Business Rates Pooling Procedure**

- 4.1 During the course of this consultation, the arrangements for business rate collection has changed at a national level. Following the new funding arrangements around Business Rates Retention effective from April 2013 and this Council's membership of the Worcester Business Rates Pool the financial implications for national non domestic rate relief can be summarised as follows:
- Year 1 Funding for each Council from Business Rates is based on a baseline position that includes an amount of discretionary rate relief. This baseline reflects previous levels of discretionary rate relief paid using our current approved policy.
  - Where any Council pays a lower amount of discretionary rate relief, either as a result of a change in policy or less applications/approvals, the impact is that it benefits by 40% initially but the Government Levy increases so the net gain is only 20%.
  - However the impact of membership of the Worcestershire Pool means that we gain by 25p in the £ for every decrease, conversely we must pay an extra 25p in the £ for any increase in payments of either discretionary or mandatory reliefs.

Table 1 below illustrates how this works using a notional £100k decrease.

<b>So for every increase or decrease over or above baseline WFDC's position is:</b>	<b>£</b>
<b>£100,000 decrease</b>	<b>£100,000</b>
<b>40% of this benefits the District Council initially</b>	<b>£40,000</b>
<b>Less 50% of increased additional Levy payable to the Government which is retained by the Worcestershire Pool</b>	<b>£20,000</b>
<b>Of which the District Council retains 25% of the levy</b>	<b>£5,000</b>
So District gets	£25,000
So for every increase, being in the pool means we benefit by 25%	
<b>Of the remaining £15,000 County gets 25% of retained Levy</b>	<b>£5,000</b>
<b>And 50% of Retained Levy goes in to Pool Risk Pot</b>	<b>£10,000</b>

- As the proposed new scheme results in less discretionary rate relief being paid, the Council should benefit by 25%. However this will be part of the overall Business Rates calculation taking into account the pooling agreement; any increases in Mandatory relief and other changes compared to our business rates baseline are outside our control and could outweigh this financial benefit. The potential financial impact of the various reliefs are as follows:
- Mandatory Relief – The Council has no control or influence over the payment of mandatory relief; prior to the 1 April 2013, these costs were funded in full by the national pool so this was at no cost to the Council. From the 1 April any increase in mandatory relief above the baseline will cost the District Council 25p/£. Based on current estimates, the total mandatory relief for 2013/14 will be £1,7m, this is an increase of £150k above baseline so will cost the District Council £37,500.
- Hardship Relief - in 2012/13 we gave £65,000 costing us 25% £16,250 in 2013/14 we gave £75,360 costing us 25% £18,840 an increase of £10,360. However these payments are not ongoing and end 31/03/2014; the ability to grant Hardship relief will therefore depend on how many applications we receive and approve.
- Discretionary Relief – the current scheme cost the Council a total of £152,000 in 2012/13, this is effectively the baseline for the new system. For 2013/14, this is currently estimated at £97,200 for the year, a decrease of £54,800 and this will save the Council £13,700 being 25% of the reduction compared to baseline. However this will be affected by changes such as increases in mandatory relief, for example changes to the legal status of CHG as well as any decisions on new applications received.

To illustrate the impacts of options in relation to CHG compared to the current baseline of £44,350 (this being 25% of the total £178K):

- Option 1 – Tapered reduction in percentage relief as per Cabinet proposal; Impact: based on 2013/14 figures the estimate for 2014/15 is £133,110 and the cost to this Council would be £33,300 (25%). This represents a net saving to Wyre Forest in year 1 of £11,050 taking into account the current baseline.
  - Option 2 – CHG preferred option of 50% over 5 years; impact: approximately £89k pa, cost to the Council £22,200pa (25%). This represents a net saving to Wyre Forest in year 1 of £22,150 taking into account the current baseline.
  - Option 3 – CHG switches to charitable status and receives 80% mandatory relief; impact: £142k, cost to the Council of £35,500pa (25%). This represents a net saving to Wyre Forest in year 1 of £8,850, taking into account the current baseline. It should be noted that the Council has no influence over mandatory relief.
- Now more detail is known on the new funding arrangements, the financial implications will be reflected in the new Medium Term Financial Strategy. This will include the inclusion of discretionary rate relief within the business rates pooling funding calculation and requisite updated presentation in the new Financial Strategy.

## **5. Options**

- 5.1 The Committee will wish to consider the content of this report and the proposed responses/amendments to the consultations received and:
- a. Endorse the responses set out in Appendix 2 and the amendments to the proposed scheme at Appendix 1.
  - or
  - b. Recommend some other responses and or alternative amendments to the proposed scheme.

## **6. Background Papers**

- 6.1 Cabinet Review Panel 28<sup>th</sup> January 2013.  
6.2 Cabinet 19<sup>th</sup> February 2013.

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**APPENDIX 1**

**Proposed eligibility criteria for discretionary National Non Domestic Rate Relief for charities and non profit making organisations and rural businesses commencing 2014/15**

Wyre Forest District Council, as a ‘charging authority’, has powers under S47 of the Local Government Act 1988 to award discretionary rate relief to charities and non profit making organisations, as well as rural businesses under the Local Government & Rating Act 199.. The following criteria are proposed to assess requests made by those organisations for discretionary rate relief from 1<sup>st</sup> April 2014:

Eligible

Discretionary rate relief **may** be awarded as follows \*:

Type of organisation	Eligibility criteria	Level of discretionary rate relief
Sports and Social clubs	Sports and social clubs that provide indoor or outdoor sports facilities for the principal benefit of Wyre Forest district residents.  Eligible sports and social clubs that are not registered as Community Amateur Sports Clubs will be encouraged to do so, in order to qualify for 80% mandatory relief	Up to 50%
Development Companies	Development companies operating for the benefit of towns and villages in Wyre Forest District	Up to 100%; but a maximum of 20% if receiving Mandatory Relief
Museums	Museums that are open to the public on a regular basis, and are based in Wyre Forest District	Up to 100% but a maximum of 20% if receiving Mandatory Relief
Youth Organisations	Youth organisations that provide activities wholly or mainly for young people resident in Wyre Forest District	Up to 100%; but a maximum of 20% if receiving Mandatory Relief
Village Halls	Village Halls that are not owned by parish or Town Councils	Up to 100%; but a maximum of 20% if receiving Mandatory Relief
Other charities	Other charities that provide services solely or mainly for people resident in Wyre Forest District	Up to 100%; but a maximum of 20% if receiving Mandatory Relief
Rural Businesses	Situated within a settlement of the Council’s Rural Settlement List and be providing a benefit to the local community	Up to 100%; but a maximum of 20% if receiving Mandatory Relief

\* Subject to:

- The total amount of rate relief granted (discretionary plus mandatory) will not exceed 100%

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- Non profit organisations must submit accounts for the preceding 3 years to demonstrate that they have not made a profit or that any surplus has been re-invested in the organisation.

As a matter of general principle, the following would be ineligible for discretionary rate relief:

1. Housing Associations/Registered social landlords\*\*
2. Museum collections for museums not based in Wyre Forest District
3. National youth facilities
4. National charities
5. Nurseries and playgroups
6. Shops operated by charities
7. Schools

\*\*Housing Associations/RSLs currently receiving rate relief will have that relief 'tapered out' as follows:

2014/15- 75%.

2015/16 – 50%.

2016/17 – 25%.

2017/18 onwards – zero

with the exception of the Community Housing Group who will continue to receive 50% relief until 31<sup>st</sup> March 2019.

**APPENDIX 2**

**Discretionary Rate Relief Responses to the Consultation**

<b>Organisation</b>	<b>Response</b>	<b>Officer Recommendation</b>
Church House Charitable Trust	Checking the description we had on our records, and whether they would still be entitled to the 80% Mandatory Relief as well as the 20% Discretionary Rate Relief.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Emily Jordan Foundation	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Nonentities Society (Rose Theatre)	Querying whether they would still receive the 80% Mandatory Relief or only between 0-20% Discretionary Rate Relief in future. Also they currently have reserves which they are going to spend on a new roof.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement. (Reserves would be looked at but if ear marked for major project should make no difference to award)
Chaddesley Corbett Village Hall	Would like Authority to reconsider only giving 20% Discretionary Rate Relief	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would not affect their entitlement.
The Community Housing Group	Confirm that they have been able to absorb the impact of the phased removal of rate relief as proposed by the scheme. Acknowledged that during discussions with the Council a key priority for both organisations is investment in raising the skill levels of residents within the district and reducing unemployment through scheme run through Vestia. Working in partnership with the Council the programme can be extended to deliver the future vision and targets of both organisations. In order to do this they request that the Council grant 50% reduction per annum for the next 5 years to invest in a joint strategy to improve skills and reduce unemployment. They set out potential outcomes they feel could be achieved for an annual investment of £80,000.	The proposed scheme would look at tapering Discretionary Rate Relief down from 75% to zero over four years. This should therefore create an investment opportunity for the CHG if as they say, they have already been able to absorb the removal of rate relief. It is recommended that the Council continues to engage with CHG over their proposal as they are a key Council partner aiming to deliver mutual economic benefits to the district.
Arley Sports & Social Club	Even though called Sports and Social Club they are primarily involved in the 'sports' side. Have teams playing football, cricket, snooker and archery. Indoors darts and dominoes. Are now also providing facilities for an under 12	Receive 50% under the current scheme, will also qualify for 50% under the proposed new scheme.



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Organisation	Response	Officer Recommendation
	girls football team. Would like to be considered for highest level of rate relief.	
Stourport Nursery	The Nursery has good links with the traveller community and liaise with the gypsy roma travellers' education team. Offer free places to travelling families to encourage engagement in education. Take in children from difficult or unsafe homes, and as befits a charity, fees are waived when it is safer for a child to be in nursery rather than at home. Believe no other nursery locally is active in both these areas so request further reduction from rates reflecting their benefit to the local community.	Will continue to receive 80% Mandatory Relief, however under the proposed new scheme would no longer be entitled to the 20% Discretionary Rate Relief. No change to the scheme proposed.
Franch Village Sports & Social Club	France Club is a registered Sports & Social Club, have numerous bowls teams and football teams, fishing club, walking/rambling club and also darts, crib and dominoes etc.	Receive 50% under the current scheme, under the proposed new scheme do provide significant indoor sports facilities so would continue to be eligible for the 50% Relief.
Clows Top Victory Hall	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Bewdley Girl Guides Association	Requesting that the Authority look on them as favourably as possible in the amount of Discretionary Rate Relief awarded. Also appreciate the consideration they have received in the past.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Kidderminster Harriers Social & Supporters Club	Although called a Social Club they have table tennis, indoor bowling, ballroom and sequence dancing (no other venue large enough), local darts, crib and dominoes, and many other sport organisation meetings and social events.	Receive 50% under the current scheme, under the proposed new scheme do provide significant indoor sports facilities so would continue to be eligible for the 50% Relief.
15th Kidderminster Scout Group	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Blakedown Recreation Room	Would like Authority to continue to award current level of rate relief from 2014 onwards.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Potteries Omnibus Preservation Society	Although main museum collection is outside the Wyre Forest district, the preserved vehicles do attend local events mainly in connection	Will continue to receive 80% Mandatory Relief, however under the proposed new scheme would no longer be entitled to the 20%

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Organisation	Response	Officer Recommendation
	with the Severn Valley Railway. Not formally open to the public. Requesting if local interaction could be considered and a percentage of the discretionary rate relief be awarded.	Discretionary Rate Relief. No change to the scheme proposed.
St Michaels Scout Group	Querying whether they would still receive the 80% Mandatory Relief or only between 0-20% Discretionary Rate Relief in future.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Wolverley Playing Fields Association	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Our Way Self Advocacy	Querying how the proposed scheme would affect their entitlement. Struggling to survive currently and if they lose relief may not be able to continue offering support to over 250 vulnerable people with learning disabilities. Wish to register grave concern that this may result in the loss or reduction in their valuable work.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
The Far Forest Society	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Wolverley Memorial Hall Sports and Social Club	Querying how the proposed scheme would affect their entitlement.	They would comply with the new proposed scheme, which would make no difference to their 50% entitlement.
	Querying as they have name only as Social Club not Sports and Social Club. On looking at assessment it is a bowling green so amended name.	On description of assessment under the new proposed scheme they would continue to receive 50% Discretionary Rate Relief.
Wolverley Memorial Hall	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Areley Kings Village Hall	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Mid-Severn Sea Scout Group	Querying how the proposed scheme would affect their entitlement.	Still entitled to 80% Mandatory Relief and they would comply with the new proposed scheme, which would make no difference to their entitlement.
Pound Green and Button	Querying how the proposed	Still entitled to 80% Mandatory Relief

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<b>Organisation</b>	<b>Response</b>	<b>Officer Recommendation</b>
Oak Community Hall Trust	scheme would affect their entitlement.	and they would comply with the new proposed scheme, which would make no difference to their entitlement.