

OXFORD CITY COUNCIL
Executive Board
12th December 2005

Report of: Business Manager, Revenues and Benefits

Title: Business Rates – Discretionary Relief for Charities

Ward: all

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Key Decision: No

Lead Member: Councillor Alex Hollingsworth

Scrutiny responsibility: Finance and Performance

RECOMMENDATIONS

That the Board agrees the proposed continuation of the policy not to agree concessionary Business Rates for Charities above the 80% already agreed.

1. Background.

The Local Government Finance Act 1988 sets out a scheme of Discretionary and Mandatory relief that Councils apply to National Non-Domestic Rates (NNDR, or 'Business Rates').

The Council's Constitution requires the Strategic Director (Finance) to draw up and implement a policy for the applying of such relief. Earlier this year the Executive Board agreed a scheme for the application of mandatory, hardship and discretionary relief for Business Rates. The board also noted they would receive a further report concerning options for "topping up" mandatory relief for charities.

2. The Act and Possible Relief

2.1 Mandatory Relief

Charities and registered Community Amateur Sports Clubs are entitled to Mandatory Relief from rates.

Section 43 of the Local Government Finance Act 1988, gives billing authorities the provision to award Mandatory Relief of 80% providing the following conditions are satisfied.

- i) The property must be wholly or mainly used for Charitable purposes and the institution or organisation must be established for charitable purposes only (whether of that charity or of that and other charities).
- ii) The occupiers of the non – domestic property are registered charities or trustees for a charity under the Charity Act 1993 or exempt from Charitable status.
- iii) In the case of charity shops, use of the premises must be wholly or mainly for the sale of goods donated to the charity and the proceeds of the sale (after deductions for expenses) applied for the purposes of the charity.

Mandatory Relief for charities and similar organisations at 80% of rates payable is fully centrally funded and billing authorities are not required to pay the amount awarded into the national rate pool. The Council may ‘top-up’ the relief awarded to 100% by granting Discretionary Relief.

It is this Discretionary relief that is the subject of this report.

2.2 Discretionary Relief

Section 47 of the Local Government Finance Act 1988, gives the billing authority the power to award Discretionary Relief providing one or more of the following conditions are satisfied.

- i) The ratepayer is a charity or charity trustees and the property is wholly or mainly used for charitable purposes (whether of that charity or of that and other charities).
- ii) The property is not an excepted hereditament (one in which all or part of the property is occupied by a billing or precepting authority) occupied by a non-profit making institution or organisation whose main object is charitable, philanthropic, religious or concerned with education, social welfare, science, literature or the fine arts.
- iii) The property is not an excepted hereditament, and is wholly or mainly used for recreation where the occupier is a non-profit club, society or other organisation.

Discretionary relief only applies for periods when the billing authority has taken a decision to grant it for the property.
The Council is required take into account the contribution the organisation makes to the local community and should be satisfied that the organisation is working to meet an identifiable social need.

3. Current Practice

The Council does not have an agreed policy on the granting of discretionary “top up” relief for charities.

Historically, the position has been taken that the Council does not apply discretionary relief to those premises receiving 80% relief. In this way the maximum relief offered is 80% (i.e. the mandatory rate).

There are a number of organisations that have been granted discretionary relief up to 80% (for example, some Sports clubs) as they meet the criteria. All these cases are under review as reported to Executive Board in the earlier report.

We have now received requests from a number of charities to “top up” this discretionary relief by a further 20%

Financial implications for The Council

The financial implications of granting discretionary relief to charities are detailed in the following table:-

Type of Relief	Maximum Relief	Cost to Pool	Cost to General Fund
Charity	Mandatory 80%	100%	NIL
Discretionary	100%	25%	75%

The cost to the Council of discretionary relief would therefore be 75% of the total.

There are 455 properties in receipt of 80% Business Rate Mandatory relief and at March 2005 the cost of this relief was £10.4m, all funded from the Central Government Pool.

We have received applications from 9 charities for the 20% discretionary relief, the total cost of which would be £33,000, with the largest payment being £21,000.

However, it is likely that if discretionary “top up” relief for these properties was agreed we would receive applications from a large number of other organisations.

Whilst we have no way of assessing which of the current 455 properties are occupied by charities it is possible a number of them will be. If all these properties were to be given a further 20% discretionary relief the total would be £2.6m of which £1.95m would fall on the General fund.

The actual number of applications, and hence cost, is therefore not quantifiable other than to say the costs to the Council will be up to £1.95m.

Council Community Centres

There are a total of 17 properties that are in receipt of the full 20% "top up" discretionary relief. The total relief is £19300 with a cost to the Council of £14,500. All these properties are Community centres in the city.

This arrangement was agreed by the Finance and Amenities and Recreation Committees in 1996/7. This is clearly an anomaly in the way the Council administers Business Rates relief.

If the additional 20% relief for Community Centres was to be ended then the additional cost to the Neighbourhood Renewal budget would be £4825. We are required to give 12 months notice of any change so this costs would arise from 2007/8.

4. Proposals

Because of the uncertainty of cost and the implementation of discretionary relief for charities it is proposed to refuse all requests for "top up" discretionary relief for Business Rates. This confirms current practice.

It is also my view that in the interests of equity the 20% "top up" currently agreed for Community Centres should end from 2007/8. The cost to the Council of such a decision would be £4825 (i.e. the element currently funded by the central pool.)

5. Recommendations

1. That the Board agrees the proposed continuation of the policy not to agree concessionary Business Rates for Charities above the 80% already agreed
2. That in the interests of equity the 20% additional Business Rate relief, agreed by committee in 1996/7, for Community Centres be ended from 2007/8 at an additional cost to the Council of £4825 per annum from 2007/8.

This report has been seen and approved by

Imogen Wooder, Legal and Democratic Services
Mark Luntley, Strategic Director
Councillor Alex Hollingsworth