

# CHESHIRE EAST COUNCIL

## CABINET

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**Date of meeting:** 2 December 2008  
**Report of:** Interim Chief Finance Officer  
**Title:** Discretionary Rate Relief Policy

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### **1.0 Purpose of Report**

- 1.1 To establish a discretionary rate relief policy for Business Rates in respect of charitable and non-profit making organisations, rural businesses and hardship cases.
- 1.2 Applications and individual decisions need to be made prior to billing for 2009/10 to ensure that reduced bills can be issued.

### **2.0 Decision Required**

- 2.1 To agree the policy detailed in Appendix A for charitable, non-profit making and rural applications.
- 2.2 To agree the rural settlement list detailed in Appendix B.
- 2.3 That applicants applying for discretionary relief only and with a rateable value below £10,000 be required to apply for Small Business Relief.
- 2.4 To award delegated powers to the Borough Treasurer & Head of Assets to determine applications in accordance with the agreed policy.
- 2.5 That consideration is given to allow applicants who would receive less relief under the new policy to retain their existing award until any future change in circumstances.
- 2.6 That applications that fall outside the agreed policy to be determined by the Borough Treasurer & Head of Assets in conjunction with recommendations from senior revenues officers.
- 2.7 That appeals against either a decision not to award relief or the level of relief awarded be considered by the Borough Treasurer & Head of Assets in consultation with the Portfolio Holder for Resources. If still not resolved, the case should be considered by Cabinet and appropriate amendments made to the policy if required, following the decision.
- 2.8 That all applications for hardship relief are considered on a case by case basis by the Borough Treasurer & Head of Assets in consultation with the Portfolio Holder for Resources and any appeals to be considered by Cabinet.

### **3.0 Financial Implications for Transition Costs**

- 3.1 Minimal but all existing applicants will have to be advised of the new policy and invited to make fresh applications.

### **4.0 Financial Implications for 2009/10 and beyond**

- 4.1 Actual amounts for 2009/10 are not yet available as the Business Rates multiplier has not been confirmed. However, based on 2008/09 costings, the total amount of discretionary relief awarded, if the categories were harmonised between the three former authorities, would be in the region of £278,000 at a cost of £143,000 to Cheshire East (the remainder is funded by Government). This represents a saving of around £9,000.
- 4.2 If it was decided to allow existing applicants to maintain their current levels of relief, rather than losing out, this would mean an additional £47,000 being awarded at a cost of £25,000. Consequently to offer this protection would only result in extra costs of £16,000.
- 4.3 If all applicants within a particular category were to be awarded the highest level of relief, this would cost the authority an additional £285,000.

### **5.0 Background and Options**

#### **5.1 Rate Reliefs Available**

**Small Business Rate Relief** - this is a statutory scheme introduced in 2005 and billing authorities have no discretion to vary the amount awarded. Small Business Relief (SBR) is available for ratepayers occupying single properties with a rateable value up to £10,000. Ratepayers whose rateable value is below £5,000 receive 50% relief, whilst those with a rateable value between £5,000 and £9,999 receive relief on a sliding scale which decreases for 1% for every £100 of rateable value. Ratepayers occupying properties with a rateable value over £15,000 or those not eligible for SBR pay a supplement to fund the scheme. Ratepayers in single properties with a rateable value between £10,000 and £15,000 can apply not to pay for this supplement. All relief granted is funded in full by the Government.

**Discretionary Rate Relief** - there are 3 types of discretionary rate relief that authorities can award:

- Relief for Charitable and Non-profit making organisations
- Rural Settlement Relief
- Hardship Relief

**Charitable and Non-profit making organisations** - registered charities (including those exempt from registration) and registered Community Amateur Sports Clubs (CASC's) receive 80% mandatory relief, funded in full by Government. Authorities can award a 'top up' of anything up to 20% of which only 25% is funded by Government with the remaining 75% funded locally.

Non-profit making organisations including sports clubs can apply for up to 100% discretionary relief. 75% of this relief is funded by Government with 25% funded locally.

**Rural Settlement Relief** - authorities have to draw up a rural settlement list based on rural communities of 3000 population or less in a designated rural area (outlined by statute). Certain properties in those areas can apply for relief:

Sole General Store or Post Office with a rateable value (RV) of £7,000 or lower	50% mandatory	up to 50% disc
Sole Public House or Petrol Filling Station with a RV of £10,500 or lower	50% mandatory	up to 50% disc
Any food shop (other than catering or confectionary) with a RV of £7,000 or lower	50% mandatory	up to 50% disc
Any other business with a RV of £14,000 or lower	-	up to 100% dis

To qualify for discretionary relief, the authority must be satisfied that the property is used for purposes which are of benefit to the local community and it would be reasonable to award relief, having regard to the interests of people liable to pay its Council Tax. 75% of any discretionary relief is funded by the Government with 25% funded locally.

**Hardship Relief** - Section 49 of the Local Government Finance Act 1988 gives a billing authority power to reduce or remit the amount of Business Rates a person is liable to pay. They must be satisfied that:

- the ratepayer would sustain hardship if the authority did not grant relief and
- it is reasonable to grant relief, having regard to the interests of people liable to pay its Council Tax

75% of relief is funded by Government with 25% funded locally.

## 5.2 Current Situation

Across the three existing authorities, there are 459 Charitable Relief cases, 97 Non-profit making cases and 34 Rural Settlement Relief cases. £3.8m is currently being awarded, of which £289,000 is discretionary, costing the authorities £152,000.

The three existing authorities deal with applications in different ways. At Crewe and Nantwich, applications are decided by Senior Officers in accordance with a policy resolved by members. At Congleton, decisions are usually made by the Portfolio Holder (Resources) although the Chief Financial Officer can make some decisions. All cases at Macclesfield are considered by a Members Revenues Panel. Hardship applications are considered on a case by case basis in all authorities – at Congleton and Macclesfield these are decided by Members, at Crewe and Nantwich delegated powers have been given for decisions to be made by the Executive Director (Finance) in consultation with the Portfolio Holder (Finance).

## 5.3 Details

When drawing up a proposed policy for Cheshire East, categories have been identified for common areas of applications and possible levels of discretionary relief have been suggested – see appendix A. As far as possible, this has been

done by comparing existing awards given by the 3 authorities. Rateable Value (RV) limits have been used in some categories to differentiate between smaller and larger organisations. For properties such as museums, the charging of admission has been used to ensure the smaller trusts are not treated in the same way as larger organisations. Sports Clubs have all been categorised by RV and their operation (or not) of a licensed bar. In all categories, local is defined as any charity or organisation whose area of operation is limited to Cheshire and/or where accounts are prepared just for the local branch. The wider definition for the whole of Cheshire should take into account some charities that operate on the fringes of the Cheshire East area but are of benefit to Cheshire East residents e.g. hospices.

Discretionary only cases have all been categorised by RV using £10,000 as the divider, the same as the legislative qualification for Small Business Relief (SBR). Applicants with RV's below £10,000 will be required to apply for SBR before the full entitlement is given (see category summary for details) which will result in savings for Cheshire East. SBR is applied first to cases and funded in full by Government (relief varies from 50% down to 0.1%, depending on RV) and hence any awards of discretionary relief will be lower (e.g. if someone receives 50% SBR, their award of 100% discretionary relief will only be on the remaining 50%).

In addition, cases have been identified where applicants will lose relief and consequently it has been assumed that protection for these will be required and this is reflected in the costings shown on Appendix A. This protection will continue until there is a change in circumstances for the applicant.

### 5.4 **Costs**

Spreadsheets are available showing all cases and the indicative costs of the proposed policy compared to current awards. Costings are based on RV x 2008/09 multiplier for ease and speed of calculation, and take no account of transitional relief or current awards of SBR. There is a summary sheet (Appendix A) which includes cases where full protection is offered for any applicants who are potentially worse off, which adds around £25,000 to the total cost for the authority.

Costings have also been drawn up to show the additional amounts that would become payable if the largest percentage of the 3 authorities in each category was used e.g. the new policy recommends 25% be given to large sports clubs with a bar (category 23) but one authority currently awards 75% to those. If the higher percentage were awarded in all categories there would be an extra cost of £285,000 to Cheshire East.

### 6.0 **Overview of Day One, Year One and Term One Issues**

A policy needs to be established prior to the 2009/10 financial year to ensure that existing applicants can be informed of the new policy and invited to make fresh applications to the Cheshire East Council. They have all been informed that their existing awards will cease at 31 March 2009 (as required by legislation) and understandably, many of them are concerned about what they may have to pay in the new financial year. An early decision will also allow time for applications to be sought, processed and correct bills issued during March 2009.

## **7.0 Reasons for Recommendation**

To be able to maintain assistance to charitable, non-profit making organisations and rural businesses, by establishing a Discretionary Rate Relief policy.

### ***For further information:-***

*Portfolio Holder: Councillor F Keegan*

*Officer: Barry Cooper*

*Tel No: 01270 537173*

*Email: [barry.cooper@crewe-nantwich.gov.uk](mailto:barry.cooper@crewe-nantwich.gov.uk)*

### ***Background Documents:-***

*None*

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