

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

07 January 2009

Joint Report of the Director of Finance and the Cabinet Member for Finance

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 DISCRETIONARY RATE RELIEF AND RURAL RATE RELIEF – REVIEW OF SCHEMES

A report advising Members of the details of the current policy used for the determination of grants of rural rate relief and the criteria used to determine grants of discretionary rate relief. The report, at the request of Members, also advises on proposed changes to the existing policies which may achieve an overall budget saving whilst at the same time maintaining relief for particular classes of organisation.

1.1 Background

- 1.1.1 The legislation governing the billing and collection of non-domestic rates permits local authorities to reduce the amount of non-domestic rates payable by certain organisations in certain circumstances. Such organisations fall, broadly, into two categories: non profit-making bodies, such as charities, and businesses that are located in rural areas. Although part of the cost of any relief granted to such organisations and businesses is reimbursed to local authorities, **some of the cost has to be met by the local authority**. The cost of such relief to a local authority is ultimately borne by the council tax payers of the authority through the council tax that they pay.
- 1.1.2 Members will be very aware of the difficult budget position that the Council finds itself in and the consequential need to identify and achieve significant savings. As a result, all parts of the Council's budget were analysed and areas in which savings might be possible were identified. At the meeting of Cabinet on 2 April last year it was resolved that your Board should review the existing grants of discretionary relief (including rural rate relief) with a view to ascertaining whether any savings could be made.
- 1.1.3 As a result of Cabinet's decision, we reported to your Board on 21 May last year suggesting that, as individual grants of relief had already been reviewed within the last two years, it would not be profitable to re-consider the merits of each case. We therefore recommended that Members consider whether there should be a

general, percentage reduction in the amount of all awards of relief or, in the alternative, a reduction in the amount of relief given to particular types of organisation. Having considered our report, it was decided (decision D080093MEM refers) that officers be invited to investigate, and report back on, the feasibility of achieving an overall budget saving, together with a review of the classes of organisation in receipt of different levels of discretionary relief. This was with a view to enabling the most appropriate levels of support to be maintained.

- 1.1.4 We duly reported back to your Board on 1 October last year and gave Members a range of options as to how savings could be made. Following consideration of our report, it was decided (decision D080163MEM refers) that further information should be sought, and reported back to your Board, in relation to (1) the application of the overall rural rate relief policy and (2) details of the organisations in receipt of discretionary rate relief in terms of such matters as whether they are the sole facility in their locality and the extent to which they contribute to this Council's key priorities.

1.2 Introduction

- 1.2.1 As a result of the decisions made in May and October, we have reviewed the rural rate relief policy and have collated further details of the organisations in receipt of discretionary rate relief. These two matters are dealt with separately in the following paragraphs.

1.3 Rural rate relief policy

- 1.3.1 The current policy to be used when considering applications for rural rate relief is attached at **ANNEX 1**.
- 1.3.2 A list showing the current grants of rural rate relief is attached at **ANNEX 2**. This list also shows the cost to the Council of the grants of rural rate relief. At previous meetings of your Board, Members indicated that they were uncomfortable with some of the grants of relief, albeit that the grants were consistent with the existing rural rate relief policy. A draft, revised policy is therefore attached at **ANNEX 3** for Members' consideration.
- 1.3.3 Were Members to adopt the revised policy, some of the businesses currently benefiting from grants of discretionary rural rate relief might no longer be eligible, thereby potentially saving the Council part of the current cost of relief of £9,322.47 per annum. However, Members should be aware that, because any withdrawal of relief can take effect only if the business has been given one year's notice of the withdrawal of relief, any saving will accrue only from the financial year commencing 1 April 2010.

1.4 Discretionary rate relief

- 1.4.1 The current criteria used by Members when determining applications for discretionary rate relief are attached at **ANNEX 4**.
- 1.4.2 We have considered each grant of discretionary rate relief in terms of the decision made in October last year (see Para. 1.1.4. above). As a result, we attach at **ANNEX 5** a schedule showing all the organisations currently in receipt of a grant of discretionary rate relief and the cost of each grant to the Council. The schedule also shows if the organisation:
- 1) is a registered community amateur sports club;
 - 2) has members;
 - 3) gives discounts to members;
 - 4) meets one or more of this Council's key priorities;
 - 5) is the sole facility in its area.
- 1.4.3 Where one of the above factors appears to apply to the organisation, we have indicated the fact by placing a 'Y' (for 'yes') against the organisation. Where all the above factors appear to apply to the organisation, then the organisation will 'score' five 'Y's. We have then ordered the organisations on the schedule according to the number of 'Y's obtained. Members will observe that the cost of relief to those organisations 'scoring' three, four or five 'Y's exceeds £23,000.00 and to those 'scoring' zero or one, just over £33,000.00.
- 1.4.4 Members might, of course, have greater knowledge of the organisations listed. If Members wish to change any of the scores, we will take account of any revisions during the meeting.
- 1.4.5 Subject to Members not wishing to increase or decrease the 'score' of any particular organisation, we believe it would be appropriate for Members to recommend to Cabinet that those organisations 'scoring' less than three should be advised that their relief will cease as at 31 March 2010 and that those organisations 'scoring' three, four or five, should continue to receive relief.
- 1.4.6 We believe that this approach could form the basis of a new set of criteria for determining applications for discretionary rate relief. Accordingly, we have updated the existing criteria to form a new policy. This is attached at **ANNEX 6** and we recommend that this be adopted with immediate effect.

1.5 Legal Implications

- 1.5.1 The granting, or otherwise, of relief, is a discretionary action and the only legal implication would be a challenge by way of judicial review if someone were unhappy with a decision. Such a challenge can only succeed if it could be demonstrated that the Council had acted unreasonably.

1.6 Financial and Value for Money Considerations

- 1.6.1 A reduction in the cost of discretionary rate relief was identified as a possible budget saving. Should Members not agree to reduce the cost, then it will be necessary to identify savings elsewhere. Furthermore, in order to achieve any savings as from the 2010/2011 financial year, it will not be possible for the matter to be considered by a future meeting of your Board.

1.7 Risk Assessment

- 1.7.1 Any withdrawal of financial assistance from an organisation carries the risk that the work of the organisation will be adversely affected. However, as has been mentioned, an organisation must be given one clear financial year's notice of any withdrawal of, or decrease in, relief. This allows the organisation time to re-arrange its financial affairs. Members will, of course, appreciate the possibility of adverse publicity that might attend any change to the amount of awards of relief. However, Members will no doubt also bear in mind the risk to the Council's wider budgetary position, and the possible effect on all of the Council's council tax payers, if the value of awards of relief does not decrease.

1.8 Recommendations

- 1.8.1 Members are **REQUESTED** to **RECOMMEND** to Cabinet that:

- 1) The amended rural rate relief policy, as shown at **ANNEX 3**, be adopted with immediate effect;
- 2) Subject to the adoption of the amended rural rate relief policy, all awards of discretionary rural rate relief be terminated as at 31 March 2010 and that the Director of Finance be instructed to write to the affected businesses inviting them to re-apply for relief if they consider that they meet the criteria contained in the revised policy;
- 3) The amended discretionary rate relief policy, as shown at **ANNEX 6**, be adopted with immediate effect;
- 4) In respect of the organisations as identified by the Advisory Board scoring less than three (paragraph 1.4.5 refers), discretionary rate relief be terminated as at 31 March 2010 and that the Director of Finance be instructed to write to the affected organisations to advise accordingly.

2 APPLICATIONS FOR DISCRETIONARY RATE RELIEF

2.1 Cobdown Sports & Social Club

- 2.1.1 Members will recall that a re-application for relief was refused by your Board on 21 May last year as CASC status had still not been obtained.
- 2.1.2 A further request to reconsider this decision has been received; however, as CASC status is still pending, the Director of Finance has decided to hold this in abeyance to the next meeting of your Board on 4 March. The reply to the club is shown at **ANNEX 7**.
- 2.1.3 Members will note that the Director of Finance has also agreed to suspend the January direct debit instalment of £2,977.00 to assist the club during the winter period.

The Director of Finance confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

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Nil

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