

Business Rates

Policy for the award of Mandatory and Discretionary Rate Relief

PART 1 – CONTEXT

1. Introduction

Many of the local businesses and organisations within the Arun District provide facilities which encourage and support our residents in improving the quality of their lives. For this reason, the Council wants to support these businesses in order that they can continue to provide these facilities to the local community

The Council recognises that non-domestic rates can often be a significant expense in the running of an organisation and by reducing that expense, the Council can indirectly grant some of these organisations.

The Local Government Finance Act 1988 (LGFA), as amended, allows for reductions in the amount of rates payable to certain non-domestic properties, through two types of relief, Mandatory and Discretionary. If an organisation meets the legal requirements for mandatory relief, the authority must award it. However, it is the Council's discretion what amount, if any, discretionary relief is awarded. This policy aims to set out the factors the Council will consider when making decisions.

2. Objectives

The Council will formally review the operation of their discretionary relief policy annually. It is considered good practice that the policy is reviewed regularly to take into account any changes in legislation and to ensure that the policy meets the Council's current corporate priorities.

It has also been created to ensure:

- there are guidelines for the factors that should be considered when making decisions
- the application process is easier for our customers by setting out the legal requirements and the local criteria that must be met in order for applications to be considered
- all rate payers making applications for relief are treated fairly and consistently
- the interests of our council tax payers are considered in the decision making process

3. What is Mandatory Rate Relief?

Under Section 43 of the LGFA 1988, where the occupiers of a non domestic property are a charity or trustees for a charity (whether registered with the Charity Commission or exempt from registration), they are entitled to **80%**

mandatory relief. However, in order to qualify for such a relief, the following criteria must be met:

- The property must be wholly or mainly used for charitable purposes only. This can include a **charity shop** where the property is used wholly or mainly for charitable purposes at any time, if at the time it is wholly or mainly used for the sale of donated goods and the proceeds of the sale of those goods (after any deduction of expenses) are applied for the purposes of a charity.
- The ratepayer is a club (either registered or exempt from registration) for the purposes of Schedule 18 of the Finance Act 2002 (community sports club) and the building is used for the purpose of that club or that and another registered club.

Sports clubs registered with the Inland Revenue as a Community Amateur Sports Club (CASC) are also entitled to relief from rates on any non domestic property that is wholly or mainly used for the purposes of that club, or that club and other such registered clubs. More information about CASC's, can be found on the Inland Revenue's webpage at www.cascinfo.co.uk

The date of registration with the Charity Commission will be taken as the effective date for mandatory rate relief as this will be taken as the conclusive evidence as to charitable status.

Some bodies described in section 3(5) of the Charities Act 1993, are excepted from registration or, as comprised in Schedule 2 of the Charities Act 1993, are exempt charities, **may** also be eligible for mandatory relief. However, any charity in respect of any registered place of worship (under the Places of Worship Registration Act 1855) is exempt from rates under paragraph 11 of Schedule 5 to the LGFA.

For more information on exempt charities, please refer to the Charity Commissions leaflet - Exempt Charities (CC23) which can be viewed and printed from their website at www.charity-commission.gov.uk

4. Discretionary Rate Relief for Charities and Non-Profit Making Organisations

4.1 Legal Background

Although charitable organisations are eligible for 80% mandatory relief, this relief can be topped up by up to **20% discretionary relief** under Section 47 of the LGFA 1988, thereby awarding 100% relief.

Where the organisation does not qualify for Mandatory Relief, the Council is still able to consider awarding discretionary relief, also under Section 47 of the LGFA 1988. The Council has the discretion to award relief of up to 100% to certain non-profit making organisations.

4.2 Legislative Requirements

Authorities **cannot** grant discretionary relief from rates payable on a property, all or part of which is occupied by a billing authority or a precepting authority, unless that authority is acting as a trustee.

In order for consideration to be given for discretionary relief, the ratepayer must either:

- be a non-profit making organisation whose main objectives are charitable, philanthropic or religious, or concerned with education, social welfare, science, literature or the fine arts

or:

- be a club, society or other organisation not established for profit where all or part of the building is used for the purposes of recreation

Applications which do not meet the above conditions will be refused without further consideration.

Entitlement to Discretionary Rate Relief is reviewed annually. The Local Authority is required to give a full financial year's notice before any award of Discretionary Rate Relief is cancelled.

N.B. Groups/organisation who deal with young people (aged 17 or under) must have a child protection policy in place to qualify for Discretionary Rate Relief.

4.3 Eligibility Criteria

Where an organisation meets the legislative conditions above, the level of relief will also be determined on the local criteria. The Council is responsible for the cost of a percentage of any discretionary relief and for this reason, it must consider the interests of its council tax payers when making decisions that use public funds. To be eligible for any award all organisations must be able to demonstrate that they also:

- deliver services wholly or mainly to local residents (i.e. located in the Arun District)
- are not administered by a government body
- spend any funds for the benefit of the local community
- make their property available free or at minimal charge to the public
- are able to meet at least one of the following Council priorities:
 - Improvement in the quality of life for residents living in the most disadvantaged areas of the district (which include the wards River , Ham, Wick with Toddington, in Littlehampton, and Marine, Hotham, Bersted, Orchard and Pevensey in Bognor Regis)
 - Increased level of skills and educational attainment of those living in the district
 - Be part of a multi-agency approach to delivering services for children and young people

- Address the most significant health issues and inequalities in the particularly for the most frail and vulnerable people within our community
- Supporting community integration

NB Although an organisation may meet all of the conditions for entitlement, the Council cannot guarantee that 100% relief will be awarded, as it has to continually consider the impact each award has on the budget. The Council wants to support all businesses that meet the criteria and for this reason, may need to reduce any award.

4.4 Duration of Awards

Awards will only be granted up to the 31st March of the financial year to which the award relates, therefore, only having effect for one financial year. Continuation of relief will be subject to a new application.

4.5 Backdating

Where a decision on an application is made between the 1st April and 30th September in a financial year, the decision can be backdated to have effect for the financial year previous. If this was to happen, the decision could have effect for two years due to the duration of awards as explained

PART 2 - LEVEL OF AWARD

1. General guidelines for determining Discretionary Rate Relief:

- Organisations must provide a clear and precise statement on how they contribute towards Arun 's priorities in order to be considered
- Organisations must be able to demonstrate that they encourage access by particular groups in the community e.g. young people, vulnerable, disabled
- It is unlikely that an application for Discretionary Rate Relief will be successful where the accounts of that organisation reveal surpluses of income over expenditure or substantial general reserves in excess of one year's operating costs that are not set against a specific project to be spent over the next few years
- Organisations commissioned by the Council to deliver core services to the community will be eligible for maximum relief under the scheme
- Organisations that provide open access and/free or minimal entry costs to Arun residents will be given higher priority than organisations providing restricted access and/or charging a membership fee
- National or Regional Organisations who run commercial enterprises such as shops will have to demonstrate how its charity benefits the residents of Arun. A statement may have to be provided as to how proceeds go to support named local charities.
- It will be expected that all sports and leisure clubs will be registered with the Inland Revenue as a Community Aided Sports Club (which entitles them to the 80% Mandatory Rate Relief). Therefore sports and leisure clubs will only receive a proportion of the 20% Discretionary Rate Relief

2. Determining the level of relief

When determining the level of relief, if any, that is awarded, the Council will consider each application under one of the following four categories:

Category 1 – Charitable organisations currently receiving core grant funding from Arun

Will be awarded the following:

- a) 80% Mandatory Relief
- b) 100% of the remaining 20% Discretionary Relief

Category 2 – Community organisations that provide open access to their premises and do not charge or charge a minimal membership fee

Will be awarded the following:

- a) 80% Mandatory Relief
- b) A maximum of 75% of the remaining 20% Discretionary Relief

Category 3 – Organisations that provide restricted access to their premises and/or charge a membership fee

Will be awarded the following:

- a) 80% Mandatory Relief
- b) A maximum of 25% of the remaining 20% Discretionary Rate Relief

Category 4 – Non-Profit Organisations, Community Interest Companies, Clubs and Societies (with no charitable status)

Will be awarded the following

- a) Not eligible for Mandatory Relief
- b) A maximum of 75% of the total rate bill (Discretionary Rate Relief)

Applications from categories 2,3,and 4 will be scored as follows:

Criteria	Percentage %
Open access to premises – free or minimal entrance fee for all	50%
Meeting Arun District Council's priorities	Up to 15%
Actively encourages particular groups in the community e.g. young people, vulnerable, disabled	Up to 10%