

MAYOR AND CABINET			
Report Title	Discretionary Rate Relief Policy Review		
Key Decision	Yes	Item No.	
Ward	All		
Contributors	Executive Director for Community Services, Executive Director for Resources and Regeneration, Executive Director for Children & Young People, Executive Director for Customer Services, Head of Law		
Class	Part 1	Date:	11 January 2017

1. Purpose

- 1.1 The purpose of this report is to feedback on the review of the council's discretionary rate relief policy, and recommend some changes to the policy.

2. Recommendations

- 2.1 It is recommended that the Mayor
- note the contents of the review
 - agree the revised policy as set out in appendix 2
 - agree the recommendation to delegate authority to the Executive Director for Community Services to award discretionary rate relief to organisations on the Cultural and Leisure sector list for the next 3 years; as detailed in 10.4

3. Policy Context

- 3.1 Lewisham's Sustainable Community Strategy 2008-2020, 'Shaping our Future', sets out six strategic priorities, including a commitment to creating a borough that is "Empowered and Responsible: where people are actively involved in their local area and contribute to supportive communities".
- 3.2 This is reflected in Lewisham's corporate priorities: "Community leadership and empowerment: developing opportunities for the active participation and engagement of people in the life of the community".
- 3.3 Lewisham has a strong history of working with the voluntary and community sector and empowering residents and communities. Lewisham is fortunate to have a strong and thriving sector which ranges from very small organisations with no paid staff through to local branches of national charities. The sector includes charities, not for profit companies limited by guarantee, faith organisations, civic amenity societies as well as social enterprises. What all these organisations have in common is their ability to bring significant additional value to the work that they do through voluntary support and raising funds from sources not available to other sectors such as charitable trusts.
- 3.4 A number of these voluntary and community sector organisations occupy buildings and are therefore liable to pay business rates.

4. National non domestic rates (business rates)

- 4.1 National non domestic rates (NNDR or better known as business rates), collected by local authorities, are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, a proportion of the business rates paid is kept locally by the Council.
- 4.2 Every five years all non-domestic (business) properties are assessed and given new rateable values. The most recent revaluation took effect from 1 April 2010, and the next revaluation is expected in 2017.
- 4.3 There are currently a number of different reductions available for business rates in Lewisham, as follows:
- Transitional relief - property values normally change a good deal between each revaluation. Transitional arrangements help to phase in the effects of these changes by limiting increases in bills. To help pay for the limits on increases in bills, there also have to be limits on reductions in bills. Under the transition scheme, limits continue to apply to yearly increases and decreases until the full amount is due (rateable value times the appropriate multiplier).
 - Empty properties - Business rates will not be payable in the first three months that the property is empty (six months for certain industrial properties). After this period, empty rate is payable at the full rate. There are a number of exemptions such as listed buildings and land used as storage. Properties with a rateable value of less than £2,600 are also exempt.
 - Partly occupied property relief - A ratepayer is liable for the full non-domestic rate whether a property is wholly occupied or only partly occupied. Where a property is partly occupied for a short time, the Council has discretion to award relief in respect of the unoccupied part.
 - Hardship relief - This discretionary relief can be granted by the Council if hardship is experienced and the business is considered to be important to the local community.
 - Small business rate relief - This relief supports small businesses who generally occupy only one property. Relief is available at 100% for eligible properties up to £6,000 rateable value and relief gradually decreases to 0% for properties with a rateable value at £12,000. The availability of this relief is subject to central government funding and is confirmed until 31 March 2017. All properties under £18,000 (£25,500 in Greater London) are considered a small business and rates are calculated using the small business multiplier instead of the standard one.
 - London Living Wage employers – this is available to Lewisham-based businesses who become accredited with the Living Wage Foundation between 1 April 2016 and 31 March 2017, and offers a one-off discount of up to £5,000 dependent on the type of organisation and number of employees.
 - Charity and discretionary relief - Charities are entitled to an 80% reduction in their bills. The Council has the discretion to grant relief in other circumstances, and it is this that this report is concerned with.

5. Discretionary rate relief

- 5.1 Under Section 47 of the Local Government Finance Act 1988 (LGFA) billing authorities have discretion to grant rate relief to certain ratepayers (certain types of charitable and non-profit organisations) from all or part of the non-domestic rates payable.

5.2 The Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to replace the limited circumstances in which local authorities can currently give discretionary relief with a power to grant relief in any circumstances.

5.3 The cost of granting discretionary rate relief varies according to the circumstances. Since April 2013 the following split in who is liable applies:

Type of relief	% funded by council	% funded by central government
Mandatory relief for charities and community amateur sports clubs (CASCs) (80%)	0%	100%
Up to 20% discretionary relief to top up mandatory	50%	50%
Up to 100 % discretionary relief for other eligible organisations	50%	50%
Up to 100% discretionary relief for businesses or profit organisations (under Localism Act powers)	100%	0%

5.4 Should a local authority choose to award discretionary rate relief under the Localism Act powers to a business or profit organisation the Council will bear the full 100% cost.

6. Background to discretionary rate relief policy

6.1 Prior to 2013, Lewisham did not have a published policy for the allocation of discretionary rate relief.

6.2 There were a number of drivers for developing a policy for the allocation of discretionary rate relief to the voluntary and community sector. These included the following:

- a desire to provide a transparent and equitable process; awards had been made largely on a historical basis previously
- many organisations had been awarded discretionary rate relief for years without review
- new applications were turned down due to insufficient budget
- the changes to the formula used to determine the percentage the council pays provided an opportunity to review the available budget
- the Localism Act allowed the council to award discretionary rate relief in any circumstances
- over subscription for the budget available required an equitable approach to ensure fair use of the limited funds

6.3 Following consultation, the new policy was agreed by Mayor & Cabinet on 23 October 2013. It was agreed that the policy would be subject to review.

7. Discretionary rate relief policy

7.1 The policy implemented in 2013 is attached in appendix 1.

- 7.2 In summary it is split into three parts, with a different approach for each of the following sectors:
- community organisations
 - museums
 - schools
- 7.3 For community organisations, the policy states that only organisations eligible for mandatory relief (80% relief funded by central government) can be awarded discretionary rate relief. This restricts relief to registered charities and community amateur sports clubs (CASCs) only; and would mean the 20% 'top-up' would be paid. The policy sets out a number of exclusions to this eligibility, including charity shops, housing associations, and buildings used for worship. Eligible organisations need to fulfil some general criteria including ensuring they benefit primarily Lewisham residents. The discretion to pay the full 100% to other organisations is not employed. Where applications exceed the budget available a capping approach is taken: priority to those with lowest rateable value; applicants are funded in order from lowest rateable value to highest rateable value until the budget runs out. Awards are annual, with organisations needing to apply on an annual basis.
- 7.4 For museums, the policy states that the Horniman Museum, as the only museum in the borough, will receive 20% 'top-up' discretionary rate relief and is not subject to capping as community organisations are.
- 7.5 For schools, the stated policy is to continue, as in previous years, to provide discretionary rate relief to voluntary aided organisations in receipt of mandatory rate relief. The cost for this relief is funded from the dedicated schools grant. The policy states that proposed changes to the funding of schools from April 2015 may require a change of arrangements. Academies, private and independent schools with appropriate charitable status receive mandatory relief, but do not attract discretionary rate relief.

8. Delivery and impact of discretionary rate relief policy 2013-2016

- 8.1 In 2013-14, prior to the policy being implemented, 83 organisations received discretionary rate relief – 55 community and voluntary organisations, 27 schools and 1 museum. Of the 55 community and voluntary organisations 44 received 20% top-up relief and 11 received the full 100% relief.
- 8.2 The new policy allowed for transitional arrangements during 2014-15 for voluntary and community organisations affected by the changes. This included providing up to one year relief for those organisation who previously received relief but were not eligible under the new policy (i.e. organisations that previously received 100% relief) and those that were eligible but were unsuccessful due to capping (i.e. they had too high a rateable value). Three of the organisations who received 100% transitional funding have since registered as a charity and now receive 80% mandatory and are eligible to apply for (and have been successful) the 20% top up discretionary relief.

8.3 Since the introduction of the new policy there has been a marked increase in the number of voluntary and community organisations receiving discretionary rate relief (with the budget staying the same), as the following table shows (numbers include Horniman museum):

2013-14 (pre-policy)	2014-15	2015-16	2016-2017
56	69	75	83

8.4 This increase is for two reasons:

- prioritising applicants with lower rateable values means a greater number can be supported (the highest rateable value, excluding the Horniman, to be funded in 2013-14 was £113,350 compared to £52,000 in 2016-17)
- the change in formula as to liability for the 20% top up relief changed from 75% council and 25% central government to 50% each on 1 April 2013 (i.e. the cost to the council is lower, therefore more organisations can be supported).

8.5 Just under half of those receiving discretionary rate relief in 2013-14, prior to the policy being introduced, also received it in 2016-17. This is for a number reasons, including some organisations ceasing to exist or moving premises, some organisations not being eligible under the new policy, some not applying, and some applicants (such as schools) that shouldn't have been funded from the community and voluntary sector budget. As such, 72% of successful applicants in 2016/17 were 'new' compared to before the policy was introduced.

8.6 Since the policy came into place in 2013 the council have continued to provide discretionary rate relief to voluntary aided schools in receipt of mandatory relief. The cost for this relief has been funded from the Dedicated Schools Grant. Academies, private and independent schools with appropriate charitable status receive mandatory relief but have not attracted discretionary rate relief.

9. Review of policy

9.1 The policy dated October 2013 is considered and reviewed here in the order it is set out in (see appendix 1 for the current full policy and appendix 2 for the recommended revised policy).

9.2 Part 1: General Information

9.2.1 This section sets out the background to NNDR (business rates) and discretionary rate relief; along with some general criteria. It is recommended that the following two sections are amended:

1.4 Review requirement. It is recommended that the policy is reviewed as and when required rather than two-yearly; for example, the council's financial position change or business rates legislation and government support changes.

4.2 It is recommended that an additional line is added to the table to make it clear that the council is liable for the full 100% of the cost of discretionary rate relief provided to businesses and profit organisations under the powers of the Localism Act.

9.2 Part 2: Community sector

- 9.2.1 This section sets out the policy for distributing available budget to community and voluntary organisations.
- 9.2.2 **Eligibility criteria.** The policy states that only organisations eligible for mandatory relief (i.e. charities and community amateur sports clubs, CASCs) are eligible to apply for discretionary rate relief; with some exceptions. As the council faces an increasingly challenging financial position, it is even more important that the limited budget for discretionary rate relief is applied wisely. Whilst it is recognised that there are many non-profit community and voluntary organisations that provide valuable resources within the borough, the limits of the budget means it is necessary to restrict the funding available. Officers believe that the policy to restrict to registered charities and CASCs is still the best way to assess the community and charitable benefit of an organisation. It also means that more organisations can benefit as only 20% top-up is provided, rather than 100%. In addition, most organisations who have responsibility for building costs are already registered as charities to get the 80% mandatory relief. As such, officers recommend that this part of the policy is not changed.
- 9.2.3 The exclusions stated in the policy (e.g. charity shops, housing associations, buildings used mainly for religious purposes) are considered to still be valid; and remain the norm across the sector.
- 9.2.4 When producing the policy in 2013 officers considered the options afforded under the Localism Act to provide discretionary rate relief to anyone. Where this power is exercised for businesses, profit organisations and Community Interest Companies (CICs) the council bears the full 100% cost. Whilst officers recognised the valuable part that CICs and small shops, for example, play to the economy and community, it was felt at the time that it would be very difficult to manage and agree parameters for assessing such applications. In addition the limited budget would not go very far. Officers believe that this still holds true and recommend that the policy is not changed.
- 9.2.5 The general criteria (i.e. 85%+ Lewisham residents, links to Sustainable Community Strategy, and equalities adherence) are also still considered to be valid, and continue to mirror requirements of voluntary sector grant funding.
- 9.2.6 In summary, in terms eligibility, officers are recommending that no changes are made to the policy as to who is eligible.
- 9.2.7 For the purposes of clarification, it is recommended that Charitable Community Benefit Societies are included within the eligibility section of the policy. These replace Friendly Societies who were previously eligible just not listed in the policy. Charitable Community Benefit Societies are eligible for the 80% mandatory relief (and other charitable benefits) even though they are not governed by the Charities Commission; as is the case with Community Amateur Sports Clubs. They are, therefore, eligible for the 20% discretionary element. The recommended revised policy in appendix 2 has been updated to reflect this.

9.2.8 **Award limit.** The policy recognises that even with eligibility criteria in place that there will be oversubscription for the budget available (there are over 300 registered charities and CASCs in the borough). As such applicants are ranked in order of rateable value and those with the lowest rateable value are prioritised until the budget runs out. This means that an organisation is not always guaranteed to be awarded relief as it will depend who applies each year. It does, however, aim to favour smaller organisations who are more likely to need the relief than larger organisations (based on the general pattern of correlation between rateable value and size of an organisation). When writing the policy officers acknowledged that this approach was not perfect but was considered to be a consistent and easy to understand approach that does not rely on judgement or interpretation. In general, during the three years that the policy has been in place, smaller organisations have benefitted and those being unsuccessful due to their rateable value being high have been much larger organisations.

9.2.9 The policy of capping awards based on rateable value, with priority given to applicants with lower rateable values, is still considered to be the best approach and as such officers recommend that no changes are made to the policy in this respect.

9.2.10 **Duration of award.** The policy introduced the awarding of discretionary rate relief on an annual basis, where previously it was very rarely reviewed and the same organisations received it year on year without the opportunity for other organisations to apply. As such, relief is awarded for a fixed period of one year only and applicants must re-apply every year. Officers consider this to still be an effective way of ensuring fairness and churn in the system, and as such recommend that no change is made to the policy in this respect.

9.2.11 **Application and decision process.** Applications are invited in the autumn for the following financial year; and the decision on who receives relief is taken by the Head of Public Services. This process has worked well over the past three years and as such officers recommend that this continues.

9.2.12 In conclusion, for the community sector element of the policy, officers are recommending that no changes are made. The policy is still considered to be fair and proportionate to the small budget available.

9.3 Part 3: Museums

9.3.1 The policy describes how Lewisham has one museum (Horniman Museum) which is a valued asset for the borough; and that the council is committed to continuing to support it, especially its free access to residents. As such, the policy exempts the Horniman Museum from any award limit set by capping, and that it will receive discretionary rate relief regardless of the cap set. Officers believe that the Horniman continues to play a valuable role in the borough and as such recommend that the policy is not changed.

9.4 Part 4: Schools

9.4.1 Schools were considered separately to the community sector and museums when the policy was developed due to the funding for awarding relief being held within the

Dedicated Schools Grant (DSG). The policy states that discretionary rate relief is provided to voluntary aided schools in relief of mandatory rate relief. Independent and private schools, and academies, with appropriate charitable status receive mandatory but not discretionary rate relief. It is expected that central government will want all schools brought into line.

- 9.4.2 Under the current funding formula a school receives the exact same funding as they are charged. Currently for voluntary aided schools within Lewisham the relief is given and the proportion of the relief met by the Council is charged to the DSG. This is achieved by adding onto the rates bill of all schools but is matched by the funding so the net impact on schools is nil, but it does mean that the DSG is meeting the cost.
- 9.4.3 It is unlikely this could happen under a national funding formula and the discretionary relief would be met by the Council alongside any academies being required to be treated in the same way. As such the awarding of discretionary rate relief by the council is being withdrawn from April 2017. This has been discussed and agreed at the Schools Forum on 6 October 2016. Schools will not see any impact as under the national funding formula they will still receive the exact amount of the rates bill.
- 9.5 The recommended changes outlined above for the three parts (community, museums and schools) have been incorporated into a revised policy in appendix 2.

10. Recommended additional policy section: Cultural and Leisure sector

- 10.1 It is recommended that a fourth category is added to the policy: Cultural and Leisure Sector. This would allow the council the option of awarding discretionary rate relief to priority organisations running cultural or leisure facilities within the borough which are open to the public, and which have a strong relationship with the council – demonstrated through either a grant aid agreement or contract. Organisations must be eligible for mandatory relief. Lewisham Council is currently preparing to bid for the Borough of Culture programme and has a long standing commitment to supporting culture, sport and art within the borough.
- 10.2 General applications will not be sought for this category; instead the council will maintain a list of nominated and eligible organisations that it will consider awarding relief to.
- 10.3 Organisations on the list will need to apply for the relief annually and should they not be successful in receiving relief under the Voluntary Sector category because of limited budget then the relevant council service areas will determine whether relief is awarded and any cost involved would come from that service budget.
- 10.4 Officers propose that the following organisations form the initial list for 2017/18. Additional organisations may be added over time should they meet the full eligibility set out in the policy.
- 1Life (Downham Health & Leisure Centre)
 - Fusion Lifestyle (Bridge Leisure Centre & Lewisham Bowls Centre, Bellingham Leisure & Lifestyle centre, Forest Hill Pools, Glass Mill Leisure Centre, Ladywell Arena, Wavelengths Leisure Centre)
 - The Albany

- Trinity Laban
- Deptford Lounge
- Midi Music
- Irie!
- Sydenham Arts

- 10.5 Any awards over £10,000 to a voluntary organisation must be approved by Mayor & Cabinet (Contracts). It is expected that a number of the facilities run by the above organisations may be awarded over £10,000 therefore this report seeks to delegate authority to the Executive Director for Community Services to have the discretion to award discretionary rate relief to any organisation on this list for up to three years. Should any additional organisation be added to the list before the expiry of three years then it will be returned to Mayor & Cabinet (Contracts) for agreement.
- 10.6 This new category can be found in the revised policy in appendix 2.

11. Other matters to note

- 11.1 All buildings are subject to revaluation in 2017, potentially either increasing or decreasing an organisation's rateable value. Discretionary rate relief is an annual award and who is awarded relief is dependent on who applies, so beneficiaries do vary year on year anyway. However, early indications suggest that valuations are likely to increase for some organisations, and as such this would have an impact on the number of organisations receiving relief under community sector category. If a number of the applying organisations have a higher rateable value than in previous years then fewer organisations will benefit due to the budget restrictions. It is worth pointing out, however, that the policy has been designed to be as fair as possible and applicants will still be treated equitably on an annual basis.
- 11.2 It is intended that local authorities will collect and keep all business rates from 2020 or earlier. This may have a knock-on impact on the support that the government provides as relief; including 80% relief for charities and paying 50% of the top-up 20% discretionary rate relief. It is unknown at this stage what these changes, if any, may be; and as such it is recommended that the policy as set out in this report is continued until further guidance is issued from central government, at which point a further review may be necessary.

12. Financial implications

- 12.1 The budget for discretionary rate relief for community organisations and museums in 2016-17 is £86k. This is subject to the Councils normal budget process for 2017-18 and beyond so funding will need to be considered on an annual basis; this is reflected in the policy.
- 12.2 The cost of discretionary rate relief for schools in 2017-18 is expected to be £147k. This budget forms part of the Dedicated Schools Grant (DSG).
- 12.3 The revised policy set out in this report describes the basis on which discretionary rate relief will be allocated, however the overall amount allocated must not exceed the budget noted in paragraph 12.1 and 12.2 unless alternative funding sources are

identified. With a fixed budget as rateable values increase the number of groups that can be supported will reduce.

- 12.4 For Part 4: Cultural and Leisure sector there is no designated budget and any award must be made within the relevant service budget.

13. Legal implications

- 13.1 Section 69 of the Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 (LGFA) so as to replace the limited circumstances in which local authorities can currently provide discretionary relief, with a new power to grant relief “in any circumstances”. This is subject to the condition that, “...except in the limited circumstances specified, the local authority may only grant relief if it would be reasonable to do so having regard to the interests of council tax payers in its area.” This is to be a “local” relief for businesses.
- 13.2 The amendments (which came into effect on 1 April 2012) also require a local authority to have regard to any relevant guidance issued by the Secretary of State when deciding whether to grant relief under section 47 of the 1988 Act.
- 13.3 Local Authorities are “billing authorities” for the purposes of the LGFA.
- 13.4 Given the context of this, the Council’s statutory obligations pursuant to the 2010 Equality Act are relevant when creating and implementing this policy.
- 13.5 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 13.6 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.
- 13.7 It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above.
- 13.8 The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

13.9 The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

13.10 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- [The essential guide to the public sector equality duty](#)
- [Meeting the equality duty in policy and decision-making](#)
- [Engagement and the equality duty: A guide for public authorities](#)
- [Objectives and the equality duty. A guide for public authorities](#)
- [Equality Information and the Equality Duty: A Guide for Public Authorities](#)

13.10 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

14. Crime & disorder implications

14.1 There are no crime and disorder implications arising from this report.

15. Equalities implications

15.1 The Mayor & Cabinet report which approved the original policy in 2013 considered the equality implications of implementing such a policy. As this report does not recommend any significant changes to the policy it is suggested that the equality implications remain the same, and are outlined again below.

15.1.1 Age. The recommended policy is unlikely to have any adverse impact on age.

- 15.1.2 Disability. The recommended policy is unlikely to have any adverse impact on disability.
- 15.1.3 Gender. The recommended policy is unlikely to have any adverse impact on gender.
- 15.1.4 Gender reassignment. The recommended policy is unlikely to have any adverse impact on gender reassignment.
- 15.1.5 Marriage & civil partnership. The recommended policy is unlikely to have any adverse impact on marriage and civil partnership.
- 15.1.6 Pregnancy & maternity. The recommended policy is unlikely to have any adverse impact on pregnancy and maternity.
- 15.1.7 Race. The recommended policy is unlikely to have any adverse impact on race.
- 15.1.8 Religion & belief. The recommended policy proposes that buildings used mainly for worship or promotion of religious belief are not eligible for relief. The purpose of this is that the funding is to further the social and community purpose of organisations and is not to promote religion. This is in line with the council's approach on grant funding and other support to the faith sector. Whilst the recommended policy does exclude this sector, it excludes all faiths rather than just some. Faith organisations have also not been awarded discretionary rate relief historically.
- 15.1.9 Sexual orientation. The recommended policy is unlikely to have any adverse impact on sexual orientation.
- 15.2 In proposing the revised policy for awarding discretionary rate relief officers are confident that the simple and transparent allocation of limited funding is as fair as possible for all equality groups. The range of community organisations funded under the policy to date has been extremely broad, each serving different communities of interest and equality groups; and are a good cross section of all voluntary organisations.

16. Environmental implications

- 16.1 There are no environmental implications arising from this report.

17. Conclusion

- 17.1 A policy for discretionary rate relief was developed and implemented in 2013 and has provided a fair, transparent and proportionate approach to awarding the limited budget for relief. This policy has been reviewed to ensure it is still fit for purpose; with some slight amendments made to the original voluntary sector sections, amendments to the schools section to take into account different funding arrangements, and a new category added to provide greater flexibility in supporting key voluntary sector partners.

If there are any queries on this report please contact **Petra Marshall, Community Resources Manager**, 020 8314 7034.

Appendix 1 – Discretionary rate relief policy (2013)

Appendix 2 – RECOMMENDED REVISED Discretionary rate relief policy (2016)

Lewisham Council

Discretionary rate relief policy

October 2013

PART 1: GENERAL INFORMATION

1. Introduction

- 1.1 This policy, which was consulted on in 2013, details the criteria and process against which Lewisham Council will consider applications for discretionary rate relief under the Local Government Finance Act 1988. It is intended to be clear and understandable for both ratepayers and personnel administering rate relief. It has been designed to ensure fairness and consistency in allocating available budget.
- 1.2 Discretionary rate relief granted by Lewisham Council is paid for by the Council tax payers and the Council has a duty to ensure that public funds are spent wisely and there is due transparency and accountability.
- 1.3 This policy is separated into three sectors:
- community and voluntary organisations
 - museums
 - schools
- 1.4 This policy is subject to two yearly review, or sooner if necessary, to ensure it continues to comply with current legislation and the council's priorities. The next review is due in October 2015.

2. National Non Domestic Rates (business rates)

- 2.1 National non domestic rates (NNDR or better known as business rates), collected by local authorities, are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, a proportion of the business rates paid is kept locally by the Council.
- 2.2 Every five years all non-domestic (business) properties are assessed and given new rateable values. The most recent revaluation took effect from 1 April 2010.
- 2.3 There are currently a number of different reductions available for business rates in Lewisham, as follows:
- Transitional relief - help to phase in the effects of valuation changes by limiting increases in bills.
 - Empty properties - rates are not be payable in the first three months that the property is empty (six months for certain industrial properties).
 - Partly occupied property relief - where a property is partly occupied for a short time, the Council has discretion to award relief in respect of the unoccupied part.

- Hardship relief - granted if hardship is experienced and the business is considered to be important to the local community.
- Small business rate relief - supports small businesses who generally occupy only one property. Relief is available at 100% for eligible properties up to £6,000 rateable value and relief decreases at a proportional rate up to £12,000.
- Charity and discretionary relief - Charities are entitled to an 80% reduction in their bills. The Council has the discretion to grant relief in other circumstances, and this policy sets out eligibility for this

2.4 Please visit www.lewisham.gov.uk for more information about business rates.

3. What is discretionary rate relief?

3.1 There are two types of charity and discretionary rate relief – mandatory and discretionary. The Local Government Finance Act 1988 requires local authorities to grant mandatory rate relief to the following categories of business rates payer:

- registered charities
- registered Community Amateur Sports Clubs (CASCs)
- village Post Offices, general stores, specialist food shops, public houses and petrol filling stations – where they are in a designated rural settlement.

3.2 Mandatory rate relief provides 80% reduction in business rates, and this is fully funded by central government.

3.3 Under the Localism Act 2011, local authorities also have the power to grant discretionary rate relief to cover some or all of the remaining 20% (commonly referred to as ‘top up’ relief) and up to 100% relief to other organisations.

4. Cost of discretionary rate relief

4.1 The cost of awarding discretionary rate relief is covered by both central government and local government.

4.2 The following tables outlines where the cost falls for each type of relief.

Type of relief	% funded by council	% funded by central government
80% mandatory relief for charities and community amateur sports clubs (CASCs)	0%	100%
Up to 20% discretionary relief to top up mandatory	50%	50%
Up to 100 % discretionary relief for other organisations	50%	50%

5. General criteria for all sectors

5.1 Except for mandatory relief, relief is not a matter of right; the council is entitled through this policy to determine different levels of discretionary relief according to the nature and circumstances of individual organisations.

5.2 The Council will consider each case in accordance with the eligibility criteria set out for each of the three areas below. These criteria are not restrictive and nothing in them

shall be taken as restricting the Council's ability to depart from its general policy as to the granting of relief if it sees fit to do so. It should also be noted that the Council's ability to grant discretionary rate relief may be limited by other factors, notably the budget available.

- 5.3 One year's notice must be given by the Council for the withdrawal of relief. As the award is for one year, this notice will be given alongside the offer of relief to successful applicants.
- 5.4 Recipients are required to notify the Council of any change of circumstances which may have an impact on the award of discretionary rate relief.
- 5.5 Should an applicant in receipt of discretionary rate relief be found guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

PART 2: COMMUNITY SECTOR

6. Eligibility criteria

- 6.1 Lewisham Council recognises that the voluntary and community sector makes a major contribution to the economy, health and well being of the people who live and work in Lewisham. Providing discretionary rate relief is one way of supporting this sector.
- 6.2 The Council has limited budget for awarding discretionary rate relief, and seeks to use this limited budget to further support the voluntary sector in providing much needed services and support for our residents.
- 6.3 Therefore, discretionary rate relief will be **awarded only to community organisations eligible for mandatory rate relief**. This restricts discretionary rate relief to **registered charities and community amateur sports clubs (CASCs)**. The property must be wholly or mainly used for these purposes.
- 6.4 However, not all registered charities and CASCs will be awarded discretionary rate relief. The following **exclusions** will apply:
 - charity shops and cafes operated by trading arms of charities
 - housing associations
 - buildings used mainly for worship or promotion of religious belief
 - bodies operating a restrictive membership policy
- 6.5 For the sake of clarity, the following organisations and establishments are also **not** eligible for discretionary rate relief:
 - profit making organisations
 - non-profit making organisation who are not registered charities or CASCs
 - empty properties
 - car parking spaces
 - social clubs
- 6.6 Applicants will need to fulfil the following criteria, for which evidence may be requested:

- primarily benefit Lewisham residents – 85% or more of the organisation’s beneficiaries must be Lewisham residents
- demonstrate a link with the Council priorities, as set out in the Sustainable Community Strategy
- adhere to the Equality Act 2010

6.7 The council reserves the rights to set service outcomes for organisations in receipt of discretionary rate relief over £25,000.

7. Award limit

7.1 Lewisham Council has a limited budget for awarding discretionary rate relief. It is highly likely that the number of eligible organisations (as set out in number 6 above) will exceed the budget available. In order to ensure a fair approach to who receives relief awards will be capped.

7.2 Awards will be capped based on rateable value; with priority being given to organisations with a lower rateable value. The cap level will vary each award year dependent on applications received. Organisations that apply, and that are eligible for the relief, will be ranked on their rateable value, from lowest to highest. The discretionary rate relief budget will then be allocated to organisations (starting with lowest rateable value in the list) until the budget runs out.

8. Duration of award

8.1 Discretionary rate relief is an annual award. If relief is granted it will be awarded for a fixed period of one year only. Applicants must re-apply on an annual basis. It cannot be assumed that an award made in one year will automatically be awarded in future years.

8.2 Applications made during the award year (and after the deadline) will not be considered.

8.3 Until a discretionary rate relief application has been processed, each applicant organisation needs to make its own financial arrangements to pay business rates.

9. The application and decision process

9.1 Applications for discretionary rate relief can be submitted in October for the following financial year. Application forms and details about how to submit are available from www.lewisham.gov.uk

9.2 Applicants must complete the application form and return it, along with audited accounts, by the stated deadline date.

9.3 Rates are still due and payable during the application process.

9.4 Decisions on who is awarded discretionary rate relief will be made by the Head of Public Services. Any award over £10,000 (Council contribution) will be subject to Mayor & Cabinet approval.

- 9.5 Once a decision has been made the applicant will be notified by letter of the outcome of their application, by 31 January.
- 9.6 As this relief is discretionary there will be no right of appeal following the decision.

PART 3: MUSEUMS

- 10.1 Lewisham has one museum which is a valued asset for the borough. The Council is committed to continuing to support the Horniman Museum, and especially its free access to residents.
- 10.2 The Horniman Museum will be exempt from any award limit by capping set out above. The museum will receive discretionary rate relief, regardless of the cap level set. This arrangement may be reviewed if required.

PART 4: SCHOOLS

- 11.1 The Council practice currently is to provide discretionary rate relief to voluntary aided schools in receipt of mandatory rate relief. This is funded by the Dedicated Schools Grant (DSG).
- 11.2 Independent and private schools, and academies, with appropriate charitable status receive mandatory rate relief, but do not attract discretionary rate relief.
- 11.1 The Government is proposing that there should be changes to the national arrangements for the funding of schools in April 2015. If, as is likely, the Government identifies that the approach to discretionary rate relief is inconsistent across the country then previous experience indicates that a decision will be made to ensure that treatment is consistent and this might require a change to the arrangements in Lewisham.
- 11.2 Until such changes may come into place, the current practice on discretionary rate relief for voluntary aided schools will remain the same as in previous years. Department for Education (DFE) regulations require that all schools in a similar position should be treated similarly and as such to treat a school differently because of budget availability would not be a measure the DFE would approve for the operation of the dedicated schools grant funding of schools in Lewisham. Therefore, schools allocation of discretionary rate relief will not be capped in the same way community organisations are.

Lewisham Council

Discretionary rate relief policy

November 2016

PART 1: GENERAL INFORMATION

1. Introduction

- 1.1 This policy, *which was consulted on in 2013 and reviewed in 2016*, details the criteria and process against which Lewisham Council will consider applications for discretionary rate relief under the Local Government Finance Act 1988. It is intended to be clear and understandable for both ratepayers and personnel administering rate relief. It has been designed to ensure fairness and consistency in allocating available budget.
- 1.2 Discretionary rate relief granted by Lewisham Council is paid for by the Council tax payers and the Council has a duty to ensure that public funds are spent wisely and there is due transparency and accountability.
- 1.3 This policy is separated into *four* sectors:
- community and voluntary organisations
 - museums
 - cultural and leisure
 - schools
- 1.4 *This policy will be reviewed on a regular basis as required to ensure it continues to comply with current legislation and the council's priorities.*

2. National Non Domestic Rates (business rates)

- 2.1 National non domestic rates (NNDR or better known as business rates), collected by local authorities, are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, a proportion of the business rates paid is kept locally by the Council.
- 2.2 Every five years all non-domestic (business) properties are assessed and given new rateable values. The most recent revaluation took effect from 1 April 2010.
- 2.3 There are currently a number of different reductions available for business rates in Lewisham, as follows:
- Transitional relief - help to phase in the effects of valuation changes by limiting increases in bills.
 - Empty properties - rates are not be payable in the first three months that the property is empty (six months for certain industrial properties).

- Partly occupied property relief - where a property is partly occupied for a short time, the Council has discretion to award relief in respect of the unoccupied part.
- Hardship relief - granted if hardship is experienced and the business is considered to be important to the local community.
- Small business rate relief - supports small businesses who generally occupy only one property. Relief is available at 100% for eligible properties up to £6,000 rateable value and relief decreases at a proportional rate up to £12,000.
- Charity and discretionary relief - Charities are entitled to an 80% reduction in their bills. The Council has the discretion to grant relief in other circumstances, and this policy sets out eligibility for this

2.4 Please visit www.lewisham.gov.uk for more information about business rates.

3. What is discretionary rate relief?

3.1 There are two types of charity and discretionary rate relief – mandatory and discretionary. The Local Government Finance Act 1988 (and subsequent legislation) requires local authorities to grant mandatory rate relief to the following categories of business rates payer:

- registered charities
- registered Community Amateur Sports Clubs (CASCs)
- *registered Community Benefit Societies (previously Friendly Societies)*
- village Post Offices, general stores, specialist food shops, public houses and petrol filling stations – where they are in a designated rural settlement.

3.2 Mandatory rate relief provides 80% reduction in business rates, and this is fully funded by central government.

3.3 Under the Localism Act 2011, local authorities also have the power to grant discretionary rate relief to cover some or all of the remaining 20% (commonly referred to as ‘top up’ relief) and up to 100% relief to other organisations.

4. Cost of discretionary rate relief

4.1 The cost of awarding discretionary rate relief is covered by both central government and local government.

4.2 The following tables outlines where the cost falls for each type of relief.

Type of relief	% funded by council	% funded by central government
80% mandatory relief for charities and community amateur sports clubs (CASCs)	0%	100%
Up to 20% discretionary relief to top up mandatory	50%	50%
Up to 100 % discretionary relief for other eligible voluntary organisations	50%	50%
<i>Up to 100% for profit organisations including CICs</i>	100%	0%

5. General criteria for all sectors

- 5.1 Except for mandatory relief, relief is not a matter of right; the council is entitled through this policy to determine different levels of discretionary relief according to the nature and circumstances of individual organisations.
- 5.2 The Council will consider each case in accordance with the eligibility criteria set out for each of the three areas below. These criteria are not restrictive and nothing in them shall be taken as restricting the Council's ability to depart from its general policy as to the granting of relief if it sees fit to do so. It should also be noted that the Council's ability to grant discretionary rate relief may be limited by other factors, notably the budget available.
- 5.3 One year's notice must be given by the Council for the withdrawal of relief. As the award is for one year, this notice will be given alongside the offer of relief to successful applicants.
- 5.4 Recipients are required to notify the Council of any change of circumstances which may have an impact on the award of discretionary rate relief.
- 5.5 Should an applicant in receipt of discretionary rate relief be found guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

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6. Eligibility criteria

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- 6.2 The Council has limited budget for awarding discretionary rate relief, and seeks to use this limited budget to further support the voluntary sector in providing much needed services and support for our residents.
- 6.3 Therefore, discretionary rate relief will be **awarded only to community organisations eligible for mandatory rate relief**. This restricts discretionary rate relief to **registered charities, community amateur sports clubs (CASCs), and Charitable Community Benefit Societies**. The property must be wholly or mainly used for these purposes.
- 6.4 However, not all registered charities, CASCs and Charitable Community Benefit Societies will be awarded discretionary rate relief. The following **exclusions** will apply:
 - charity shops and cafes operated by trading arms of charities
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- 9.6 As this relief is discretionary there will be no right of appeal following the decision.

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- 10.2 The Horniman Museum will be exempt from any award limit by capping set out above. The museum will receive discretionary rate relief, regardless of the cap level set. This arrangement may be reviewed if required.

PART FOUR: CULTURAL AND LEISURE SECTOR

- 11.1 *Lewisham has a long standing commitment to support cultural, sporting and arts organisations within the borough. The council reserves the right to consider awarding discretionary rate relief to particular organisations running cultural and leisure facilities. General applications will not be considered for this category, instead the council will maintain a list of nominated and eligible organisations that it will consider awarding relief to on an annual basis. Those organisations on the list must complete the annual discretionary rate relief application process as outlined in section 9 above.*
- 11.2 *In order for an organisation to be added to the list it must meet a number of eligibility criteria as follows:*
- *Must meet the general criteria laid down in Part 2: Voluntary sector (paragraphs 6.1-6.7); most notably be a charitable organisation in receipt of mandatory relief*
 - *Must operate a cultural or leisure facility which is open to the public for general use*
 - *Must be deemed a priority organisation and have a relationship with the council – demonstrated through delivering services to Lewisham residents that meet council priorities AND having a grant aid agreement or contract in place for the full rate relief year in question*
 - *Schools operating leisure facilities are exempt from this category*

PART 5: SCHOOLS

- 12.1 *Voluntary aided schools receive mandatory rate relief but not discretionary rate relief.*

12.2 *Independent and private schools, and academies, with appropriate charitable status receive mandatory rate relief, but do not attract discretionary rate relief.*