

Report to Portfolio Holder for Resources and Reputation

Subject: National Non-Domestic Rates - Discretionary Relief Application

Date: 29th October 2018

Author: Revenues Team Leader

Wards Affected

All

Purpose

The purpose of this report is to consider an application for discretionary relief under section 47 of the Local Government Finance Act 1988.

Key Decision

This is not a key decision.

Background

- 1 An application for discretionary relief was received on 5th June 2018 from Calverton Gymnastics Club Ltd, Park House, Park Road Calverton Nottingham NG14 6LL.

Proposal

- 2 The legislation governing the application for charitable relief from National Non-Domestic Rates is section 47 of the Local Government Finance Act 1988.
- 3 Under section 47(2)(c) discretionary relief may be granted as long as the hereditament is not an excepted hereditament, it is wholly or mainly used for the purposes of recreation and all or part of it is occupied for the purpose of a club, society or other organisation not established or conducted for profit.

- 4 A Practice Note issued by the Department for the Environment and the Welsh Office jointly in 1990 recommends that although authorities may wish to have readily understood policies for deciding whether or not to grant relief, and for determining the amount of relief to grant, they should not adopt a policy or rule which allows a case to be disposed of without any consideration as to its individual merits.
- 5 The billing authority may not award discretionary relief unless it is satisfied that the hereditament is used for purposes which are of benefit to the local community and that it would be reasonable for the billing authority to award relief, having regard for the interests of the persons liable to pay its Council Tax.
- 6 Guidance issued by the Office of the Deputy Prime Minister in December 2002 warns of the possibility of discretionary rate reliefs contravening European state aid rules. European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including National Non-Domestic Rates, can constitute state aid.
- 7 In practice, aid to village shops, most local “commercial” charities and other small-scale local service organisations (B&Bs, small retailers, child care facilities etc) will not be caught by the state aid rules as long as they are independent businesses because they are deemed incapable of affecting intra-community trade. On the other hand, any manufacturing operation, however small, is normally deemed capable of affecting intra-community trade. This means that rate relief for butchers, or farmers producing cheese, sausages, cider and other foodstuffs for example, would constitute state aid.
- 8 There are general exemptions from state aid rules where the aid is below a *de minimis* level. This level is set at €200,000 to any one business over a period of three years.
- 9 Calverton Gymnastics Club exists to provide gymnastics and fitness activities in a safe purpose built facility with fully British qualified gymnastics coaches.
- 10 The hereditament at Park House, Park Road, Calverton is used to provide gymnastics and fitness activities for all members of the Community with no age restrictions.
- 11 The application form with a covering letter, attached at appendix 1 & 2, advises that Calverton Gymnastics Club has no restrictions to membership and that they also provide classes for the disabled. Members of the public are able to access the facility by booking birthday parties, attending fund raising events and competitions. The Club is affiliated to British Gymnastics which is the national governing body for gymnastics.
- 14 Accounts for the year ending 30th September 2018 attached at appendix 6.

- 15 The accounts have been inspected by one of the Council's Finance Business Partners and their response has been attached at appendix 7.
- 16 It is proposed that relief is allowed at 100% in this case with effect from 20th February 2018 to the 31st March 2019. It is then proposed that relief is tapered. It is felt that by tapering the relief from 100% relief to 50% relief it will give Calverton Gymnastics Club time to become more financially established. In time, as the percentage relief reduces it is hoped The Club would be able to, by paying the Business Rates, contribute towards local services that The Council provides.

The detail of the tapering is as follows;

1st April 2019 – 31st March 2020 90% relief
1st April 2020 – 31st March 2021 80% relief
1st April 2021 – 31st March 2022 70% relief
1st April 2022 – 31st March 2023 60% relief
1st April 2023 onwards 50% relief

It is considered that the objectives of this organisation are in line with the Council's objectives as stated in the Gedling Plan 2018/19 under the headings "Improve the lives of people who live in Gedling", "Improving health and wellbeing" and "Promote and encourage pride, good citizenship and participation in the local area".

Alternative Options

- 17 The alternative to the proposals would be to:
- (a) Offer a different tapered rate of relief,
 - (b) Vary the length of time relief is awarded,
 - (c) Refuse relief.

Financial Implications

- 18 Under the arrangements for local business rate retention in England, the cost of all reliefs is split between the Government, Gedling Borough Council and the major precepting authorities.
- 19 The rates payable amount for the financial year 2017/18 is £1072.44. This reflects a rates liability for the last 40 days of the financial year.
- 20 The rates payable amount for the financial year 2018/19 is £10,080.00. This reflects a rates liability for the full financial year.

Appendices

- 21 Appendix 1 - Application Form
- 22 Appendix 2 - Covering Letter
- 23 Appendix 3 – Certificate of Incorporation
- 24 Appendix 4 – Memorandums & Articles of Association
- 25 Appendix 5 – Bank Statements
- 26 Appendix 6 – Accounts to the 30th September 2018
- 27 Appendix 7 – Response from Accountancy
- 28 Appendix 8 – Email from Customer

Background Papers

- 29 None identified.

Recommendation(s)

THAT:

- (a) The application for discretionary relief under section 47 of the Local Government Finance Act 1988 is allowed at a rate of 100% of the annual National Non-Domestic Rates due to the 31st March 2019. With effect 1st April 2019 a phased reduction of the amount of discretionary relief allowed by 10% each financial year until the 1st April 2023 where the relief allowed will be 50%.

Reasons for Recommendations

- 30 The main objectives and purposes of the organisation are in line with the Council's objectives in relation to people. These are to promote and encourage pride, good citizenship and participation in the local area and to increase participation in organised activities. These priorities are set out in the Gedling Plan 2018/19.