

Report of the Assistant Director (Lifelong Learning & Culture)

DISCRETIONARY RATE RELIEF 2007/8 – 2008/9: APPEALS

Purpose of Report

1. This report asks the Executive Member to:
 - o decide on the cases of organisations who have submitted appeals against officers' decision not to award them Discretionary Rate Relief (DRR) for 2007/8 and 2008/9
 - o agree an amendment to the DRR criteria

Background

2. Under section 47 of the Local Government Act 1988 charging authorities have the discretion to grant rate relief from all or part of the non-domestic rate account for premises occupied by not-for-profit organisations that are wholly or mainly used for charitable purposes. The cost of awarding DRR is borne 75% by the non-domestic rate pool and 25% locally.
3. Registered charities can apply for 80% mandatory relief. Where an authority exercises its discretion to award DRR above the mandatory level, the remaining 20% is borne 25% by the non-domestic rate pool and 75% locally.
4. Sports Clubs can also apply for "Community Amateur Sports Club" (CASC) status. With this status they will be treated in the same way as charities for the purposes of DRR both in terms of the mandatory and discretionary elements of DRR.

The Award Process

5. A total of 65 organisations applied for Discretionary Rate Relief this year. Of these 59 met all the criteria and have been awarded 100% rate relief for a period of 2 years. 5 organisations did not meet one or more of the criteria and were rejected.
6. All organisations were informed of our decision and those rejected were invited to appeal if they could submit any new information or could demonstrate that there were errors of fact in our decision making. Appeals are determined by the Executive Member.

Appeals

7. 3 organisations have lodged appeals. They are:
 - ❖ Friends of Hopgrove Playing Fields Association
 - ❖ York Community Gymnastics Foundation
 - ❖ 1st Huntington Scout GroupAll three received DRR in the 2005-7 round
8. All three appeals relate to criterion 4 (see Annex 1 for the criteria) which relates to revenue reserves. It states that, *Organisations must be non-profit making. Further, the level of their revenue reserves must not be in excess of 10 times the amount of the gross rates payable, or £10,000 (whichever is the higher). Higher reserves may be allowed if:*
 - o *your organisation can demonstrate that they are being kept for a specific, acceptable, development project, or*
 - o *you have charitable status and your organisation's reserve policy meets the requirement of the Charity Commission, or*
 - o *it will be unable to pay the rates without putting its financial viability at risk.*
9. This criterion was adjusted in 2005 with respect to the level of permissible reserves so that:
 - o only “free reserves” are taken into account
 - o the ten times multiplier applies to the gross rate payable (instead of to the 20% payable which is currently the case with charitable organisations)
 - o charitable organisations are allowed to have up to 12 months of running costs in reserve (where this is recommended in relevant Charity Commission guidelines)

These changes had the effect of allowing clubs to retain greater amounts of funding in order to maintain and develop their facilities without being penalised in respect of DRR.

Friends of Hopgrove Playing Fields Association:

10. This application was rejected because the organisation's balance sheet showed usable reserves of £32,262, 2.55 times the rates calculator. The club submitted information about orders for capital equipment and stated that their reserves will drop to £19,000. However, even at £19,000 the reserves would still be one and a half times the 10 x rates payable figure set out in the relevant criterion. Furthermore, the income and expenditure forecast for the year shows a projected surplus of £1,250 which equates to the rates the organisation would need to pay. It was therefore concluded that the club is comfortably able to pay the rates bill.
11. In their appeal the club have submitted end of year accounts having carried out essential maintenance work. Accessible funds now stand at £24,452. Further work has been commissioned costing over £12,000 (notably over £10,000 worth of drainage work to pitches) bringing the reserve down to £11,836., which brings them within the reserves criteria. In addition, the

income and expenditure account for the last financial year shows a very small surplus, therefore the payment of the rates is likely to cause an in year deficit.

12. Officers' View: This is a charitable organisation and has therefore already received 80% mandatory DRR. Based on the additional information submitted it is recommended that this appeal be upheld and the Playing Fields Association be granted DRR for 2007/08 and 2008/09

York Gymnastics Foundation:

13. This application was rejected because the organisation's balance sheet showed usable reserves of £92,933, 2.16 times the rates calculator, and significant surpluses have been achieved in the last two financial years.
14. In their appeal the Gymnastics Foundation have drawn attention to the fact that they have taken out a loan to help finance an extension to the facility, and have also used a significant amount of their reserves to help fund this expenditure.
15. Officers' View: Without an updated set of annual accounts which show the complete financial position of the foundation it is difficult to assess whether this would bring them within the financial criteria for the award of DRR. On this basis it is recommended that the appeal be turned down for 2007/08, but, once a complete updated financial position is available, the organisation be invited to apply again for 2008/09.

1st Huntington Scout Group:

16. This organisation's rates payable are £799 and they have a balance of £10,589. In their appeal the organisation have drawn attention to additional activities that will be undertaken in this centenary year of the scout movement and stated that they have accumulated cash reserves in order to allow as many young people to participate as possible without being prevented because of cost. They have, for example, purchased a commemorative scarf for each member. They have also committed themselves to planting a tree for Huntington Parish Council and providing a sundial for New Earswick Parish Council.
17. Officers' View: Whilst the activities that the organisation have drawn attention to in their appeal are undoubtedly extremely worthwhile they do not constitute acceptable "development projects" as envisaged within the relevant criterion, i.e. capital projects that contribute to the infrastructure of the organisation. With a balance of £10,589 the organisation should comfortably be able to pay a rates bill of £799 and it is recommended that the appeal is turned down.

Future DRR Criteria relating to Sports Clubs

18. A minor change to the criteria is proposed in respect of sport clubs in the form of an additional criterion that DRR could only be awarded to sports clubs who are either charities or Community Amateur Sports Clubs (CASCs).
19. CASC status was introduced by the government in 2002 to allow sports clubs to enjoy some of the benefits of charities (including mandatory rate relief)

without the difficulties of obtaining charitable status. CASC status is quite easily attained and the department has assisted the voluntary sports sector to apply. Many have successfully applied but there are a small number who continue to drag their feet.

Consultation

20. The current criteria were adopted in December 2005 after extensive consultation with the York & District Sports Federation. Further consultation will be undertaken before the proposed change is implemented.
21. A funding booklet is produced centrally and made widely available. It sets out all sources of funding available across the Council and the process for applying. Organisations are invited to submit ideas for new programmes. The Council's funding priorities are also discussed with relevant partnerships, notably [York@Large](#) and Active York.

Options

22. The options are:
 - o to make the change to the criteria as set out above
 - o to retain the criteria unchanged

Analysis

23. The benefit to the Council of CASC status is that it is cheaper to top up mandatory relief than it is to fund the full 100%. Changing the criteria will give clubs the incentive to do so and they will then be eligible to carry on receiving DRR. Clubs will be notified immediately of the change to the criteria and the implications so that they have plenty of time to apply for CASC status. Full assistance will also be given by officers.

Corporate Priorities

24. SLAs are given to meet the key priorities as detailed in Annex 1.

Implications

25. **Financial:** The base budget for DRR in 2007/8 is £41,980. The table below shows the amount that has been awarded under officer delegation. The table also shows the amount of award payable if all the appeals in this paper were to be upheld.

	Total DRR	Cost To Central Government	Cost To City Of York
	£	£	£
Approved	119,620	68,800	50,820
Appeals	1,270	320	950
Total	120,890	69,120	51,770
Base Leisure Budget			41,980
Budget to be reallocated from within existing Leisure budgets.			9,790

26. **Legal:** Discretionary Rate Relief is granted under Section 40(5) of the General Rate Act 1967.
27. There are no human resources, equalities, crime and disorder, or information technology implications arising from this report.

Risk Management

28. Organisations awarded DRR are asked to complete an update statement during the financial year to ensure that they continue to meet the criteria.

Recommendation

29. The Executive Member is asked to:
- decide on each appeal
 - agree the revised criteria set out in paragraph 18

Reason: In order to conclude the DRR process for 2007-9 and establish an amended procedure for 2009-11.

Contact Details

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Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Lifelong Learning and Culture: Criteria for Discretionary Rate Relief: Report to the Executive Member for Leisure and Heritage, 12 December, 2005

Annex

Existing DRR Criteria