

# Public Document Pack



**Tracey Lee**  
Chief Executive

Plymouth City Council  
Civic Centre  
Plymouth PL1 2AA

Please ask for Helen Wright, Democratic  
Support Officer  
T 01752 304022  
E [helen.wright@plymouth.gov.uk](mailto:helen.wright@plymouth.gov.uk)  
[www.plymouth.gov.uk/democracy](http://www.plymouth.gov.uk/democracy)  
16 July 2013

## **COOPERATIVE SCRUTINY BOARD**

Wednesday 24 July 2013  
4.00 pm  
Council House, Plymouth (next to the Civic Centre)

**Members:**

Councillor James, Chair  
Councillor Mrs Aspinall, Vice Chair  
Councillors Ball, Bowie, Bowyer, Casey, Philippa Davey, Sam Leaves, Murphy and Tuffin.

Members are invited to attend the above meeting to consider the items of business overleaf.

**Tracey Lee**  
Chief Executive

# **COOPERATIVE SCRUTINY BOARD**

## **AGENDA**

### **PART I – PUBLIC MEETING**

#### **1. APOLOGIES**

To receive apologies for non-attendance submitted by Cooperative Scrutiny Board Members.

#### **2. DECLARATION OF INTEREST**

Members will be asked to make any declarations of interest in respect of items on this agenda.

#### **3. CHAIR'S URGENT BUSINESS**

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

#### **4. BUSINESS RATES - DISCRETIONARY RATES RELIEF (Pages 1 - 8)**

To consider business rates - discretionary rates relief.

#### **5. RECOMMENDATIONS (Pages 9 - 14)**

To receive and consider recommendations from the Ambitious Panel, regarding co-opted representatives.

#### **6. EXEMPT BUSINESS**

To consider passing a resolution under Section 100A (4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item(s) of business on the grounds that it/they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

### **PART II (PRIVATE MEETING)**

## **AGENDA**

### **MEMBERS OF THE PUBLIC TO NOTE**

that under the law, the Board is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

**7. BUSINESS RATES - DISCRETIONARY RATES RELIEF (E3)**

To consider the business rates – discretionary rates relief.

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# COOPERATIVE SCRUTINY BOARD

Business Rates – Discretionary Rates Relief – 24 July 2013



## I Introduction

- 1.1 Under Section 47 of the Local Government Finance Act 1988, local authorities have discretionary powers to grant Business Rates Relief on properties occupied by charities and other non-profit making organisations.
- 1.2 Registered charities are entitled to mandatory relief from rates on any non-domestic property that is wholly or mainly used for charitable purposes. Registered Community Amateur Sports Clubs (CASC) are also entitled to mandatory relief from rates on any non-domestic property that is wholly or mainly used for the purposes of that club. Mandatory relief provides **80%** of the total business rates costs. The Council can use discretionary powers to award further rates relief up to the full 100% on the remaining bill i.e. 20 per cent discretionary top up.
- 1.3 There are approximately **500** registered charities and CASCs across Plymouth that claim mandatory rate relief, with an annual financial value of circa **£8.5m**. With effect from 1 April 2013, local authorities are responsible for funding 50% of mandatory relief, (previously 100% funded by central government), which is built within our overall base budget for 2013/14. Out of the 500 organisations, Plymouth City Council provides the **additional 20% discretionary top up relief to only 9**.
- 1.4 As well as the current Discretionary Rate Relief, (DRR), Scheme, the Council also has a discretionary power to grant up to 100% relief to ratepayers who are experiencing hardship. The ratepayer must satisfy the Council that they are suffering hardship on a **temporary** basis and that any closure of their business will have a substantial impact, either social or economic, on its employees or residents living in the community.
- 1.5 Although the Council applies a clear criteria and scoring matrix to substantiate the level of discretionary relief provided, there are a number of legacy organisations that have not been robustly challenged against this criteria for a number of years.
- 1.6 The cost of granting discretionary relief has always been shared between Government and the Council based on the type of relief granted. **Figure 1** is the funding split prior to 1 April 2013:

**Figure 1 Funding apportionment of rates relief up until 31 March 2013**

Type	Type of relief	Amount of relief	Funded by Government	Funded by Plymouth
Charities and Community Amateur Sports Club (CASC)	Mandatory	80%	100%	0%
	Discretionary	Up to 20%	25%	75%
Other Non-profit making organisations	Discretionary	Up to 100%	75%	25%
Hardship	Discretionary	Up to 100%	75%	25%

## 2 Rationale for Change

- 2.1 With the introduction of the Localism Act 2011 and Business Rates Retention Scheme 2013, there is a need to review the current policy in relation to Discretionary Rates Relief, (DRR), and Hardship due to the change in apportionment of what the government funds and the flexibility to support more organisations. The Council is now liable to fund 50% of DRR whereas previously this was only 25%
- 2.2 DRR is the most widely applied award and the changes to funding would raise the Council's costs from £224k in in 2012/13 to £508k in 2013/14 based on previous years' awards and existing applications if we were not to change existing practice.
- 2.3 The changing and evolving priorities of the Council, along with continued pressure on budgets and the current economic climate, means that a fundamental review of the current policy is required moving into 2014/15 and beyond.
- 2.4 Organisations are required, by legislation, to be given 12 months' notice of any change to existing rate relief arrangements provided by the Council. As per standard practice, all organisations receiving rate relief were notified of a pending review by PCC in January 2013. In March 2013, all organisations received their full Business Rate invoice for 2013/14 with a further notification that the Council are reviewing current relief arrangements in line with changes in government funding arrangements.
- 2.5 As part of the consultation process in setting the 2013/14 revenue budget, voluntary and third sector organisations were informed of pending changes to the way in which PCC are to allocate discretionary rate relief at a well-populated meeting in the Council Chamber in January 2013. Revenues and Benefits staff have subsequently held many discussions with individual organisations explaining the process and proactively agreeing acceptable payment plans.
- 2.6 Our National Non Domestic Rate return that has been submitted to government for 2013/14 reflects the level of rate relief provided by the Council as at February 2013. As such, there is no immediate need to enact changes to the current policy on financial

grounds. However, with the Council’s priority to **support growth in the local economy**, additional funding will be needed to support a wider range of businesses that provide significant economic benefit to the City protecting, and creating, jobs in the local area.

- 2.7 Any changes made by the Council will need to give due regard to the Devon-wide Business Rate Retention pool, as material inconsistencies in discretionary relief given by an individual authority will have a direct impact on the total revenue collectable and apportioned across the whole pool.
- 2.8 Government regulations and confirmation of funding contributions were only notified to local authorities in March 2013. Significant changes continue to filter out, for example in April 2013 we were notified that the Council’s future contribution for mandatory rate relief has increased from 0% to 50%. **Figure 2** summaries the respective funding contribution levels of the Council and government for 2013/14 (to be compared with figure 1):

**Figure 2 Funding apportionment of rates relief for 2013/14 financial year**

Type	Type of relief	Amount of relief	Funded by Government	Funded by PCC
Charities and Community Amateur Sports Clubs (CASC)	Mandatory	80%	50%	50%
	Discretionary Top-Up	20% (recommending capping at 10%)	50%	50%
Non-profit making organisations	Discretionary Rate Relief	Up to 100% (recommended capping at 75%)	50%	50%
Hardship	Discretionary	Up to 100% (recommended capping at 75%)	50%	50%

- 2.9 All changes point to the need for the Council to be more stringent around the level of business rate relief provided and the benefit that individual organisations receiving relief can contribute to the City’s priorities.
- 2.10 In April 2013, the Council adopted a new local Council Tax Support scheme, having to passport a reduction in benefit funding directly to the Council Tax payers of Plymouth. This change resulted in approximately 16,000 households having to pay more Council Tax than under the previous national framework. All Plymouth residents now have to pay a minimum contribution of 25% towards their Council Tax regardless of circumstances. There is a logical argument to support that all businesses should do the same as, ultimately, any business rate relief provided by the Council has to be funded through the local Council Tax payer.

- 2.11 Benchmarking with other Local Authorities has determined that many are reviewing their policies this year with much confusion around the regulations and funding. Initial analysis demonstrates that the current Plymouth arrangements are more favourable than most, with some not providing any discretionary relief at all (Appendix A)

### **3 The Proposed Approach for 2013/14 and beyond**

- 3.1 Section 69 of the Localism Act 2011 enables local authorities to grant local rate relief, or discount, to a much wider range of organisations.
- 3.2 However, the cost of providing local discounts to commercial businesses will fall entirely on to the Council who would be required to bear **100% cost** of any reduction in rates given. This new discretionary power to offer business rate discounts to any ratepayer is effective from 1<sup>st</sup> April 2013.
- 3.3 There is currently no policy or provision available by the Council for delivering a local relief/discount and consideration of introducing this would need to include:
- supporting the Council priorities;
  - identification of funding;
  - application and award process and
  - consideration of the wider Devon Business Rates Pool for which Plymouth is the lead authority.
- 3.4 As Business Rates now forms part of the Council's core funding, any award of business rates, whether this be DRR or a local relief/ discount, will reduce overall revenue income for the Council. Each policy must therefore consider its impact on the Rates Retention Scheme, Plymouth's growth agenda and the Devon Business Rates Pool.
- 3.5 Supporting local businesses to remain, and grow, in the City is at the heart of the Council's priorities. As such:  
*It is recommended that we create a 'ring-fenced' funding pot to provide rate relief to a wider range of businesses that can demonstrate that they provide significant economic benefit to Plymouth.*
- 3.6 The current DRR policy for non- profit organisations and charities has been in place for a number of years. To ensure that it remains fit for purpose, and aligns to Council priorities:  
*It is recommended that we review the appropriateness of discretionary business rate relief provided to individual charities and non-profit-making organisations for 2013/14, ascertaining the contribution that each organisation makes to the city and its residents.*
- 3.7 To promote consistency with the requirement for every Plymouth resident having to contribute at least 25% towards the cost of their Council Tax:  
*It is recommended that all organisations should contribute something towards the cost of their business rates in line with the newly adopted Council Tax Support scheme.*
- 3.8 To create funding to support a wider range of organisations that provide the maximise benefit to the City:  
*It is recommended that, as a general principle, the total value of discretionary rates relief given to any single organisation is capped at 75% of the relief provided by the council in 2012/13;*



*It is recommended that existing 'hardship' relief is removed unless supported by a clear business case evidencing how an organisation supports the local economy*

- 3.9 Through enacting the recommendations in this report, funding of approximately £250k will be ear-marked for providing rate relief support to more organisations across the city that provide a greater contribution to the local economy.
- 3.10 One year's notice is required at the start of a financial year to change/remove discretionary rates relief for existing awards. Any award given in the 2013/14 financial year will not be able to be removed or changed until April 2015/16. However this will not affect new applications received from 2014/15 that will be subject to the new/revised policy introduced from this date.
- 3.11 Moving forward, the DRR policy will need to align itself to the work being undertaken through the Community and Voluntary Sector Policy ensuring that Plymouth achieves added value for any rates relief given to charities and voluntary organisations.
- 3.12 Future policies for both DRR and Local discount/relief will need to deliver a corporate approach to provide consistency of decision making, and take into account other grants and funding support given. It is intended to adopt a more thorough, integrated relief scheme in 2014/15 with the relevant 12 month notice period provided to all organisations that are affected. The potential introduction of SLA's will ensure Plymouth residents gain real value in exchange for any relief granted.
- 3.13 The Council has put together a Business Rates Growth Steering Group, which consists of Finance, Economic Development and Revenues and Benefits Managers. The objectives of the group include:
- Fully review the current Discretionary Rates Relief Policy and develop a policy for Local relief/discount that meets the future needs of the Council
  - Consider the implications of specific policies and how they can encourage economic development
  - Consider other appropriate funding streams to offer the correct incentive by taking a corporate view
  - Make recommendations for change taking into account that Business Rates are part of the Council core funding and therefore raise Council funds for the delivery of services.

#### **4. Recommendations and Reasons for recommended action:**

The following recommendations will be considered by Cabinet at its meeting scheduled on 6 August 2013 -

- 4.1 Create a 'ring-fenced' funding pot to provide rate relief to a wider range of businesses that can demonstrate that they provide significant economic benefit to Plymouth (utilising new government legislation that came into effect in April 2013);

- 4.2 Review the appropriateness of discretionary business rate relief provided to individual charities and non-profit-making organisations for 2013/14, ascertaining the contribution that each organisation makes to the city and its residents;
- 4.3 Adopt the principle that all organisations should contribute something towards the cost of their business rates in line with the newly adopted Council Tax Support scheme that requires all residents to contribute at least 25per cent towards their Council Tax bill (regardless of circumstances);
- 4.4 As a general principle, cap the total value of discretionary rates relief given to any single organisation to 75 per cent of the relief provided by the council in 2012/13;
- 4.5 Remove existing 'hardship' relief provided unless supported by a clear business case evidencing how an organisation supports the local economy;

## **Appendix A - Benchmarking**

Plymouth has begun benchmarking to determine what other authorities are doing in response to the localism agenda. A sample of these responses are attached:

### **Plymouth City Council**

Initial review undertaken to tighten scheme and level of award for 2013/14. A full review is to be undertaken during 2013/14 and a Business Rates Growth Steering Group set up to consider:

- Current policy and whether it meets the needs of the Council
- Implications of policy and how it can support the wider growth agenda
- Recommendations for change giving consideration to the wider Devon Business Rates Pool

### **Exeter:**

No hardship policy is in place. Unless the company is unique to the City, no award is given. No DRR policy is in place. All requests are submitted as a supporting documentation package, explaining the organisations aims and objectives the background how long they have been trading along with accounts. This information is then passed to their director of finance who looks at the application form with a councillor to make a decision, usually the application is refused. There is no appeal process and no scoring mechanism. The decision is based on the paper work they submit.

### **Torbay:**

No change to the current policy. However, submitted a report to members to tighten up the amounts issued. Policy includes:

- Provision of financial records / memorandum and letter of application
- Top up for registered charities and CASCs only – for maximum of 2 years
- Non-profit Company – Over £500.00 relief awarded - review every 2 yrs.  
Under £500.00 relief awarded – review every year

### **East Devon District Council:**

Have recently reviewed their policy, under Localism, which includes the following:

- Anticipates that relief will only be granted in exceptional circumstances;
- Will ensure that all ratepayers making application for this discretionary rate relief are treated in a fair, consistent and equal manner.
- That relief is for a temporary period

Considers:

- the significance of potential loss of employment in the area
- The measurable impact on other businesses & the local community
- Opportunities for new business growth, expansion and employment within the area
- Uniqueness of service/commodity being provided within the community/district

Delegated authority is given to the Head of Finance in consultation with the Portfolio Holders for Finance and Economy (if available) for deciding applications for rate relief.

**Teignbridge:**

Policy has been updated. If the criteria is met they may award up to 100%. Also applies to Top-up. The criteria and policy are reviewed every 5 years.

**Cornwall City Council**

No hardship policy

DRR was going to be revoked on 1 April 13, in order to review their policy, however as they are still unsure of the cost to council, a decision has been made not to remove the relief this year, and to look into the policy in more detail. They currently have 2000 cases outstanding.

Award levels:

Up to 15% for charities

Up to 80% for youth organisations

**Bristol City Council**

Has suspended awarding DRR for 2013/14 whilst they undertake a review of their current policy.

**Southampton City Council**

No hardship policy, they do not grant hardship as no business is unique to the City.

A DRR policy is in place but now under review. A submission was made to review their current policy but due to the lack of clarity around the funding this has been put off until 2014/15.

Award levels:

- 75% relief where a club is run on a voluntary basis
- 50% where the club is run using paid staff
- **No top up relief is awarded**

**Liverpool**

The most they would give is 20 per cent rates relief top up to existing charities.

**Enfield**

Have a policy in place but the relief is not very often awarded as have strict criteria.

**Doncaster**

No final decision as to whether a policy will be put in place. However, pre-empting this they have sent an application form out to customers.

**Barking**

They have a policy which is very old (2004) and it is not given freely – organisations have to meet strict criteria.

**Wiltshire**

Currently reviewing their policy.

# AMBITIOUS PLYMOUTH

Co-opted representatives



Following discussions at the previous meeting of the Cooperative Scrutiny Board, regarding the recommendation of the appointment of co-opted representatives on the Ambitious Plymouth Panel, further information has been provided.

The minute below reflects the discussion and resolutions with regards to minute 3. Appointment of Co-opted Representatives at the Ambitious Plymouth scrutiny meeting on 1 July 2013.

*The panel discussed the appointment of co-opted representatives onto the Ambitious Plymouth panel and those present commented as follows -*

- (a) as well as working with the Plymouth Association of Governors the panel should work closer with schools to try and obtain increased levels of parent governor representation;*
- (b) further work should be undertaken on sourcing faith representation onto the panel, using organisations and bodies like SACRE to promote a more multi-cultured faith representation;*
- (c) the appointed co-opted representatives of the Children and Young People's Overview and Scrutiny Panel should be approached to become co-opted representatives on the Ambitious Plymouth panel;*

Agreed to recommend to the Cooperative Scrutiny Board that –

- (1) the Democratic Support Officer contact the relevant organisations in an attempt to obtain nominations to fill the vacant statutory co-opted representative positions for faith representatives and parent governors to be co-opted onto the Ambitious Plymouth panel;*
- (2) the Democratic Support Officer approach the Lead Officer of the Standing Advisory Council for Religious Education (SACRE) to ask for nominations from SACRE members to become co-opted representatives onto the Ambitious Plymouth panel;*
- (3) Mrs Edith Bayley, Parent Governor co-opted representative on the Children and Young People's Overview and Scrutiny Panel, is approached to take up a position as a Parent Governor co-opted representative on the Ambitious Plymouth Panel for the next 12 months;*
- (4) Alderman Pauline Purnell is approached to take up a position as a co-opted representative onto the Ambitious Plymouth Panel for the next 12 months;*

- (5) the UK Youth Parliament are approached to take up two separate positions as co-opted representatives onto the Ambitious Plymouth panel for the next 12 months.

For the purpose of clarity Table 1, below, identifies the co-opted representatives, their position and voting rights, the reason why the Ambitious Plymouth panel would like to appoint the co-opted representative and Table 2 summarises the statutory guidance that exists for the positions of statutory co-opted representatives.

**Table 1.**

	<b>Co-opted representative</b>	<b>Position on the panel</b>	<b>Voting rights</b>	<b>Reason for appointment</b>
1.	Edith Bayley	Statutory Co-opted representative (Parent Governor)	Can vote on education matters under discussion at panel meetings.	This is a statutory position as defined by the Parent Governor Representatives (England) Regulations 2001. *1
2.	Vacant Parent Governors (between 1 – 4 members)	Statutory Co-opted representative (Parent Governor)	Can vote on education matters under discussion at panel meetings.	These are statutory positions as defined by the Parent Governor Representatives (England) Regulations 2001. *1
3.	Vacant Faith representatives	Statutory Co-opted representative (Faith representative)	Can vote on education matters under discussion at panel meetings.	This is a statutory position as explained below in the 'Direction of the Secretary of State: Representation of Voluntary School Bodies'. *2
4.	SACRE representative (not Diocesan)	Co-opted representative	No voting rights.	The panel wished to promote a multi-faith representation, as the statutory faith positions are from only a Church of England or Roman Catholic background.
5.	Alderman Pauline Purnell	Co-opted representative	No voting rights.	The panel believe that Alderman Purnell offered value to the Children and Young People's Overview and Scrutiny Panel, where she was previously co-opted, and agreed to offer Alderman Purnell the opportunity to be co-opted on to the new scrutiny panel with responsibilities for children and young people.

6.	UK Youth Parliament (UKYP) (2 members)	Co-opted representative	No voting rights	The panel believe that the young people from the UKYP offered value to the Children and Young People's Overview and Scrutiny Panel, where they were previously co-opted, and agreed to offer the UKYP the opportunity to have two co-opted representatives on to the new scrutiny panel with responsibilities for children and young people.
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Table 2.

*1	<p>The relevant paragraphs of the Parent Governor Representatives (England) Regulations 2001 states:</p> <p><b>Requirement for education overview and scrutiny committees to include parent governor representatives:</b></p> <p>3. A local education authority shall appoint at least two but not more than five parent governor representatives to each of their education overview and scrutiny committees and sub-committees.</p> <p><b>Voting rights of parent governor representatives</b></p> <p>10. A parent governor representative shall be entitled to vote at a meeting of an education overview and scrutiny committee of which he is a member on any questions –</p> <p>(a) which relates to any education functions which are the responsibility of the authority concerned executive, and</p> <p>(b) which falls to be considered at the meeting</p>
*2	<p><b>DIRECTION OF THE SECRETARY OF STATE: REPRESENTATION OF VOLUNTARY SCHOOL BODIES</b></p> <p>In exercise of the powers conferred by section 499 of the <i>Education Act 1996</i>, the Secretary of State for Education and Employment hereby directs as follows.</p> <p>(1) This direction shall have effect from 1 November 1999 and revokes the direction of July 1994 which was annexed to Circular 19/94, insofar as that direction applied to England.</p> <p>(2) In this direction—</p> <p>“<b>diocesan body</b>” means a Church of England Diocesan Board of Education, the Bishop of a Roman Catholic Diocese, a Roman Catholic Diocesan Schools Commission or its equivalent.</p> <p>(3) This direction applies in relation to any committee appointed by a local authority in accordance with section 102 of the <i>Local Government Act 1972 (as amended by the Local Government Act 2000 and the Localism Act 2011)</i> wholly or partly for the purpose of discharging any of the authority's functions with respect to education which are conferred on the authority in its capacity as a local education authority, and to any committee so appointed by two or more such authorities for the purpose of discharging any of those authorities' functions with respect to education, and in the latter case references below to the authority and the area of the authority shall be read as references to all the authorities which appointed the committee and to the combined areas of all the authorities.</p>

- (4) Where a diocesan body appoints foundation governors of a voluntary school in the area of a local education authority, the authority shall, subject to paragraphs (6) and (7) below, appoint to any committee referred to in paragraph (3) above a representative of that diocesan body as a non-elected voting member.
- (5) (a) Subject to sub-paragraph (b), a member of a committee appointed under paragraph (4) shall be entitled to vote on any of the following matters—
- (i) matters which relate to schools maintained by the local education authority;
  - (ii) matters which relate to pupils who are educated in schools maintained by the local education authority, or who are educated by the local education authority otherwise than at school.
- (b) A member of a committee appointed under paragraph (4) shall not be entitled to vote on the determination of the local education authority's total revenue expenditure on education or the determination of its capital expenditure on education.
- (6) Where there is more than one diocesan body of a particular religious denomination in the authority's area the authority may appoint one person as the representative of all such bodies.
- (7) The authority need not appoint a representative of a diocesan body to a committee referred to in paragraph (3) above if the decisions of that committee are subject to scrutiny by another committee which itself has such representation.
- (8) This direction applies in relation to any sub-committee which is appointed by a committee of the authority wholly or partly for the purpose referred to in paragraph (3) above, as it applies in relation to such a committee; and in such a case references herein to the authority and any committee appointed by the authority shall unless the context otherwise requires be read as references to the body which appointed the sub-committee and any such sub-committee.

The following was a circular sent around to Democratic Services departments in February 2013:

**Operation of the governing body: Diocesan representation on LA education committees**

**Updated:** 07 February 2013

Department circular 19/99 contained a direction that local authority (LA) committees dealing with education should include diocesan representatives as non-elected voting members of those committees.

The direction contained in this circular is still current and is attached. The reference to section 102 of the Local Government Act 1972 in paragraph 3 of the direction needs to be read as section 102 of the Local Government Act 1972 as amended by the Local Government Act 2000 and the Localism Act 2011.

The direction applies both to LAs that operate overview and scrutiny committee arrangements, and to those that have reverted to a traditional committee structure under the Localism Act.

Diocesan board representatives are therefore entitled to speak and vote on education matters being considered by these committees.



3. In light of the information contained in Tables 1 and 2, the Ambitious Plymouth recommended the resolutions contained as (1) to (5) in the minute referred to at the beginning of this report to the Cooperative Scrutiny Board.

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