



**Cabinet**  
21 May 2018

**Report from the Strategic Director  
of Resources**

**National Non-Domestic Rates – Applications for  
Discretionary Rate Relief**

<b>Wards Affected:</b>	Willesden Green, Alperton, Stonebridge, Fryent, Wembley Central
<b>Key or Non-Key Decision:</b>	<b>Key</b>
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	<b>Open</b>
<b>No. of Appendices:</b>	<b>2</b>
<b>Background Papers:</b>	Report to Cabinet 15 November 2016 – National Non-Domestic Relief – Review of Discretionary Rate Relief Policy
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Richard Vallis, Revenues & IT Client Manager Tel: 020 8937 1503, <a href="mailto:Richard.Vallis@brent.gov.uk">Richard.Vallis@brent.gov.uk</a>

## **1.0 Purpose of the Report**

- 1.1 The Council has the discretion to award rate relief to charities or non-profit making bodies. It also has the discretion to remit an individual National Non-Domestic Rate (NNDR) liability in whole or in part on the grounds of hardship. The award of discretionary rate relief is based on policy and criteria agreed by Cabinet on 15 November 2016. New applications for relief have to be approved by the Cabinet.
- 1.2 The report details new applications for relief received since September 2017.

## **2.0 Recommendations**

- 2.1 That the applications for discretionary rate relief detailed in Appendix 2 to this report be approved.
- 2.2 That 100% rate relief be awarded to Meanwhile Space in respect of any empty rates they become liable for at Ujima House, 388 High Road, Wembley HA9 6AR whilst they are leaseholders of the property, the relief being awarded in

accordance with section 49 of the Local Government Finance Act 1988. As detailed in sections 3.7 – 3.10 of this report

- 2.3 That 50% discretionary rate relief be awarded to Hackspace for 12 months commencing from their date of occupation in respect of business rates due at Ujima House, 388 High Road, Wembley HA9 6AR as detailed in sections 3.7 – 3.10 of this report.

### **3.0 Detail**

- 3.1 Details of the Council's discretion to grant rate relief to charities, registered community amateur sports clubs and non-profit making organisations are contained in the financial and legal implications' sections (4 and 5).
- 3.2 Appendix 1 sets out the criteria and factors to consider for applications for NNDR relief from Charities and non-profit making organisations. This was agreed by Cabinet at its meeting on 15 November 2016.
- 3.3 Appendix 2 lists new applications from local and non-local charities that meet the criteria. These receive 80% mandatory relief, where they meet the criteria the council will award local charities up to 100% discretionary relief in respect of the remaining 20% balance and will award non local charities 25% relief in respect of the remaining 20% balance. It also shows the cost to the Council if discretionary relief is awarded.
- 3.4 The criteria for awarding discretionary rate relief focuses on ensuring that the arrangements are consistent with corporate policies and relief is directed to those organisations providing a recognised valued service to the residents of Brent, particularly the vulnerable and those less able to look after themselves. Further detail is set out in Appendix 1. Should relief be granted entitlement will remain until 31 March 2020 (other than in the case of the relief recommended in respect of Hackspace in recommendation 2.3) unless there are any changes to the organisation. The scheme will be reviewed in late 2019 when organisations will be required to re-apply for relief.
- 3.5 Charities and registered community amateur sports clubs are entitled to 80% mandatory rate relief and the council has discretion to grant additional relief up to the 100% maximum
- 3.6 Non-profit making organisations do not receive any mandatory relief, but the Council has the discretion to grant rate relief up to the 100% maximum. However the council's policy limits relief for these to 25%

### **Ujima House, 388 High Road, Wembley HA9 6AR**

- 3.7 Applications have been received from 2 non-profit making organisations, Meanwhile Space and Hackspace, in respect of prospective rate liability at Ujima House, 388 High Road, Wembley. Ujima House was purchased by the council in 2017 with a view to redevelopment in approximately 3 years' time. In the meantime a tenant has been sought but little interest has been received from any commercial organisations. Whilst the property remains empty the council is incurring empty rates on the building, these totalling £115,000 for 2018/19.

3.8 Talks have been held with Meanwhile Space, a Community Interest Company whose social mission is to bring empty space back into use providing employment opportunities and a controlled chance for people to either succeed or fail at growing their own business. They are looking to lease the whole of the property for 3 years (with a 2 year break clause) and would look to let parts to start-up businesses as well as established businesses. They have found an “anchor” tenant, Hackspace who would occupy the ground and first floors. Hackspace are a not for profit organisation whose objectives are to promote and encourage technical, scientific, and artistic skills through social collaboration and education, and to provide and maintain shared community workspace and equipment in Greater London. However as a not for profit organisation they would struggle to pay the full business rates on the area and have applied for 50% discretionary rates relief for the first 12 months of their occupation. In order to encourage their occupation of the building which will attract other start up businesses to the building it is recommended that this is granted. The amount of relief for 12 months would be approximately £25,000, the cost to Brent being £16,000.

3.9 Meanwhile Space as the lessee would be liable for empty rates due on any unoccupied areas and have requested that any empty rate charges they become liable for be remitted as they do not have the funds to pay these. Their exact liability for empty rates for the 3 year period is unknown, if the premises were empty for the whole of the 3 year period this would amount to £445,000. Conversely if the premises were fully occupied for the whole of the 3 year period they would have no empty rate liability. It is likely that any empty rate liability they incur will be at the start of their lease whilst they find tenants, and again at the end of the lease as tenants vacate to find alternative accommodation. Whilst the council cannot award discretionary rate relief in respect of empty rates it can award hardship relief, the costs of awarding this relief being the same. Without awarding this relief the whole proposal would be in jeopardy with it being likely that Meanwhile Space would walk away from this project. Therefore, in view of the difficulties the council has faced in finding an alternative tenant for the building, it is recommended that relief be awarded in respect of any empty rates Meanwhile Space become liable for.

3.10 To illustrate the potential savings to the council, let’s assume that Meanwhile Space’s empty rate liability for the 3 year period is £100,000. The council would meet 64% of the cost of awarding relief, i.e., £64,000 over 3 years. However the council will save £115,000 a year in not having to pay empty rates and instead will gain rates income from Hackspace and other occupiers - estimated at £60,000 pa. The table below summarises the financial gain to the council:-

<b>Savings</b>	Year 1	Year 2	Year 3	Total
Not paying empty rates	£115,000	£115,000	£115,000	£445,000
Rates Income from occupiers	£60,000	£60,000	£60,000	£180,000
<b>Total</b>	<b>£175,000</b>	<b>£175,000</b>	<b>£175,000</b>	<b>£525,000</b>
<b>Costs</b>				
Awarding relief from empty rates to Meanwhile Space	£34,000	£10,000	£20,000	£64,000

Awarding relief to Hackspace for 12 months	£16,000	NIL	NIL	£16,000
Total	£50,000	£10,000	£20,000	£80,000
<b>Net Savings</b>	£125,000	£165,000	£155,000	£455,000

## 4.0 Financial Implications

- 4.1 From 1 April 2013 the council funded 30% of the amount of mandatory and discretionary relief awarded to charities and non-profit making organisations, with 50% being met by central government and 20% by the GLA. From 1 April 2018 the council is part of a pan London business rates pool whereby 100% income from business rates is split between the council and the GLA. The council's share is estimated at 64%, so from 1/4/2018 the council will meet 64% of any discretionary rate relief awarded.
- 4.2 The Council, where it has decided to grant relief, has followed a general guideline of granting 100% of the discretionary element to local charities and 25% of the discretionary element to non-local charities. Any additional awards of relief will reduce income to the Council by 30% for years prior to 1/4/2018 and 64% post 1/4/2018.
- 4.3 In respect of non-profit making organisations the council has agreed where the organisation meets the criteria to award 25% discretionary rate relief. The cost to the council of awarding this relief is 30% of the amounts granted for years prior to 1/4/2018 and 64% post 1/4/2018.
- 4.4 The costs therefore of awarding discretionary relief to the charitable organisations detailed in Appendix 2 is £6,127.56. These costs will in effect reduce the council's projected income from its retained Business Rates income from 2018/19 onwards.
- 4.5 The cost to Brent of awarding hardship relief to Meanwhile Space and discretionary rate relief to Hackspace in respect of Ujima House is estimated at £80,000 over the 3 years - £16,000 for 12 months relief for Hackspace and £64,000 for Meanwhile Space's estimated liability for empty rates over the 3 years (£100,000). However this will be offset by the council not incurring empty rate charges (£115,000 pa) and the rates income it will receive from the occupiers (£60,000 pa).

## 5.0 Legal Implications

### Discretionary Rate relief

- 5.1 Under the Local Government Finance Act 1988, charities are only liable to pay 20% of the NNDR that would otherwise be payable where a property is used wholly or mainly for charitable purposes. This award amounts to 80% mandatory relief of the full amount due. For the purposes of the Act, a charity is an organisation or trust established for charitable purposes, registration with the Charity Commission is conclusive evidence of this. Under the Local Government Act 2003, registered Community Amateur Sports Clubs also qualify for 80% mandatory relief.

- 5.2 The Council has discretion to grant relief of up to 100% of the amount otherwise due to charities, Community Amateur Sports Clubs, and non-profit making organisations meeting criteria set out in the legislation. These criteria cover those whose objects are concerned with philanthropy, religion, education, social welfare, science, literature, the fine arts, or recreation. Guidance has been issued in respect of the exercise of this discretion and authorities are advised to have readily understood policies for deciding whether or not to grant relief and for determining the amount of relief. Details of the current policy are contained in Appendix 1
- 5.3 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 allow Brent to grant the relief for a fixed period. One year's notice is required of any decision to revoke or vary the amount of relief granted, if in the case of a variation, it would result in the amount of rates increasing. The notice must take effect at the end of the financial year.
- 5.4 The operation of blanket decisions to refuse discretionary relief across the board would be susceptible to legal challenge on grounds that the Council would be fettering its discretion. The legal advice provided to officers and Members is that each case should be considered on its merits.

### **Hardship Relief**

- 5.5 Under Section 49 of the Local Government Finance Act 1988, the Council can reduce or remit any amount a person is liable to pay by way of NNDR, if it is satisfied that the ratepayer would otherwise sustain hardship and if it is reasonable to do so having regard to the interests of Council Tax payers. Council Tax payers are affected by decisions under this section because 64% of the cost of exercising this power has to be funded by the Council.
- 5.6 Case law relating to similar provision in earlier legislation indicates that this discretion should be exercised on the basis of adequate financial information from applicants for relief to enable the Council to assess the capacity of the ratepayer to pay the amounts due.
- 5.7 Government guidance indicates that exercise of discretion in favour of a ratepayer should be exceptional and identifies a number of factors to be taken into consideration in exercising this discretion. The guidance also states that while it would not be proper for the authority to have a blanket policy, as all applicants should be considered on their merits, however, rules may be adopted for the consideration of hardship issues.

### **6.0 Equality Implications**

- 6.1 Applications have been received from a wide variety of diverse charities and organisations, and an Impact Needs Analysis Requirement Assessment (INRA) was carried out in 2008 when the criteria were originally agreed. As there were no changes made to the criteria in September 2013 an Equality Impact assessment was not required. All ratepayers receive information with the annual rate bill informing them of the availability of discretionary and hardship rate relief.

### **7.0 Consultation with Ward Members and Stakeholders**

7.1 None, although ward members support the applications from the applications recommended for approval

**8.0 Human Resources/Property Implications (if appropriate)**

8.1 None

**Report sign off:**

**ALTHEA LODERICK**  
Strategic Director of Resources