

Briefing for the Petitions Committee

Y Pwyllgor Deisebau | 13 Rhagfyr 2016
Petitions Committee | 13 December 2016

Petition number: P-05-726

Petition title: Give rate relief to Local Authorities for Leisure and Cultural Facilities

Text of petition: Due to ever increasing budget pressures, Local Authorities in Wales are looking at creating charitable trusts to take over the running of public services like libraries and leisure centres.

The main benefit of such an arrangement is the rate relief which a charity would be entitled to. This amounts to moving money from the central pot of non-domestic rates and into the authorities budget. No public money is saved overall, although there are overheads involved in setting up such arrangements which can involve payments being made to specialist private consultants.

Pembrokeshire County Council is about to begin the process of creating a charity to take over the running of all leisure and cultural services in the whole county. It's almost inevitable that other local authorities in Wales will follow suit in order to deal with their own impossible budget pressures.

I call on the Welsh government to change the rules of rate relief so that all Local Authority run leisure and cultural facilities are covered on an equivalent basis to that which a charity would be entitled to. If this is not done then the end result of losing this business rate income will still happen through the creation of these charitable trusts, but we will be unnecessarily losing control of our public services in the process.

Please take away this unnecessary incentive to outsource our important leisure and cultural services.

Background

[Sections 43 \(5\) and \(6\) of the *Local Government Finance Act 1988*](#) (the Act) provide that registered charities receive 80% mandatory business rate relief, [funded by the Welsh Government](#). The local authority in which the charity's premises are located also has discretion to award relief on the remaining 20% of the business rates liability, via [sections 47](#)

[\(1\) and \(2\) of the Act](#). Of [any discretionary relief awarded](#), the local authority pays 75% with the remaining 25% met by the Welsh Government. **The maximum possible business rates savings for the local authority if it transfers leisure or cultural services to a charitable trust are therefore 85%.** Under [sections 47 \(1\) and \(2\) of the Act](#), a leisure or cultural trust without charitable status may not be able to claim mandatory rate relief but can receive up to 100% discretionary relief, dependent on the decision of the local authority it is located in.

Pembrokeshire County Council [has recently consulted](#) on proposals changing the way that cultural and leisure centres are run. [The preferred option](#) of Winckworth Sherwood, the external firm who provided specialist advice to the council, is to establish a charitable trust to run its culture and leisure services. Looking specifically at business rates, it estimates that this approach will enable the Council to make annual savings of £637,000 in business rates. However, [the UNISON trade union opposes these plans](#), noting that forecast long-term financial savings may not materialise, and that the council will have to bear costs without having power to direct services.

The Welsh Government's website provides details of case studies on community asset transfer. One of these relates to Blaenau Gwent County Borough Council transferring leisure services to [Aneurin Leisure](#) from October 2014. The key drivers of the transfer were to sustain the delivery of social objectives, and to meet the requirements of the Council's Medium Term Financial Strategy, including the achievement of business rates savings.

The Auditor General for Wales published [Delivering With Less – Leisure Services](#) in December 2015. This found that public sector ownership and management of leisure provision are changing with the transfer of services and assets to other models of operation, however, decisions have not always been based on robust information. It also stated that:

Trust options are very much being promoted by the Welsh Government and are increasingly seen as offering a range of financial benefits in terms of the potential for attracting additional grant funding and possible tax and VAT savings, particularly in terms of National Non Domestic Rates (NNDR) relief.

However, the Auditor General's report also highlighted potential risks around the trust model, such as anticipated savings not being realised and increased subsidy from the council being required, and a weakening of direct democratic control of the service.

The Welsh Government commissioned research into [independent trust and community libraries in Wales](#), which noted that some significant financial savings have been achieved from local authorities transferring running of public libraries to independent trusts, due to savings in business rates and VAT. However, it also notes that for some community libraries

opening hours, issues and visitor numbers have fallen, and very substantially in some instances.

Welsh Government action

The previous Welsh Government commissioned an [expert review of local authorities' current and future plans to deliver public library services](#) in 2014. Following the review, it published guidance on [Community Managed Libraries](#) in May 2015 and [best practice guidance on Community Asset Transfers](#) in March 2016.

Sport Wales published [Facilities for Future Generations: A blueprint for sport and active recreation in Wales](#) in April 2016. This stated that:

- Action is required to review the current momentum that has led to financially driven decisions in respect of future operating models – the principle motivation being based on securing immediate tax savings;
- If facilities are to be transferred by local authorities to a new community, or social enterprise, a prior review of facilities stock is necessary.

The Cabinet Secretary for Finance and Local Government wrote to the Committee on 26 November, in relation to this petition. In this letter, he stated that:

Looking forward, I am keen to explore different options for how the non-domestic rates system could operate in the future. Introducing a new form of non-domestic rates relief could add to the complexity of the system and to the costs of administration for local authorities. Such factors would need to be taken into careful consideration in developing the system.

The current rates system applies to all forms of non-domestic property, with a few specific exemptions. This includes most forms of public property. Charitable organisations receive rates relief because of their designated status as charities. There would need to be a clear rationale for extending relief to public property or particular types of public property. One consideration which would need to be taken into account would be the potential effect on the economy and the risk of distorting market conditions, particularly in areas such as leisure where there is a considerable market for private sector provision. It would be inappropriate for local authorities to be able to grant rates relief to properties they own, particularly if this then increased the demand on other taxpayers in the area.

National Assembly for Wales action

The Fourth Assembly's Communities, Equality and Local Government Committee conducted an inquiry into [Public Libraries in Wales](#) during 2014, which touched on the issue of transferring ownership of libraries.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

