

REPORT FOR: **CABINET**

Date of Meeting:	14 February 2013
Subject:	Non-Domestic Discretionary Rate Relief, Changes to Charity Shop Eligibility.
Key Decision:	Yes
Responsible Officer:	Julie Alderson, Corporate Director of Resources
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – EqIA

Section 1 – Summary and Recommendations

The policy for Non-Domestic Discretionary Rate Relief (DRR) was reviewed earlier in the year and new criteria adopted by Cabinet in February 2012. Following further cuts to the Discretionary Rate Relief budget with effect from 1/4/2013, namely a further cut of £25k to leave a budget of £50k, it was agreed through the commissioning process to exclude charity shops from receiving the relief in future and to ensure the budget is not overspent.

Recommendations:

That Cabinet considers and agrees that: -

- (i) Charity shops should no longer be eligible for Discretionary Rate Relief (DRR),
- (ii) That awards of DRR to this category of charity stop as soon as

legally practical but not before the 31/3/2013

- (iii) That Harrow determines not to award relief under the new powers of s69 of the Localism Act 2011 which amend s47 of the Local Government Finance Act 1988.

Reason: (For recommendation)

To decrease the amount of awards granted so expenditure remains within the new reduced budget.

Section 2 – Report

2. Introduction

- 2.1.1 The Council, as a billing authority, is empowered to award discretionary rate relief from business rates in respect of rates payable on properties occupied by charitable or certain other “not for profit” bodies. This is done by application and in accordance with the process currently in place and as revised from time to time.
- 2.1.2 Due to budget pressures it is necessary for the Council to reconsider its approach to rate relief. It is accepted that this area of reliefs is extremely sensitive, but the Council needs to make further changes to the existing scheme to ensure awards match available budget. As such the proposals in this report to exclude charity shops from being eligible to DRR and introduces measures to reduce expenditure in 2013/14 to meet available budget.
- 2.1.3 Other measures, such as stopping awards to other organisations who did not meet the new criteria adopted earlier this year but where relief was allowed to continue for a further year to allow phasing out of the awards, such as Harrow Football Club, will save £10k. The measures set out in this report will save the additional £15k required.
- 2.1.4 A consultation took place between December 2011 and January 2012 and the feedback shaped the changes to DRR that were agreed at Cabinet in February 2012. This latest amendment to the policy, if agreed, would affect 15 charity shops in Harrow. There is no statutory duty to consult on the proposed amendment however the Council is committed to ensuring that feedback influences changes to policy. The Council has therefore listened to the feedback from the initial consultation carried out earlier in the year, and entered into further discussions with voluntary sector organisations on where further

savings could be made. The feedback received from this group suggested that withdrawing the relief from charity shops would have the least impact and was preferable over cuts to other bodies. Within these discussions it was also strongly felt that this change should impact on all charity shops and that St Luke's should not be excluded as was proposed in the consultation during 2011/12. As a result of these proposals a letter has been sent to the four affected organisations asking for feedback on the proposals to ensure the Council understands the impacts of the proposals when making its decision. The full impact of the changes are set out in the EqIA attached to this report.

2.1.5 It should be noted that charity shops will continue to be awarded the compulsory 80% Mandatory Charity Relief; this proposal only prevents them from being awarded the 20% top up discretionary rate relief. If this proposal is agreed, charity shops will in future have to pay 20% of their business rates.

2.1.6 The effects of the changes are summarised in the table below. A total of approximately 4 organisations will stop receiving funding, saving the Council £14k annually. The table below sets out the details of the recipients being affected as well as the savings produced.

Organisation	Property Address	LBH Savings from 1/4/2013	Actual amount lost by the organisations (includes central gov subsidy)
Barnardo's	11 Love Lane Pinner	£811.12	£1,081.49
Harrow Mencap	201 Marsh Road Pinner	£705.32	£940.42
Harrow Mencap	25 Pinner Green Pinner	£864.02	£1,152.02
St Luke's	433 High Road Harrow Weald	£486.67	£648.89
St Luke's	435 High Road Harrow Weald	£486.67	£648.89
St Luke's	5 Church Road Stanmore	£1216.68	£1,622.24
St Luke's	39 Station Road North Harrow	£1216.68	£1,622.24
St Luke's	437 High Road Harrow Weald	£479.62	£639.49
St Luke's	349 Rayners Lane Pinner	£775.85	£1,034.46
St Luke's	281 Northolt Road South Harrow	£969.82	£1,293.09
St Luke's	11 Station Road Harrow	£758.22	£1,010.96
St Luke's	40-43 Bridge Street Pinner	£2397.00	£3,196.00
St Luke's	Grd Floor 145 Burnt Oak Broadway	£952.18	£1,269.57
St Luke's	192 Kenton Road Kenton	£1692.00	£2,256.00
Harrow Samaritans	103 High Street Wealdstone	£373.82	£498.42
	Current Estimated Cost to LBH	£14,185.10	

- 2.1.7 The existing determination of DRR ends on 31 March 2013. Any new determination can only take effect at the beginning of a financial year. It is recommended that the proposed changes take effect from 1 April 2013.
- 2.1.8 The cost of top up DRR relief is currently shared 75/25 between the Council and Central Government. Because the Council is proposing to save £15k from these changes in policy, this actually means that the charities will lose approximately £19,000 in relief. The table under para 2.1.6 shows the savings from each charity shop to Harrow. The actual loss of relief to each individual charity shop is 25% higher than the savings figures and is also shown.
- 2.1.9 Additionally the power to award discretionary rate relief, s47 of The Local Government Finance Act 1988, was amended by s69 of the Localism Act 2011. This widened the scope of s47 to enable billing authorities to award discretionary relief to any ratepayer, but to bear 100% of the cost. The implications of widening the discretionary policy, by exercising the new right under s69 of the Localism Act 2011, would be to increase expenditure. This would go against the policy change proposed in this report and it is also officers' recommendation that Harrow adopts a policy of not exercising the additional powers now contained under s47 as amended by s69 of the Localism Act 2011. By deciding not to exercise the powers given, in effect we are removing the risk of overspend to the DRR budget but also mitigating potential losses to the Collection Fund.
- 2.1.10 If exceptional circumstances arise, the matter would be referred to Cabinet together with the financial implications of exercising the discretion, and Cabinet would be asked to determine whether that discretion should be exercised.

Recommendations

Officers recommend that the Council agree to the recommendations as set out in section 1 of this report. This will ensure that action is taken to reduce the cost of the Discretionary Rate Relief scheme in compliance with available budget.

Other Options Considered

Other recipients of Discretionary Rate Relief, Sports Clubs, Scout Huts and a few other voluntary organisations such as the CAB etc, have previously been assessed as having high impacts if DRR was withdrawn. It was shown that not supporting these organisations would have a detrimental impact on Harrows' residents and therefore they have not been included within these proposals for change. Whilst it is accepted that removal of DRR will have an impact on charity shops, it was felt that this was a minimal impact and appropriate in view of the fact that the shops are trading, albeit that funds raised are for charitable purposes.

Legal Background

The main provisions conferring the discretionary power on billing authorities to grant rate relief are to be found in Section 47 of the Local Government Finance Act 1988 (LGFA). Authorities have discretion to grant rate relief from all or part of the amount of non-domestic rates payable. This is in addition to mandatory rate relief of 80% to charities and community sports clubs.

The authority already has in place a policy that provides guidelines for deciding whether or not to grant relief and for determining the amount of any relief given. This report further amends that policy.

The Localism Act 2011 amends s.47 of the LGFA to widen the power to award discretionary rate relief to businesses as it thinks fit. However, except in the case of non charities or recreational not for profit organisations, the Council can only make this decision if it is reasonable having regard to the interests of local council tax payers. It had been envisaged that this relief would have to be funded locally, however a recent policy document suggests that the relief may be shared with central government. The policy intention behind the new power was to allow local authorities to grant relief to particular businesses with a view to regenerating the economy.

When making policy decisions, the Council must take account of all relevant information, including any equality implications, consultation results and statutory and non statutory guidance. In relation to consultation, the Council must take account of the responses, however this does not involve a simple headcount of those in favour and those against a proposal. When making a decision to cut funding, it will not be surprising if the most vociferous responses come from those most affected. Whilst the Council must take account of those views and consider other options and mitigating measures, it may still decide for proper policy reasons, that it is appropriate to approve the policy.

Financial Implications

This is a report of the Corporate Director of Resources and deals with financial matters throughout.

The reduction in the budget has been approved as part of the normal budgetary process. Not putting through the policy changes will result in the budget being overspent.

Performance Issues

There are no performance issues as the amounts in question are small. This will therefore not affect collection performance.

Environmental Impact

None

Risk Management Implications

Risk Included on Directorate risk register? No
Separate Risk Register in Place? No

Equalities implications

An EqIA has been carried out in relation to the proposed policy change to remove DRR to charity shops.

When making this decision, Cabinet should have due regard to the Public Sector Equality Duty. The Council completed an equality impact assessment and a summary of results are shown in the appendix and summarised below.

Section 149 of the Equalities Act 2010 created the Public Sector Equality Duty. Section 149 states:-

- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The EqIA shows that recipients of services from certain charities are likely to come from specific age groups (older people – St Luke’s and younger people – Barnado’s) and people with disabilities (physical disability – St Luke’s, mental health disability – Harrow Mencap). This may mean that the proposal has an adverse impact on these groups. However, the size of the cut in relation to the operating costs and income of the organizations is such that any impact is likely to be minimal.

The original proposal consulted on included an option to protect St Luke’s from removal of DRR. However, a number of respondents felt that any cut should be applied fairly to all organizations within a particular group. Therefore it is now proposed that the removal of DRR will be applied equally to all charity shops.

Mitigating measures could have included leaving the DRR in place, reducing the amount of DRR or delaying implementation. However, all these options will have a financial impact on the Council. In view of the relatively small level of loss to organizations, ranging from under £400 to just over £11,000 for St Luke’s which has a number of shops in the area, it is not recommended that these mitigation measures are taken.

Other authorities too are carrying out other similar reviews of their discretionary rate relief. There is a risk that the charities mentioned will also be affected by decisions in other authorities and that the cumulative effects of such actions impact on the organisations more severely than we anticipate.

The EqIA highlights the need for on-going monitoring to identify whether any shops close as a result of this decision and also to identify which particular protected groups benefit from the services of charity shops.

Corporate Priorities

The report addresses funding issues whilst ensuring that key organisations who support key aims and objectives for Harrow are still funded.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 7 January 2013		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 8 January 2013		

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap	<input checked="" type="checkbox"/>	Divisional Director Strategic Commissioning
Date: 8 January 2013		

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards	<input checked="" type="checkbox"/>	Divisional Director (Environmental Services)
Date: 27 December 2012		

Section 6 - Contact Details and Background Papers

Contact:

Fern Silverio (Divisional Director – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

EqIA (see appendix)

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]