

REPORT FOR: **CABINET**

Date of Meeting:	9 February 2012
Subject:	Non-Domestic Discretionary Rate Relief - Charities and non profit making organisations.
Key Decision:	Yes
Responsible Officer:	Julie Alderson, Interim Corporate Director of Resources
Portfolio Holder:	Councillor Bill Stephenson, Leader of the Council and Portfolio Holder for Finance and Business Transformation
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1– Revised Assessment criteria / Guidance Appendix 2 – EqIA Appendix 3 – Consultation summary

Section 1 – Summary and Recommendations

To review the policy of Non-Domestic Discretionary Rate Relief (NDDRR) which has been granted to the same applicants for a number of years and which has not been reviewed for approximately 10 years. The available budget for all of the Council's activities needs to be reviewed in light of the Council's overall savings strategy and the need to ensure that the actual expenditure does not exceed the current available budget.

Recommendations:

That Cabinet considers and agrees the following: -

- (i) That educational and religious establishments should no longer be eligible for NDDRR.
- (ii) That businesses eligible for Small Business Rate Relief (SBRR) should apply for that relief instead and not be eligible for NDDRR.
- (iii) That to be eligible for NDDRR all Sports Clubs must apply for Community Sports Club status as laid out in Section 2.6.
- (iv) To introduce a cap of £75K for NDDRR for the financial year 2012/2013 and if necessary to reduce awards in proportion to rateable value.
- (v) To implement a twenty eight day appeal period.
- (vi) To adopt the attached revised criteria / officer guidance
- (vii) To note the consultation responses and agree that further consultation will be undertaken on other proposed changes to the eligibility criteria / officer guidance in 2012/13 and the results reported back to Cabinet

Reason:

To increase the take up of alternative mandatory rate reliefs, including Community Amateur Sports Clubs and Small Business Rate Relief which are not paid for by the local authority whilst minimising the impact of the change to process/ policy on charitable and non profit making organisations.

The report therefore addresses the need to consider ways of reducing expenditure, such as

- (i) not granting NDDRR to educational and religious establishments.
- (ii) not granting NDDRR to businesses who are eligible for small business rate relief
- (iii) to ensure sports clubs register as Community Amateur Sports Clubs (CASC)
- (iv) introducing a cap on the budget
- (v) to undertake further consultation for other measures to be implemented in 2013/2014.

In order to reduce the NDDRR budget from £130K to £75K.

Section 2 – Report

2. Introduction

2.1 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 other certain “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. Depending on the type and percentage of relief awarded, the costs are shared either 25/75 or 75/25 between the Council and Central Government.

- 2.2 In recent years Central Government has introduced changes to charity relief eligibility and also introduced other rate relief's which are fully paid for by the national non domestic pool rather than the Council. In balancing how it can efficiently reduce costs, the Council is therefore looking to use other fully subsidised relief's and to ensure applicants make full use of those relief's' rather than applying for those that are administered and accounted for locally. Due to budget pressures and a number of changes to national policy, 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 changes now due to budget pressures and also due to the need to link such awards to the wider grant funding policies and our future commissioning process. As such the proposals in this report introduce measures to reduce expenditure in 2012/13 to meet available budget, and to ensure processes are put in place to cap expenditure in the event of awards exceeding available funds.
- 2.3 In 2011/12, relief totalling around £233k has been awarded covering 111 different bodies. Of these organisations, 33 currently receive 100% discretionary rate relief totalling £105k and 81 received Top-Up relief totalling £128k. It is expected the authority will have to fund around £130k out of the total £233k awarded, with the difference being picked up by Central Government.
- 2.4 It is now recommended that all discretionary relief for premises occupied by educational & religious organisations is stopped from 1/4/2012 which will save around £45k annually.
- 2.5 However those of the above which are charities will still be eligible for 80% mandatory charity relief and so will only have to pay 20% of their business rates. With regards educational establishments, the increase in the number of academies, which are also state funded schools outside the control of local authorities, will have an impact on the NDDRR budget. As it is proposed that the NDDRR budget is being cut for 2012/13, the only solution to bring parity and fairness to this sector is to stop all NDDRR relief to all educational establishments on the basis that those who have charitable status can apply for and benefit from 80% mandatory charity relief. This action will result in educational establishments having to pay 20% of their business rates. Places of public religious worship and buildings used in connection with such places of worship are exempt from business rates. On this basis the onus is on such organisations to ensure they obtain the relevant exemption; not for the local authority to support the business rates liability. As such the Council will no longer subsidise this category of occupier.
- 2.6 Sports Clubs can apply for CASCs status [Registration under Community Amateur Sports Clubs with HRMC] and obtain 80% mandatory charity relief automatically which is wholly subsidised by Central Government. The new process will ensure that NDDRR relief can only be granted to Sports Clubs if they have applied for CASC registration, and where successful this will be restricted to the 20% top up relief. Where the club has applied for CASC status but been

rejected, the club will be considered for discretionary rate relief as a not for profit organisation (NPO) at the 100% relief rate.

- 2.7 A consultation took place between December 2011 and January 2012. This consisted of letters to all recipients of NDDRR asking for their views on a number of issues. A short survey was also put on the Council's website and the comments and views received have been captured and noted. A summary of the results is attached at Appendix 3.
- 2.8 From the consultation feedback we now know that the removal of relief from educational establishments was supported but the removal of relief from Sports Clubs and Charity shops was not supported on the basis that these organisations are often small bodies supported by volunteers and the impact of removal of NDDRR would have a greater financial impact on this type of organisation than on larger and state funded organisations such as schools. The idea of introducing a rateable value threshold which would bar occupiers of large properties from obtaining relief was also not supported on the basis that it would disincentivise organisations from co-locating in larger premises to obtain cheaper costs. Respondents were also against a 14 day appeal period favouring 28 days.
- 2.9 Responses also confirmed that respondents were in favour of removing the entitlement from organisations who could apply for other alternative mandatory rate reliefs, or from organisations which were not Harrow specific. Regarding Sports Clubs, feedback favoured no relief being granted to clubs where fees were excessive or where the club's membership was less than 75% from within Harrow.
- 2.10 The Council has listened to the feedback and changed its proposed assessment criteria accordingly. Certain parts of the proposed changes to the policy have also been deferred until a further period of consultation is carried out in 2012/13.

Effects of Policy change

- 2.11 The effects of the changes are summarised in the table below. A total of approximately 24 organisations will stop receiving funding saving the Council £55,000 annually. The table below sets out the number of existing recipients being affected in each category as well as the savings produced from the categories affected. It is worth noting that the main category affected is educational establishments, mainly voluntary aided (VA) and faith schools. Although there is an additional small number of cases which will lose relief in various other categories, this will generally however be replaced by other statutory reliefs which will for most negate any impact of these changes.

Organisation Category	Numbers affected	Savings from 1/4/2012
Educational Establishments	14	£45,000
Others (mixture of categories)	10	£10,000
	24	£55,000

2.12 The existing determination of NDDRR ends on 31 March 2012. 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 2012.

2.13 Cost to the Council

Relief is funded partly from the Council's general fund and partly by the Government through the Non-Domestic Rates Pool. The percentage of the relief that must be funded by the Council is:

For 'top up' relief to charities	75%
For other discretionary relief	25%

Currently the Council has an annual budget for awards of discretionary rate relief of £130k. Expenditure in 2010/11 was £127k and it is anticipated it will be approximately £130k in 11/12. Decisions to award relief are currently not linked to budget.

Recommendations

2.14 Following consideration of all feedback received during the preliminary consultation process it is the officer's recommendations that the Council agree to the recommendations as set out in section 1 of this report. This will ensure the service is sustainable, that an up to date & fit for purpose interim assessment process & criteria is adopted as well as ensuring that action is taken to reduce the cost of the Discretionary Rate Relief scheme in compliance with available budget. A further consultation will be undertaken to consider other possible changes to eligibility.

Financial Implications

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

Although maintained VA schools will have to pay 20% of their business rates they will be reimbursed this cost through the school funding formula. Consequently this proposal will have a neutral financial impact on maintained schools. It does create a budget pressure on the Dedicated Schools Grant however this is offset by the savings resulting from the mandatory rate relief given to the new academies.

Performance Issues

The Business Rates collection rate is no longer a national indicator but is monitored locally. Withdrawing discretionary rate relief may have an impact on Harrow's in year collection rates although this is expected to be insignificant due to the small amounts involved.

Environmental Impact

None

Risk Management Implications

Risk Included on Directorate risk register? No

Separate Risk Register in Place? No

Equalities implications

When making this decision Cabinet should have due regard to the public sector equality duty. Section 149 of the Equality Act 2010 states:

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 relevant protected characteristics are:

- *Age*
- *Disability*
- *Gender reassignment*
- *Pregnancy and maternity*
- *Race,*
- *Religion or belief*
- *Sex*
- *Sexual orientation*
- *Marriage and Civil partnership*

An EqIA was developed and reviewed throughout the consultation process and is attached as Appendix 2 to this report. The main impact on protected groups and the mitigation measures are as follows:

Age – many organisations potentially affected are used by younger people (eg. scouting/guiding and sports clubs). In addition, a number of schools are affected, with a potential impact on students attending these schools.

Mitigating measures – those bodies not qualifying for CASC can still be considered for relief as not for profit bodies, but are still expected to apply for CASC first. Many educational establishments are also charities and as such will still qualify for mandatory rate relief. In the context of a school's budget, the financial impact of removal of NDDRR is very small and in the case of maintained VA schools will be finance neutral.

Disability – there are plans to co-locate a number of organisations supporting residents with disabilities and the impact of removal of NDDRR to premises with a high rateable value would impact on these organisations and as such users of the services.

Mitigating measures – the original proposal to have a limit on rateable value is no longer being recommended to encourage organisations to save money and improve services by co-locating.

Religion – many of the VA schools affected are faith based and as such the impact of changes may affect certain faiths more than others. Religious organisations will be impacted by the removal of NDDRR if they do not qualify for an exemption.

Mitigation measures – the financial implications section in this report confirms that the impact on VA schools will be finance neutral. The proposal ensures that schools are treated fairly regardless of the community they serve and schools with charitable status will still be able to apply for mandatory relief. The impact of the changes will encourage religious organisations to apply for exemption from rate relief instead of NDDRR. Religious organisations that do not qualify for such exemption may still qualify for NDDRR as a not for profit organisation.

As a result of the EqIA, a review process will be introduced and organisations will be expected to provide monitoring information to show the impact of any proposed changes on particular protected groups. This report also recommends that further consultation is undertaken on other possible changes to eligibility criteria. Following this consultation, the EqIA will be reviewed to identify any equality implications..

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: 01/02/2012		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 31/01/2012		on behalf of the

Section 4 – Performance Officer Clearance

Name: Martin Randall



on behalf of the
Divisional Director
Partnership,
Development and
Performance

Date: 23/01/2012

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director
(Environmental
Services)

Date: 20/01/2012

Section 6 - Contact Details and Background Papers

Contact:

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

Background Papers:

Consultation responses

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

NOT APPLICABLE

[Call-in applies]