

<b>Subject:</b>	<b>National Non-Domestic Rates Discretionary Rate Relief</b>		
<b>Date of Meeting:</b>	<b>20 January 2011</b>		
<b>Report of:</b>	<b>Strategic Director, Resources</b>		
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<b>Wards Affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 National Non-Domestic Rates (NNDR, also known as Business Rates) is payable by charities and non-profit-making organisations, if they occupy a non-domestic property. Legislation allows for certain discretionary reductions in NNDR for these organisations, and the cost of this rate relief is met partly by government and partly by the council.
- 1.2 We have refreshed the policy for awarding rate relief. In the context of limited funding, we have aimed to make a transparent policy that is robust, fair, and focussed on realistic considerations.

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet endorses the new NNDR charitable and not-for-profit rate relief policy with immediate effect.

**3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 National Non-Domestic Rates (NNDR) is payable on any non-domestic property, whether it is an office, a shop, a beach hut or even an advertising hoarding. The Rates are collected by the council on behalf of central government, and passed back into the central pool, whereupon they are redistributed to councils to help pay for local services.
- 3.2 Charities, community amateur sports clubs and other non-profit making organisations have to pay NNDR, but they can be assisted with varying degrees of rate relief. Most charities and community amateur sports clubs are automatically entitled to an 80% reduction of their rates. The council then has the discretion to top up some or all of the rest, to give a maximum 100% reduction. For non-profit-making organisations, the council can also award up to 100% reduction, using a mixture of local funds and government help.

3.3 Out of each award, central government shares the cost, as shown below:

Charities and Community Amateur Sports clubs	Non-profit-making organisations
80% automatic reduction paid for by government Council can top up some or all of the rest.  <u>Cost split</u> Council pays 75% of top-up amount Government pays 25% of top-up amount	No 80% automatic reduction, but...  Council can award discretionary rate relief of up to 100%  <u>Cost split</u> Council pays 25% Government pays 75%

Fig 1. Split of Rate Relief costs

3.4 Please see Appendix 1 for illustrations showing how this works.

3.5 In practice, it means that if we give £1000 rate relief (for the sake of argument) to a not-for-profit organisation, it only costs the council £250.

3.6 For charities the cost splits are different, as the government pays 80% of the bill automatically, and 25% of any top up. So if a charitable organisation has to pay £5000 rates, £4000 is already covered by government. If the council topped that up with extra relief, again using £1000 top up as an example, it would cost us £750.00. Therefore, despite relatively low local contributions, the value can multiply up significantly for the applicant organisation. In this example, we could spend £750 and save an organisation £5000.

3.7 Discretionary Rate Relief (DRR) is not a new feature of NNDR and there was an existing process for deciding applications. However, we have refreshed the policy to create more flexible options and clearer guidelines when making decisions. One example of increasing the flexibility is that previously awards were given for 3 or 2 year periods. Sometimes this is appropriate, but at other times we may wish to set different time periods depending on the needs of the applicant. We have also made the decision-making structure and responsibilities more explicit, to allow for improved consistency.

3.8 In reviewing the policy, we aimed for it to be:

- Robust
- Fair
- Focussed on reasonable and realistic considerations (particularly in the context of the current financial climate, in terms of the council's ability to assist and the organisation's ability to run)
- Linked to Council Priorities

3.9 There are many potential beneficiaries of rate relief, ranging from community groups to sport groups and the arts. They all have different funding and greater or lesser ability to raise income. Within limited means, our policy should equip officers with the authority to consider the merits of diverse organisations, all with

completely different aims and funding. The new policy achieves this by allowing greater flexibility, whilst also gives clearer guidance on the factors to be taken into account. It is attached as **Appendix 2** to this report.

#### **4. CONSULTATION**

- 4.1 The new policy was the subject of a 12 week external consultation. Every current recipient of rate relief was invited to participate when we sent them their rate relief review forms. Previously, there were around 147 awards of rate relief, but some of these are technical duplicates, eg the same organisation with rates set up across two or more accounts. The actual number of individual organisations is around 100. Also, we disseminated information about the consultation through the community buildings network and the Community Voluntary Sector forum.
- 4.2 There were 21 responses, broadly positive. The stated aims of the policy were felt to have been met. Due to the relatively low response rate, it is not possible to infer trends or how widespread any of the individual comments are.
- 4.3 A consultation report is available on request. The respondents all seemed generally receptive to the spirit of the policy. No particular changes to the policy are required, but some of the detail around the practical application can be put into place, for example face to face appeal discussions if an applicant prefers.
- 4.4 There were only a handful of respondents with concerns about certain aspects of the policy (as opposed to the practical application of it), but it is fair to say that they also agreed with other aspects.
- 4.5 Where concerns were raised, they varied but were generally to do with the subjective / discretionary angle of the policy. For example, one response questioned how officers could judge how an organisation would contribute to the community. There was also concern that organisations might have rate relief withdrawn at vulnerable points just because they have improved their income strategy. Issues such as these will emerge on a case by case basis and it is down to the applicants to demonstrate why they need help. The quality of decision-making stems from the information given by the applicants, and so the application form is designed to gather as much useful information as possible.
- 4.6 The Overview and Scrutiny Commission considered the draft policy part way through the consultation on 19 October 2010. The minutes can be found on the Council website in the meetings section. OSC supported the policy. Reassurance was given by officers that each case will be considered on its merit and is aiming to help organisations that are trying to contribute to the community.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 5.1 The funding committed for existing applicants is within budget, £115,000 for 2010/11. On previous experience, this could typically fund between 100 and 150 applicants.

- 5.2 The Discretionary Rate Relief budget has previously been supported with contributions from the Local Authority Business Growth Incentives (LABGI). For 2010/11 this was a sum of £23,150. This funding has now been withdrawn and will not be available to support Discretionary Rate Relief funding in the future, therefore additional resources will be presented within the budget package to Council on 3 March 2011 to ensure similar levels of funding will be available from 2011/12.
- 5.3 As shown in the main body of this report, the value of an award increases depending on central government's contribution to each case. Nonetheless, each award is financed from public funds and there is a responsibility for the payment to be in the public interest.
- 5.4 If the additional funding is not agreed, there could be a reduction of relief for individual organisations. The core budget for 2010/11 (without LABGI help) was 80,670, so as an approximate indication there would have to be 30% reduction, It is not possible to say how that would impact because we have not yet reviewed the recipients for next year. The individual amounts will fluctuate in any case within the overall budget, because of potentially changing rates next year and changing circumstances. We would still seek to review applicants on a case by case basis, but logically managing a 30% reduction would mean a combination of fewer awards and lower individual amounts.

*Finance Officer Consulted: Rob Allen*

*Date: 09/12/10*

Legal Implications:

- 5.5 Under section 47 of the Local Government Finance Act 1988, the council may grant discretionary relief from all or part of the amount payable by way of non-domestic rates in respect of properties occupied by a charity for charitable purposes, by certain voluntary bodies of a philanthropic nature, for recreation, or by clubs and societies not established or conducted for profit. It is for the council to decide the amount of relief it makes available to organisations meeting these criteria; the process for deciding this amount is set out in Appendix 1 to this report.
- 5.7 Approval of the council's discretionary rate relief policy is an executive function and is thus proper to be considered and, if appropriate, granted by Cabinet.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 08/12/10*

Equalities Implications:

- 5.8 An Equalities impact assessment (EIA) has been carried out (Appendix 4). The individuals and groups affected are as varied as the number of organisations who might seek to apply. Depending on an applicant organisation's success, the groups it supports could be affected positively or negatively. That will be a matter for consideration on each application and so, one outcome of this EIA is to

ensure Equalities considerations are explicitly referenced in any decision recommendation.

- 5.9 The DRR policy requires organisations to have robust equalities credentials of their own, which helps to ensure there is no untoward equalities impact of giving rate relief to an individual organisation.
- 5.10 There has historically been an automatic exclusion of faith, religious, or belief groups if they are solely promoting that faith/belief and their membership is exclusive. In the EIA, we considered removing this condition from the policy, but in the end retained it. The intention of the condition is to focus help towards groups that benefit the community without excluding individuals or groups of individuals. This policy decision attracted one negative comment in the consultation. The contributor felt that this approach was itself discriminatory and that other communities of interest might be looking out for their own interests, but could still get rate relief. This view was expressly explored in the Equalities Impact Assessment and in our view, the policy decision is right.

Sustainability Implications:

- 5.11 There are no sustainability implications.

Crime & Disorder Implications:

- 5.12 There are no Crime & Disorder implications.

Risk and Opportunity Management Implications:

- 5.13 There are no Risk and Opportunity Implications beyond what has been outlined in the report and appendices

Corporate / Citywide Implications:

- 5.14 The existence of Rate Relief provides an opportunity for the council to support local organisations and it is open to the authority to decide how the discretion is applied.
- 5.15 It should be noted that under NNDR legislation, there is a similar power to allow discretion on grounds of hardship. At the moment, hardship applications are sparse and in fact there are none in the 2010/11 year so far, but they are funded from the same budget as DRR. There is no additional or separate budget for hardship relief.
- 5.16 As such, the council could in theory choose to place greater emphasis on hardship. But without additional funding, there would be a corresponding negative impact on the organisations supported by DRR.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Rate Relief illustrative examples
2. Discretionary Rate Relief Policy
3. Equalities Impact Assessment

### **Documents In Members' Rooms**

None

### **Background Documents**

None