

Subject:	<i>National Non-Domestic Rates Discretionary Rate Relief</i>		
Date of Meeting:	19 October 2010		
Report of:	<i>Catherine Vaughan</i>		
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Wards Affected:	All		

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 Officers have updated their policy for awarding rate relief and it is currently out for public consultation. In the context of limited funding, we have aimed to make a policy that is robust, fair, and focussed on realistic considerations. We invite Overview and Scrutiny to review progress so far and contribute to the overall consultation process by offering comments and advice.

2. RECOMMENDATIONS:

- (1) That the Overview and Scrutiny Commission reviews the policy aims of Discretionary Rate Relief and whether the policy itself achieves those aims.
- (2) That the Overview and Scrutiny Commission comments and provides suggestions in advance of the policy being finalised.

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. The cost of the scheme is split between the government and the council as follows:

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.	No 80% automatic reduction, but... Council can award discretionary rate relief of up to 100%
<u>Cost split</u> Council pays 75% of top-up amount Government pays 25% of top-up amount	<u>Cost split</u> Council pays 25% Government pays 75%

Fig 1. Split of Rate Relief costs

- 3.4. There are currently around 150 properties and approximately 90 organisation of Discretionary Rate Relief, at a cost to the council of around £115,000. However, due to the contribution from the government (see Fig 1) the value to organisations multiplies up significantly. The true value to organisations is therefore around £184,000.
- 3.5. The cost of each award ranges from around £34.00 to around £12,000. The majority (100) of cases cost the council between £200 and £1200. The following illustrations show how DRR is applied and how the value multiplies up for an organisation:

3.6.

<p>Organisation A – a charity concerned with providing pathways to education and employment, co-ordinating many established training projects and employment schemes. Value to organisation is full reduction, saving them <u>£11,941.08</u>. Cost to council is <u>£1791.17</u></p>		
<p><u>Rates breakdown</u> <u>Who pays for reduction?</u></p>		
Rates payable =	£11,941.08	
80% automatic reduction	-£9552.86	(BHCC= nil Government = £9552.86)

Balance to pay before discretion	£2,388.22	
Top up awarded £2,388.22	
Final balance to be paid £0.00	(75% BHCC = 1791.17 25% Govt = £597.05)

Fig 2. Example of DRR applied to charitable organisation

<p>Organisation B – a not-for-profit arts club, open to members and non-members, running various life drawing, painting and sculpture classes. Value to organisation is full reduction, saving them <u>£1933.62</u> Cost to council is <u>£483.41</u></p>		
<p><u>Rates breakdown</u> <u>Who pays for reduction?</u></p>		
Rates payable =	£1933.62	
No 80% reduction, as not a charity		

Balance to pay before discretion	£1933.62	
Top up awarded £1933.62	(25% BHCC = 483.41 75% Govt = £1450.21)
Final balance to be paid £0.00	

Fig 3. Example of DRR applied to not-for-profit organisation

- 3.7. DRR is not a new feature of NNDR and there was an existing process for deciding applications. However, officers needed clearer and more flexible guidelines for greater consistency, because the existing criteria were quite limited, rigid and over-simplified.
- 3.8. The problem with having over-simplified and rigid criteria is that situations for organisations can be complex and fluid. Some organisations have a well-

established fund-raising structure and may need less help, while others may have no resources at all to raise funds. Some organisations may receive grants, either from the council or elsewhere (which may or may not affect the merits of their application). Some organisations may be affected by seasonal changes and may require more help at certain times. Others need longer-term help for financial stability and planning purposes.

- 3.9. Then there is the question of what sorts of organisations the city council *should* be supporting. Some want to help people get into work, some want to help their community, whether that means one street or the whole city, some just want to help people draw and paint. Others want to promote good health via sports activities, and some want to provide youth services. The list goes on, but we do not have much money and we cannot help everybody. Our policy should equip officers with the authority to consider the merits of wildly diverse organisations, all with completely different aims.
- 3.10. Officers therefore reviewed the policy with all of this in mind, aiming for it to be:
- Robust
 - Fair
 - Focussed on reasonable and realistic considerations
- 3.11. The new draft policy is attached as **Appendix 1** to this report. It is the version that was published on the council's consultation portal, so it does include annotation to help contributors form an opinion.
- 3.12. For the policy to be robust and fair, it needs to have good controls in place. This means having a decision-making route that enables challenge, both before the decision is made, and after it, if the applicant disagrees.
- 3.13. In the policy, there are several checks in advance of a decision being made. The NNDR team leader makes a recommendation based on the policy, which is checked and amended by a Revenues and Benefits manager. The final decision is then endorsed by the Assistant Director of Customer Services and Information (or Head of Service Unit, as the equivalent function).
- 3.14. An applicant can dispute the decision. It will be reconsidered by a different Revenues and Benefits Manager, as far as practicable. The outcome of the reconsideration will be endorsed once more by the Head of the Service Unit.
- 3.15. There are additional measures to ensure that the decision-making is robust. The question of choosing between organisations with differing aims and purposes is dealt with by linking the criteria to the council's priorities. These priorities will themselves have been tested and endorsed, and it seems like a fair and consistent way of separating out which organisations should be supported. Applicants should be reassured that as long as their aims complement the work and priorities of the city council, we will consider their applications seriously.
- 3.16. One final control is not apparent in the policy itself, but in the application form (**Appendix 2**). We have redesigned it to collect as much useful information as

possible, at the outset. The onus is on the organisation to show us why they should receive help. But we must ensure that they have the best chance of doing that, which means asking the right questions.

- 3.17. The other main policy aim is to deliver a realistic and reasonable focus to decision-making. This is really all about Value for Money. Officers must be able to use the limited funding effectively and shrewdly, bearing in mind that when contributing council money, we are doing so on behalf of Council Tax payers.
- 3.18. The policy requires officers to consider the financial health of an organisation, and its ability to pay. There is also an expectation that an organisation should have a strategy of getting to a position where it can help itself financially. One further consideration is whether an award is likely to make a positive impact. If, for example, other pressures are likely to be too great for an organisation to continue, it may be futile to commit taxpayers' money to it.
- 3.19. There are other features of the policy designed to prioritise help for organisations that benefit Brighton and Hove residents. For example, if there is a hypothetical recreational club near the boundary with Adur, we might take into account how many members or users come from the neighbouring authority. This might affect the level of any award given.

4. CONSULTATION

- 4.1. The new policy is in the middle of an external consultation, due to end on 15 November 2010. So far, there have been 7 responses but more are expected before the consultation ends.
- 4.2. All 147 current recipients of the Rate Relief are set to be reviewed immediately after the policy is endorsed. Review forms are being sent by 15 October 2010, with a cover letter encouraging participation in the consultation (**Appendix 3**).
- 4.3. Internally, we have consulted with the Discretionary Grants team and even explored with them the possibility of joint decision-making. This would have meant that the decisions for Discretionary Rate Relief would have been taken by the Members Advisory Group, perhaps alongside considering applications for grants. The matter was discussed at DMT, where it was decided to retain the current model for decision-making at officer level.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1. Financial Implications:

The funding committed for existing applicants is within budget, £115,000 for 2010/11. 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 need to be identified within the Medium Term Financial Strategy. Subject to approval, it is recommended that sufficient funding is agreed to maintain the budget at the existing level for 2011/12.

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 funded by Council Tax payers and so there is a responsibility for the payment to be in their interests.

Finance Officer Consulted: Rob Allen

Date: 8 October 2010

5.2 Legal Implications:

The recommendations at section 2 of this report are proper to be considered by the Overview & Scrutiny Commission on the basis that:

- (i) their terms of reference include the reviewing of finance matters; and
- (ii) all overview and scrutiny committees are required to maintain an overview of practice and policy of their relevant service areas; and, where a policy is identified as one that may cause concern to the public, to identify what action should be taken.

Lawyer Consulted: Oliver Dixon

Date: 5 October 2010

5.3 Equalities Implications:

An Equalities impact assessment has been carried out. 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.

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.

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.

5.3 Sustainability Implications:

There are no sustainability implications.

5.4 Crime & Disorder Implications:

There are no Crime & Disorder implications

5.5 Risk and Opportunity Management Implications:

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

5.6 Corporate / Citywide Implications:

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.

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, but are funded from the same budget as DRR. There is no additional or separate budget for hardship relief.

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. Discretionary Rate Relief Policy (consultation version)
2. Application form
3. Cover letter for review forms, to encourage participation in consultation
4. Equalities Impact Assessment

Documents In Members' Rooms

None

Background Documents

None

