



Report of: **Executive Member for Community Development**

Meeting of:	Date	Agenda item	Ward(s)
Voluntary and Community Sector Committee	30 September 2014		All

Delete as appropriate		Non-exempt
-----------------------	--	------------

## **SUBJECT: Support to Local Voluntary Organisations: Discretionary Rate Relief**

### **1. Synopsis**

- 1.1 This report sets out the background to a review of the council's support to local voluntary organisations, focusing on the resources provided through the Islington Community Fund. It explains the financial challenge facing the council and highlights the importance of building a resilient voluntary sector in the borough. The report notes the feedback from a recent formal consultation with the voluntary sector and outlines arrangements for a review of discretionary rate relief.

### **2. Recommendations**

- 2.1 To note the response from the voluntary sector to a recent consultation on the council's support to local voluntary organisations, as summarised in Appendix B. The council will consider the feedback carefully and will respond in due course.
- 2.2 To proceed with a review of discretionary rate relief and to bring recommendations for future funding to VCS Committee in January 2015.
- 2.3 To agree that new awards will be for three years from 1 April 2015 to 31 March 2018 with an option to extend for up to a further two years.
- 2.4 To note that applications from organisations that become eligible for discretionary rate relief after these awards have been made will be considered by the VCS Committee twice a year.

### **3. Background**

- 3.1 The voluntary sector lies at the heart of the council's ambition for a fairer Islington. Each day, hundreds of staff and volunteers in community organisations across the borough provide valuable services to our most vulnerable residents. In 2013/14 the council spent almost £40m on services delivered by the voluntary sector.

- 3.2 Unprecedented cuts in public spending present enormous challenges to maintaining essential services and responding to new demands. Since 2010/11 the council has had to cut its spending by £112 million and we expect to have to find another £95 million savings over the next four years. By 2018 we expect our overall budget to have more than halved since 2010.
- 3.3 Reduced resources mean that we will have to find new ways of meeting our priorities, which residents say are jobs, housing and coping with the rising cost of living, and we are open to voluntary sector solutions to improving local services. We want to work with innovative organisations that are well run, provide value for money and deliver positive outcomes for residents.
- 3.4 The council acknowledges the importance of its financial support to local voluntary groups and to the infrastructure that sustains and enables the wider sector to flourish. We will continue to provide funding, and although we won't be in a position to do so to the same extent in future years, we believe we can build a resilient voluntary sector in Islington if we work together creatively and imaginatively.

### **Islington Community Fund Consultation**

- 3.5 To help the council develop its thinking around future support for local voluntary organisations we held an eight week consultation from mid June to mid August 2014. The focus of the consultation was Islington Community Fund – a £3.4 million pot of money which has six grants programmes. A copy of the consultation paper is attached as Appendix A.
- 3.6 More than 40 organisations sent in individual responses to the consultation. We also received written feedback from workshops facilitated by Voluntary Action Islington which were attended by 30 representatives of local organisations. A summary of the responses from the consultation is attached as Appendix B. We intend to consider the feedback carefully and will respond in due course.
- 3.7 For the reasons outlined below we propose to proceed with a review of discretionary rate relief. This was signalled in letters sent in February 2014 to all organisations currently receiving discretionary rate relief. An example of one of these letters is attached as Appendix C.

### **Discretionary Rate Relief**

- 3.8 There are two types of rate relief:
- (a) Mandatory Rate Relief which by law is given automatically to any registered charity in the borough and covers 80% of their rates. The cost of mandatory rate relief is met by central government.
  - (b) Discretionary Rate Relief (DRR) can be given by the council to cover the remaining 20% of a charity's rates. It can also pay all or part of the rates of not for profit voluntary organisations that aren't registered charities and so not getting mandatory rate relief.

DRR is an effective way for the council to support the voluntary sector as we only have to pay 30% of the cost of giving it. The rest is funded by central government and the Greater London Authority.

- 3.9 230 local organisations currently receive DRR. They range from very small community halls on estates through to larger local voluntary organisations. Most DRR awards are relatively small (under £2,000 pa and in some cases a few hundred pounds) and not all groups that get it receive other funding from the council.
- 3.10 DRR is only given to local community groups benefitting residents rather than to all voluntary organisations based in the borough. DRR isn't awarded to national charities that don't deliver local services.
- 3.11 In 2011 we reviewed all organisations getting DRR and each was assessed against new criteria to make sure that our support was focussed on the right local groups. This was the first time that the council had reviewed all of its DRR awards and we stopped funding less deserving organisations.

- 3.12 The current criteria (attached at Appendix D) remains fit for purpose and would allow the council to award DRR to the full range of local not for profit organisations that respondents to the VCS consultation asked to be included. It should be noted that Government guidance asks local authorities to use their discretion when granting DRR and to treat each case on its merit.
- 3.13 In 2011 we invited local groups to apply for three year DRR awards. They end on 31 March 2015 and all organisations have been sent the legally required 12 month notices of withdrawal of DRR.
- 3.14 The practicalities of administering DRR to a relatively large number of organisations – particularly the legal requirement to issue a full financial year's notice of an intention to reduce or withdraw DRR – make it difficult to tie the application process and timetable in with other Islington Community Fund programmes.
- 3.15 We will therefore invite all organisations to re-apply for new DRR awards in October this year and will assess applications against the criteria. Recommendations will be presented to VCS Committee in January 2015. New awards will be for three years from 1 April 2015 to 31 March 2018 with an option to extend for up to a further two years.
- 3.16 There will also be some organisations that apply for DRR after VCS Committee has agreed awards in January 2015. This may be because they've just started up, have recently moved into the borough or may have only just found out that they are liable for business rates.
- 3.17 We therefore propose to recommend new applications to VCS Committee twice a year. This will ensure that organisations do not have to wait an unreasonably long time before knowing whether or not they will be given DRR. In practice this should involve no more than half a dozen or so new awards per year which will be for no longer than to 31 March 2018.

## **4. Implications**

### **4.1 Financial implications:**

Under the business rates retention system, the council bears 30% of the cost of discretionary rate relief (with 50% and 20% borne by central government and the Greater London Authority respectively). Any increase in the overall cost of discretionary rate relief would represent a budget pressure for the council and would need to be offset by additional compensatory savings elsewhere.

### **4.2 Legal Implications:**

Section 47 of the Local Government Finance Act 1988 confers discretion on local billing authorities to grant discretionary rate relief from all or part of the amount of non-domestic rates payable to registered charities and certain non profit making organisations. Authorities have discretion to award up to 100% relief to non-profit making bodies and can grant up to 20% relief by way of top-up to charitable bodies in receipt of the 80% mandatory relief.

The council may grant rate relief for a fixed period of time. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 require the council to give notice to the ratepayer stating the start date and end date of the period in respect of which relief is given. This provision enables the council to adopt a triennial re-application and assessment process for granting discretionary rate relief.

Applications for rate relief should be considered on their merits but taking into account the council's criteria for awarding discretionary rate relief as set out in Appendix D.

European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates, can constitute state aid. The council must bear this in mind when granting discretionary rate relief. However, rate relief for charities and non-profit making bodies is not generally considered to be state aid, because the recipients are not in market competition with other businesses.

### 4.3 Environmental Implications

None

### 4.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

An Equality Impact Assessment was completed in 2011 to assess the impact of Islington Community Fund (including the DRR element) on different groups of residents. The impact was found to be mainly positive. A copy of the EIA was published as an appendix to the Islington Community Fund report to Executive Committee on 17 March 2011. The proposed review of DRR uses the same criteria introduced at the last review in 2011 and would allow the council to award DRR to the full range of local not for profit organisations. In addition, bringing in more frequent consideration of new DRR applications – twice a year instead of annually – would be positive for local groups and the residents they serve.

## 5. Conclusion and reasons for recommendations

- 5.1 The council has had a strong partnership with the voluntary sector stretching back over many years and values highly the role that local organisations play in meeting the needs of some of Islington's most disadvantaged communities. Awarding discretionary rate relief to charitable and non-profit making bodies providing community benefit is a cost effective way of supporting local organisations and helps to sustain a healthy voluntary sector capable of achieving the best outcomes for residents.

### Appendices

- Appendix A – Consultation paper
- Appendix B – Summary of responses to the consultation
- Appendix C – Example DRR notice letter
- Appendix D – Criteria for awarding discretionary rate relief

Final report clearance:

**Signed by:**



Executive Member for Community Development

22 September 2014

**Received by:**

Head of Democratic Services

Date

Report Author: Giles Rankin, Third Sector Partnerships Manager  
Tel: 020 7527 3159  
Email: giles.rankin@islington.gov.uk