

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

<b>Meeting of:</b>	<b>Date</b>	<b>Agenda item</b>	<b>Wards</b>
Voluntary and Community Sector Committee	25 January 2022		All

<b>Delete as appropriate</b>		Non-exempt
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## **SUBJECT: Discretionary Rate Relief Programme 2020-2023**

### **1. Synopsis**

- 1.1 In November 2019 the Council’s Executive agreed a new Discretionary Rate Relief (DRR) programme for non-profit and charity organisations for 2020-2023. This report sets out the background to the Council’s DRR policy for 2020-23 (appendix 1) and recommends that the DRR programme is now closed for applications as the Council reaches the agreed levels of foregone income for this programme.

### **2. Recommendation**

- 2.1 To agree to close the DRR Programme 2020-2023 as the Council reaches the agreed level of foregone income.

### **3. Background**

- 3.1 Islington has an extensive range of independent charities, voluntary and community sector organisations and other not-for-profit organisations whose work is central to the Council’s ambitions for a fairer Islington. Through their reach and responsiveness these organisations improve outcomes for residents across the Council’s corporate priorities and support the Council’s early intervention and prevention ambitions.
- 3.2 As a “billing authority” Islington has the power to grant DRR to organisations that meet certain criteria. Any relief granted is used to reduce the amount the organisation is required to pay in business rates. Powers granted under the Localism Act 2011 allow Councils to grant DRR in any circumstances where it feels fit having regard to the effect on the Council Taxpayers of its area.

3.3 In recognition of the value that not-for-profit organisations play in improving the lives of local residents, the Council's Executive agreed a new Discretionary Rate Relief Policy 2020-23 in November 2019, committing to provide Discretionary Rate Relief to not-for-profit organisations and charities at the same level of £410K of forgone business rates income for the Council per annum.

3.4 The Council's 2020-23 DRR programme was launched in December 2019. There were two application deadlines per year proposed, however due to the Covid 19 pandemic it was recommended that organisations applying outside of funding rounds were brought to the next available committee for approval in order to prevent delays and support the sector during this challenging time.

3.5 To date DRR has been awarded to 136 organisations occupying 173 hereditaments. The total in relief awarded to date is £1,039,497.76 with £311,849.33 being the cost to Islington Council in foregone income.

3.6 Although the above figures indicate that the Council is not yet at the foregone income levels, there are approximately 10 hereditaments which were approved for DRR in previous rounds subject to inspections and valuations to establish business rates. The agreement was based on these valuations falling within the DRR thresholds laid out in the policy (appendix 1). The Valuations Office carries out these inspections which have been delayed during the pandemic. It is therefore estimated that once these have been completed, and allowing for annual inflationary increases to business rates will bring the Council to the level of agreed foregone income.

3.7 It is therefore recommended that the DRR programme is closed and no further applications accepted for the remainder of the programme (up to 31 March 2023).

## **4. Implications**

### **4.1 Financial Implications**

DRR is awarded at the discretion of the council. Under the current business rates retention scheme, the Council bears 30% of the costs of discretionary rate relief, (with 33% and 37% borne by Central Government and the Greater London Authority respectively). Based on actual costs to date, £1.04m discretionary rates relief had been awarded so far, Council will forfeit approximately £0.312m worth of business rates income in the current financial year.

Hence any increase in the overall costs of discretionary rate relief represent a real loss of income to the Council which would need to be offset by additional compensatory savings elsewhere in the departments. The relief awards in this report will be met from the existing arrangements within the collection fund.

## 4.2 Legal Implications

The Council has a discretion to grant rate relief as set out in the policy. The policy provides guidelines as to the circumstances in which awards will be made and as to the total amount of awards that can be made, and permits a departure from those guidelines in exceptional circumstances.

Public funding/support given in Great Britain since 1 January 2021 is no longer subject to state aid law. New rules on subsidy control now apply, which are in many ways closely analogous to EU state aid law. Public authorities are to make a case by case consideration of their proposed subsidy in compliance with the Trade and Cooperation Agreement (TCA) reached between the UK and the EU. The TCA is incorporated into domestic law by virtue of Section 29 of the EU (Future Relationships) Act 2020.

The concept of subsidy subject to the TCA requirements is defined in very broad terms. A subsidy is a measure which:

- a) is given by a public authority (including a local authority)
- b) makes a contribution to an enterprise conferring an economic advantage that is not available on market terms (for example, grants, loans at below market rate, or allowing a company to use publicly owned offices rent free). An enterprise could be a government department or charity if it acts commercially; and
- c) affects international trade

The UK-EU TCA obligations must be met if they apply, and the subsidy must meet the terms of its principles. The TCA sets out principles which all subsidies of more than 325,000 Special Drawing Rights (approximately £350,000) given to a single beneficiary over 3 years must meet.

The only exceptions are subsidies to compensate for natural disasters, subsidies for agriculture and subsidies for audio visual. If in scope, the council must consider these principles in the design and granting of subsidies on a case-by-case basis. Failure to do so could leave the council open to judicial review.

The principles are that the subsidies should:

- i. Pursue a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns ("the objective")
- ii. Be proportionate and limited to what is necessary to achieve the objective
- iii. Be designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided
- iv. Not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy
- v. Should be an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means
- vi. Subsidies' positive contributions to achieving the objective should outweigh any negative effects, in particular the negative effects on trade or investment between the UK and EU.

The government is seeking views on the best way to design a bespoke approach to UK-wide subsidy control, including any additions to the principles underpinning the regime

and any subsidies which should be excluded from the commitments to these principles. It is also seeking thoughts on how best to manage the most distortive kinds of subsidies, in addition to opinions on the role and powers of the independent body that will oversee the regime. The government aims to deliver a subsidy control regime that:

- Facilitates strategic interventions to support government priorities, including supporting the economy's recovery from COVID-19
- Takes account of the economic needs of the UK's individual nations and strengthens the economic bonds of our Union
- Protects the UK's competitive and dynamic market economy and
- Ensures that subsidies in the UK are given in line with our international commitments including those in the UK-EU TCA

The consultation ended on 31 March 2021. A Subsidy Control Bill has since been introduced.

For the avoidance of doubt, the council can still pay out subsidies over previously approved schemes as these will be in line with the principles. This includes subsidies related to COVID-19 that have previously been given under the State Aid Temporary Framework. The council must keep these schemes under review and apply the principles to any changes made to these schemes.

#### 4.3 **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

The awarding of DRR is unlikely to have any significant direct environmental impacts. However, part of the application process was to ask organisations what they were doing to contribute towards the net zero emissions ambition. The answer to this question made up 33% of the scoring that formed the basis of the decision on which organisations to award rates relief to. This may encourage organisations to reduce their carbon emissions in order to obtain relief in future years, and rewards organisations that do so. The current policy for 2020-2023 also mandates that DRR awards cannot be made for car parking spaces, in line with Islington's ambition to achieve net zero carbon emissions from the borough by 2030.

#### 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 and when considering proposals, the VCS Committee will take relevant equalities implications into account.

Organisations recommended for DRR are particularly focussed on serving poor and vulnerable residents and those with protected characteristics. Many groups are based on Council Housing Estates or located in deprived neighbourhoods. The criteria for DRR were drawn up specifically to support organisations that create a fairer Islington by delivering the commitments in Islington's strategic plan.

## 5. Conclusion and Reasons for Recommendations

- 5.1 The Council has a strong partnership with the voluntary, community and not-for-profit sector and values highly the role that local organisations play in meeting the needs of some of Islington's most disadvantaged communities.
- 5.2 Awarding discretionary rate relief to not-for-profit organisations or other bodies providing a community or social benefit is a cost-effective way of supporting local organisations delivering the commitments set out in our corporate plan.

### Appendices

Appendix 1 – DRR Policy 2020-2023

**Background papers:** none

**Final report clearance:**

**Signed by:**



Executive Member for Community Development

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