



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

Meeting of:	Date	Agenda item	Ward(s)
Voluntary and Community Sector Committee	19 January 2015		All
Delete as appropriate		Non-exempt	

SUBJECT: Support to Local Voluntary Organisations: Discretionary Rate Relief Awards and Procurement Strategy for Islington Community Chest

1. Synopsis

- 1.1 This report sets out the background to a review of support to local voluntary organisations in the context of the savings challenge facing the council. To help sustain a healthy voluntary sector in Islington it asks the VCS Committee to agree discretionary rate relief awards for five years to 172 local organisations and a process for considering applications from other organisations that become eligible in the future. It also recommends a procurement strategy for Islington Community Chest which would enable successful partnership arrangements to continue for three more years, and the extension of a grant award from the VCS Grants Fund to one organisation.

2. Recommendations

- 2.1 To agree discretionary rate relief awards to the organisations listed at Appendix A for five years from 1 April 2015 to 31 March 2020.
- 2.2 To agree 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 in January and July.
- 2.3 To note that the current arrangements for Islington Community Chest are working well and on this basis to invite the Cripplegate Foundation to submit a proposal to the VCS Committee for future support and development of the programme. The proposal will be considered by the VCS Committee in March 2015 for a three year council contribution of £200,000 per year from 1 April 2015 to 31 March 2018, subject to council's final budget approval in February 2015.
- 2.4 To agree to extend the current grant award from the VCS Grants Fund to the organisation B2B Create for twelve months to 31 March 2016, as set out in paragraph 3.24 of this report. The award is worth £5,000 per 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 government 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.
- 3.5 The council is looking at ways of supporting local voluntary organisations to develop greater resilience and independence themselves and within the communities they serve. Suggestions for areas we would like to explore with the voluntary sector, and with other partners, include diversifying income by securing more external funding, reducing costs on things like premises, and strengthening the key skills needed to run successful organisations.
- 3.6 Discussions around developing a resiliency strategy began at the annual Islington Voluntary Sector Conference in November 2014 and there will be further consultation with local organisations in 2015.

Discretionary Rate Relief

- 3.7 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.

- 3.8 All current DRR awards end on 31 March 2015 and recipients were invited to re-apply to continue receiving DRR from 1 April. Organisations not currently receiving DRR were also able to apply for the first time.
- 3.9 We received 177 applications (Appendix A) which we assessed against the DRR criteria agreed by VCS Committee in 2011 (Appendix B). This focusses our support on local organisations delivering local activity and serving residents from Islington's deprived neighbourhoods and communities. We therefore exclude national and international organisations that happen to be based in the borough but provide little if any local benefit.
- 3.10 Other considerations include how organisations make good use of their premises and we balance the

cost of an individual DRR award against the amount of local benefit. We may cap large awards (over £6,000) and not offer a full 100% of relief from rates. Out of the organisations recommended for approval we propose to only cap Sadler's Wells' award at £15,000 (£4,500 cost to council) to reflect the extent of its local benefit and community engagement programme.

3.11 DRR is **recommended** to 172 organisations (97% of applicants) shown at Appendix A.

Approvals are broken down into the following categories:

Type	DRR Award	Cost to Council
Voluntary and community organisations	£414,652	£124,396
Leisure facilities (Greenwich Leisure)	£178,567	£ 53,570
Estate community centres and halls (TRAs/TMOs)	£165,833	£ 49,750
Schools (faith, voluntary aided and two primary academies)	£161,702	£ 48,511
TOTAL DRR	£920,754	£276,227

3.12 Only five applications failed to meet the criteria and are **not recommended**. These are also shown at Appendix A.

3.13 In September 2014 VCS Committee agreed that the length of DRR awards from 1 April 2015 should be for three years, with an option to extend for a further two years. The mechanics of the DRR system, with a legally required full financial year's notice of any intention to withdraw or reduce an award, makes this problematic however.

3.14 It would require VCS Committee to decide on whether or not to extend DRR awards for a further two years before the end of the 2017/18 financial year. Consequently all organisations would need to be sent the required 12 months' notice of a possible change/withdrawal by no later than 31 March 2017 which runs counter to VCS Committee's intention of giving organisations longer term assurances of the council's support.

3.15 It is therefore recommended to award DRR for **five years** (1 April 2015 to 31 March 2020).

3.16 We expect other organisations to apply for DRR over the next few years. This may be because they have 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 other applications that we receive to VCS Committee twice a year in January and July. This will ensure that they 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 new awards per year - which will be for the period up to 31 March 2020 to align them with the end date for existing awards for other organisations.

Islington Community Chest

3.18 Over the last four years Islington Community Chest has proved to be an effective way of supporting grassroots activity across the borough. It provides small grants to local organisations with a turnover of no more than £100,000 a year – in most cases less than £50,000 per year – and offers additional capacity building, networking and development support. Organisations can apply for one grant per year.

3.19 The priority under current arrangements is to support applications from the most deprived areas of the borough with a focus on:

- Advising and supporting people
- Educating people and improving their skills and employability
- Reducing isolation and increasing people's involvement in the community
- Improving people's mental and/or physical health
- Improving the local environment and making communities safer.

- 3.20 Community chest programmes in Islington have been successfully managed by the Cripplegate Foundation for many years. In the existing scheme, established in 2011, the Council contributes £200,000 per year and the Cripplegate Foundation adds £50,000 per year (from which £36,000 per year is deducted to cover the costs of managing the programme).
- 3.21 A panel made up of representatives from Islington Council, Cripplegate Foundation and the local voluntary sector (nominated by Islington Community Network) meets three times a year to consider applications and to make recommendations to the VCS Committee and to Cripplegate Foundation Governors. The final round of awards will be made in March 2015.
- 3.22 Islington Community Chest is one of our most popular grant programmes and feedback from local organisations suggests that it is running well. The partnership model is a good one and on this basis we intend to invite Cripplegate Foundation to submit a proposal to the VCS Committee for future support and development of Islington Community Chest.
- 3.23 The proposal will be considered by the VCS Committee in March 2015 for a three year council contribution of £200,000 per year from 1 April 2015 to 31 March 2018, subject to council's final budget approval in February 2015. As part of their proposal we would like the Cripplegate Foundation to review current priorities, develop new opportunities to promote Community Chest achievements and assess the potential for increasing the size of the Community Chest with contributions from other funders.

VCS Grants Fund Award to B2B Create

- 3.24 At the VCS Committee held on 12 December 2014 it was agreed to extend current grant awards from the VCS Grants Fund and the Advice Fund for twelve months to 31 March 2016. Due to the interests of committee members present, it was not possible to take a decision in respect of one organisation B2B Create. It was therefore agreed that consideration of a grant award extension to B2B Create should be considered at the next meeting of the VCS Committee. The value of this award is £5,000 per year.

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. The grant awards in this report will be met from existing budgets.

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 quinquennial 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 B.

The council has power to provide grants to voluntary and community sector organisations under the

general power of competence set out in section 1 of the Localism Act 2011. The council must also ensure that it complies with its duty to secure best value (section 3 of the Local Government Act 1999).

European Union competition rules generally prohibit government subsidies to businesses. Relief from taxes, including non-domestic rates, as well as the provision of grants, can constitute state aid. The council must bear this in mind when granting discretionary rate relief and/or providing grants. However aid provided to organisations that are not in competition with other businesses is not captured by the rules on state aid. Therefore the rules on state aid are unlikely to apply to the organisations in relation to which this report proposes the provision of discretionary rate relief and/or grants.

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.

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 serving the most disadvantaged sections of our community and only five applications have failed to meet it.

Islington Community Chest provides resources for small community organisations, many of which are volunteer-led and wouldn't meet the criteria for funding under our other programmes. It enables some of Islington's poorest residents to access community-based services and activities. Analysis of grants awarded since 2011 shows that Islington Community Chest is effective at reaching those with protected characteristics, for example people from black and minority ethnic and refugee backgrounds, women and people with disabilities.

5. Conclusion and reasons for recommendations

- 5.1 The council has a strong partnership with the voluntary sector 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, and initiating a process which would enable successful Islington Community Chest arrangements to continue, are cost effective ways of supporting local organisations and will help to sustain a healthy voluntary sector capable of achieving the best outcomes for residents.

Appendices

Appendix A – DRR approvals and rejections
Appendix B – DRR criteria

Background Information (available online or on request):

Report to VCS Committee 12 December 2014: Extension of grant awards from the VCS Grants Fund and the Advice Fund to 31 March 2016

Final report clearance:

Signed by:



Executive Member for Community Development

6 January 2015

Received by:

Head of Democratic Services

Date

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