

Report of: Executive Member for Homes and Communities

Meeting of:	Date	Agenda item	Ward(s)
Voluntary and Community Sector Committee	30 Jan 2024		All

SUBJECT: DISCRETIONARY RATE RELIEF AWARDS 2023-26

1.Synopsis

1.1 In November 2022 the Council’s Executive agreed a new Discretionary Rate Relief (DRR) programme for non-profit and charity organisations for 2023 -26. This report sets out the background to the Council’s DRR policy for 2023 -26 (Appendix C) and outlines the recommendations for DRR applications received in Round 2 of the programme which ran from 1 June 2023 – 31 December 2023.

2.Recommendations

2.1 To agree DRR awards to the organisations listed at Appendix A for 3 years from the receipt of their applications to 31 March 2026 subject to valuations of the premises falling within the threshold for DRR as outlined in the policy (Appendix C).

2.2 To agree DRR award to the organisation listed at Appendix B subject to further clarification and information required by this organisations.

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 ambition of a more equal Islington. Through their reach and responsiveness these organisations support our residents during these tough times, work to improve outcomes for residents across the Council’s corporate priorities and support the council’s early intervention and prevention ambitions and align with our Islington Together 2030 Plan.

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 Tax payers of its area.

3.3 The Council’s DRR 2020-23 programme ended on the 31 March 2023. The programme awarded 170 hereditaments across the borough, with the VCS category receiving the highest number of awards to support 133 hereditaments. Schools, Nurseries and Education with only 28 hereditaments costs the council over £100k in foregone income per annum taking a

sizeable amount of the DRR allocation. Also our nine Leisure Centres/Facilities, all of which were Greenwich Leisure (GLL) cost the council over £50k in foregone income per annum.

3.4 The Council has committed to fund at least 30% of any DRR awarded. In 2020 -23 the ‘cost of funding’ was in the region of £410k. This £410k represents business rates income the Council would otherwise have collected and used in providing services to Islington residents.

3.5 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 2023 -26 in November 2022, 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.

3.6 The Council’s 2023 - 2026 DRR programme was launched in February 2023. The programme enables two application deadlines per year for a period of 3 years, however organisations can apply at any point. The date to which any organisation is awarded DRR starts from the date the Council receives the DRR application. No backdated relief will be given to an organisation unless there are extenuating circumstances for the award to commence from an earlier date within that billing year.

3.7 Round 1 of the DRR Application process ran from 1 February 2023 – 31 May 2023. These applications were assessed in line with the criteria detailed in the council’s DRR Policy 2023-26 (Appendix C) and to date DRR has been applied to 86 organisations occupying 128 hereditaments. The total amount of relief awarded in the first round which was from 1 April 2023 – 31 May 2023 was £1,047,022.50 with the cost to the council totalling £314,106.76, leaving a balance of £95,893.24 unspent from annual agreed DRR funding allocation.

The table below indicates the total costs of the relief awarded up to 31 December 2023. The applications have been categorised into 4 sections for ease of reference:

TYPE OF ORGANISATIONS	Total relief awarded	Cost to council
Community Centre venues	£306,214.75	£91,864.43
Voluntary and Community Sector premises	£352,777.62	£105,833.29
Schools and nurseries	£167,782.95	£50,334.89
Leisure Centres	£220,247.18	£66,074.15
Grand Total	£1,047,022.50	£314,106.76

3.8 Round 2 of the DRR Application process ran from 1 June 2023 -31 December 2023, during this period 7 applications were received for 7 hereditaments. These applications were assessed in line with the criteria detailed in the council’s DRR Policy 2023-26.

4. Discretionary Rate Relief Award Recommendation

Following an assessment of the DRR applications submitted the following recommendations are being proposed:

4.1 DRR is applied to 6 organisations occupying 6 hereditaments shown in Appendix A.

4.2 DRR is applied to 1 organisation occupying 1 hereditament shown in Appendix B subject to clarification on activities carried out for community benefit.

5.Implications

5.1 Financial implications:

Under the current business rates retention scheme, the council bears 30% of the cost of any discretionary rate relief awarded to charity and non-profit making bodies, and the remaining 70% is shared between the Greater London Authority (37%) and Central Government (33%).

The council's medium-term financial strategy assumes that the maximum cost to the council of discretionary rate relief awarded (i.e. the 30% council share) will be maintained at £410k per annum. After taking into account the GLA and central government funding shares, this equates to a total funding envelope for discretionary rate relief awards of £1.367m per annum (£4.100m over the 3-year awarding period).

Any increase in the discretionary rate relief awards above this maximum limit would represent a budget pressure for the council that would need to be offset by additional compensatory savings elsewhere.

5.2 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.

The Council should award any relief in accordance with powers for granting Discretionary Rate Relief under Section 47 of the Local Government Finance Act 1988 (as amended). Under the Subsidy Control Act 2022, financial assistance given to an enterprise will not be subject to the subsidy control regime if the total amount of minimal financial assistance given to that enterprise over the last three years is less than or equal to £315,000. The Act sets out seven subsidy control principles, which, if the subsidy is consistent with, will ordinarily be permitted. 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 council must follow the framework for designing and giving subsidies set out in the UK subsidy control statutory guidance, to ensure that it awards subsidies in a way that is consistent with the Act and to ensure that public money is used in an effective and efficient way.

Granting the relief as recommended here would be reasonable and lawful.

5.3 Environmental Implications:

The policy sees the removal of DRR awards for car parking spaces in line with Islington's ambition to achieve net zero carbon emissions from the borough by 2030.

The awarding of DRR is unlikely to have any significant environmental impacts. The awarding of DRR will have both positive and negative environmental implications derived from the core business of the awardee organisation, enabling investment in additional services and projects – which will have some impact. E.g. additional procurement of goods, energy use, transport costs etc. These will need to be considered by the awardee organisations on a case by case basis.

5.4 Equality 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 corporate plan.

5.5 Conclusion and reasons for recommendations

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. The sector is seen as a key stakeholder in supporting us achieve our corporate priorities set in the Islington Together 2030 plan and awarding discretionary rate to these organisations plays a vital role in supporting these organisations especially through the current financial climate and the challenges with the cost of living.

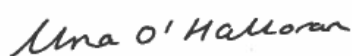
Appendices

Appendix A – List of organisations recommended for approval subject to valuations

Appendix B – List of organisations recommended for approval subject to further investigation and information

Appendix C – DRR Policy 2023 - 2026

Background papers: none



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Appendix A

List of organisations recommended for DRR subject to valuation.

Name of organisation	Date application received	Address
Rafiki Wema	27.09.2023	89/93 Fonthill Road, London N4 3JH
Snow Camp	9.11.2023	Old Fire Station Community Centre, Part ground floor Mayton Room, 84 Mayton St, London N7 6QT
The Immigrants Aid Trust	22.08.2023	441 Caledonian Road, London N7 9BG
Somali Education Centre	12.07.2023	Old Fire Station Community Centre, 84 Mayton St, London N7 6QT
Jannaty Women's Social Society	4.09.2023	Unit 1.3 (first floor) – Training room, 225-229 Seven Sisters Rd, London N4 2DA
Turkish education group	5.09.2023	2nd-3rd Floor, 2 Newington Green Rd, London N1 4RB

Appendix B

List of organisations recommended for DRR subject to further clarity on community benefit.

Name of organisation	Date of application received	Address
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Appendix C

Discretionary Rate Relief Policy 2023-26

November 2022.

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Charity and Not-for-Profit Discretionary Rate Relief Policy

1. Introduction

- 1.1. The Local Government Finance Act 1988 makes provision for local authorities to award certain reliefs. This policy relates to the discretionary powers of the Islington Council to award business rates relief under Section 44A, Section 47 and Section 49 of the Local Government Finance Act 1988 as amended by the Localism Act 2011.
- 1.2. This policy document sets out the Council's approach to providing discretionary rate relief to local charities and not-for-profit organisations for the period 1st April 2023 to 31st March 2026. It outlines how we will use the Council's local discretionary powers to grant discretionary rate relief to organisations that meet the schemes criteria.
- 1.3. The policy recognises that public funds are not unlimited and that a proportion of the costs of any relief granted are borne by council tax payers. Therefore, one of the criteria for making an award under the scheme is ensuring that money invested in this way will result in economic and/or community benefit for residents.

2. Scope of this Policy

- 2.1. The Council's Charity and Not-for-Profit Discretionary Rate Relief policy covers Discretionary Rate Relief under which:
 - Up to **20% relief** can be awarded to registered charities and registered sports clubs that qualify for mandatory rate relief.
 - Up to **100%** relief can be awarded to organisations that do not qualify for mandatory relief, but who meet the eligibility criteria stipulated in this policy.

3. General Information

- 3.1. This policy has been agreed by the Council to ensure that:
 - There is a framework under which ratepayers applying for relief are treated in a fair, consistent and equal manner.
 - The overall interest of the Council Tax payers of the borough is safeguarded by ensuring that funds are allocated and used in the most effective and economic way.
- 3.2. The Council will consider each individual case in accordance with the criteria set out in this policy. Consideration may be given to extenuating circumstances falling outside the stated criteria, providing they meet the general principles of the scheme.

- 3.3. In accordance with the Council's Constitution an Executive Director may determine discretionary rate relief applications which fall outside the scope of this approved Policy under exceptional circumstances.
- 3.4. Discretionary Rate Relief is not a matter of right; the Council is entitled through this policy to determine different levels of relief according to the nature and circumstances of individual organisations and the benefits they deliver to the wider community of Islington.
- 3.5. The Council's ability to grant Discretionary Rate Relief may be limited by other factors, such as for example, state aid rules.
- 3.6. Recipients of relief are required to notify the Council immediately of any changes of circumstances which may have an impact upon the award granted.
- 3.7. The Discretionary Rate Relief scheme covered by this policy is funded wholly by the Council foregoing income. The Council will set a limited threshold for the level of income that it will forego each financial year for the award of all Discretionary Rate Relief. This scheme will provide £1.36 million of Discretionary Rate Relief Awards per annum throughout the duration of this policy. Once the forgone income levels have been reached the scheme will be closed and any further awards that will take the overall level of relief awarded above this level, be not considered, regardless of whether applications meet the criteria set out in this policy.

4. Maximum Awards

- 4.1. This Council can grant the following levels of relief to organisations applying for Charity and Not-for-Profit Discretionary Rate Relief:

- **Up to 20% Top Up Discretionary Rate Relief for Registered Charities and Registered Amateur Sports Club:**

Charity Top Up Relief of up to 20 per cent can be awarded on premises occupied by organisations in receipt of Mandatory Rate Relief, including:

- Registered Charities (registered with the Charity Commission) for premises which are wholly or mainly used for charitable purposes.
- Registered Community Amateur Sports Clubs (CASC) registered as such under the Corporation Tax Act 2010, for premises wholly or mainly used for the purpose of the club, or for the purpose of the club and other CASCs.

This is because the Local Government Finance Act 1998 (LGFA) requires Local Authorities to grant 80% Mandatory business rate relief reduction to businesses meeting the conditions above.

- **Up to 100% Discretionary Rate Relief for Charities and Not-for-Profits:**
Islington council will consider awarding Discretionary Rate Relief of up to 100% on premises occupied by certain organisations or institutions that do not qualify for Mandatory Rate Relief, but that meet the criteria in this scheme, including:
 - Properties occupied by organisations or institutions that are not-for-profit, and whose main objects are charitable or otherwise philanthropic.
 - Properties occupied by not-for-profit sports or social clubs or societies, or other organisations for the purpose of recreation.
 - Other organisations meeting the policy criteria that the Council believes should receive relief having regard to the interests of persons liable to pay council tax.
- 4.2. The sum available for awards of Discretionary Rate Relief is fixed annually for the duration of this programme. In each round of applications, priority will be given to organisations with the lowest rateable values. However, the number of organisations benefiting, and the value of any awards made will be dependent on the number of applications received.
- 4.3. Leisure facilities operated on behalf of the council in the borough will receive Discretionary Rate Relief, in recognition of the unique role played by these facilities in meeting the health and social needs of council taxpayers in the borough.

5. Eligibility

- 5.1. Applicants must fulfil all of the following criteria for any application for Discretionary Rate Relief to be considered (evidence may be required):
- The relevant premises must be in the borough of Islington.
 - The organisation must be directly liable for the rates on the property.
 - The organisation's registered address must be within Islington.
 - The organisation must be a not-for-profit organisation such as a charity, unincorporated association, community interest company, cooperative society, or a charitable company (i.e. an organisation that is registered with the charity commission whose purpose is something other than making private profit for directors, members or shareholders).
 - 75% or more of the primary beneficiaries of the organisation's services must be Islington residents.
 - The organisation must adhere to the Equality Act 2010 to legally protect people from discrimination in the workplace and in the wider society.
 - All of the organisation's employees must be paid the London Living Wage as a minimum, and must review this annually.
 - The organisation must not be subject to investigation by a relevant regulator, which may include the Charity Commission, Ofsted or Care Quality Commission.
 - The organisation must have filed up-to-date accounts with the appropriate national authority at the time of application, where relevant.
- 5.2. Not all charities and not-for-profit organisations will qualify for Charity and Not-for-Profit Discretionary Rate Relief, though may qualify for Mandatory Rate Relief. The following

organisations or premises will not be considered for Discretionary Rate Relief regardless of their status:

- Profit making organisations
- Administration offices for national charities
- Overseas aid organisations
- Charity shops and cafes operated by national charities or associated organisations
- Housing Associations
- Private schools, colleges, nurseries or schools that are not within the Islington family of schools
- Buildings used for worship or promotion of religious belief
- Organisations operating a restrictive membership policy for which a fee is payable
- Empty properties
- Car parking spaces

6. Assessment Criteria

- 6.1. Providing you meet the minimum criteria outlined above we will assess your application for Discretionary Rate Relief using the following scoring criteria. All criteria will carry equal weighting.

Criteria	Criteria Points
<p>1. Council Priorities</p>	<p>1.1 How well your charitable objects or the aims set out in your constitution aligns with the council’s strategic priorities as set out in</p> <p>Islington Together For a more equal future - Strategic Plan 2021</p>
<p>2. A more equal Islington</p>	<p>2.1 How well the services that you provide serve the needs of sections of the community experiencing social or economic exclusion and groups protected under the Equality Act 2010</p>
<p>3. Net zero carbon emissions from the borough by 2030.</p>	<p>3.1 How your organisation is supporting Islington’s ambition to have net zero carbon emissions from the borough by 2030.</p>

- 6.2. In assessing your responses, we will score your answers using the framework below. We will require a minimum score of three or above for all criteria in order to recommend applications for a discretionary rate relief award.

Score	Response Assessment
0	There is no response to the question
1	An attempt has been made to respond, but does not meet requirements/solution does not cover any essential points
2	The response/solution partially meets requirements (covers some essential points)
3	The response/solution meets requirements (covers all essential points, may have included clear examples)
4	The response/solution exceeds requirements (covers more than the essential points, giving clear examples)
5	The response/solution will add significant value (covers more than the essential points, giving clear thorough examples to illustrate how value will be added)

- 6.3. The following limits to awards will apply to Discretionary Rate Relief applications by hereditaments:

Rates Bill (Net of reliefs)	Cost to the Council	Indicative Levels of Funding
Up to £67,000	Up to £20,100	Organisations will normally be awarded Discretionary Rate Relief of up to 100% of their outstanding rates bill.
Over £67,000	Over £20,100	Awards will be proportionate to the level of local benefit which may be less than 100% discretionary rate relief on their outstanding rates bill

7. Duration of Awards

- 7.1. Awards made after the billing year has started will commence from the date on which they are received unless there are extenuating circumstances for the award to commence from an earlier date within that billing year.
- 7.2. General discretionary relief awards are fixed awards made for the period covered by this policy 1st April 2023 to 31st March 2026.
- 7.3. A change of ratepayer or a change to the property that the ratepayer occupies will automatically end their award of Discretionary Rate Relief from the date of the change. A new application based on the changed circumstances would have to be made for further Discretionary Rate Relief to be considered.
- 7.4. The Local Government Finance Act 1988 requires that the local authority give 12 months' notice for the withdrawal of Discretionary Rate Relief. This notice will be given alongside the award of relief to successful applicants where applicable.

8. Applications Process

- 8.1. Applications must be made by the registered ratepayer using the Council's standard forms which are available on the Council website at:
[Islington.gov.uk/discretionaryraterelief](https://www.islington.gov.uk/discretionaryraterelief)
- 8.2. The application must be made by a person with the authority to act on behalf of the applying organisation. The Council may ask for evidence that the person making the application is entitled to act in that capacity. There will be two application rounds per year. Details will be advertised on the Council's website.
- 8.3. Applications must explain the purpose and activities of the organisation, providing details of the charitable objects, or organisational purpose as set out in the organisation's constitution or articles of association, clearly showing how that organisation supports or will support the Council's priorities.
- 8.4. Applicants may be required to supply supporting information with their application as detailed in the application form. If any organisation fails to provide information/evidence within the required time limits, their application will not be considered.
- 8.5. If an organisation is unable to provide any of the above, then a detailed explanation outlining your reason(s) must be provided. In some circumstances we may decide that it is necessary to visit the rated property to assist the decision process.
- 8.6. Business Rates are still due and payable as previously billed during the application process and until a final decision has been advised. Any overpayment will be refunded.

- 8.7. Applicants will be notified in writing of the outcome of their application once a decision has been made.

9. Applications for Retrospective Periods

- 9.1. Discretionary Rates Relief will not normally be awarded in respect of any day prior to the day that an application is received. However, in exceptional circumstances consideration may be given to awarding rate relief for a retrospective period where the ratepayer can demonstrate good cause for not submitting the application earlier.
- 9.2. No consideration shall be given to an award for a retrospective period where the Council is not able to verify to its satisfaction that the circumstances giving rise to the application pertained for that period.

10. Circumstances that may prevent an award being made or result in an award being terminated

- 10.1. Where the organisation's business premises include the running of a commercially operated bar serving alcohol this must be incidental to the main purpose of the organisation to qualify for relief. Running a bar in itself is not a reason for declining relief, but a club which is primarily a commercial bar is unlikely to qualify.
- 10.2. In addition to the circumstances above under which no award will be made under this scheme; awards will be terminated early under the following circumstances:
- The organisation ceases from activities which the Council deems to meet the above eligibility criteria. The organisation is required to advise the Council of any such change as soon as possible in writing.
 - The organisation ceases trading.

11. Review/Reconsideration process

- 11.1. Discretionary Rate Relief is awarded entirely at the discretion of the local authority so there is no formal right of appeal. The assessment panel may in some cases seek further information or have some clarification questions for the applicant before making their decision.
- 11.2. Where an application is refused, further applications will not be considered unless:
- The use of the property changes
 - The objectives of the organisation changes
 - There have been other material changes that may affect the Council's decision

12. Conditions

12.1. All organisations will be expected on request to:

- Make available annual accounts or financial statements
- Provide evidence of activity over the past year
- Demonstrate plans for services and activities over the coming year
- Provide evidence that all employees are paid the London Living Wage as a minimum