



CABINET REPORT

Report Title	NNDR – Review of Discretionary Relief Scheme
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	19 December 2012
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Customers and Communities
Accountable Cabinet Member:	Cllr Brandon Eldred
Ward(s)	All

1. Purpose

- 1.1 To approve a new Discretionary Scheme for National Non-Domestic Rates (NNDR) Relief.

2. Recommendations

- 2.1 The Cabinet is recommended to
- (a) Approve the changes to the Discretionary Scheme for National Non-Domestic Rates (NNDR) Relief as detailed in paragraph 3.2.1 of the report.
 - (b) Agree that the revised scheme will come into effect from 1 April 2013.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council has the discretionary power to grant additional relief to charities or relief to similar organisations under the Local Government Finance Act 1988 who satisfy either of the criteria below on both occupied (Section 47) and unoccupied property (Section 48).

3.1.2 Under legislation relief can be awarded in the following cases:

a) Local Charity

The ratepayer is a local charity or trustees for a local charity and the property is wholly or mainly used for charitable purposes. In such cases the relief can be awarded at up to 20%, as 80% mandatory relief will have already been granted. Note that this is not granted for any shops including charity shops.

Of the 20% topped up, the Council pays 75% of this and 25% of this is paid from central government.

b) Not for Profit Organisations

Where the hereditament is not an excepted property (one occupied by a billing or precepting authority) and all or part of it is occupied by an individual or organisation which is:

- not established or conducted for profit, and,
- whose aim should be charitable or otherwise philanthropic, or concerned with the promotion of social welfare, education, science, literature or the fine arts.

The Council pay 25% and central government fund 75%

c) Special Discretionary Relief

where the hereditament is not an excepted hereditament and is wholly or mainly used for:

- the purposes of recreation, and,
- all or part of the property is occupied for the purpose of a club, society or other organisation not established or conducted for profit.

The Council pay 25% and central government fund 75%

3.1.3 The amount of relief being awarded has continued to increase in recent years and is therefore putting pressure on finances at the Council. As part of the budget setting process for 2012/13 the Council agreed to review the Discretionary Relief Scheme.

3.1.4 Cabinet, at their meeting on 7 March 2012, agreed to revoke the existing discretionary relief scheme with effect from 31 March 2013 and to consult on a new scheme to take effect from 1 April 2013. Letters were despatched to all existing recipients of discretionary relief on 22 March 2012.

3.1.5 The consultation was carried out in two phases. In the first phase existing recipients and members of the Community and Voluntary sector were invited to put forward suggestions about how the scheme could be varied to best support Northampton's interests.

3.1.6 Following the first phase of consultation, the outcomes of the consultation were used to develop a package of options for revisions to the scheme. A further period of consultation was then carried out between 19th November and 3rd December 2012 during which existing recipients of discretionary relief and members of the community and voluntary sector were asked for further comments on the package of options that were proposed.

3.2 Issues

3.2.1 Consultation was carried out between 19th November and 3rd December 2012 on the following proposed revisions to the NNDR discretionary relief scheme with effect from 1 April 2013:

- a) The discretionary top up relief available to charitable organisations and Community Amateur Sports Clubs (CASCs) will be reduced from 20% to 15% where the organisation is the sole occupier of the premises. The effect of this will be that organisations will be eligible for a maximum relief of 95% of NNDR liability (80% mandatory relief and 15% discretionary).
- b) A discretionary top up relief rate of 20% will be retained for charitable organisations and CASCs organisations which co-locate and share the same premises. This would apply in situations where two or more organisations are jointly liable for NNDR at the premises they occupy or where one organisation sublets part of the premises to an organisation with charitable or CASC status.
- c) The discretionary relief available to not for profit organisations which focus on social welfare, arts, sport and recreation (criteria b) and c) in the current scheme) will be reduced from a maximum of 100% to 80% of NNDR liability.
- d) There will be no Special Discretionary Relief Scheme (which previously awarded relief up to a maximum of £3162.93 for organisations meeting the relevant criteria) from April 2013.

3.2.2 The package of options proposed in a), c) and d) would deliver a saving to the Council of approximately £70,000 based on the current rates of relief being paid to recipients in 2012/13.

3.2.3 In addition, the proposal outlined in b) above may deliver further saving if a number of organisation took up the co-location option, however, the exact figure cannot be quantified as it would be influenced by level of take-up and the costs associated with the NNDR liabilities on the properties affected. It is anticipated that a single rate of relief at 20% would be lower in cost terms than multiple rates of relief at 15%.

3.2.4 The consultation on the proposed amendments to the scheme carried out between 19th November and 3rd December 2012 resulted in the following comments;

- Concerns about the impact on sports clubs, particularly in light of the “Olympic legacy” and other regulatory burdens which are increasing costs for such organisations.
- Additional costs for organisations which are volunteer lead and funded should be avoided.
- Non-profit making organisations affected by these proposals will have to pass any additional costs to members through membership fees which may disadvantage people on low incomes.
- A reduction in full relief to 80% for non-profit making organisations will result in increases in subscriptions for members and may impact on membership.

- Charities which support needy and vulnerable people should not be treated in the same way as Community and Amateur Sports Clubs (CASCs).
- Reductions in relief should only be imposed on organisations occupying larger premises.
- A minimum financial threshold should be applied, e.g. £1,000 of relief, before the reduced levels of relief are applied.
- The co-location option is restrictive for those organisations which do not have space or capacity to share with others.
- Some organisations will not be able to afford to pay if relief is reduced.
- Consideration should be given to how not for profit organisations who also have a related charitable benevolent arm should be treated.
- Small hobby groups will be forced to close if relief is withdrawn.
- Concern that previous letters concerning the intention to end the existing scheme and opportunity to contribute to consultation had not been received.

3.2.5 The proposed amendments to the scheme will have some financial impact on the organisations currently in receipt of relief where the proposals will reduce the maximum rates of relief available and, in the case of the current Special Discretionary Relief scheme, where it is permanently withdrawn. The proposals have sought to minimise the impact on organisations as far as possible, and in particular those who have charitable or CASC status.

3.2.6 The proposal to make the withdrawal of the Special Discretionary Relief scheme permanent, whilst taking into account the financial impact of the organisations affected, has factored in that the organisations currently in receipt of this relief are generally social establishments which have the capacity to generate income and therefore can offset any costs associated with the withdrawal of relief through their business operating model. In other cases where organisations are funded through membership fees and subscriptions there is opportunity for any increases in operating costs to be redistributed equitably through charges to those benefiting from the organisations.

3.3 Choices (Options)

3.3.1 To agree the proposed changes to the scheme which would deliver an approximate saving of £70,000 with possible additional savings generated through the co-location of charitable and CASC organisations.

3.3.2 To maintain the existing scheme and retain the current rates of relief for those organisations in receipt of relief.

3.3.3 The Cabinet is recommended to approve the changes to the scheme outlined in paragraph 3.2.1 above and implement the changes to the scheme with effect from 1 April 2013.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The report proposes to amend the maximum rates of relief under the Council's discretionary power to grant additional relief to charities or relief to similar organisations under the Local Government Finance Act 1988 who satisfy either of the criteria below on both occupied (Section 47) and unoccupied property (Section 48).

4.2 Resources and Risk

- 4.2.1 The exact level of the saving could be impacted on by the Government's introduction of the Local Retention of Business Rates. A Policy Statement was recently released which stated that:
- “Under the rates retention scheme, the existing costs of mandatory and discretionary reliefs will be accounted for within local authorities' business rates baselines. However, any changes in these costs between resets will be shared 50:50 between central and local government, in accordance with central-local shares.”
- 4.2.2 It is anticipated that the impact on the saving of this and the resource equalisation mechanisms in the new scheme would be marginal.
- 4.2.3 There is a risk that organisations currently in receipt of relief could leave the local area if it is reduced or removed. However, the proposals have been designed to minimise the impact as much as possible, especially on those with charitable or CASC status.
- 4.2.4 A medium term planning option has therefore been prepared to incorporate the saving of £70k into the Council's budget proposals for the 2013/14.

4.3 Legal

- 4.1.2 The Council has discretionary power to grant additional relief to charities or relief to similar organisations under the Local Government Finance Act 1988 who satisfy either of the criteria below on both occupied (Section 47) and unoccupied property (Section 48). The proposed alterations to the scheme are compliant with these legal obligations and it is at the discretion of the Council to determine the maximum rates of discretionary relief.

4.4 Equality

- 4.4.1 The report considers the impact on organisations potentially affected by the proposals and considers that these have been mitigated as far as possible by reducing the potential impact on those charitable organisations, in particular which provided services and facilities to support more vulnerable groups.
- 4.4.2 There was no indication from Equality Impact Analysis conducted in November 2011 or in developing the consultation or final proposals that any individuals or groups with protected characteristics will be disadvantaged disproportionately by the proposals for a replacement scheme.
- 4.4.3 It is noted that in some cases it may be necessary for organisations to pass on any additional costs incurred as a result of reduced relief to members through subscriptions, fees or through income generating activities. It has not been

identified that this would adversely affect any specific group or individuals with protected characteristics in a way that would disadvantage them specifically.

4.5 Consultees (Internal and External)

4.5.1 All current recipients of discretionary relief were consulted on the proposals and in addition the proposals were circulated to all community and voluntary sector organisations on the Northampton database held by the Northampton Volunteering Centre.

4.5.2 The following organisations responded to the consultation on the proposed new scheme;

- Northamptonshire Sport
- Northamptonshire YMCA
- Northampton Weightlifting Club
- Fernie Fields Sports and Social Club
- Northampton Society of Model Engineers
- Spring Charity
- Thai - bo & martial arts studio
- Northampton Door-to-Door Service
- Gulzare-e-medina islamic welfare Trust
- Cargin Moss Black Belt Academy
- Northamptonshire Football Association Ltd
- Northampton Model Railway Group

4.6 How the Proposals deliver Priority Outcomes

4.6.1 These proposals reflect the commitment of the Council to creating empowered communities and supporting the voluntary sector to support communities by limiting the impact of these proposals as far as possible across all of the community and voluntary sector. In addition the proposal to continue maximum relief for organisations which co-locate in shared premises will further limit any impact on those organisations whilst supporting the Council's commitment to providing value for money and protecting local services.

5. Background Papers

5.1 Department of Communities and Local Government – Business Rates Retention Policy Statement published November 2012

<https://www.gov.uk/government/publications/business-rates-retention-policy-statement>

5.2 Northampton Borough Council Business Rates Relief Review 2012, Consultation Results – Phase 1

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