

Cabinet 16th January 2013

Review of the Non-Domestic Rates Discretionary Relief Policy to Academy and Voluntary Aided Schools

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1. This report advises members of the implications arising from changes to school funding, the increase in the number of maintained schools converting to academy status and the financial implications of the Council's current policy on the awarding of discretionary relief to Academy and Voluntary Aided Schools.

2. Description of Decision

- 2.1 To recommend Council to amend the current policy on discretionary relief for non-domestic rates by removing discretionary relief paid to Academy and Voluntary Aided Schools with effect from 1st April 2013.

3. Background

- 3.1 The Dedicated Schools Grant (DSG) was introduced in 2006/2007, and is the principal source of funding for schools and related activities. The grant was introduced in place of funding previously allocated via the Formula Grant and a number of smaller specific grants. The DSG is a ringfenced grant that can only be used to support Schools and related activities.
- 3.2 In relation to Non Domestic Rates relief, where a ratepayer is in receipt of Mandatory relief, the local authority can chose to allocate further discretionary relief, the cost of which is partially borne by the local authority from its mainstream budget.
- 3.3 There are currently 29 Academy and Voluntary Aided (VA) schools who are in receipt of both mandatory and discretionary relief in accordance with the current council policy on discretionary relief. The current policy pre dates the introduction of the DSG. The discretionary relief currently charged to the mainstream budget in respect of these schools is £271,000 for 2012/2013.
- 3.4 School Funding Reform from April 2013 ensures that schools will receive budget equal to the cost of business rates. Any increases in business rates through revaluations or change in policy will be funded from the DSG.

4. Benefits of Removing Discretionary Relief Paid to Academy and Voluntary Aided Schools

4.1 It is current Government policy to increase the numbers of Academies. In Sunderland the number of schools that have converted or expect to convert Academies is shown in the table below:

Year	No. of Academies
2008/2009	1
2009/2010	2
2010/2011	2
2011/2012	3
2012/2013 (Expected - Mar13)	14
Total	22

4.2 As part of the Academy Funding agreement Maintained schools that convert to Academies receive funds equivalent to 20% of the business rates charge.

4.3 Based on current policy, the following financial implications arise from Academy conversion:

Dedicated Schools Grant	80% saving on the cost of business rates
Academy	20% saving as funding is provided but discretionary relief is awarded by the LA under the current policy
Local Authority	Mainstream budget Implication of awarding 20% discretionary relief (£158,000 in 2012/2013)

4.4 A change in policy will protect the Local Authority from an increase in the cost of business rate relief as more schools convert to Academy status. By removing discretionary rate relief Academies would pay business rates equivalent to the funding they receive through the Academy Funding Agreement.

4.5 In order to apply the policy fairly and consistently to all Schools and Academies it is also appropriate to consider discretionary relief awarded to VA schools. This is particularly relevant as VA schools convert to Academy status and it is helpful to consistently apply the same policy.

4.6 School Funding is provided through the ringfenced Dedicated Schools Grant. The existing policy of awarding discretionary relief to VA schools was introduced before the introduction of the Dedicated Schools Grant. This means that the Local Authority is paying £113,000 from its mainstream budget for discretionary relief which should be provided through the Dedicated Schools Grant.

- 4.7 The additional cost to VA schools of ceasing discretionary relief would be funded by DSG from savings realised from the reduction in business rates incurred as more schools convert to Academy status.
- 4.8 Funding would be provided to VA Schools equivalent to the cost incurred. There is therefore no funding implication at individual school level.

5. Consultation

- 5.1 Under the Non Domestic Rating (Discretionary Relief) Regulations 1989 No. 1059 there is a requirement for the authority to give notice in writing to the ratepayer of the revocation of a decision of discretionary relief. The authority must give at least 1 years notice to cease or vary a ratepayer's entitlement to discretionary relief; any change must take effect at the expiry of a financial year. There is no statutory requirement to consult ratepayers on a revision to the authorities' discretionary relief policy.
- 5.2 Notices were served to ratepayers in receipt of discretionary relief in March 2012 to advise them that their entitlement to discretionary relief will cease on 31st March 2013.

6. Suggested reason(s) for Decision

- 6.1 By removing the discretionary relief paid to Academy and Voluntary Aided Schools the Council would realise a saving of £271,000.

7. Alternative options

- 7.1 Continue to offer Discretionary Relief to Academies and VA schools. The cost to the authority of providing discretionary relief would remain at £271,000 but likely to increase each year as more schools convert to Academies.

