

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE - 29 NOVEMBER  
2011

REPORT BY THE DIRECTOR OF INTERNAL SERVICES

REVIEW OF DISCRETIONARY RATE RELIEF

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To consider options to reduce by £30k the current budget of £97k for Discretionary Rate Relief (DRR) from 1 April 2012 as proposed in the Medium Term Financial Plan.

**RECOMMENDATION FOR DECISION BY CORPORATE BUSINESS  
SCRUTINY COMMITTEE that -**

the Corporate Business Scrutiny Committee recommends to the Executive the preferred options of the Committee to achieve the £30k saving.

**RECOMMENDATION FOR THE EXECUTIVE that -**

The Executive receives the comments of Corporate Business Scrutiny Committee and recommends to the Council the preferred options.

Background

- 1.1 The Council has limited discretion to reduce the business rates payable by some of its tax payers. Discretionary Rate Relief (DRR) covers both Discretionary Charitable Rate Relief and Discretionary Rural Rate Relief
- 1.2 DRR can be granted either in its own right or as “top up” in addition to Mandatory Rate Relief (both mandatory charitable rate relief and mandatory rural rate relief) where the tax payer is by law entitled to a reduction.

- 1.3 The discretionary relief for all organisations under the current scheme expires in March 2012, and new applications will need to be completed by each organisation.
- 1.4 The current policy is detailed at **Essential Reference Papers B**.
- 1.5 The cost of Discretionary Relief is partly funded by the Council and partly by the Government. The percentages vary depending on the category. Mandatory relief is fully funded by the government.
- 1.6 The cost of the relief to the East Herts Council Taxpayer is approximately £97k as shown in **Essential Reference Papers C**.
- 1.7 Throughout this report figures exclude discretionary relief to the Council's leisure centres operator SLM in respect of the 6 properties managed by them. That relief is reflected in a reduced management fee paid by the Council. The annual sum is £26K.

## Report

- 2.1 The same value for money principles apply to decisions on the budget for discretionary rate relief as to any other budget of the Council.
  - Is the expenditure aligned to achieve the Council's priorities?
  - Can clear outcomes from the expenditure be identified?
  - In the case of discretionary grants do the benefits to recipients and the wider community outweigh the cost to the council tax payer?
  - Is the Council applying its discretion fairly as regards one organisation against another within the regulatory framework which the Council must respect?

Given that all these taxpayers benefit directly or indirectly from Council services the awarding of 100% relief from rates needs to be considered carefully at a time when public finances are coming under great pressure.

- 2.2 The cost of the current scheme at £97k equates to an average contribution from council tax payers of £1.66 at band D and proportionately more for properties in higher council tax bands. There are currently just over 200 organisations receiving discretionary relief ranging from £22 per year to £7,794 per year.

- 2.3 In considering changes to the scheme it is appropriate to review both the total cost and the distribution of the relief across the organisations benefiting or potentially benefiting.
- 2.4 Top up discretionary relief is currently granted at 20% where mandatory relief has been granted on 80%. This means that these organisations do not pay any rates. The report sets out the financial implications of reducing this top-up to 10% in most cases, i.e. to provide 90% relief from the rates.
- 2.5 Discretionary relief (where there is no mandatory relief) is granted at either 75% or 50%. Essential Reference Paper B details which organisations fall into each category. The report sets out the implications of reducing the relief by 10 percentage points, ie to 65% and 40% respectively.
- 2.6 Discretionary Rural rate relief is currently granted at 50% when 50% mandatory relief is awarded, and also at 50% in some cases where mandatory relief is not granted. Essential Reference Paper B details which organisations fall into this category.
- 2.7 The implications of reducing the percentage of relief to existing recipients by 10 percentage points is illustrated **at Essential Reference Paper C** these are based on 2011/12 levels of awards.
- 2.8 The MTFP target is only £30K as against a £40k saving achieved by an across the board reduction of 10 percentage points and **Essential Reference paper C** identifies some other options. The Committee is being asked to indicate for each category of organisation which of options A to E is preferred and which in total will deliver the £30K. For some categories the Committee may wish to recommend no change and the Committee can opt to make savings other than set out in the table.

### Background Papers

Local Government Finance Act 1988

Contact Member: Councillor M Tindale Executive Member for Finance

Contact Officer: Alan Madin Director of Internal Services\_– Extn 1402

Report Author: Su Tarran Head of Revenues and Benefits

## ESSENTIAL REFERENCE PAPER 'A'

<u>Contribution to the Council's Corporate Priorities/Objectives</u>	Discretionary rate relief supports all priorities by allowing some 200 organisations to put more of their resources in community activities.
<u>Consultation</u>	This report forms part of the consultation process and the public consultation on the budget will include this item.
<u>Legal Implications</u>	The sorts of organisation to which discretionary relief can be given is set out in statute.
<u>Financial Implications</u>	The MTFP for 2012/13 includes a reduction of £30k in the cost of discretionary relief.
<u>Human Resource Implications</u>	There are no human resource implications to be considered
<u>Risk Management Implications</u>	There are no risk management implications to be considered

**Essential Reference Paper B**

<b>Category of Relief</b>	<b>Existing Policy to March 2012</b>	<b>Policy for 2012-13 to be determined</b>
<p>[20%] Discretionary Charitable Relief (Top Up) is granted where Mandatory Charitable Relief is applicable <i>and there is a direct benefit to the local community.</i></p>	<ul style="list-style-type: none"> <li>• Citizens Advice Bureaux</li> <li>• The Samaritans</li> <li>• Aged persons organisations</li> <li>• Disabled persons organisations</li> <li>• Youth associations</li> <li>• Village halls</li> <li>• Museums (regularly open to the public)</li> <li>• Animal Rescue (Animal Welfare)</li> <li>• Herts Aid -(Support for families and people suffering from AIDS)</li> <li>• Home Start -(Support for families with young children)</li> <li>• Isabel Hospice -(Charity gift shops benefiting the seriously ill)</li> <li>• St Elizabeth Home-(Charity gift shops benefiting the disabled)</li> <li>• Victim Support-(Support group for victims of crime)</li> <li>• Leisure services – providing services at Grange Paddocks, Hartham, Fanshaw Pool, Leventhorpe and Ward Freeman Swimming Pool,</li> </ul>	
<p>[50%] Discretionary Rural Relief is granted where Mandatory Rural relief is applicable <i>and there is a direct</i></p>	<ul style="list-style-type: none"> <li>• Village post offices/stores in a designated rural area with a rateable value up to £8500.</li> </ul>	

<p><i>benefit to the local community.</i></p>	<ul style="list-style-type: none"> <li>• Food shops in a designated rural area with a rateable value up to £8500.</li> <li>• Sole public house or petrol filling station in a designated rural area with a rateable value up to £12500</li> </ul>	
<p>[75%] Discretionary Charitable relief is granted where Mandatory Charitable relief is <i>not applicable and there is a direct benefit to the local community.</i></p>	<ul style="list-style-type: none"> <li>• Aged persons organisations</li> <li>• Disabled persons organisations</li> <li>• Youth organisations</li> <li>• Village halls</li> <li>• Museums (regularly open to the public)</li> <li>• Cultural societies</li> <li>• Sports clubs and sports grounds without a bar</li> </ul>	
<p>[50%] Discretionary Charitable relief is granted where Mandatory Charitable relief is <i>not applicable and there is a direct benefit to the local community.</i></p>	<ul style="list-style-type: none"> <li>• Sports clubs and sports grounds (excluding golf clubs) with a bar</li> <li>• Schools, miscellaneous clubs and other organisations</li> <li>• Village stores in a designated rural area with a rateable value between £8500 and £16500</li> </ul>	