

Meeting of the Cabinet – 5th December 2013

Report of the Director of Corporate Resources

Review of Business Rates Discretionary Rate Relief Policy

Purpose of Report

- 1 To update members on the outcomes of a review of the Council's Business Rates Discretionary Rate Relief policy (DRR).
- 2 Following consideration of these outcomes, to gain the Cabinet's agreement on the recommendation made.

Background

- 3 The Council has the power to award DRR to reduce or remove the business rates otherwise payable by charities and other organisations that are not established or conducted for profit. Appendix 1 contains further details of eligible organisations, volumes and the Council's current policy.
- 4 A review of the current policy was deemed necessary because of the significant cost of DRR awards to the Council, major budgetary pressures and the relatively generous approach that Dudley has compared to other authorities.
- 5 The great majority of the cost to the Council relates to DRR awarded to charities, who, because of an underlying entitlement to Mandatory Relief, pay no business rates as a result.
- 6 Notice of the review, and the resulting potential for changes in entitlement from 1st April 2014, was issued to over 300 affected organisations in February 2013. While there has been relatively little feedback, comments have been received from a number of elected members, MPs and community bodies expressing concern regarding the impact on affected organisations should the Council's policy change.
- 7 Although the costs involved to the Council are significant, the Council is very mindful of the financial implications for the organisations concerned if this relief is reduced or removed, bearing in mind that it is awarded to numerous charities and other good causes whose activities support the Council's aims and objectives.
- 8 The proposal is therefore as follows:
 - a) Make no changes to the eligibility criteria and amount of relief awarded via the current policy, meaning that charities will continue to pay no rates and other eligible organisations will retain their current rate reductions.
 - b) Award entitlements for one financial year at a time, rather than indefinitely as is the case at present.

This proposal recognises the potential financial difficulties any significant change in policy would cause affected organisations, while giving the Council greater flexibility should a further review of the policy become necessary in the future.

Finance

- 9 Currently, the cost of DRR to the Council is £240,000 per annum, of which £215,000 relates to charities.

Law

- 10 The Council is empowered to award Discretionary Rate Relief by Section 47 of the Local Government Finance Act 1988, as amended.

Equality Impact

- 11 This report complies with the Council's Equality and Diversity Policy and there will be no equality impact if the Cabinet approves the recommendation set out in this report.

Recommendations

- 12 That the proposal outlined in paragraph 8 is approved.



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Director of Corporate Resources

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Appendix 1 : Discretionary Rate Relief (DRR) at Dudley – Further Details

Discretionary Rate Relief (DRR) at Dudley – Further Details

There are two types of DRR:

1 'Top Up' Relief

- Awarded to organisations already in receipt of Mandatory Relief (mainly charities but also including Community Amateur Sports Clubs). Mandatory Relief already covers 80% of the rates liability in such cases, which is funded 50% by the Council and 50% by central government.
- The maximum award of 'Top Up' Relief is 20%, again funded half by the Council and half by central government.
- Current Dudley policy is to award the full 20% in all instances, meaning that qualifying organisations have no rates to pay.
- Currently, 309 properties are awarded this relief in Dudley, with a total value of £430k per annum and a cost to the Council of £215k per annum.

2 'Pure' Relief

- Awarded to organisations not established or conducted for profit and whose main objectives are philanthropic, religious or concerned with education, social welfare, science, literature, the fine arts or recreation – what might be termed 'good causes'.
- The maximum award is 100%, funded 50% by the Council and 50% by central government.
- Current Dudley policy is to determine a reduction of up to 100% by reference to locally agreed qualifying criteria.
- Currently, 19 properties are awarded this relief in Dudley, with a total value of £50k per annum and a cost to the Council of £25k per annum.

As can be seen above, the significant costs here relate to 'Top Up' rather than 'Pure' DRR, i.e. that relief mainly awarded to charities.