

REPORT TO: Executive Board

DATE: 26 February 2015

REPORTING OFFICERS: Strategic Directors – Policy & Resources and Children & Enterprise

PORTFOLIOS: Resources and Economic Development

SUBJECT: Discretionary Non-Domestic Rate Relief

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The Localism Act 2011 amended the provisions of the Local Government Finance Act 1988, such that councils may grant discretionary business rates relief to any business ratepayer in any circumstance.

1.2 The purpose of this report is to;

- a) Consider the renewal of discretionary business rate relief for existing organisations who continue to satisfy the appropriate criteria, and;
- b) Establish criteria to be applied when considering applications for discretionary business rate relief from organisations where there is considered to be an economic development benefit from doing so.

2.0 RECOMMENDED: That

- 1) Discretionary business rate relief of 15% be granted for those registered charities and CASC organisations currently in receipt of such relief, for the period of three years commencing 1st April 2016;**
- 2) Discretionary business rate relief of 90% be granted for the not-for-profit organisations currently in receipt of such relief (except for the two referred to in paragraph 5.3), for the period of three years commencing 1st April 2016; and**
- 3) the criteria set out in Section 6, be approved as a policy framework to assist with considering future applications for discretionary rate relief on the grounds of potential economic development and job creation benefits, whilst still considering each application on its own merits.**

3.0 REGISTERED CHARITIES AND CASCs

- 3.1 The Council has previously granted discretionary business rate relief to a number of organisations which are registered charities, not-for-profit organisations, or Community Amateur Sports Clubs (CASC). The Council currently grants discretionary business rate relief for these organisations for a period of three years.
- 3.2 These organisations automatically receive mandatory 80% business rates relief. Prior to April 2013 the full cost of such mandatory relief was met by the Government, whilst the Council funded 75% of any discretionary rate relief granted (for the remaining 20% of their rates liability).
- 3.3 Following the introduction of the business rates retention scheme, the Council now funds 49% of both mandatory and discretionary rate relief.
- 3.4 Therefore, prior to April 2013 the total cost to the council taxpayer would have been 15% of the total rates liability. However, the total cost to the council taxpayer would now be 49% of the total rates liability.

4.0 NOT-FOR-PROFIT ORGANISATIONS

- 4.1 Not-for-profit organisations are not entitled to mandatory rate relief. Previously, where not-for-profit organisations were granted discretionary rate relief the Council funded 75% of the cost. However, following the introduction of the business rates retention scheme the Council now funds 49% of discretionary rate relief for such organisations.

5.0 LEVEL AND PERIOD OF BUSINESS RATES RELIEF AWARDED

- 5.1 Previously, where the Council has granted discretionary rate relief for registered charities and CASC organisations, this has been granted for the full remaining 20% of the organisation's rates liability.
- 5.2 In light of the current financial challenges and constraints facing the Council, it is recommended to grant discretionary business rate relief of 15% for registered charities and CASC organisations, for the period of three years commencing 1st April 2016. This would provide the Council with a saving of approximately £9,500 per annum. The organisations themselves would then have to meet the remaining 5% of their business rates liability.
- 5.3 For not-for-profit organisations the Council has in the main granted 100% discretionary rate relief, except in the case of two organisations who received less than 100% for specific reasons.
- 5.4 In terms of existing not-for-profit organisations who receive rate relief (except for two referred to in paragraph 5.3 above), it is recommended to grant discretionary business rate relief of 90% for these organisations, for the period of three years commencing 1st April 2016. This would provide the Council with a saving of approximately £13,000 per annum. The organisations themselves would then have to meet the remaining 10% of their business rates liability.

5.5 The Council currently grants discretionary business rate relief to organisations for a three year period. It is recommended that this practice continues, in order to provide the organisations with some certainty so as to assist with their financial planning.

5.6 Regulations require that organisations are given twelve months' notice of ceasing or changing discretionary rate relief and the current period of relief ends on 31st March 2016. If the Council wishes to cease or reduce relief thereafter, then the organisations must be notified by 31st March 2015.

6.0 CRITERIA FOR GRANTING RATE RELIEF ON THE GROUNDS OF POTENTIAL ECONOMIC DEVELOPMENT AND JOB CREATION BENEFITS

6.1 Under the amended provisions of the Local Government Finance Act 1988, any organisation may apply to the Council requesting discretionary business rates relief. In these instances the Council will fund 49% of any discretionary rate relief granted.

6.2 Historically, the Council has considered such requests on their individual merits and in light of the potential economic development and job creation benefits they might deliver for the Borough. Whilst this type of request can provide a useful 'hook' to enable the Council's Business Improvement and Growth Team to engage with businesses, the granting of rate relief is only one of a number of options available to support businesses. In fact, other types of support, for example, grant aid, help with recruitment and diagnostic input, may be more relevant to the needs of that particular business.

6.3 Therefore, in order to ensure consistency it is proposed that the following criteria be applied in future when considering such requests for rate relief;

- (i) The number of additional, sustainable jobs forecast to be created in the following twelve months.
- (ii) Based upon (i) above, the gross cost per job and no greater than £26,000 per job if granted.
- (iii) State Aid compliance.
- (iv) All planning consents and other permissions already in place.
- (v) Evidence that the applicant has business rates liability for the property.
- (vi) The ultimate end-user of the property to be identified.
- (vii) The nature of the business involved with priority to be given to Halton's growth sectors.
- (viii) The type of jobs to be created with priority given to Halton's growth sectors.
- (ix) The robustness of business plans, forecasts and expansion plans provided in support of the application for rate relief.

6.4 It is also proposed that discretionary business rates relief will not be granted where;

- (i) The property is located within an Enterprise Zone or any other area where a specific rate relief policy applies.
- (ii) The application for rate relief is received retrospectively.

- 6.5 The above criteria are intended to provide a policy framework to assist with considering each application for discretionary rate relief. However, within this policy framework the Board will still consider each request on its merits.
- 6.6 One option considered was to limit discretionary business rate relief to only new businesses locating to the Borough. However, this could be disadvantageous to the Borough's economic growth, given that approximately 68% of our investment and expansion enquiries come from indigenous businesses.
- 6.7 Another option considered, was to apply minimum thresholds in respect of jobs, floor space created/land brought forward for development. However, small and medium sized enterprises make an important contribution to the Borough's economy, and it would therefore be counterproductive to limit awards of discretionary grant relief purely to larger scale developments. Furthermore, many high growth, high value businesses, which are good for our economy do not always generate huge numbers of jobs.
- 6.8 Consequently, the criteria proposed above focus on the quality and added value that an investment enquiry will bring, rather than the size and scale of the development.
- 6.9 In future, the Council may wish to develop a Businesses Attractiveness Model whereby the Council will identify and apply criteria to measuring the attractiveness of a business to the area. Such criteria are often based upon: which business sector they are in; whether they are in an employment area; the number of employees; whether they are an exporter; trade locally; part of a larger chain; a sole trader; their internet presence; the stage of the business cycle they are in; and whether they are headquartered in Halton.

7.0 FINANCIAL IMPLICATIONS

- 7.1 The Council funds 49% of both mandatory and discretionary business rates relief, with the Government funding the other 51% of such relief.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 8.1 The organisations for whom discretionary rate relief is granted may engage with one or more of the Council's priorities.

9.0 RISK ANALYSIS

- 9.1 There are none.

10.0 EQUALITY AND DIVERSITY ISSUES

- 10.1 There are none.

**11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D
OF THE LOCAL GOVERNMENT ACT 1972**

11.1	Document	Place of Inspection	Contact Officer
	Application forms and supporting evidence	Kingsway House, Caldwell Road, Widnes	Phil Murphy, Business Rates Manager