

## PART A

**Report to:** Cabinet  
**Date of meeting:** 9<sup>th</sup> March 2015  
**Report of:** Head of Revenues & Benefits  
**Title:** Discretionary and Hardship Rate Relief Policies for Business Rates (NNDR)

### 1.0 SUMMARY

- 1.1 Rate reliefs for Business Rates, also known as National Non-Domestic Rates, should be reviewed periodically depending on the length of the award. Business must be given a years' notice of any changes to a scheme, or the level of rate relief that can be claimed. Therefore in order to review rate reliefs, notice must be given by 31/3/2015 for any changes that will come into effect from 1/4/16.
- 1.2 The government reduced the amount of grant councils' outside of London receive for any discretionary rates relief they award, to 50%.
- 1.3 Given the current financial constraints on the council, it is an opportune moment to clarify the policy, make it more transparent to businesses, as well as ensuring consistency of approach

### 2.0 RECOMMENDATIONS

- 2.1 To approve a revised version of the Discretionary Rates Policy, that will come into force from **1<sup>st</sup> April 2016**
- 2.2 To approve a formal Hardship Rates Relief Policy, that will come into force from **1<sup>st</sup> April 2016**.

**Contact Officer:**

For further information on this report please contact: Robert Della-Sala, Head of Revenues and Benefits; telephone extension: 8027; email: robert.della-sala@watford.gov.uk.

**Report approved by:** Joanne Wagstaffe, Director of Finance.

### 3.0 DETAILED PROPOSAL

3.1 Businesses that are registered as a charity or sports clubs that are CASC registered are entitled to a Mandatory Rate Relief from NNDR of 80%. This element is fully funded by government.

3.2 The council can “top up” the rate relief by awarding an additional Discretionary Rate Relief to make up the shortfall. This relief is also available to non-profit making organisations. 50% of any discretionary rate relief is funded by the council, 50% by government.

3.3 Other businesses that are not charities or not for profit organisations can apply for a “hardship rates relief” which is wholly at the discretion of the council. This can be granted where, for example, a business may be a major employer within the District and there are good reasons (e.g. securing employment) for giving that business “hardship relief” to keep it afloat. It may also be applied where the contribution a business makes to the District is unique and the loss of that business would have a detrimental impact on residents. 50% of hardship relief is funded by the council and 50% by government.

3.4 The new policies will take into account how much an organisation has in

- Unrestricted funds (funds which are not ring fenced for specific projects)
- What the surplus is on the balance sheet
- Whether the payment of business rates would impact on the organisations ability to deliver its’ services
- The social contribution the business makes to residents

3.5 As well as formalising the criteria for applying for either Discretionary Rate Relief or Hardship Relief, both new policies introduce a non-statutory appeals process which follows good practice.

3.6 The council currently provides the following rate reliefs

<b>A</b>	Mandatory	£2,615,578.97 (132 cases - all funded by government)
<b>B</b>	Discretionary	£146,031.67 (7 cases)
<b>C</b>	Hardship	£NIL
<b>D</b>	Up to 20% “top up”	£312,243.63 (76 cases)

**TOTAL (B+C+D) £458,275.30**

3.7 The changes in policy do NOT affect any business that is a charity or CASC registered. These will continue to receive their 80% mandatory rate relief. Businesses will be given help to apply for charitable or CASC registration.

3.8 The proposed changes would only be effective from 1<sup>st</sup> April 2016 as businesses need to be notified by 31/3/15 that they would need to re-apply for a discretionary rate relief that is affective a year later. This gives them ample opportunity to make financial planning decisions.

3.9 It is anticipated that some businesses will no longer qualify for rates reduction due to

the fact that they will have sufficient income and reserves not to be reliant on council support. It is difficult to know how many organisations will be impacted as those decisions can only be made once 3 years-worth of accounts have been reviewed.

- 3.10 Groups such as community groups, charity shops, scout groups and guide groups etc (i.e. with small levels of rate relief) are unlikely to be affected by this policy. It is envisaged that organisations that have “Head Office” buildings in the District which have no public facilities are most likely to be impacted.

#### 4.0 **IMPLICATIONS**

##### 4.1 **Financial**

- 4.1.1 The Shared Director of Finance comments that it is important to transparent policies for the award of discretionary business rate relief. The actual financial impact on the Council will vary each year dependant on the number of organisations that apply and qualify for the relief. The cost of any relief is shared with Central Government and the County Council.

##### 4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 The Legal & Democratic Services Section Head comments that the legal implications are contained within the body of the appendices.

##### 4.3 **Equalities**

- 4.3.1 There is no duty to have to consult with businesses about proposed changes to a Discretionary rate scheme. However an EIA has been completed and is attached..

##### 4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Businesses must be given a full financial years notice of any change. If letters are not issued by 31/3/15, then changes to the policy would only be effective from 1/4/2017 and not 1/4/16	1	4	4
Some businesses that have been receiving discretionary rate relief for a number of years may no longer qualify	3	3	9
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service’s Risk Register.			

##### 4.5 **Staffing**

- 4.5.1 Not applicable

##### 4.6 **Accommodation**

- 4.6.1 Not applicable

4.7 **Community Safety**

4.7.1 Not applicable

4.8 **Sustainability**

4.8.1 Not applicable

Appendices

Appendix 1 – Discretionary Rate Relief policy

Appendix 2 – Hardship Rate Relief Policy

Appendix 3 – Equalities Impact Assessment

Background Papers

No papers were used in the preparation of this report

File Reference

None