



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	18 JUNE 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	BUSINESS RATES DISCRETIONARY TRANSITIONAL RELIEF POLICY
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

The purpose of the report is to seek approval for a new policy in relation to business rates collection.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that Members approve the policy to award discretionary business rate "Transitional Relief" (attached at Appendix A).

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 On 3 December the government announced in the Autumn Statement that the current transitional rate relief scheme will be extended to March 2017 for properties with a rateable value up to and including £50,000.
- 3.2 The transitional relief scheme was introduced in 2010 to help those ratepayers who were faced with higher bills. The original scheme ended on 31 March 2015 and as a result a number of ratepayers will face a jump to their full rates bill from 1 April 2015.
- 3.3 As this is a measure for 2015-16 and 2016-17 only, the government is not changing the legislation around transitional relief. Instead the government will reimburse local authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks to the Council from implementing this policy.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The award of Transitional Relief as outlined in this report is most closely linked with the corporate aim of Employment Opportunity and Economic Success. No further consultation has taken place on the content of this report.

REPORT

6.0 REPORT DETAILS

6.1 Business properties are generally re-valued every five years and given a new rateable value in a new rating list. As this may lead to large increases or decreases for some businesses the Government introduces, at the start of a list, a transitional relief scheme that limits the amount by which a business' rates can be increased or decreased.

6.2 The current Transitional Relief scheme was introduced in 2010, with the introduction of the 2010 rating list.

6.3 As the Government has decided not to revalue business rate properties from 1st April 2015 (when it was originally due) the transitional scheme they put in place when rateable values were last generally amended (1st April 2010) ends on 31st March 2015 as it was legislated for a 5 year period.

6.4 This means some businesses who were receiving relief under the transitional scheme (because their rateable values increased by a large amount in 2010) are left facing large increases as their transitional relief is taken from them with effect from 1st April 2015.

6.5 The Chancellor announced in the autumn statement on 3rd December 2014 that this was not the intention of the government and that the government would extend Transitional Relief for small and medium size businesses for 2015-16 and 2016-17.

6.6 Small and medium size businesses are those with a rateable value of up to £50,000.

6.7 The government has announced that it is not able to extend the existing transitional relief scheme into 2015-16 and 2016-17 as was its intention but to ensure that business rate payers are not unfairly penalised, have announced a scheme for Council's to use their powers under section 47 of the Local Government Finance Act 1988 to award discretionary relief in these cases of an amount in line with that which would have been awarded if the scheme had been extended. The amount of relief awarded in this way would then be reimbursed to councils as a section 31 grant.

6.8 As the legislation has been amended to introduce this change under the discretionary powers, each Local Authority needs to develop a policy to deal with the operation and delivery of the relief.

6.9 A copy of the proposed policy is attached at Appendix A.

- 6.10 The guidance issued by the Department of Communities and Local Government changes the way the calculation is carried out from the existing Transitional Relief scheme for 2015-16 and 2016-17, an explanation of the calculation is contained within the policy document.
- 6.11 It's anticipated that less than 50 businesses will be affected by this change, though as Business Rate appeals are settled by the Valuation Office Agency (VOA) this figure may change throughout the year and a number of manual calculations will need to be carried out to establish if these accounts qualify for the amended transitional relief.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
There are no direct financial implications to the Council, the Council will award the relief as outlined and will then claim the costs of the relief back from central government via a grant claim later in the financial year.
- b) Legal
There are no legal implications regarding this report.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None to report.

Peter Johnson
Finance Manager (s151)

Author: Peter Johnson, Finance Manager (s151)
Telephone No: 01653 600666 ext: 385
E-Mail Address: peter.johnson@ryedale.gov.uk

Background Papers:
None

Appendix A

Ryedale District Council

POLICY FOR AWARDING TRANSITIONAL RATE RELIEF FOR THE 2015/2016 AND 2016/17 FINANCIAL YEARS

On 3 December the government announced in the Autumn Statement that the current transitional rate relief scheme will be extended to March 2017 for properties with a rateable value up to and including £50,000.

The transitional relief scheme was introduced in 2010 to help those ratepayers who were faced with higher bills. The original scheme ended on 31 March 2015 and as a result a number of ratepayers will face a jump to their full rates bill from 1 April 2015.

How will the relief be provided?

As this is a measure for 2015-16 and 2016-17 only, the government is not changing the legislation around transitional relief. Instead the government will reimburse local authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).

Which properties will benefit from relief?

Properties that will benefit are those with a rateable value up to and including £50,000 who would have received transitional relief in 2015/16 or 2016/17 had the existing transitional relief scheme continued in its current format. In line with the existing thresholds in the transitional relief scheme, the £50,000 rateable value threshold should be based on the rateable value shown for 1/4/10 or the substituted day in the cases of splits and mergers.

This policy applies to transitional relief only (i.e. those moving to higher bills) and not to transitional premium (i.e. those moving to lower bills).

How much relief will be available?

The government will fund the discounts to ensure eligible properties receive the same level of protection they would have received had the transitional relief scheme extended into 2015/16 and 2016/17. The transitional relief scheme should be assumed to remain as it is in the current statutory scheme except that:

- the cap on increases for small properties (with a rateable value of less than £18,000) in both 2015/16 & 2016/17 should be assumed to be 15% (before the increase for the change in the multiplier), and
- the cap on increases for other properties (up to and including £50,000 rateable value) in both 2015/16 and 2016/17 should be assumed to be 25% (before the increase for the change in the multiplier).

Changes in rateable value which take effect from a later date will be calculated using the normal rules in the transitional relief scheme. Properties whose rateable value is £50,000 or less on 1 April 2010 (or the day of merger) but increases above £50,000 from a later date will still be eligible for the relief. Where necessary the Valuation Office Agency will continue

to issue certificates for the value at 31 March 2016 or 1 April 2017. The relief will be calculated on a daily basis.

Recalculations of relief

As with the current transitional relief scheme, the amount of relief awarded will be recalculated in the event of a change of circumstances. This could include a backdated change to the rateable value of the property. This change of circumstances could arise during the year in question or during a later year.

The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) require authorities to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. A condition of awarding this relief however will be that awards are conditional upon the facility to allow the amount of relief to be amended within the year to reflect changing circumstances from the date the change applies.

State Aid

State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the extension of transitional relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)⁹. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. To achieve this it is possible that an application form for the relief may be issued where appropriate to include a declaration relating to State Aid. Calculating the extension of transitional relief where other reliefs apply under the existing statutory transition scheme which ends on 31 March 2015, transitional relief is measured before all other reliefs. But the extension of transitional relief into 2015/16 and 2016/17 will be delivered via section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act) which is measured after other reliefs (including other Localism Act delivered reliefs such as retail relief). Therefore the process to be followed for all applications is:

Step 1: identify those eligible properties which would have qualified for transitional relief in 2015/16,

Step 2: calculate the actual rates bill for those properties in 2015/16 after all other reliefs assuming transitional relief has ended,

Step 3: calculate the rates bill for those properties in 2015/16 after all other reliefs assuming transitional relief continued (in line with the assumptions in this guidance), and

Step 4: calculate the difference between stage 2 and 3 and award a Localism Act discount to that value.