



To: Executive Councillor for Finance and Resources
Report by: s Kevin Jay, Local Taxation Manager
Relevant scrutiny committee: Strategy and Resources - 13 July 2015
Wards affected: All Wards

ADOPTING A DISCRETIONARY TRANSITIONAL RELIEF POLICY FOR NON DOMESTIC RATES

1. Executive summary

1.1 The purpose of this report is to recommend the adoption of a policy to award “Transitional Relief” in accordance with the Discretionary Rate Relief powers as contained within Section 47 of the Local Government Finance Act 1988 (as amended) for the 2015-16 and 2016-17 billing years. The policy is attached at Appendix A.

2. Recommendations

The Executive Councillor is recommended to:

- Adopt the Transitional Relief policy (Appendix A) for qualifying businesses in occupation of premises which have a rateable value of £50,000 or less, for the financial years 1 April 2015 to 31 March 2016 and 1 April 2016 to 31 March 2017 only
- Delegate authority to the Head of Revenues and Benefits to award the “Discretionary Transitional Relief” where a ratepayer demonstrates their entitlement.

3. Background

3.1 Up to 2010 revaluation of business properties was carried out every 5 years. A transitional relief scheme was in operation during each 5 year rating period to help those ratepayers who would otherwise be faced with higher rate bills in the new rating period compared to the previous one. In effect ‘transition’ softened the impact of large increases that were then phased in over the life of the 5 year rating list.

- 3.2 Government announced in late 2012 that the revaluation due to have effect on 1st April 2015 would be postponed to 1st April 2017. As a result of this a small number of ratepayers would face a jump in their rates payable in 2015/16 and 2016/17 as the transition scheme ended on 31st March 2015.
- 3.3 The Government announced in the autumn statement 2014 that it will extend to March 2017 the original transitional relief scheme for small to medium sized properties with a rateable value up to and including £50,000.
- 3.4 As this measure is temporary, government is not changing legislation around transitional relief. Instead the government will reimburse councils that use their discretionary powers, under s47 of the LGFA 1988 (as amended), to grant relief. It is left for individual authorities to adopt a local scheme and decide in each individual case when to grant relief under s47. In view of the fact that this expenditure is fully reimbursed, through the rates retention system, government expects local authorities to grant discretionary relief to qualifying ratepayers.
- 3.5 The Transitional Relief awarded by the Council will be fully reimbursed by the Government if made in accordance with the Government Guidance. The Policy proposed in Appendix A reflects fully the Government's guidance.
- 3.6 This relief must be awarded by the Council in accordance with the Discretionary Rate relief powers as contained within s47 of the Local Government Finance Act 1988 (as amended).
- 3.7 State Aid (De Minimis Regulations) will apply when granting this and any other relief and ratepayers may be required to complete a declaration to confirm that they would not exceed state aid limits (currently 200,000 euros) through the granting of this relief.
- 3.8 Some preliminary work has been carried out to identify approximately 34 ratepayers that would benefit from this relief with a total value of around £37,800 in 2015/16, with lower amounts payable in 2016/17.
- 3.9 The Government recognises that some ratepayers would face large increases in rate payable between 2014/15 and 2015/16 and wishes to support the small to medium sized businesses by extending the transitional relief scheme for 2 years.
- 3.10 The relief to be awarded for the 2015/16 and 2016/17 financial years only and is fully reimbursed by central government.

4. Implications

Financial Implications

- 4.1 In awarding discretionary transitional relief in accordance with the Guidance the Council will be fully reimbursed through the NNDR claim process. This will be done by a grant under section 31 of the Local Government Act 2003.
- 4.2 The relief must be applied after entitlement to any other relief has been applied (eg Small Business Rate Relief, Retail Relief).
- 4.3 The total value of Transitional Relief awarded in Cambridge would be approximately £37,800 in 2015/16 with a significantly lower amount in 2016/17.

Equal Opportunities Implications

- 4.4 This Policy reflects the Governments intentions to extend the transition scheme to assist small / medium sized traders for the 2015/16 and 2016/17.

Environmental Implications

- 4.5 There are no environmental implications from this proposal.

Procurement

- 4.6 There are no procurement implications from this proposal.

Consultation and communication

- 4.7 No consultation required.

Community Safety

- 4.8 There are no additional implications from this proposal.

5. Background papers

None

6. Appendices

Appendix A – Award criteria

7. Inspection of papers

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NATIONAL NON-DOMESTIC RATE RELIEF:

CRITERIA FOR THE GRANTING OF DISCRETIONARY TRANSITIONAL RELIEF BY CAMBRIDGE CITY COUNCIL

Under section 47 of the Local Government Finance Act 1988 the Cambridge City Council will use its powers to grant rate relief to properties in the following circumstances.

- **The property has a rateable value of £50,000 or less;**
- **The relief is in respect of the 2015/16 and 2016/17 financial years only.**

Extension of Transitional Relief

How will the relief be provided?

As this is a measure for 2015-16 and 2016-17, the government is not changing the legislation around transitional relief. Instead the government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, as amended, to grant relief.

Cambridge City Council has adopted a local scheme and will decide in each individual case when to grant relief under section 47. Central government will fully reimburse local authorities within the rates retention scheme 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).

As the grant of the relief is discretionary, authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the authority's wider objectives for the local area.

How much relief will be available?

The government will fund Localism Act 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:

- a. the cap on increases for small properties (with a rateable value of less than £18,000/£25,500 in London) in both 2015/16 & 2016/17 should be assumed to be 15% (before the increase for the change in the multiplier), and
- b. 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).

As explained above, the scheme applies only to properties up to and including £50,000 rateable value based on the value shown for 1/4/10 or the substituted day in the cases of splits and mergers. Changes in rateable value which take effect from a later date will be calculated using the normal rules in the transitional relief scheme. For the avoidance of doubt, properties whose rateable value is £50,000 or less on 1 April 2010 (or the day of merger) but increase 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 2010 or 1 April 2010. The relief should 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, for example, a backdated change to the rateable value. 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. However the council may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

Therefore, when making an award for the extension of transitional relief, ratepayers will be advised that the relief can be recalculated in the event of a change to the rating list for the property concerned (retrospective or otherwise).

This is so that the relief can be re-calculated, as it would have been under the original scheme, if the rateable value changes.

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).

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 council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Note that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

Generally, the council will seek a declaration from the recipient of discretionary transitional relief that the receipt of such relief would not exceed the De Minimis threshold when combined with any other forms of state aid.

Calculation for the extension of transitional relief

Calculating the extension of transitional relief where other reliefs apply

Under the existing statutory transition scheme which ended 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, for the purposes of awarding relief and claiming section 31 grant, the council should measure the extension of transitional relief after all other reliefs.

To do this the council will need to:

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.

Authorities will be asked to report the cost of extending the transitional relief scheme using this methodology from which the associated section 31 grant will be calculated (using the appropriate local share).