

Summary Sheet

Council Report

Cabinet and Commissioners' Decision Making Meeting – 10 April 2017

Title

Non Domestic Rates – New Discretionary Relief Categories from 2017-18

Is this a Key Decision and has it been included on the Forward Plan?

Not a Key Decision but this report is on the Forward Plan

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

All

Summary

The Government announced changes to specific business rates reliefs for 2017-18 in the 2016 Budget and Autumn Statement. This report sets out details of the proposed changes affecting rural rates relief and local newspaper offices. The Government has asked that Councils use their discretionary relief powers under section 47(3) of the Local Government Finance Act 1988 to:

- award 100% relief to rural business rate payers with effect from April this year, resolving an anomaly in the relief system; and to
- award a temporary discount to offices used by local newspapers, where the office space is used wholly or mainly for journalists and reporters.

The Government have stated that they will reimburse the Council for the actual cost of granting these additional reliefs.

In addition, information has been circulated by the Government in respect of a new 100% mandatory business rates relief for Telecom fibre optic infrastructure. Although this is planned to take effect from April 2017, details of the changes have yet to be confirmed in legislation and relief will therefore be backdated to the start of the financial year once details are known and the legislation is in place.

Recommendations

1. That discretionary relief powers be used to award 100% relief to rural ratepayers with effect from 1 April 2017.
2. That a temporary discount be awarded to eligible local newspapers for the 2017-18 and 2018-19 years, subject to State Aid rules.
3. That, pending confirmation in legislation, the Government's intention to allow 100% relief for Telecom fibre optic infrastructure from April 2017 be noted.

List of Appendices Included

None

Background Papers

Department for Communities and Local Government – Business Rates Information Letter (3/2016)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

This report has been considered by the relevant Cabinet Member and the Member is supportive of the recommendations.

Council Approval Required

No

Exempt from the Press and Public

No

New Applications for Discretionary Rate Relief Top-Up

1. Recommendation

- 1.1 That discretionary relief powers be used to award 100% relief to rural ratepayers with effect from 1 April 2017.
- 1.2 That a temporary discount be awarded to eligible local newspapers for the 2017-18 and 2018-19 years, subject to State Aid rules.
- 1.3 That, pending confirmation in legislation, the Government's intention to allow 100% relief for Telecom fibre optic infrastructure from April 2017 be noted.

2. Background

- 2.1 Existing regulations under section 47 (3) of the Local Government Finance Act 1988 allow Local Authorities to grant discretionary relief to business ratepayers. The Council is asked to use these powers in respect of two government proposals to grant relief from April this year, for which the Council will be fully reimbursed. Details of the proposals are set out below.

2.2 Rural Rate Relief

- 2.2.1 At the 2016 Autumn Statement last November, the Government confirmed that rural rate relief will double from 50% to 100% from 1 April 2017.
- 2.2.2 The Rural Rate Relief scheme was introduced to help protect the last retail outlets and similar services in designated rural settlements with a population of less than 3,000. Under the scheme the following businesses are entitled to 50% mandatory relief:
 - The only post office, the only general store or a food shop with a rateable value of up to £8,500
 - The only public house or petrol station with a rateable value of up to £12,500.
- 2.2.3 Under current legislation, the rural rate payers receive 50% mandatory Rural Rate Relief but are unable to claim Small Business Rates Relief. All properties which qualify for Rural Rates Relief in 2016/17 would have previously been eligible for 100% Small Business Rates Relief. The Government have introduced changes from 2017/18 to address this recognised legislative anomaly that has penalised a small group of ratepayers.
- 2.2.4 Currently 9 rural businesses in Rotherham qualifying for 50% mandatory rural rate relief including Post Offices, General Stores and Public Houses have been identified - however in future others may also be eligible for this relief.

- 2.2.5 The Government's intention is to amend primary legislation to require Local Authorities to grant 100% mandatory relief to take effect from 1 April 2018. However, before this comes into force Local Authorities are expected to use their local discretionary powers to grant 100% relief to eligible ratepayers from 1 April 2017.
- 2.2.6 Guidance issued to Local Authorities in January 2017 confirms that the Government will give full compensation for the cost of granting the additional relief; therefore there is no additional cost to the Council.

2.3 Local Newspapers

- 2.3.1 At the 2016 Budget, the Government announced the introduction of a new temporary business rates discount for 2 years from 1 April 2017 for local newspapers. The Government states that it is committed to supporting a strong and vibrant local press and believes that they are an important source of information and a vital part of a healthy democracy.
- 2.3.2 The relief will provide a discount of up to £1,500.00 per year on a temporary basis for the 2017-18 and 2018-19 financial years, for office space occupied by local newspapers where the office space is used wholly or mainly as office premises for journalists and reporters. This is limited to one discount per local newspaper title and per hereditament, and is subject to State Aid De-Minimis limits. For most organisations the De-Minimis threshold is 200,000 euros (around £176,000) over the current financial year and the previous 2 financial years.
- 2.3.3 Local Authorities are asked to use their local discretionary powers to grant this discount to eligible ratepayers and it is proposed that the Council does this. However, as the usage of qualifying hereditaments as office space for journalist and reporters is not separately identifiable on the rating list and in light of State Aid De- Minimis rules, it is proposed that the Council grant relief upon receipt of application from ratepayers. One potential ratepayer in Rotherham has been identified who would be advised of the application process.
- 2.3.4 Guidance issued to Local Authorities in January 2017 confirms that the Government will give full compensation for the cost of granting this discount, therefore there is no additional cost to the Council.

2.4 Rate Relief on Telecom Fibre Optics

- 2.4.1 The 2016 Autumn Statement also included the announcement that the Government will provide a new 100% rates relief for new full- fibre broadband infrastructure for a five year period from 1 April 2017 to support the roll out of new full-fibre broadband infrastructure and future 5G communications to homes and businesses.

2.4.2 The new relief will require changes to primary legislation which are not yet in place and it is anticipated that this legislation will include enabling the relief to be backdated to April 2017. A future report will be provided to Cabinet when further information and guidance is published.

3. Key Issues

3.1 The Government is asking Local Authorities to use their powers under Section 47 (3) of the Local Government Finance Act 1988 to grant Discretionary Relief in respect of two Government proposals:

- 100% relief to rural ratepayers with effect from 1 April 2017; and
- a temporary discount for local newspapers of up to £1500.00 a year, for 2 years from 1 April 2017.

3.2 A future report will be brought to Cabinet once further details and guidance about the proposals for relief for full –fibre broadband infrastructure and 5G communication is published and the implications for the Council can be assessed.

3.3 The revaluation of business premises has recently been completed and will take effect from April 2017. The revaluation has re-assessed the rateable value of properties and hence their rates liability. The financial information in this report has been estimated based on the draft valuation list which was released in September 2016.

4. Options considered and recommended proposal

4.1 As the Government has made a commitment to fully compensate authorities for the cost of granting discretionary relief to rural ratepayers and to local newspapers, there is no additional cost to the Council and it is therefore recommended that Cabinet uses its Discretionary Relief powers to:

- award 100% relief to rural ratepayers with effect from 1 April 2017; and to
- award a temporary discount to eligible local newspapers for the 2017-18 and 2018-19 years, subject to State Aid rules.

5. Consultation

5.1 This report has been considered by the relevant Cabinet Member and the Member is supportive of the recommendations.

6. Timetable and Accountability for Implementing this Decision

6.1 The changes to rural rate relief will apply from April 2017. The relief for local newspapers is temporary and will end in March 2019. The relief for Telecom Fibre Optic infrastructure is expected to be backdated to April 2017 subject to Government legislation which are expected to be released with the regulations later this year.

7. Financial and Procurement Implications

- 7.1 The estimated cost of the rural rate relief is £10,926.00 for 2017-18. The discount for the potentially eligible local newspaper is up to £1,500.00 for the 2017-18 year. However as 100% of the cost of the additional reliefs will be met by Government there are no financial implications of the proposals for the Council. Details of how the relief for Fibre optic telecoms infrastructure will be funded are expected to be released with the regulations later this year.

8. Legal Implications

- 8.1 No direct implications from this report

9. Human Resources Implications

- 9.1 No direct implications from this report

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 No direct implications from this report

11. Equalities and Human Rights Implications

- 11.1 No direct implications from this report

12. Implications for Partners and Other Directorates

- 12.1 No direct implications from this report

13. Risks and Mitigation

- 13.1 The Government has indicated that it will fully fund proposed increases in rates relief for rural businesses and local newspaper offices and it is expected that it will do the same in relation to fibre optic telecoms infrastructure. The proposals with respect to rural businesses and local newspapers are expected to apply to relatively few properties and businesses in Rotherham, meaning the cost of the reliefs is relatively small. However as the legislation is not yet fully in place in relation to telecom fibre optics, there is a small risk that the Council will not be fully compensated.

14. Accountable Officer(s)

Approvals Obtained from:-

Graham Saxton, Assistant Director, Financial Services
Dermot Pearson, Assistant Director, Legal Services
Head of Procurement - Not Applicable

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