

<b>1.</b>	<b>Meeting:</b>	<b>Council</b>
<b>2.</b>	<b>Date:</b>	<b>4<sup>th</sup> March, 2015</b>
<b>3.</b>	<b>Title:</b>	<b>Extension of Business Rates Transitional Relief for 2015/16</b>
<b>4.</b>	<b>Directorate:</b>	<b>Resources</b>

## **5. Summary**

In the December 3<sup>rd</sup> Autumn Statement for 2014 the Government announced that Transitional Rates Relief was being extended for 2 years until March 2017 and that authorities would be compensated by grant for the cost to them of any relief granted. Guidance on the extension of Transitional Relief was issued in January and it is estimated that up to 17 properties in Rotherham will be affected and with a maximum rates relief awarded in 2015/16 of £20k of which Rotherham MBC's share would be £10k.

In addition, the guidance asked authorities to consider granting discretionary relief to childcare providers but did not offer to reimburse authorities for the cost. Councils were also reminded to notify childcare providers of the other rates reliefs available to them (e.g. Small Business Rates Relief and Charity Relief) and of the importance of prompt payment.

## **6 Recommendations**

**That Council:**

- **Grants an extension of Transitional Rates Relief to all qualifying premises within the Council area, subject to satisfying the State Aid requirements.**
- **The Council does not change its existing policy with respect to discretionary rates relief for childcare providers but continues to assess cases for discretionary rates relief individually.**

## 7 Proposals and Details

- 7.1 **Extension of Transitional Relief** One of the measures announced by the government in the Autumn Statement on 3 December 2014 was that the current transitional relief scheme for properties with a rateable value up to and including £50,000 would be extended to March 2017 rather than ending in March 2015. The transitional relief scheme was introduced in 2010 with the last rates revaluation to help those ratepayers who were faced with higher bills. The scheme was originally planned to end on 31 March 2015 and as a result a small number of ratepayers would have faced an increase to their full rates bill from 1 April 2015.
- 7.2 Guidance to authorities about the operation of the proposals was released in January and indicated that the government intends to fully reimburse local authorities for their share of the cost of granting relief by means of a grant. In Rotherham's case this will be 49% (50% of Business Rates are paid to the government and 1% to the Fire Authority). As this is a measure for 2015/16 and 2016/17, the government is not changing the legislation around transitional relief.
- 7.3 To grant relief, authorities should use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, as amended. The guidance states that it will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief. However the guidance states that, **"in view of the fact that such expenditure can be reimbursed, the government expects local government to grant discretionary relief to qualifying ratepayers"**.
- 7.4 The proposals only apply to properties moving to higher bills with a rateable value up to £50,000 and eligible properties will receive the same level of protection they would have received had the properties continued to receive transitional relief. In Rotherham's case only 21 properties have been identified as qualifying for the scheme with potential relief of £22k in total, of which the cost to the Council would be 49%, £11k.
- 7.5 The list includes 2 Rotherham Council properties which would receive under £2k in relief and Anston and Ravenfield Parish Councils (but the sum concerned is very small £134 in total). However the regulations around Discretionary Rates Relief prevent the Council and precepting authorities, like parish councils, receiving discretionary rates relief. Other categories of property qualifying for the extension in relief are cash machine sites which would receive relief of £2.5k and Dignity PLC which would receive around £500. These costs would be the maximum as premises may also qualify for other reliefs such as Small Business and Retail Relief which would take precedence over the Transitional Relief scheme. The total in relief granted is therefore likely to be less than £20k with the cost to the Council being some £10k – which would be funded by grant.
- 7.6 The January Business Rates Information Letter states that "in view of the fact that such expenditure can be reimbursed, the government expects local government to grant discretionary relief to qualifying ratepayers" and given this and as no conflicts with other Council objectives have been identified, it is suggested that the Council grant the relief to all qualifying properties.
- 7.7 Any extension of Transitional Relief is likely to fall within the State Aid regulations and will be subject to the with the De Minimis provisions which 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). The Council has with the introduction of retail relief set in place measures for ensuring that rates relief it grants does not breach these rules (the Government has previously indicated that it will not reimburse authorities for rates relief granted in breach of the State Aid rules).

- 7.8 **Business Rates and Childcare Providers** - with the guidance on Transitional Relief Ministers issued a statement encouraging local authorities to consider using their business rates local discounts powers to support access to local high quality childcare provision where there is a clear community benefit. This is because the provision of high quality childcare is believed by the Government to be crucial to stopping development gaps emerging and ensuring all children get the best start in life. It is also considered that good childcare provision can help to aid economic growth for example with maternal employment. However although authorities are reminded that central government funds 50% of the cost of any local discount granted, there is no offer to meet the 49% of the cost of any local discount that would fall on the Council. The guidance provides no further details of what would constitute a “clear community benefit”. Such relief would also be subject to State Aid cap.
- 7.9 Preliminary estimates based on cross matching the rating list with OFSTED lists suggest that 31 nurseries paying around £140k in rates (after current reliefs) might qualify for such relief if the Council chose to grant it – however it is estimated that this would cost the council £68k in 2015/16 In light of the cost to the Council and the lack of details as to what would constitute a community benefit it is recommended that the **Council does not change its current policy** but will continue to assess requests for rates discounts under local powers on an individual case by case basis.
- 7.10 Childcare providers may already be eligible rates relief, for example Charity Relief or Small Business Rate Relief, and the Government urges authorities to remind childcare providers of these reliefs “where in contact on wider matters”. This approach is in line with Rotherham Council’s existing policy with respect contact and the provision of advice to ratepayers.
- 7.11 The guidance also reminds Councils of the importance of prompt payment for services received including funding for free early education entitlement places. Rotherham MBC policy with respect to payments is payment within 30 days unless specific terms exist (payment terms are agreed as part of the contract). Payment performance is continually monitored and performance for the procurement service is reported to the Strategic Director of Resources on a monthly basis. Both the speed and accuracy of all payments is monitored and average performance is 96% paid within 30 days with 68% of these being paid within the first 10 days. Payments for small suppliers (such as childcare providers) can also be prioritised to ensure their cash flow is not adversely affected.

## 8. Finance

The Government has indicated that it will fully compensate authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003) so there is no direct cost to the Council. The Government has not made any commitment to reimburse Councils for their share (49%) of any discretionary relief granted to childcare providers, however as it is not recommended that the Council’s current policy of assessing any discretionary reliefs on a case by case basis is varied there would be no cost to the Council if this recommendation is supported.

## 9 Risks and Uncertainties

As no change to legislation is proposed in respect of the extension of Transitional Relief it will be necessary to undertake manual calculations to determine the relief applicable, which will not only increase workload in the Revenues and Benefits section (although the number of cases concerned is small) but also carries with it an increased risk of error in calculations.

## 10. Policy and Performance Agenda Implications

As indicated above creditor payment performance is regularly monitored.

## **11. Background Papers and Consultation**

- Business Rates Information Letter January 2015
- Business Rates Extension of Transitional Relief for small and medium properties – Guidance to Local Authorities DCLG January 2015
- Local Government Act 1988
- The Localism Act 2011
- Local Government Finance Act 1992.
- Non Domestic Rates - Guidance on Rate Relief for Charities and Other Non-Profit Making Organisations ODPM 2002

**Contact Name:** *Anne Ellis Tel Ext 22019*