


Agenda Item No:	13	
Committee:	Council	
Date:	26 February 2015	
Report Title:	Rate Relief Policy - Amendment	

1 Purpose / Summary

This report advises Members of an initiative introduced by the Government to further ease the burden of Business Rates on ratepayers, which require an amendment to the Council's Discretionary Rate Relief policy.

Business Rates, also called "National Non-Domestic Rates" or NNDR are levied on all Commercial properties. Their basis is set by Government legislation.

Councils can grant Discretionary Relief to ratepayers who have charitable aims, or provide certain facilities that benefit the community. There is also a provision within legislation to allow Council's to grant relief in any situation they choose provided it is in the interests of the Council Tax payer.

2 Key issues

- The basis of Business Rates is the "Rateable Value", which is revised by the Government every five years by "re-valuation" and is based on the rental value of properties. The Government always ensure a zero impact of a re-valuation nationally by adjusting the rate in the pound (known as the "Multiplier"); however locally there are always "gainers" and "losers".
- In order to restrict the impact of the re-valuation on business a Transitional Relief scheme was introduced by Central Government to last 5 years (2010 to 2015). The scheme was self-financing nationally and meant that a cap was placed on increases and decreases in bills above a certain percentage. This percentage increased year on year so that over time the full rates bill was being paid. The cost of this scheme was borne by the Government.
- The re-valuation that was due in April 2015 has been postponed until April 2017. However the transitional scheme, set by legislation, ends on 31 March 2015 as this date matches the original re-valuation cycle.
- To avoid a large increase in Business Rates for businesses who were receiving Transitional Relief, the Government is extending this relief by a further two years. This change is not by amending primary legislation, but by asking Councils to amend their Rate Relief policies.
- There is no adverse financial impact to the Council as relief granted under these provisions will be fully funded by Central Government through a grant under Section 31 of the Local Government Finance Act 2003. 40 properties are affected by these provisions, which will see an additional £26,000 transitional relief awarded shared between these ratepayers. State Aid rules will also apply.

3 Recommendations

It is requested that Council accepts the recommendation of Cabinet that:

- Note this report,
- Revise the Rate Relief Policy to include the provisions indicated in the guidance below and that the new Policy shown in Annex A is adopted with immediate effect, noting that this is a temporary change that will last until 31 March 2017.

Wards Affected	All
Forward Plan Reference	This report is included in the Forward Plan
Portfolio Holder(s)	Councillor Chris Seaton, Portfolio Holder for Finance
Report Originator(s)	Geoff Kent, Head of Customer Services Email: gkent@fenland.gov.uk Tel: 01354 622290
Contact Officer(s)	Geoff Kent, Head of Customer Services Email: gkent@fenland.gov.uk Tel: 01354 622290 Rob Bridge, Corporate Director and Chief Financial Officer Email: robbridge@fenland.gov.uk Tel: 01354 622201 Jo Andrews, Strategic Manager - Revenues, Anglia Revenues Partnership Email: jo.andrews@angliarevenues.gov.uk Tel: 01842 756490
Background Paper(s)	Report to Cabinet "Rate Relief Policy" presented to 26 February 2014 meeting

4 An introduction to Business Rates

- 4.1 Business Rates are charged in respect of all commercial properties. They are collected by District and Unitary Councils, with income shared between Central Government (50%), District Councils (40%), County Councils (9%) and Fire Authorities (1%).
- 4.2 They are calculated by multiplying the "Rateable Value" (a calculation of the market rental of the property, based upon the type and location of it) by the "Multiplier" which is a nominal figure set by the Government annually (in 2014-15 it is £0.482).
- 4.3 Rateable Values are revised every five years by "revaluation". This allows for changes in the rental market. This last happened was 2009, with the effects felt in Rate bills from 2010. A revaluation was due this year, but the Government has postponed it to 2017.
- 4.4 To prevent large changes in rate bills following revaluation, Transitional Relief applies. This phases in large increases (or reductions) in bills over five years to soften the effects of these changes. This Relief is self-funding, in that the gainers effectively subsidise the losers each time.
- 4.5 Small businesses receive Small Business Rate Relief (SBRR). It is only available where a ratepayer only uses one property or a main property plus other small properties with Rateable Values of no more than £2,600; so that the total Rateable Value of all properties is under £18,000.

- 4.6 For SBRR, until 31 March 2016 ratepayers will get 100% relief (doubled from the usual rate of 50%) for properties with a rateable value of £6,000 or less. No rates are generally payable this year on properties with a rateable value of £6,000 or less. The rate of relief will gradually decrease from 100% to 0% for properties with a rateable value between £6,001 and £12,000.
- 4.7 Mandatory Relief is granted to charities registered with the Charities Commission. This is 80% of the Rates bill.
- 4.8 Councils can award Discretionary Relief. For charities, this can be up to 20% (so no Rates are due where 80% Mandatory Relief has already been granted) or up to 100% for other ratepayers, subject to requirements as set out in the Council's Rate Relief policy.
- 4.9 From time to time, the Government makes changes to Business Rates that introduce temporary reductions from Business Rates. Examples of these that took effect from April 2014 (Report to Cabinet "Rate Relief Policy" presented to 26 February 2014 meeting refers) included new help for newly completed properties, reoccupied previously empty properties and some retail premises
- 4.10 These temporary changes are not made by changing legislation, but by local authorities amending their Rate Relief policies to take account of these changes.
- 4.11 The changes to the Council's Rate Relief policy now required, as highlighted in section 2 of this report are set out below.

5 Changes required to the Rate Relief Policy

- 5.1 Any rate relief that the Council awards is subject to "State Aid" rules. These are European Union regulations that regulate state funded aid to businesses. It is the Government's view that these reliefs constitute state aid. State Aid can be given provided that it does not exceed €200,000 in any three year period (about £165,000 total or £55,000 per year).
- 5.2 In deciding if State Aid limits apply, we need to bear in mind ratepayers who have more than one property, whether in Fenland or elsewhere. This will obviously mean that national retail chains will not qualify for these reliefs. In each case, Officers will need to satisfy themselves of these limits and therefore ratepayers will need to complete a "De Minimis declaration" to enable this.
- 5.3 Properties qualifying for this further relief 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. The help is only in respect of ratepayers who received transitional relief in 2014-15.
- 5.4 Calculation of the relief awarded is on the same basis as current legislation with variable caps on any rate increase dependant on the size of a property. The relief may also be affected if there is a change (retrospective or not) to the rateable value of the property.
- 5.5 The effect of this change is to create a new discretionary relief as part of the Council's Rate Relief Policy as appended to this report. The sections highlighted in yellow in the Policy show the new relevant sections: page 10 for the relief type "TRA" and pages 14-15 for a more detailed explanation of qualifying conditions.

6 Costs to the Council

- 6.1 The Government will reimburse Councils for relief granted in section 2 above. Payments will be made "on account" during 2015-16 based on estimates of relief take-up that the Government has calculated. Any balancing payment required by, or to Councils at 31 March 2016 will be made at that time.