



Scarborough Borough Council
Appendix E to main policy

Policy Name
Transitional Relief Discretionary
Scheme

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Policy for awarding the extension of Transitional Relief for small and medium properties for the 2015/2016 and 2016/2017 Financial Years

The government announced in the Autumn Statement on 3 December 2014 that it will extend to March 2017 the current transitional relief scheme 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 scheme ends 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, 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). Calculations of the relief will be made on a daily basis.

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 or 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.