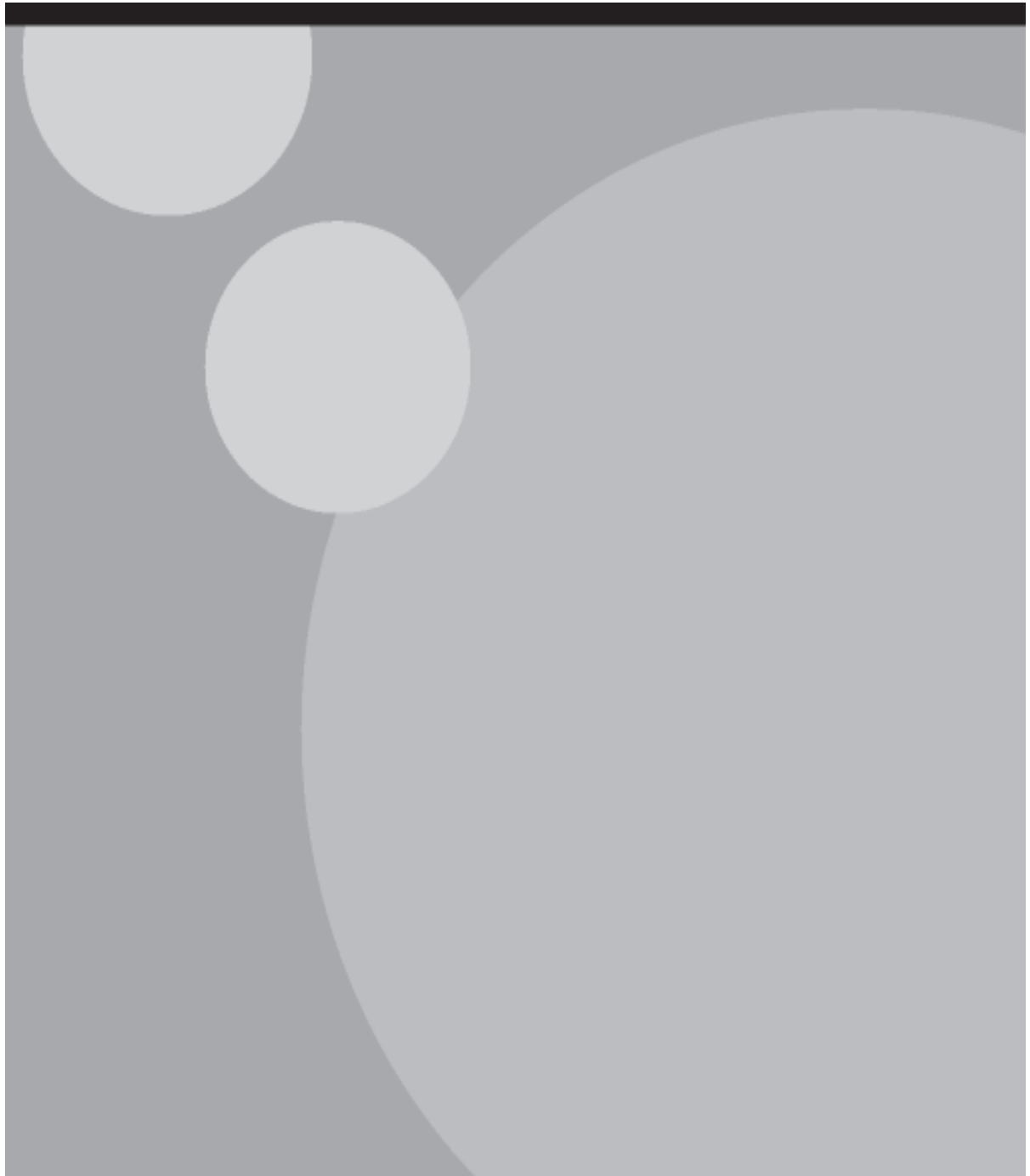




Business rates retention scheme: Renewable Energy Projects

A Statement of Intent





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May, 2012

Department for Communities and Local Government

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LOCAL GOVERNMENT FINANCE BILL

STATEMENT OF INTENT

Rates Retention Scheme and Renewable Energy Projects

Introduction

The Local Government Finance Bill, currently before Parliament, provides for the Secretary of State to make regulations to designate classes of hereditaments and for business rates income from those hereditaments to be disregarded from levy calculations in the rates retention scheme. This will provide a mechanism for the Secretary of State to define a renewable energy project, in line with the Government's policy intention that business rates paid in respect of any such new projects should be kept fully by the local authorities within whose areas the projects are situated.

Policy background

2. The Coalition Agreement included a commitment to "allow communities that host renewable energy projects to keep the additional business rates they generate." The Department for Communities and Local Government's *Technical Paper 8: Renewable Energy*¹, set out the Government's proposed approach to achieving this through the rates retention scheme:

- business rates from new renewable energy projects would be retained in full by the relevant local authorities and would be disregarded in any re-set of tariffs and top ups and in the calculation of any levy
- Government would define – most probably in a statutory instrument – the types of properties to be treated as new renewable energy projects for the purpose of business rates retention, using the criteria set out in a previous business rates statutory instrument² as a starting point for such a list
- the definition would be framed in such a way as to enable developing renewable technologies to be covered by this scheme in the future as they come on stream
- renewable power stations could include other non-renewable technologies as in practice other types of generation or use of property is likely to be minimal. As such, all rates from new renewable power stations should be retained in full

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<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper8>

² The Electricity Supply Industry (Rateable Values) (England) Order 2000 SI 2000/947 and The Energy from Waste Plant (Rateable Value)(England) Order 2000 SI 2000/952 for Energy from Waste plants.

3. Following consultation, the Government confirmed that it would proceed with its approach of providing for the business rates income from new renewable energy projects to be disregarded from calculations in the rates retention scheme. The Government response to consultation³ confirmed:

- the qualifying technologies (at Annex A) that would be included in the definition of renewable energy projects, but said that the list would be kept under review
- for Energy from Waste plants, where a significant value of the rateable value relates to the waste disposal function, the Valuation Office Agency would apportion the rateable value from Energy from Waste plants that is attributable to the renewable energy element
- where existing renewable energy projects expand, above RPI increases in rates income should be treated as being from new renewable energy projects, and as such, be retained in full by the local authority
- where the installation of a renewable energy project on a property used for other purposes increases the rateable value of that property, the Valuation Office Agency should certify the proportion of the total rateable value that is attributable to the renewable energy project and an equivalent proportion of the total rates income should be treated as arising from a qualifying technology and be retained in full by the local authority
- Billing Authorities would be responsible for determining which properties should qualify as a renewable energy project – eg where it is a new build, or has been converted or expanded and meets the renewable energy definition, or where renewable technologies have been installed with a separate identifiable impact on rateable value
- in two tier areas, all business rates income would be retained by the local planning authority that is the decision maker for the renewable energy project, whether at county or district level. With the exception of:
 - national parks authorities, which are the local planning authority for their area, but are not part of the business rates system, so business rates income would be retained by the Billing Authority where any renewable energy project sits, and
 - in London, where the Mayor has certain strategic planning functions (including for large waste applications), so as not to create a perverse incentive for the Mayor to take over Energy from Waste applications, all business rates income from renewable energy projects in London would be retained by the relevant borough

³ <http://www.communities.gov.uk/publications/localgovernment/resourcereviewgovtresponse>

Local Government Finance Bill

4. Schedule One, Part 10, Paragraphs 38 and 39 of the Local Government Finance Bill provides for the business rates income from renewable energy projects to be disregarded from calculations in the rates retention scheme.

5. Paragraph 38 provides for the Secretary of State, by regulation, to designate classes of hereditament and make provision for how the business rates income from hereditaments falling within the designated class are to be calculated for each local authority that has hereditaments falling within that designated class in its area.

6. The regulations may also provide that all, or some of the business rates income due to the Billing Authority from those hereditaments is to be disregarded for the purposes of some or all of the calculations that form part of the rates retention scheme, as specified in regulations – ie allowing rating income from renewable energy projects to be excluded from calculations which determine whether the authority is liable to pay a levy or when determining the tariff or top-up to be paid by, or to, that authority at any re-set in the system.

7. The Bill also provides that regulations may impose duties or confer powers on Valuation Officers – eg to certify the proportion of rates that qualify where a new renewable project has been added to an existing building, or apportioning the rateable value between the qualifying renewable energy part and non-qualifying part from Energy from Waste plants.

8. Paragraph 39 provides for payments in respect of some or all of the retained business rates to be made by the Billing Authority to its county council or to other billing authorities. This would include where a hereditament falls within a designated class of hereditaments, such as a renewable energy project extending over more than one local authority area, providing for payments to be made to the other authorities over whose areas the project extends. The regulations may also impose duties or confer powers in such situations – eg for Valuation Officers to apportion rates income from a renewable energy project to each local authority.

Regulations

9. Government intends to define in regulations the classes of hereditaments in relation to the qualifying technologies (at Annex A) that are renewable energy projects. This definition is intended to allow for properties that are used for other purposes but have a renewable energy project added to them, or renewable energy projects that include non-renewable technologies (in which case Government intends that all the rates, inclusive of those relating to the non-renewable technology, will be retained in full by the Billing Authority).

10. In relation to Energy from Waste plants, Government intends that regulations will provide that it is only the energy generating component of those projects that constitute the qualifying technology, and it will be necessary for the Valuation Office Agency to certify the element of rateable value that is attributable to the renewable energy project.

11. Government intends that the regulations will provide for the Billing Authority to be responsible for deciding whether a new or expanded property (or property of another use which has a new renewable energy project added to it) meets the definition of a new renewable energy project.

12. Government intends that the regulations will provide for properties to be treated as a renewable energy project only if they are entered on a local non-domestic rating list with effect from 1 April 2013. Similarly, it is intended that existing properties expanded or that have a renewable energy project added to them with effect from this date will also be treated as a renewable energy project.

13. Government intends that regulations will provide that in two-tier areas it is the authority that as local planning authority has given approval for the new or expanded renewable energy project that will gain the benefit from the disregard. In National Parks, where the National Park Authority is the local planning authority, as national parks are not part of the business rates system, Government intends that regulations will provide that it is the Billing Authority for the area where the renewable energy project sits that benefits from the disregard.

14. Government intends that in London, even where the Mayor of London makes a planning decision on an Energy from Waste project, the regulations will provide that the business rates income will be retained in full by the relevant borough in which the project sits.

15. It is intended that the regulations will provide that business rates income from such renewable energy projects will be retained in full by the Billing Authority and as such the income will be disregarded from calculations in the rates retention scheme on the central/local share, levy, and re-set of tariff and top-up amounts. The total amount of business rates income resulting from a new renewable energy project will be disregarded.

16. Government intends that regulations will also provide for certain powers for Valuation Officers:

- a to apportion the rateable value from Energy from Waste plants that will be attributed to the energy generation from the renewable energy element of the project, and therefore subject to the disregard
- b where a renewable energy project is installed on a property used for other purposes, to certify the proportion of the total rateable value attributable to the energy generation from the renewable energy project so that an equivalent amount of the total rates for that property can be

treated as arising from a qualifying renewable technology and therefore be subject to the disregard so it is retained by the Billing Authority

- c where cabling from an offshore wind farm running from the coast to a sub-station crosses more than one local authority area, the rates income will be collected by one authority but that authority will pass income to the other authorities that the cabling passes through, as apportioned by the Valuation Office Agency

Department for Communities and Local Government

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RENEWABLE ENERGY PROJECTS: QUALIFYING TECHNOLOGIES

- onshore wind power
- offshore wind power
- hydroelectric power
- biomass
- biomass conversion
- energy from waste combustion
- anaerobic digestions, landfill and sewage gas
- advanced thermal conversion technologies – gasification and pyrolysis
- geothermal heat and power
- photovoltaics