



Ministry of Housing,  
Communities &  
Local Government

## Business Rates

Nursery Discount 2020/21: Coronavirus Response – Local  
Authority Guidance



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## About this guidance

1. This guidance is intended to support local authorities in administering the business rates Nursery Discount announced on 18 March 2020. This guidance applies to England only.
2. This guidance sets out the criteria which central government considers for this purpose to be eligible for the Nursery Discount. The guidance does not replace existing legislation.
3. Enquiries on this measure should be addressed to:  
[ndr@communities.gov.uk](mailto:ndr@communities.gov.uk)

## Introduction

4. As an extraordinary response to the coronavirus, the Government announced a business rates Nursery Discount on 18 March 2020.
5. This relief will apply to hereditaments occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage and which are subject to business rates in the year 2020/21. There will be no rateable value limit on the relief. Ofsted will ensure that all local authorities can access the Ofsted Early Years Register to help authorities identify eligible properties.
6. This document provides guidance to authorities about the operation and delivery of the policy.

## Nursery Discount

### How will the relief be provided?

7. As this is a measure for 2020/21 only, the Government is not changing the legislation relating to the reliefs available to properties. Instead the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. 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).
8. Central government will reimburse billing authorities and major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance. Local authorities will have completed their NNDR1 for 2020/21 already. Therefore, billing authorities will

shortly be asked to provide a further and separate estimate of their likely total cost for providing the 100% Nursery Discount in 2020/21. The Government will provide payments to authorities to cover the local share, as per the usual process.

9. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, as per the usual process, via the National Non-Domestic Rate 3 (NNDR3) forms for 2020/21. Any required reconciliations will then be conducted at these points.<sup>1</sup>

### **Which properties will benefit from relief?**

10. Properties that will benefit from the relief will be hereditaments occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage.
11. To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purpose. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. For the avoidance of doubt, hereditaments which have closed temporarily due to the government's advice on COVID19 should be treated as occupied for the purposes of this relief.
12. Billing authorities which are unitary authorities, London boroughs or metropolitan districts should work with their education teams to identify eligible hereditaments in their area. We strongly urge county councils to assist district councils in identifying eligible properties.
13. In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, billing authorities may not grant the discount to themselves, a precepting authority, or a functional body, within the meaning of the Greater London Authority Act 1999.

### **How much relief will be available?**

14. The total amount of government-funded relief available for each property for 2020/21 under this scheme is 100% of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.<sup>2</sup>
15. The eligibility for the discount and the discount itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of

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<sup>1</sup> As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the Localism Act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the nursery discount.

<sup>2</sup> As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the nursery discount.

relief to be granted for a chargeable day for a particular hereditament in the financial year 2020/21:

Amount of relief to be granted =  $V$ , where

$V$  is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, and those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.<sup>3</sup>

16. This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
17. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties.

### **State Aid**

18. Whilst the UK left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the Government and the EU provides that during a transition period State aid rules will continue to apply as now and will be subject to control by the EU Commission as at present.
19. The Government has notified the EU of its intention to bring forward an immediate change to the UK's tax treatment of non-domestic property, in response to the ongoing Covid-19 emergency, and to seek clearance under Article 107(3)(b) of the Treaty on the Functioning of the European Union. Subject to this approval, the Nursery Discount scheme will become a notified State aid. Authorities should prepare to award the discount ignoring de minimis limits and MHCLG will inform them of the outcome of the notification as soon as it is known.

### **Splits, mergers, and changes to existing hereditaments**

20. The discount should be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the discount on that day.

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<sup>3</sup> As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the nursery discount.

## Annex A: Calculation examples for 2020/21

The Nursery discount is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant. The multiplier used here is provisional.

### Example 1: An occupied nursery with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.499:	= £19,960
Nursery Discount (100%):	= -£19,960
Rates due (after Nursery Discount):	= £nil

### Example 2: An occupied nursery with a rateable value of £100,000

Gross rates (before any reliefs) = £100,000 x 0.512:	= £51,200
Nursery Discount (100%):	= -£51,200
Rates due (after Nursery Discount):	= £nil

### Example 3: An occupied nursery run by a charity with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.512	= £20,480
Net rates after charity relief:	= £4,096
Nursery Discount (100%):	= -£4,096
Rates due (after charity relief and Nursery Discount):	= £nil

### Example 4: An occupied nursery with a rateable value of £13,500 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £13,500 x 0.499	= £6,737
Net rates after SBRR (50%):	= £3,368
Nursery Discount (100%):	= -£3,368
Rates due (after SBRR and Nursery Discount):	= £nil

### Example 5: An occupied nursery with a rateable value of £10,000 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £10,000 x 0.499	= £4,990
Net rates after SBRR (100%):	= £nil
Rates bill is nil and, therefore, no Nursery Discount applies	

### Example 6: An occupied nursery with a rateable value of £40,000 eligible for Transitional Relief (TR) and receiving Revaluation Discretionary Relief

Gross rates (before any reliefs) = £40,000 x 0.499	= £19,960
Transitional Relief (say):	= -£1,500
Net rates after Transitional Relief:	= £18,460
Net rates after Revaluation Discretionary Relief (say):	= £15,460
Nursery Discount (100%):	= -£15,460
Rates due (after TR, revaluation relief and Nursery Discount):	= £nil