

Report of:	<i>Strategic Director of Finance, Governance and Support</i>
Submitted to:	<i>Individual Executive Member Meeting - The Mayor – 1 May 2019</i>
Subject:	<i>Retail Discount – Non-Domestic Rates</i>

Summary

Proposed decision(s)
<i>That Mayor approves the adoption of a scheme, which is designed to support local retail businesses with a rateable value of less than £51,000 which is based on the central government guidance dated November 2018 for the two year period with effect from 01 April 2019.</i>

Report for:	Key decision:	Confidential:	Is the report urgent?¹
<i>Decision</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
<i>The discount represents additional relief to support qualifying businesses in Middlesbrough.</i>	<i>The cost saving to business will reduce an overhead which is seen as one of the factors in the decline of high street retail, critical to the vitality of the town centre.</i> <i>This coordinates with the work the Council is doing in regards to the city centre strategy.</i>	<i>The funding will strengthen the local economy and reduce the risk of local employment being lost.</i>

Ward(s) affected
<i>Most, if not all, wards potentially affected to some degree.</i>

¹ Remove for non-Executive reports

What is the purpose of this report?

1. The purpose of the report is to set out the need for a scheme, based on central government guidance dated November 2018, for the two year period with effect from 01 April 2019.

Why does this report require a Member decision?

2. The Council needs to adopt a scheme to grant relief under section 47 of the Local Government Finance Act 1988, as amended.

Such matters are not currently provided for in the scheme of delegation.

Report Background

3. The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. As this is a measure for 2019-20 and 2020-21 only, the Government is not changing the legislation around the reliefs available to properties.
4. Individual local billing authorities are expected to adopt a local scheme and determine in each individual case when, having regard to guidance, to grant relief under section 47 of the Local Government Finance Act 1988, as amended.
5. The scheme is designed to support businesses (premises) that are being used for the sale of goods to visiting members of the public. To qualify for the relief the property (premises) should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment and includes shops, charity shops, furnishing shops, pubs, garden centres etc (this list is not exhaustive for a full list refer to the guidance notes attached).
6. Guidance intended to support local authorities in administering the Retail Discount has been issued setting out the criteria which central Government considers for this purpose. No reasons have been identified to warrant either awarding discount beyond the limitations expressed in the guidance, or for additionally restricting eligibility, in the local scheme.
7. The value of discount is required to be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.
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 the guidance provided.
9. Information about Retail Discount is contained in the 2019-20 Explanatory Notes published on the Council's website as provided by regulations

What decision(s) are being asked for?

10. That Mayor approves the adoption of a scheme based on the central government guidance dated November 2018 for the two year period with effect from 01 April 2019.

Why is this being recommended?

11. The Council needs to adopt a scheme to allow Middlesbrough ratepayers to benefit from the policy action taken to help the high street evolve by temporarily reducing the cost of business rates. This not only supports local businesses by reducing the amount of business rates payable it also supports the Councils agenda in regards to improving and regenerating of the Centre (The Investment Prospectus and City Centre Strategy).
12. Ratepayers will need to be re-billed at the earliest possible date for the reduction in cost to be factored in to their business' accounts.
13. An initial assessment of Middlesbrough ratepayers suggests that at least 509 bills will be reduced through this scheme, though it is open for ratepayers to make the case for eligibility where the discount is not applied based on this assessment. There are 441 different ratepayers who will benefit to a total value of £1.6+ million from April 2019 for the first year.

Other potential decisions and why these have not been recommended

14. To do nothing would be seen as not supporting local business which is the intended purpose of the funding. This would also leave the Council open to criticism both by central government and businesses, given the express expectation that Councils would use the powers available and funding provided.
15. No specific factors have been identified to justify departing from the government guidance when determining in each individual case whether to grant relief. Should the Council choose to depart from this scheme any relief granted will fall to the Council to fund and is unlikely to be provided by central government, therefore the recommendation is to remain with the prescribed scheme.

Impact(s) of recommended decision(s)

16. If agreed, work has already been undertaken to identify businesses where the Retail Discount is appropriate, the scheme can therefore be implemented in a reasonable timeframe.

Legal

17. Section 47 of the Local Government Finance Act 1988 was amended by the Localism Act 2011, which is now seen as a route by which government can change business rates rules without amending legislation. The decision will comply with the requirement to allow the change to take effect.
18. The government guidance includes an assessment that providing discretionary relief to ratepayers is likely to amount to State Aid. Sample paragraphs were included that could be included in letters to ratepayers together with forms that could be completed for return to the Council in appropriate cases. The ratepayer is requested to confirm if the awarding of this relief exceeds State Aid.

Financial

19. The cost to the Council is negligible and in the form of the administration of the scheme, some or all of which may be offset by New Burdens Funding from central government.

Policy Framework

20. The decision is not one that is reserved to full Council and has no consequences for the Policy Framework.

Equality and Diversity

21. There will be no negative impacts as a result of the decision

Risk

22. The scheme will avoid the risk of harm to the Council's reputation from failing to support retailers in its locality through otherwise having to maintain a full business rates charge.

Actions to be taken to implement the decision(s)

23. If agreed, development work undertaken to allow a letter and forms to be issued with bills that are reduced by Retail Discount will be completed.

24. Businesses where Retail Discount is identified as appropriate will be sent a further, reduced bill, and it will then be open for an approach to be made to Revenues and Benefits Services as to the grounds on which a business is believed to be eligible where Discount has not been awarded. Individual decisions will be made on applications based on the information available and the criteria contained in the guidance.

25. The Discount will continue to be applied to bills issued for the 2020-2021 tax year where a business was eligible at premises at the end of the 2019-2020 tax year. Newly eligible businesses will also receive the Discount in the second year, as appropriate.

Appendices

None.

Background papers

Body	Report title	Date
Ministry of Housing, Communities & Local Government	Business Rates Retail Discount – Guidance	November 2018

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