

Report of:	Director of Finance
Submitted to:	Executive Member for Finance and Governance
Date:	8 March 2023
Title:	Extension of Transitional Relief and Supporting Small Business – Non-Domestic Rates
Report for:	Decision
Status:	Public
Strategic priority:	Vulnerability
Key decision:	No
Why:	Not Applicable
Urgent:	No
Why:	Not Applicable

Executive summary

This report outlines the basis on which the council should adopt a new scheme for Non-Domestic Rates relief.

The report recommends that the Executive Member for Finance and Governance approves the adoption of a scheme based on the central government guidance dated 20 December 2021 for the year commencing 01 April 2022 and of any subsequent successor scheme(s) similarly whilst section 31 funding continues and there is no financial impact to the Council. As individual portfolio holder for finance and governance, the Executive Member is responsible as per the constitution scheme of delegation for approval of such policies, plans and strategies which are not part of the financial and policy framework.

Without this decision, Middlesbrough ratepayers affected cannot benefit from the policy action taken by government to minimise the consequences of the changed revaluation cycle. The alternative would 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.

Purpose

1. The purpose of the report is to set out the need for a scheme, which is to be based on central government guidance dated 20 December 2021, for the year commencing 01 April 2022.

Background and relevant information

2. The Government announced in the Budget on 27 October 2021 that it will continue to provide business rates relief previously in place, but which is affected by the delay in the next revaluation not taking effect until 1 April 2023. This benefits ratepayers whose properties have a rateable value up to and including £100,000 who would have received transitional relief and/or Supporting Small Business (SSB) relief in 2022/23, had the statutory transitional relief scheme and SSB scheme extended into 2022/23.
3. 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.
4. Guidance intended to support local authorities in administering the scheme has been issued setting out the levels of relief that are to be funded. No reasons have been identified to warrant either awarding relief beyond the limitations expressed in the guidance, or for additionally restricting eligibility, in the local scheme. In Middlesbrough, the scheme will therefore mirror the requirements and limitations in the corresponding guidance.
5. The value of individual relief awards is to be determined in accordance with the parameters set out in the guidance, but must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, rather than before as was the case with the statutory transitional relief scheme.
6. 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.
7. From 1 April 2023, it is the government's intention to allow further SSB relief to be awarded on a new scheme covering the lifetime of the new Rating List following the 2023 revaluation. This basis on which the new scheme will operate is slightly different to those that preceded it, but section 31 grant funding is still to be provided to cover the loss of income to the Council arising from awards made and mitigate the effect for taxpayers of the consequences of changes in rateable values at revaluation.

What decision(s) are being recommended?

8. That the Executive Member for Finance and Governance approves the adoption of a scheme based on the central government guidance dated 20 December 2021 for the year commencing 01 April 2022 and of any subsequent successor scheme(s) similarly whilst section 31 funding continues and there is no financial impact to the Council.

Rationale for the recommended decision(s)

9. The Council needs to adopt a scheme to allow Middlesbrough ratepayers to benefit from the policy action taken to minimise the consequences of the changed revaluation cycle.
10. Ratepayers will need to be re-billed at the earliest possible date for the reduction in cost to be factored into their business' accounts.
11. An assessment of Middlesbrough rates records suggests that awards in total are likely to be less than 20 in number with relief applied totalling an estimated £20,000.00 for 2022/23, provided for by the section 31 funding, at net nil cost to the council. The numbers and value are likely to be much greater in 2023/24 as a consequence of the 2023 revaluation.

Other potential decision(s) and why these have not been recommended

12. To do nothing would 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.
13. No specific factors have been identified to justify departing from the government guidance when determining in each individual case whether to grant relief.

Impact(s) of the recommended decision(s)

14. If agreed, work already undertaken to identify businesses where relief is appropriate can be carried forward and the scheme implemented in early course.

Legal

15. 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.
16. The government guidance includes an assessment that providing discretionary relief to ratepayers is likely to amount to subsidy (referred to as State Aid, prior to exit from the EU). The effect is that not all ratepayers otherwise eligible may be able accept this relief.

Strategic priorities and risks

17. The proposed scheme will contribute as follows to the Council's strategic priorities:

People	Place	Business
<i>Limited impact.</i>	<i>Limited impact.</i>	<i>The discount represents funded additional resources for the town that business will expect the Council to relay as best practice.</i>

18. The scheme will avoid the small risk of harm to the Council's reputation from failing to support business in its locality through otherwise having to pay a higher business rates charge than necessary.

Human Rights, Equality and Data Protection

19. The proposed scheme has been designed in response to central government guidance, and there will be no negative impacts as a result of the decision.

Financial

20. The decision involves only incidental cost to the Council in the form of the administration of the scheme, some or all of which may be offset by New Burdens Funding from central government. Funding for the relief awards is provided for by the section 31 funding from Central Government, at net nil cost to the council.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
If agreed, individual ratepayers will receive either notification of relief awarded or an invitation to confirm to the Council that subsidy control does not affect eligibility. In line with guidance, notifications of relief awarded will make clear that the relief is awarded only for the 2022-23 financial year and that changes in circumstances will mean relief will be recalculated e.g. where eligibility ceases or rateable value is altered.	Janette Savage	Immediately following approval.

Appendices

21. None

Background papers

Body	Report title	Date
Department for Levelling Up, Housing & Communities	Guidance - Extension of Transitional Relief and Supporting Small Business Relief for small and medium properties	20 December 2021
Department for Levelling Up, Housing & Communities	Business Rates Relief: 2023 Supporting Small Business Relief, local authority guidance	21 December 2022

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