



## Report of the Chief Finance Officer (Section 151 Officer)

Special Cabinet – 20 February 2020

### **Business Rates – Temporary Rate Relief Scheme (Wales) 2020/2021**

<b>Purpose:</b>	To provide information and to consider the adoption of a new temporary High Street and Retail Rates Relief Scheme, relating to Business Rates, which has been introduced by Welsh Government (WG) for the financial year 2020/21.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	It is recommended that:  1) The details of the scheme in this report are noted.  2) The rate relief scheme and the application process outlined in this report are adopted for 2020/21.
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#### 1. Introduction

- 1.1 In April 2017, the Welsh Government (WG) introduced a new temporary High Street Rate Relief Scheme to reduce Business Rates (BR) in certain circumstances. This scheme was amended and extended in 2018/19 and 2019/20 and has been further extended for 2020/21. The scheme for 2020/21 remains unchanged from that of 2019/20. In 2019/20 the name was changed to The High Street and Retail Rates Relief Scheme (HSRRRS) to reflect a wider eligibility outside the previous geographical limitations.

- 1.2 Rate relief under the scheme is available for the financial year 2020/21 and WG has offered funding to each local authority in Wales under section 58A of the Government of Wales Act 2006 to re-imburse authorities, for expenditure up to a defined limit, incurred for the purpose of providing relief under this scheme. The funding is subject to authorities formally accepting the grant offer.
- 1.3 It is a condition of the grant that the relief under this scheme is provided by way of discretionary rate relief under section 47 of the Local Government finance Act 1988. The qualifying criteria for the HSRRRS have been set by WG and there are no powers to vary. The local discretionary rate relief policy currently used to grant relief to charities and other organisations does not require amendment.

## **2.0 The High Street and Retail Rates Relief Scheme**

- 2.1 This relief is aimed at businesses in Wales occupying “retail properties”, for example shops, pubs, restaurants and cafes, with a rateable value of £50,000 or less, on the high street and in other locations. WG has not specifically defined what it considers a ‘retail property’ and believes each local authority is best placed to judge which businesses should qualify in its area. However, it has provided guidance as to the types of uses that it considers to be a high street and retail business (see Appendix 1 to this report) for this purpose. Initially the scheme was limited to high street premises but from 2019/20 this was changed to include all properties within Wales meeting the wider retail criteria.
- 2.2 Relief should be granted to businesses based on occupation between 1 April 2020 and 31 March 2021. It is recognised that there may be some instances where a local authority is retrospectively notified of a change of occupier. In such cases, if it is clear that the ratepayer was in occupation on or after the 1 April 2020, the local authority may use its discretion in awarding relief.
- 2.3 The scheme aims to provide support for eligible retail businesses by offering up to £2,500 discount on the non-domestic rates bill per property, to retailers:-
- In occupation between 1 April 2020 and 31 March 2021 AND
  - Of premises with a rateable value between £6001 and £50,000 on 1 April 2020.
- 2.4 Empty properties becoming occupied after 1 April 2020 will also qualify for this relief. Also, if there is a change in occupier part way through the financial year, after relief has already been provided to the previous occupant of the property, the new occupier will qualify for the relief on a pro-rata basis based on the remaining days of occupation to the end of the financial year.

- 2.5 It is expected that retailers with a rateable value of £6,000 and below will receive full Small Business Rate Relief (SBRR). However it is left to the discretion of authorities to determine if there are properties not in receipt of SBRR that should be eligible for this relief.
- 2.6 The Authority has estimated that provisional funding of up to £2,300,000 will be required from WG to fund this relief and the necessary return has been submitted to WG to advise of this. WG will follow the process used for the 2019/20 scheme and make an initial payment followed by a top-up payment at the end of 2020/21 if necessary. The award of this relief is subject to state aid limits.
- 2.7 To qualify for the relief a property should be wholly or mainly used as a shop, restaurant, café or drinking establishment. This is a test on use rather than occupation. Therefore, properties which are occupied, but not wholly or mainly used for the qualifying purpose, will not qualify for the relief.
- 2.8 WG has set out what it does **not** consider to be high street retail use for the purpose of this relief including:
- (i) The provision of financial, medical or professional services, post office sorting offices, tourism accommodation, sports clubs, children's play centres, day nurseries, outdoor activity centres, gyms, kennels and catteries, show homes and marketing suites and employment agencies.
  - (ii) Premises that are not reasonably accessible to visiting members of the public even if there is ancillary use of the property that might be considered to fall within the scheme.
  - (iii) Those having a rateable value of more than £50,000.
  - (iv) Properties that are owned, rented or managed by a local authority
  - (v) Unoccupied premises.
  - (vi) Properties where the ratepayer is in receipt of mandatory charitable rate relief.
- 2.9 This relief can be provided in addition to SBRR and Transitional Rate Relief. High Street and Retail Rates Relief should be applied against the net bill after these two reliefs have been applied. Any hardship or discretionary relief awarded by the local authority should be considered by the local authority once all other rates reliefs have been awarded.
- 3.0 Administration and Application of the Scheme**
- 3.1 In line with previous years, WG has again advised local authorities (LAs) that in order to maximise take-up and reduce the administrative burden for rate-payers and LA Revenues Services, LAs are able to determine

the application process. Across Wales, a number of different award processes have historically been applied. Some authorities make automatic awards where they are satisfied the necessary criteria have been complied with. Others require all potential beneficiaries of the relief to formally apply in writing and the remainder follow an approach that is a combination of the two.

3.2 In 2019/20, to maximise the award of the relief to businesses in Swansea, a combination award process was followed and it is recommended that the same process be followed for the 2020/21 scheme using the following criteria:

(i) HSRRR is applied without the need for a formal application where it is possible for the authority to identify, to its satisfaction, an eligible retail business premises. Businesses to whom this relief is awarded that have more than one premises in receipt of HSRR or who are receiving other De Minimis State Aid are required to advise the authority if the award breaches state aid rules.

(ii) Where it is not possible for the authority to satisfy itself that a business premises complies with the necessary criteria, the ratepayer will be issued with a formal application to complete and return, which will also be subject to State Aid consideration.

#### **4.0 Implementation of the Scheme**

4.1 WG has provided the following to authorities:

- Guidance for the HSRRRS
- A certificate of acceptance form to confirm the estimated number of properties that will benefit from the scheme and the estimated cost.

4.2 The most recent estimates suggest approximately 1300 business properties will be eligible and will have relief applied to their accounts if the scheme is adopted. This will involve significant extra workload for the Business Rates team although using a combination award process will assist with this additional burden.

#### **5.0 Financial Implications**

5.1 The Authority has estimated that provisional funding of up to £2,300,000 will be required from WG to fund this relief and the necessary certificate has been submitted to WG to advise of this and the estimated number of eligible properties. WG will specify the amount of funding available for the scheme once the certificate of acceptance that has been submitted has been considered. Any award made in excess of the funding may have to be met by the Authority.

5.2 There is a small risk that the funding that has been requested from WG, based on the estimate, could be insufficient as the estimate was provided based on descriptions of properties contained in the Valuation List, which

is maintained by the Valuation Office Agency and there may be instances where the description is not wholly accurate. It is not certain, but is likely, that any amount of relief applied in excess of the initial funding requested would be re-imbursed. This is because WG has recognised the funding request is only an estimate of the likely cost of the scheme. Whilst there is thus some risk of an element of non-reimbursement to the authority if the actual eligibility experience differs from the estimate, it is felt on balance that it is worth that residual risk to enable local businesses to benefit from the scale of overall relief offered.

- 5.3 In previous years WG have provided a grant to the authority to support the administration and marketing costs of the relief. No details of whether such a grant will again be provided this year have been received as of the date this report was written. However, given the level of financial benefits to the businesses in the Swansea area, it is considered that this should not prevent the authority adopting the scheme.

## **6.0 Legal Implications**

- 6.1 There are no further legal implications to those set out in the report.

## **7.0 Equality and Engagement Implications**

- 7.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid to regard to the above.

- 7.2 An EIA screening has been completed with the agreed outcome that a full EIA report is not required as the qualifying criteria for the HSRRS has been set by WG and there is no power to vary. Relief will be awarded to all eligible ratepayers as per the criteria set out in this report

**Background Papers:** EIA Screening Form

### **Appendices:**

Appendix 1 - Non-domestic Rates High Street and Retail Rates Relief in Wales - 2020-21 Guidance