



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

Cabinet - 18 June 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 Retail, Leisure and Hospitality Rates Relief Scheme relating to Business Rates, which has been introduced by Welsh Government for the financial year 2020/21. This supplements the previously announced High Street and Retail Rates Relief Scheme.
<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 introduced a temporary High Street Rate Relief Scheme (HSRRS) to reduce Business Rates (BR) in certain circumstances. This scheme was amended and extended in 2018/19, 2019/20 and for 2020/21. However, due to the impact of the Covid 19 pandemic, Welsh Government determined to supplement that scheme with a more generous Retail, Leisure and Hospitality Rates Relief Scheme (RLHRRS) to further support businesses impacted by the pandemic.

- 1.2 Rate relief under the scheme is available for the financial year 2020/21. Welsh Government will reimburse each local authority in Wales for expenditure incurred, up to a defined limit, for the purpose of providing rates relief under this scheme in line with the guidance issued. This will be done via a grant under section 31 of the Local Government Act 2003 and Section 58A of the Government of Wales Act 2006. The funding is subject to local 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 RLHRRS have been set by Welsh Government 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. The Retail, Leisure and Hospitality Rates Relief Scheme**

- 2.1 This relief is aimed at businesses in Wales in occupation of premises in the retail, leisure and hospitality sectors, for example shops, pubs and restaurants, gyms, performance venues and hotels.
- 2.2 Welsh Government has not specifically defined what it considers a 'retail, leisure or hospitality' premises and believes each local authority is best placed to judge which businesses should qualify in its area. However, it has provided examples and guidance as to the types of uses that it considers to be a retail, leisure or hospitality business (see Appendix 1 to this report) for this purpose. The guidance does not replace any existing non-domestic rates legislation or any other relief. RLHRR is to be applied to the net charge after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.
- 2.3 The examples provided are not intended to be an exhaustive list as it would be impossible to list all the many and varied retail, leisure and hospitality uses that exist. There will also be mixed uses of business premises. However, they are intended to be a guide for local authorities as to the types of uses that the Welsh Government considers eligible for this relief. Local authorities are advised that they should determine for themselves whether particular properties not listed are broadly similar in nature to the examples provided and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those given as examples should not be eligible for the relief.
- 2.4 Relief should be granted to each eligible business as a reduction to its rates bill 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.

- 2.5 The scheme aims to provide support for businesses by offering a discount of 100% on the non-domestic rates bill due for eligible premises for the period 1 April 2020 to 31 March 2021. The scheme will apply to all eligible premises with a rateable value of £500,000 or less.
- 2.6 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.
- 2.7 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.
- 2.8 The Authority has estimated that provisional funding of up to £35.1M will be required from Welsh Government to fund this relief and the necessary return has been submitted to advise of this. Welsh Government will make an initial payment followed by a top-up payment at the end of 2020/21 if necessary and has confirmed that the award of this relief is not subject to state aid limits.
- 2.9 To qualify for the relief, the hereditament should be wholly or mainly used for the qualifying purposes. In a similar way to other reliefs, 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 closed temporarily due to the government's advice on Covid-19 should be treated as occupied for the purposes of this relief.
- 2.10 Any properties with a rateable value over £500,000 will not be eligible for this relief.
- 2.11 Welsh Government has set out the types of uses that it does **not** consider to be retail, leisure or hospitality use for the purpose of this relief and which would **not** be deemed eligible for the relief. However, it will again be for local authorities to determine if properties are similar in nature to those listed and if they would also not be eligible for relief under the scheme.
- (i) Properties used for the provision of financial, medical or professional services, post office sorting offices, children's play centres, day nurseries, kennels and catteries, casino and gambling clubs, show homes and marketing suites and employment agencies.
  - (ii) Properties 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) Properties that are owned, rented or managed by a local authority
- (iv) Unoccupied properties.

2.12 This relief can be provided in addition to Small Business Rates Relief, Transitional Relief and High Street and Retail Rates Relief. Retail, Leisure and Hospitality rates Relief should be applied against the net bill after those other reliefs have been applied. Any requests that hardship or discretionary relief be awarded by the local authority should be considered once all other rates reliefs have been awarded.

### **3. Administration and Application of the Scheme**

3.1 Similar to other reliefs Welsh Government has again advised local authorities (LAs) that in order to maximise take-up and reduce the administrative burden for ratepayers and LA Revenues Services, LAs are able to determine the application process. Across Wales, a number of different award processes have historically been applied to such reliefs. 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 Swansea has previously successfully followed a combination award process in such circumstances as the most practical and beneficial option and it is recommended that the same process be followed for this scheme in 2020/21, using the following criteria:

- (i) RLHRR is applied without the need for a formal application where it is possible for the authority to identify, to its satisfaction, an eligible business premises.
- (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.

3.3 Welsh Government has confirmed that the Retail, Leisure and Hospitality Rates Relief Scheme 2020/21 is not state aid.

### **4. Implementation of the Scheme**

4.1 Welsh Government has provided the following to authorities:

- Guidance for the RLHRRS
- 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 2,000 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. Financial Implications**

5.1 The Authority has estimated that provisional funding of up to £35.1M will be required from Welsh Government to fund this relief and the necessary certificate has been submitted to advise of this and the estimated number of eligible properties. Welsh Government 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 Welsh Government, 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 Welsh Government 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 Welsh Government 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. Legal Implications**

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

## **7. 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.

- 7.2 Our Equality Impact Assessment process ensures that we have paid to regard to the above.
- 7.3 An EIA screening has been completed with the agreed outcome that a full EIA report is not required, as the qualifying criteria for the RLHRRS has been set by Welsh Government 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 Retail, Leisure and Hospitality Rates Relief in Wales – 2020/21 - Guidance