



Report of the Chief Finance Officer (Section 151 Officer)

Cabinet - 17 February 2022

Business Rates – Temporary Rate Relief Scheme (Wales) 2022/2023

Purpose:	To provide information and to consider the adoption of a temporary Retail, Leisure and Hospitality Rates Relief Scheme relating to Business Rates, which has been introduced by Welsh Government for the financial year 2022/23.
Policy Framework:	None
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that Cabinet: (1) Notes the details of the scheme set out in this report (2) Adopts the rate relief scheme outlined in this report for 2022/23.
Report Author:	Julian Morgans
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

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, in 2020/21 and 2021/22 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. The RLHRRS has now been extended for 2022/23 although with a reduction in the level of support available and a

cap on the cash value of that support.

- 1.2 Rate relief under the scheme is available for the financial year 2022/23. 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 As this is a temporary measure, 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. 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 2022/23

- 2.1 This relief is aimed at businesses and other ratepayers 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. Properties that are not broadly similar in nature to those listed would not be eligible for the relief.
- 2.3 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.
- 2.4 The examples provided by Welsh Government 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.
- 2.5 Relief should be granted to each eligible business as a reduction to its rates bill based on occupation between 1 April 2022 and 31 March 2023. 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 2022, the Local Authority may use its discretion in awarding relief.

- 2.6 The scheme aims to provide support for businesses by offering a discount of 50% on the non-domestic rates bill due for eligible premises for the period 1 April 2022 to 31 March 2023. The scheme will apply to all eligible premises however the maximum value of the rate relief allowed under this scheme, across all properties in Wales that are occupied by the same business, cannot exceed £110,000.
- 2.7 Empty properties becoming occupied after 1 April 2022 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 if eligible. In both cases relief would be awarded to the new ratepayer on a pro-rata basis based on the remaining days of occupation to the end of the financial year.
- 2.8 Most occupied business premises with a rateable value of £6,000 or less are eligible for 100% Small Business Rate Relief (SBRR) but only on a maximum of two properties per business, in each Local Authority area. Ratepayers operating in the retail, hospitality or leisure sectors who have more than two premises with rateable values of £6,000 or less, are also eligible for RLHRR and will therefore receive a 50% reduction in their rate liability for the premises for which they cannot be granted SBRR. However, the amount of RLHRR awarded will be subject to the cap of £110,000 explained in paragraph 2.6 above.
- 2.9 The Authority has estimated that provisional funding of up to £10.6M will be required from Welsh Government to fund this relief and the necessary return has been submitted to advise of this. The Welsh Government will follow their usual process and make five instalment payments in arrears. One of the instalments will relate to administration funding. There will also be an end of year top up payment if necessary.
- 2.10 To qualify for the relief, the premises 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, properties which are occupied, but not wholly or mainly used for the qualifying purpose will not qualify for the relief. For the avoidance of doubt, properties which closed temporarily due to the government's advice on Covid-19 should be treated as occupied for the purposes of this relief.
- 2.11 Any premises with a rateable value over £205,607 will not be eligible for the full amount of relief normally available as the relief awarded would be capped at £110,000. Where a ratepayer is liable to pay rates on a number of eligible properties and the total relief allowed for all but one property is close to the maximum amount of £110,000, an amount of relief of less than 50% will be allowed for the further eligible property.
- 2.12 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.

2.13 RLHRR should be applied against the net bill after all other reliefs have been applied.

3. Administration and Application of the Scheme

3.1 In previous years, Welsh Government permitted local authorities to determine the application process for this relief. Swansea used a mix of automatic awards (where the Authority was satisfied the appropriate criteria had been complied with) or where necessary required potential beneficiaries of the relief to formally apply in writing.

3.2 For 2022/23, Welsh Government requires **all** potentially eligible ratepayers to formally apply for RLHRR. If an application is not made, relief cannot be awarded. As part of their application, ratepayers will be required to state which properties they seek to claim relief on. Where 50% of liability across a business's properties exceeds £110,000, businesses are required to specify which properties they would like the relief to apply to. Any attempt by a business to deliberately claim in excess of £110,000 relief will risk the withdrawal of relief granted under the scheme to that business by any local authority in Wales.

3.3 Welsh Government has confirmed that following the end of the transition period for the United Kingdom leaving the European Union on 31 December 2020, EU State Aid regulations only apply in limited circumstances. As this relief is not funded by EU residual funds, EU State Aid regulations no longer apply for this scheme. As of 1 January 2021, the UK Subsidy Regime came into force. Welsh Government has advised that it considers the scheme to be outside the scope of any international trade agreements as measures are focused locally within Wales.

4. Implementation of the Scheme

4.1 Welsh Government has provided the following to authorities:

- Guidance for the RLHRRS 2022 -23
- 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 2,058 business properties will be eligible and could have relief applied to their accounts if the scheme is adopted. This will involve significant extra workload for the Business Rates Team which has been dealing with the award of Covid19

business support grants over the pandemic, particularly as all potentially eligible ratepayers are required to apply for the relief.

5. Financial Implications

- 5.1 The Authority has estimated that provisional funding of up to £10.6M 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 and that due to timing constraints and the take-up of application form based schemes, these estimates are likely to change. 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.

6. Legal Implications

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

7. Integrated Assessment Implications

- 7.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
 - 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.
 - Deliver better outcomes for those people who experience socio-economic disadvantage
 - Consider opportunities for people to use the Welsh language
 - Treat the Welsh language no less favourably than English.
 - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 7.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development.

Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

- 7.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 7.4 There are no integrated assessment implications. The relief criteria have been determined by Welsh Government and the Authority must follow those when awarding relief. Adoption of the scheme and awarding rate relief will enable the Authority to provide financial support to over 2,000 eligible businesses in the Council's area.

Background Papers: None

Appendices:

Appendix 1 - Non-Domestic Rates Retail, Leisure and Hospitality Rates Relief in Wales – 2022/23 – Guidance

Appendix 2 - IIA Screening Form