



Report of the Chief Finance Officer (Section 151 Officer)

Cabinet - 23 March 2023

Business Rates – Temporary Rate Relief Scheme (Wales) 2023/2024

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 2023/24.
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 2023/24.
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 and 2019/20. It was then amended into a more generous Retail, Leisure and Hospitality Rates Relief Scheme (RLHRRS) and extended due to the impact of the Covid 19 pandemic in 2020/21, 2021/22 and 2022/23. The RLHRRS has now been extended for 2023/24 with a higher percentage of relief available and with a cap on the total amount of relief available to one business.

- 1.2 Rate relief under the scheme is available for the financial year 2023/24. 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. Each individual local authority is required to adopt a scheme and decide when to grant relief under section 47. However, the eligibility criteria have been set by Welsh Government and detailed in the guidance they have provided (see Appendix A to this report). Welsh Government will reimburse local authorities for the relief that is provided in line with that guidance.

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 2023/24

- 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 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 2023 and 31 March 2024. 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 the ratepayer was in occupation on or after the 1 April 2023, 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 75% on the non-domestic rates bill due for eligible premises for the period 1 April 2023 to 31 March 2024. 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 2023 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 75% reduction in their rate liability for the premises for which they cannot be granted SBRR. However, the total amount of RLHRR awarded will be subject to the cap of £110,000 explained in paragraph 2.6 above.
- 2.9 Welsh Government has estimated that provisional funding of £12.43M will need to be provided to Swansea to fund this relief. The Welsh Government will follow their usual process and make instalment payments in arrears. One of the instalments will relate to administration funding.
- 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.
- 2.11 Any business with a single property with a remaining rate liability after reliefs which is greater than £146,665 can use the entire allocation of relief available (75% of £146,655 = £110,000) but no other properties occupied by that business would be eligible for relief under the scheme as the cap of £110,000 will have been reached.
- 2.12 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 75% will be allowed for the further eligible property.

2.13 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, 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.

2.14 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 2023/24, although the guidance advises local authorities should minimise the administrative burden for ratepayers and for local authority staff, 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 75% 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 more than £110,000, will risk the withdrawal of relief granted under the scheme to that business by any local authority in Wales.

3.3 As of 4 January 2023, the new UK subsidy control regime commenced with the coming into force of the Subsidy Control Act 2022. Welsh Government have advised that the RLHRR scheme is likely to be a subsidy under the new regime. Any relief provided by local authorities under this scheme will need to comply with the UK's domestic and international subsidy control obligations.

3.4 Welsh Government further advises that to the extent that a local authority is seeking to provide relief that falls below the Minimal Financial Assistance (MFA) thresholds, the Subsidy Control Act 2022 allows an

economic actor (e.g. a holding company and its subsidiaries) to receive up to £315,000 in a 3-year period (consisting of the 2023-24 year and the two previous financial years). Previous iterations of the RLHRR scheme in Wales were not provided as a subsidy. Local authorities should ask the ratepayers, on a self-assessment basis, to declare as part of their application for RLHRR that they are not in breach of the cash cap or MFA limit. This will be part of the application process.

4. Implementation of the Scheme

4.1 At the time of preparing this report, Welsh Government has provided the following to authorities:

- Guidance for the RLHRRS 2023 -24

4.2 Welsh Government's estimate suggests approximately 1,742 business properties will be eligible and could have relief applied to their accounts if the scheme is adopted and they make the necessary application. This will involve significant extra workload for the Business Rates Team particularly as all potentially eligible ratepayers are required to apply for the relief and each application must be individually considered before a decision on eligibility can be made.

5. Financial Implications

5.1 Welsh Government has used estimates of the likely number of ratepayers eligible for support and has estimated that provisional funding of up to £12.43M will need to be provided to Swansea to fund this relief. It recognises that these estimates are likely to change. Any award made in excess of the funding may have to be met by the Authority although this would appear unlikely to be required. At the time of writing this report, the formal funding offer has yet to be received but is expected in due course.

5.2 There is a small risk that the estimated funding from Welsh Government, could be insufficient as applications may increase as buildings become occupied or undergo a change of use. It is not certain, but is likely, that any amount of relief applied in excess of the initial funding would be reimbursed. Whilst there is thus some risk of an element of non-reimbursement to the authority if the actual eligibility 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 An Integrated Impact Assessment Screening has been carried out in February 2023 which determined that a full Integrated Impact Assessment Report was not required. See Appendix 2.

7.5 There are no integrated assessment implications. The relief criteria have been determined by Welsh Government and the Authority must follow those when awarding relief. Adopting the scheme and awarding Retail Hospitality and Leisure Rate Relief will enable the Authority to provide financial support (we estimate) to over 1,700 eligible businesses in the Council's area.

Background Papers: None

Appendices:

Appendix 1 - Non-Domestic Rates Retail, Leisure and Hospitality Rates Relief in Wales – 2023/24 - Guidance

Appendix 2 - IIA Screening Form