



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

Cabinet - 21 March 2024

### **Business Rates – Temporary Rate Relief Scheme (Wales) 2024/2025**

<b>Purpose:</b>	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 2024/25.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	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 2024/25.
<b>Report Author:</b>	Julian Morgans
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Adrian Jeremiah
<b>Access to Services Officer:</b>	Rhian Millar

#### 1. Introduction

- 1.1 In April 2017, the Welsh Government introduced a temporary High Street Rate Relief Scheme to reduce Business Rates in certain circumstances. This scheme was amended and extended then changed into a more generous Retail, Leisure and Hospitality Rates Relief (RLHRR) Scheme which was extended due to the impact of the Covid 19 pandemic. It was further extended for 2023/24 with a monetary cap on the total amount of relief available to one business across Wales. The scheme has now been extended once again for 2024/25, again with a cap on the amount of relief that can be awarded to one business across Wales (£110,000) but with a lower percentage of relief of 40% per property.

- 1.2 Rate relief under the scheme is available for the financial year 2024/25. 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 1 to this report). Welsh Government will only reimburse local authorities for the relief that is provided in line with that guidance.
- 1.4 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 2024/25**

- 2.1 This relief is aimed at businesses and other non-domestic 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 The guidance does not replace any existing non-domestic rates legislation or any other relief. RLHRR is to be applied to the net charge payable after all other mandatory and discretionary reliefs have been applied.
- 2.3 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 for this purpose (see Appendix 1 to this report). Properties that are not broadly similar in nature to those listed would not be eligible for the relief.
- 2.4 The examples provided by Welsh Government are not intended to be an exhaustive list as it would be impossible to detail 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 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 The scheme aims to provide support for businesses by offering a discount of 40% on the non-domestic rates bill due for the period 1 April 2024 to 31 March 2025 and 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.
- 2.6 Relief should be granted to each eligible business as a reduction to its rates bill based on occupation between 1 April 2024 and 31 March 2025. 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 2024, the Local Authority may use its discretion in awarding relief as long as an application for this relief is made by the end of the day on 31<sup>st</sup> March 2025.
- 2.7 Formerly empty properties becoming occupied after 1 April 2024 will 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 they are eligible. In both cases, applications for this relief must be made by the end of the day on 31<sup>st</sup> March 2025. If they are eligible, 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 40% 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 2.5 above.
- 2.9 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.
- 2.10 Any business with a single property with a remaining rates liability after reliefs which is greater than £275,000 can use the entire allocation of relief available (40% of £275,655 = £110,000) but no other properties occupied by that business would then be eligible for relief under the scheme as the cap of £110,000 will have been reached.
- 2.11 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 (or the MFA limit explained in section 4), an amount of relief of less than 40% 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 other properties are similar in nature to those listed and whether they would also not be eligible for relief under the scheme.

The types of use not treated as being in the retail, leisure or hospitality sectors for the purposes of this rate relief scheme include:

- (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.

### **3. Applications for RLHRR**

3.1 For 2024/25, 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.

3.2 Furthermore, Welsh Government have instructed Councils that new awards of relief can only be made under the terms of the 2024/25 scheme if an application is received by the end of the day on 31st March 2025. The broad powers of local authorities do enable discretionary relief for previous financial years to be retrospectively awarded up to six-months after the end of the relevant financial year, but Welsh Government have advised that funding for any such RLHRR awards (arising from an application made after 31st March 2025) will not be covered by the funding agreement for 2024/25. The definitive advice is that there is no scenario in which the scheme can accommodate applications for 2024/2025 after 31st March 2025.

3.3 As part of their application, ratepayers will be required to give details of all properties for which relief is being sought throughout Wales. Where 40% 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.

## **4. Subsidy Control**

4.1 Welsh Government has provided the following guidance.

- (i) That the relief will be provided as a subsidy by way of Minimal Financial Assistance (MFA). The same business must not claim more than £315,000 in total of MFA over three years (including 2024-25). MFA includes other financial assistance given to businesses such as other discretionary reliefs, not just RLHRR. However, RLHRR schemes in Wales prior to 2023-24 were not provided as a subsidy and should not be counted towards the MFA limit.
- (ii) As a result, the gross value of RLHRR claimed for 2024-25 by the same business must, therefore, not exceed:
  - £110,000 in Wales (to comply with the terms of this scheme) or
  - £315,000 when combined with any other support paid over the financial years 2022-23 to 2024-25 (inclusive) that counts towards the MFA limit (to comply with subsidy control requirements).

4.2 If other financial support is received which counts towards the MFA limit, a business might only be able to claim part of the available RLHRR if the overall total of support provided would exceed £315,000. Businesses claiming the relief must therefore declare that the amount being claimed does not exceed those limits before the relief can be awarded. This will be part of the application process.

## **5. Implementation of the Scheme**

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

- Guidance for the RLHRR Scheme 2024 -25.
- A suggested application form.

5.2 Welsh Government's estimate suggests that in Swansea 1,742 business properties will be eligible and could have this relief applied to their Business Rates if the scheme is adopted and they make the necessary application in good time. 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.

## **6. Integrated Assessment Implications**

6.1 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.
- 6.2 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'.
- 6.3 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.
- 6.4 An Integrated Impact Assessment Screening has been carried out in February 2024 which determined that a full Integrated Impact Assessment Report was not required. See Appendix 2.
- 6.5 There are no integrated impact assessment implications. The relief criteria have been determined by Welsh Government and the Authority must follow those when awarding relief to those businesses that apply. Adopting the scheme and awarding Retail Hospitality and Leisure Rate Relief could enable the Authority to provide financial support to 1,742 (estimated) eligible businesses in the Council's area to a value of approximately £8.837m.

## **7. Financial Implications**

- 7.1 Welsh Government has estimated that 1,742 Swansea ratepayers will be eligible for support and has estimated that provisional funding of up to £8.837M 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. The Welsh Government will follow its usual process and make instalment payments in arrears and one of the instalments will include a payment for administration funding.
- 7.2 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 re-

imbursed as long as awards are made according to the guidance provided. 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.

## **8. Legal Implications**

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

**Background Papers:** None

### **Appendices:**

Appendix 1 - Non-Domestic Rates - Retail, Leisure and Hospitality Rates Relief in Wales 2024/25 - Guidance

Appendix 2 - IIA Screening Form