

Report

Council



Part 1

Date: 1 March 2022

Subject **National Non-Domestic Rates: Discretionary Rate Relief Schemes 2022-23**

Purpose The purpose of this report is for Council to agree that Newport City Council adopts the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2022-23 (Part A), and also to adopt Newport City Council's City Centre Local Rate Relief Scheme (Part B)

Author Head of Finance

Ward All

Summary This report is split into two sections:

Part A Welsh Government Retail Leisure & Hospitality Rate Relief Scheme 2022-23

Part B Newport City Council Local City Centre Rate Relief Scheme 2022-23

To assist businesses to recover from the impact of the Covid-19 pandemic, the Welsh Government has again made available grant funding for billing authorities to deliver in 2022-23, the Retail, Leisure and Hospitality Rate Relief Scheme to reduce the rates payable for qualifying ratepayers.

The Welsh Government has agreed to reimburse the Council in full for any awards made under the scheme and it is envisaged that up to 1,200 businesses will benefit from reduced rates by way of this relief.

The scheme will deliver:

1. 50% rate relief in 2022-23 for qualifying properties which are broadly used for retail, leisure or hospitality.

Details of the Welsh Government scheme are contained in **Part A** of this report.

In addition to the Welsh Government scheme, **Part B** of this report sets out a proposed scheme to provide additional financial help for existing city centre businesses to recover from the economic impact of the Covid pandemic and also to encourage new businesses to move into and trade from empty properties in the city centre.

There are three appendices to this report:

Appendix 1 Welsh Government Retail, Hospitality & Leisure Scheme 2022-23 Guidance

Appendix 2 Newport Local City Centre Rate Relief Scheme 2022-23 (
Appendix 3 Map of the Newport City Centre BID area

Proposal It is proposed Council agrees to adopt the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2022-23 and the Newport City Centre Local Rate Relief Scheme, by making the appropriate determinations and decision, included within the report, as required by Sections 47(1)(a) and 47(3) of the Local Government Finance Act 1988.

Action by Head of Finance to implement the Scheme and make discretionary awards using delegated powers.

Timetable Effective from 1 April 2022

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of People & Business Change
- Head of Regeneration, investment & Housing

Signed

Background

Part A- Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme 2022-23

Welsh Government has made available funding for billing authorities to deliver in 2022-23, an all Wales Retail, Leisure and Hospitality Rate Relief Scheme.

The Scheme is fully funded by Welsh Government and will enable those businesses that are in the retail, leisure or hospitality sector to benefit from reduced business rates in 2022-23.

The scheme covers all businesses that occupy business premises operating in the retail, leisure or hospitality sector.

The means of making the awards of Retail, Leisure and Hospitality Rate Relief is the Council's discretionary powers under section 47 of the Local Government Finance Act 1988.

The Council is required to make a formal determination (Section 47(1)(a)) and decision (Section 47(3)) to adopt the scheme so that this discretionary power may be exercised by the Head of Finance under delegated powers. The formal determination for this Part A scheme, the Welsh Governments national scheme, is shown below.

The Council will be reimbursed for the rates income foregone as a result of the Scheme by way of a direct grant.

The relief differs to the retail, leisure and hospitality schemes that have operated in previous years in that businesses will be required to apply for the rate relief and the award will be 50% of the rates payable.

The scheme also sets a limit of £110,000 as the total amount of relief that any ratepayer can claim across Wales, this will mean that some ratepayers with multiple properties across Wales will not be able to claim the rate relief in every area, local councils will have to carry out additional checks to ensure that the limit is not exceeded.

If the scheme is adopted, it is estimated that up to 1,200 businesses could benefit from reduced rates in 2022-23 in Newport, although the scheme limit of £110,000 may see less than this number actually qualifying. Once an application has been made and determined the rate relief will be applied directly to the rate bill and future instalments reduced accordingly.

As the scheme is fully funded by Welsh Government there are no risks to the Council in adopting the scheme, there would however be risks to businesses that operate in the sectors covered by the scheme if the scheme was not adopted. The resolution for the adoption of this WG National scheme is shown below.

Resolution - WG Retail, Leisure and Hospitality Rate Relief Scheme

- (a) The Council determines that, unless hereditaments are excepted under (b) below, Section 47(1)(a) (discretionary relief) of the Local Government Finance Act 1988 will apply as regards the hereditaments described in 'The Scheme' in accordance with the rules described in relation to those hereditaments.

It is reasonable for the Council to make this decision having regard to the interests of persons liable to pay council tax set by the Council.

- (b) Relief is not available under this resolution in respect of any hereditament which is occupied by -

- the Welsh Ministers, a Minister of the Crown or government department,
- any public authority (including any local authority),
- the holder of any public office, or
- the Crown

(c) The Council decides, under Section 47(3) of the Local Government Finance Act 1988, that during the billing year 2022-23 'The Scheme' shall apply to the hereditaments described, and that the Head of Finance use his delegated powers to apply the relief.

'The Scheme'

Introduction

The relief is intended to be a temporary measure for 2022-23 only, aimed at businesses operating in the retail, leisure and hospitality sector in Wales, for example shops, pubs, restaurants and cafes.

The Welsh Government will provide rate relief, eligible businesses occupying commercial premises in the financial year 2022-23.

Properties that will benefit from this relief will be occupied properties such as shops, hotels, restaurants, cafes and drinking establishments.

Level of Support

Eligible ratepayers must be occupying commercial business premises in the financial year 2022-23 and meet the criteria set out by Welsh Government, see **Appendix 1** for full details.

Ratepayers that qualify under the scheme will benefit from a reduction of 50% in the rates they would be due to pay in 2022-23.

The total amount of relief available is £110,000 across all properties occupied by the same business across Wales. All businesses are required to make a declaration that the amount of relief they are seeking across Wales does not exceed this cap.

State Aid

Whilst the UK left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the UK Government and the EU provides that during a transition period State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present.

The UK Government has notified the EU of its intention to bring forward an immediate change to the UK's tax treatment of non-domestic property, in response to the ongoing Covid-19 emergency, and to seek clearance under Article 107(3)(b) of the Treaty on the Functioning of the European Union. Subject to this approval, the Expanded Retail Discount Scheme will become a notified state aid scheme. Once the notification has been approved by the European Commission, it will supersede the de minimis regulation as the appropriate cover for awarding the discount, meaning existing de Minimis limits will no longer restrict the provision of support.

Part B - Newport City Council's City Centre Local Rate Relief Scheme

Part A of this report covered the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2022-23, and whilst this is welcomed and will provide much needed rate relief to those in the retail leisure and hospitality sectors, it is recognised that this scheme alone will not be sufficient to address the problems faced by the Newport city centre.

In addition to the 'all Wales' support set out in Part A, a local scheme to reduce rates in the city centre is also proposed, both to assist existing city centre businesses and encourage greater levels of occupancy.

Over time Newport city centre has been adversely affected by businesses moving out of the city centre or ceasing to trade completely, most recently by the closure of the largest store, Debenhams.

The city centre has a number of vacant properties, some of which can be classified as 'persistently' vacant (i.e. vacant for 12 months or more), and appear to be in need of repair and modernisation. Newport boasts a wealth of heritage architecture but this can, in turn, generate a further layer of cost and constraint for potential occupiers.

Rates in the city centre are comparatively high, in part reflecting the outmoded design of many premises, which were created to maximise space for stock, customers and display and leaving them unsuitable to modern trading.

Commercial rates regimes inherently distort economic activity in favour of internet trading as online competitors do not experience a similar burden of taxation, and the costs associated with rates are a further disincentive towards business and property investment. Online trading had significantly impacted the High Street prior to the pandemic, and has further been accelerated by Covid-19.

These factors disproportionately affect the retail, leisure and hospitality sectors, who have also borne the greatest economic impact from the pandemic, with measures to restrict the movement and contact between people inevitably curtailing the ability of these industries to trade. HMRC data confirms that the majority of Newport employments furloughed through the pandemic were in these sectors.

Despite the availability of the Coronavirus Job Retention Scheme and other support to sustain businesses, the coronavirus pandemic has still resulted in over half a million job losses across the UK. The Business Register and Employer Survey indicates Newport job losses to 2020 were concentrated in the retail and hospitality sectors.

Given the property challenges outlined above, it is reasonable to conclude that the effects on those businesses trading from the city centre have been particularly acute.

Localised business rate relief can be a significant instrument in creating resilience for these businesses as they seek to recover. Whilst the Council has an enviable record in attracting investment, with over £20m of funding secured from the Welsh Government Transforming Towns framework to revitalise empty and underutilised properties and spaces, vacant properties nevertheless remain a challenge.

The ability to secure regeneration funding in itself requires investment by an owner or occupier, which limits the extent to which it can assist businesses on the margins. However relief on rates can be controlled and extended by the Council, without requirements for co-investment from the recipient. Sustained relief from business rates therefore offers a potentially very attractive stimulus for recovery in town and city centres.

Legislative Background

The means of making the Newport City Centre Scheme is the Council's discretionary powers under section 47 of the Local Government Finance Act 1988 as amended by the Localism Act 2011.

The Localism Act 2011 extended the scope of section 47 and there is now a general power to award discretionary relief to any ratepayer providing that it would be reasonable to do so having regard to the interests of local council tax payers.

In the main, decisions to award relief under the extended powers of the Localism Act would be exercised in respect of all eligible properties within a defined area, of a defined type, as specified in the proposed scheme in **Appendix 2** of this report.

The Council is required to make a formal determination (Section 47(1)(a)) and decision (Section 47(3)) to adopt the Newport City Council's local city centre scheme so that this discretionary power may be exercised by the Head of Finance under delegated powers.

In addition to the power to create a local rate relief scheme, it must be in the interests of the council tax payers of the city. This is because a local scheme will be funded locally using funds of the Council.

In assessing benefits to the council tax payer it is expected that the Newport City Centre Scheme will help to reduce the number of empty retail units in the city centre, this will improve the look and feel of city centre for all residents. Employment opportunities will be improved by attracting new businesses to set up within the city centre and assisting existing businesses to remain viable following the Covid pandemic and again, all residents will benefit from this from the general city centre environment and employment opportunities.

The Council can be as broad as it wants to be with a local scheme, however the city centre has been identified as requiring an economic boost and it is reasonable to concentrate on this area as it impacts on all city residents.

What constitutes the 'city centre' is open to interpretation so the scheme options have been modelled on the properties within the existing Newport city centre BID area, as this is an established well defined city centre area.

It is anticipated that if a scheme is adopted it will mirror the geographic area of the bid see **Appendix 3** for a map of the area.

To give a sense of volume and costs, we have modelled mainly Retail Leisure and Hospitality sector in the city centre alongside a comparison for all businesses

Options were as follows:

1. Rates relief at various levels for re-occupied empty Retail, Leisure and Hospitality Properties.
2. Flat rate allowance to all re-occupied empty Retail, Leisure and Hospitality Properties.
3. Rates relief at various levels for all occupied Retail, Leisure and Hospitality properties.
4. Flat rate allowance to all occupied Retail, Leisure and Hospitality properties.
5. Rates relief at various levels for all occupied businesses.
6. Rates relief at various levels for all unoccupied businesses.

The options as above have been modelled using current rating information and estimated costs range up to £3.6m for one year.

If the criteria is narrowed by rateable value the costs reduce significantly and again if the sectors eligible for help are restricted.

The table below shows the estimated costs of the schemes modelled based on current data.

	EMPTY RETAIL, LEISURE & HOSPITALITY		OCCUPIED RETAIL, LEISURE & HOSPITALITY		ALL OCCUPIED PREMISES	
		£K		£K		£k
50% to All Empty / Occupied	78	553	101	658	441	3,500
50% Limited to RV's <£50k	69	250	91	332	415	1,500
50% Limited to RV's <£25k	60	173	77	209	329	740
25% to All Empty / Occupied	78	277	101	166	441	1,800
25% Limited to RV's <£50k	69	125	91	332	415	761
25% limited to RV's <£25k	60	87	77	105	329	370
FLAR RATE @ £1,000	78	74	101	99	441	419
FLAT RATE @£500	78	38	101	51	441	211

Due to the significant costs identified in making a scheme open to all business rate payers within the city centre the scope of the scheme needs to be realistic and match the funds that can be made available. As the report suggests above, some sectors have been particularly badly affected over the last 24 months with others, whilst impacted by way of different working, have been able to maintain business levels.

In addition the need to improve the look of the town centre and by encouraging empty shops back into use means that targeting the retail, hospitality and leisure sector is a priority.

Tying eligibility to those that are deemed retail, leisure and hospitality businesses to the Welsh Government scheme also provides a framework to assess eligibility.

It is also recognised that existing businesses are also struggling to keep trading without the full Covid rate relief that was previously in place.

Therefore, in order to assist as many businesses as possible and encourage new occupiers to move into vacant properties, it is recommended that a combination of Option 1 and Option 3 above should be adopted, for properties within the city centre BID area with rateable values of £50,000 or lower, for a period of two years as long as they qualify for support throughout the period.

It is also intended that the scheme would be paid in conjunction with the existing city centre start up grants when an occupier moves into an empty retail unit. This should improve the overall attractiveness of the city to new businesses.

Appendix 2 sets out the qualifying criteria that will be used to assess eligibility for the proposed Newport City Centre Local Rate Relief Scheme. The resolution for the adoption of this local scheme by Council is shown below

Resolution - Newport City Council Local City Centre Rate Relief Scheme 2022-23

The Council will adopt the Newport City Centre Rate Relief Scheme as detailed in **Appendix 2**, effective from 1 April 2022

- (b) The Council determines that, unless hereditaments are excepted under (b) below, Section 47(1)(a) (discretionary relief) of the Local Government Finance Act 1988 will apply as regards the hereditaments described in 'The Scheme' in accordance with the rules described in relation to those hereditaments.

It is reasonable for the Council to make this decision having regard to the interests of persons liable to pay council tax set by the Council.

- (b) Relief is not available under this resolution in respect of any hereditament which is occupied by -
- the Welsh Ministers, a Minister of the Crown or government department,
 - any public authority (including any local authority),
 - the holder of any public office, or
 - the Crown
- (d) The Council decides, under Section 47(3) of the Local Government Finance Act 1988, that during the billing 'The Scheme' shall apply to the hereditaments described, and that the Head of Finance use his delegated powers to apply the relief.

Financial Summary

PART A - Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme 2022-23

There are no direct financial implications to the Council in adopting the Welsh Government Retail Hospitality and Leisure rate relief scheme.

The full value of discretionary awards is reimbursed by the Welsh Government. Staff resources will be prioritised appropriately within the revenues team to meet the administration requirements of the scheme.

PART B - Newport City Council's City Centre Local Rate Relief Scheme

Unlike other rate relief schemes any local discretionary scheme would sit outside the existing schemes that are either fully or partially funded by the Welsh Government via the NNDR pooling arrangements. The Localism Act provides the mechanism to allow local schemes to be devised but the financing of any scheme remains wholly with the Council.

Due to the fact that the scheme would be funded entirely by the Council there are some financial risks around setting an absolute budget for this, because of:

- More take up than anticipated
- Increases in rateable value
- New properties coming into the scheme

For the two year period, the cost is estimated to be in the range of £700k - £900k and will be afforded by the 2021/22 forecasted underspend which will be put into reserves and drawn down over the two year period.

Risks

PART A - Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme 2022-23

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
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Failure to implement the scheme will result in Newport ratepayers being financially disadvantaged	H	L	Adoption of the scheme will allow relief awards to be awarded and rate bills reduced to zero. At no cost to the Council	Head of Finance
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PART B - Newport City Council's City Centre Local Rate Relief Scheme

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The scheme costs significantly more than initially estimated.	H	M	Modelling the proposed scheme using current rating data to establish the likely maximum costs. Funding at the top end of the estimated range of cost	Head of Finance
Increases in rateable value.	M	M	Setting a limit on the RV's of qualifying business properties. Funding at the top end of the estimated range of cost	Head of Finance
Support is not sufficiently targeted and creates a perverse incentive to sit on vacant units.	H	L	Terms and conditions will reflect strategic decisions and priorities and the relief will only benefit occupied properties The scheme will set criteria that ensures that only 'occupied premises that are actively trading will benefit.	Head of Finance

Additional staff resources may be required in order to carry out assessment of additional Start-Up businesses who may qualify. This will create a pressure for the Economic Regeneration service.	M	H	<p>Prioritisation of Economic Development Officer support</p> <p>Consideration for the funding of a fixed term contract for additional economic development officer</p>	Head of Regeneration
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Links to Council Policies and Priorities

The adoption of the schemes fits with the Council's aims to improve the local economy, and the well-being of its citizens

Options Available and considered

PART A - Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme 2022-23

- Adopt the Wales Retail, Leisure and Hospitality Rate Relief Scheme 2022-23
- Decide not to adopt the Scheme

This is a WG national scheme and there are no particular choices other than to adopt and apply it, or not. This is a very valuable benefit to businesses and funded entirely by the WG. Therefore, the preferred option is to adopt the national scheme.

PART B - Newport City Council's City Centre Local Rate Relief Scheme

- Adopt the Newport City Council City Centre scheme per the parameters and criteria outlined in the report and in Appendix Two
- Decide not to adopt a local scheme and/or change the criteria from that outlined as above

The report outlines the number of businesses who would benefit from different criteria and the cost of doing this, which, at its maximum, would be £3.6m for one year. As the report outlines

- the retail, leisure and hospitality sector this is targeted at has been the most affected by the Covid pandemic
- the scheme can be better understood by businesses and administered easier by the Council as the scheme replicates much of the WG national scheme in terms of eligibility
- focussing on the city centre allows all / the most residents to benefit from this investment
- it specifically is aimed at also reducing the current number of vacant premises via this specific scheme and also by doing in conjunction with other existing economic development grants

- by limiting to 25% and properties with Rateable Values at or under £50k, it enables a scheme to operate for two years, thus allowing sufficient time for recovery in the sector; balancing this with the cost of any scheme.

Therefore, the preferred option is to adopt the local scheme as outlined in this report and Appendix Two.

Comments of Chief Financial Officer

The financial impacts and issues are addressed in the report. The WG national scheme is fully funded and will provide the first 50% of rates relief for eligible businesses in 2022/23 only with the NCC Local Scheme adding a further 25% to that in 2022/23 and a 25% reduction in 2023/24 to ensure time for businesses to properly 'bed in' recovery as well as encourage new businesses into the city centre.

An absolute cost estimate for this is not possible but a range of £700k - £900k has been estimated based on current data. It is recommended that budget provision at the higher end of this is made available and this will therefore need to be provided from the current year's underspend and is a pre-commitment on that.

Comments of Monitoring Officer

The proposed Retail, Leisure and Hospitality Rate Relief Scheme for 2022-23 is in accordance with the Council's statutory powers under the Local Government Finance Act 1988 to grant discretionary business rates relief. The Part A scheme is a national scheme, which is fully funded by Welsh Government and enables the Council to grant rate relief for qualifying businesses in the retail, leisure or hospitality sector, to assist them in recovering from the impact of the Covid-19 pandemic. The proposed rate relief scheme is a continuation of the original scheme which was adopted and extended over the past two financial years, albeit that the scheme for 2022/23 will only provide for 50% rate relief, capped at £110k per business. The Part B scheme is an additional local rate relief scheme for Newport which will provide extra financial help for existing city centre businesses to recover from the economic impact of the pandemic and also to encourage new businesses to move into and trade from empty properties in the city centre. Full Council is required to make a formal determination under Section 47(1) (a) of the 1988 Act and a formal decision under Section 47(3) to adopt this schemes. The power to award discretionary rate relief in accordance with the scheme is then delegated to the Head of Finance under the officer scheme of delegation

Comments of Head of People and Business Change

There are no HR related issues arising directly from this report.

Continuing to adopt the rate relief scheme is in line with the Council's strategic recovery aims and its Well-being Objective to "Promote economic growth and regeneration whilst protecting the environment" and will support the "Newport Offer" intervention within Newport's Well-being Plan.

The Scheme is funded by Welsh Government and will enable businesses that are in the retail, hospitality or leisure sector to assist them in recovering from the impact of the Covid-19 pandemic. These sectors are of major importance to the local economy and labour market and taking up the available support would be in the Council's interests. Being able to assist businesses in this way could help prevent business decline and support the economy for the immediate and longer terms.

Scrutiny Committees

n/a

Fairness and Equality Impact Assessment:

PART A - Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme 2022-23

A FEIA has not been carried out due to fact that once adopted, the Council is obliged to comply with the Welsh Government's rules in applying the Scheme. These are detailed in **Appendix 1**.

PART B - Newport City Council's City Centre Local Rate Relief Scheme

The proposed local Scheme uses the same basic rules as the Welsh Government scheme and provides additional relief for the businesses that are currently trading and extends relief to those businesses that take up occupation of empty retail units.

An FEIA has been completed for this local scheme which is summarised below under our legislative responsibilities under:

- The Equality Act (2010), including the Socio-economic Duty
- The Wellbeing of Future Generations (Wales) Act (2015)
- The Welsh Language (Wales) Measure (2011)

The introduction of Newport City Centre Rate Relief Scheme is a positive step and one which benefit the businesses in the city and the wider city as a whole.

Stakeholders – the main beneficiaries of the scheme will be the businesses in the city centre and due to the truncated time scale there has not been an opportunity to engage in formal stakeholder consultation.

This initiative has been proposed in response to communication over the years from stakeholders that highlights the bar that high city centre rates are to businesses operating in that area.

All city centre businesses that operate in the retail, hospitality and leisure sectors are expected to benefit if they meet the requirements of the scheme.

There are no impacts on the majority of protected categories protected in the Equality Act 2010 and it is anticipated that the scheme will be beneficial to the following group:

Aged – there will be benefits to the elderly in helping to sustain the city centre business as the city centre is more accessible to those reliant on public transport as opposed to out of town areas that can be difficult to reach.

Welsh Language – no impact anticipated.

Sustainable Development

The proposed scheme is expected to deliver both short term and long term benefits:

Short Term – the rate relief is a short term form of financial assistance that will enable existing businesses to overcome the impact of the covid pandemic, and help to attract new businesses to use empty retail units.

Long Term – although a relatively short term package of financial assistance is proposed in the scheme it is anticipated that by assisting businesses to overcome the trading difficulties caused by the pandemic it will increase the chances of them remaining in the city long term.

In addition, the introduction of rate relief for new businesses moving into currently vacant premises will improve the look and feel of the city centre making it more attractive for residents to visit and the hoped for increase in footfall will further sustain the viability of the city centre.

Well-Being

The Council is now in a position to be able to offer this scheme to city centre businesses which ties in with the goal of providing a more prosperous Wales.

Integration

Wales' Well-being Goals

This proposal supports the following well-being goals:

- A prosperous Wales, a thriving city centre will improve employment opportunities and economic growth.
- A resilient Wales – a thriving and vibrant city centre will provide residents with the services they need.
- A Wales of more cohesive communities – local provision of goods and services removing the need for residents to travel elsewhere.
- A globally responsible Wales – there will be more activity in the city centre and less reliance on out town areas. The city centre is more accessible to residents as it is well served by existing public transport links, thus reducing the need to travel and distance and use cars.

Newport City Council's Well-being Objectives

This proposal supports the following Newport City Council well-being goals:

- To improve skills, educational outcomes and employment opportunities – by increasing the opportunities for employment.
- To promote economic growth and regeneration whilst protecting the environment – there will be more activity in the city centre and less reliance on out town areas. The city centre is more accessible to residents as it is well served by existing public transport links, thus reducing the need to travel and distance and use cars.

The Equality Act (2010)

This proposal does not adversely impact any protected categories, it does however raise the question of fairness when comparing a city centre business with one in another part of the city.

Targeting support where it is needed most allows a policy to have more impact than providing a lower level of support over a wider area.

In addition the retail, hospitality and leisure sectors have been disproportionately adversely affected by the covid pandemic and the restrictions placed on trading throughout the last two years.

It is accepted that not every business in the city will receive this support however the city centre requires additional help and this proposal is intended to address this.

Socio-economic Duty

The Socio-economic Duty is set out in the Equality Act 2010, and requires the council, when making strategic decisions, to pay due regard to the need to reduce the inequalities of outcome that result from socio-economic disadvantage. Inequalities of outcome are felt most acutely in areas such as health, education, work, living standards, justice and personal security, and participation.

The proposed scheme is a positive move and will be beneficial to the businesses within the city centre and the residents of the city as whole in particular:

- **Low Income/income poverty** – it is beneficial to have goods and services readily available in the city centre, as those on low incomes are less likely to have cars to be able to reach the out of town areas or travel to other cities.

Employment Opportunities – a thriving city centre will enhance the employment opportunities available to residents of the city.

- **Material Deprivation** – it is beneficial for residents to be able to access goods and services within the city centre.
- **Area Deprivation** – the city centre is accessible from all areas of the city and is particularly so for those that live rurally as they are able to access the city centre by existing public transport links.

Consultation

n/a

Background Papers

The Welsh Government's Guidance on the Retail, Leisure and Hospitality Rate Relief Scheme 2022-23 is available here:



Retail Leisure &
Hospitality Relief Gu

Dated: 1 March 2022

APPENDIX 1

Non-Domestic Rates – Retail, Leisure and Hospitality Rates Relief in Wales 2022-23

Guidance

About this guidance

This guidance is intended to support county and county borough councils ('local authorities') in administering the Retail, Leisure and Hospitality Rates Relief scheme ('the relief'). On 3 March 2021, the Minister for Finance and Trefnydd announced the extension of the relief on a temporary basis for 2022-23. This guidance applies to Wales only.

This guidance sets out the criteria which the Welsh Government will use to determine the funding for local authorities for relief provided to retail, leisure and hospitality properties. The guidance does not replace any existing non-domestic rates legislation or any other relief.

Enquiries about the scheme should be sent to: localtaxationpolicy@gov.wales

The relief is being offered from 1 April 2021 and will be available until 31 March 2022.

Introduction

This relief is aimed at businesses and other ratepayers in Wales in the retail, leisure and hospitality sectors, for example shops, pubs and restaurants, gyms, performance venues and hotels.

The Welsh Government will provide grant funding to all 22 local authorities in Wales to provide the Retail, Leisure and Hospitality Rates Relief scheme to eligible businesses for 2022-23. The scheme aims to provide support for eligible occupied properties by offering a discount of 50% on non-domestic rates bills for such properties.

The scheme will apply to all eligible businesses, however the relief will be subject to a cap in the amount each business can claim across Wales. The total amount of relief available is £110,000 across all properties occupied by the same business. All businesses are required to make a declaration that the amount of relief they are seeking across Wales does not exceed this cap, when applying to individual local authorities.

The Welsh Government will provide grant funding to the 22 local authorities in Wales to provide the Retail, Leisure and Hospitality Rates Relief scheme to eligible ratepayers for 2022-23. The scheme aims to provide support for eligible occupied properties by offering a discount of 100% on the non-domestic rates bill for a property, to all eligible premises. The scheme will apply to all eligible ratepayers with a rateable value of £500,000 or less.

This document provides guidance on the operation and delivery of the scheme.

Retail, Leisure and Hospitality Rates Relief

How will the relief be provided?

As this is a temporary measure, we are providing the relief by reimbursing local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will be for individual local authorities to adopt a scheme and decide in each individual case when to grant relief under section 47. The Welsh Government will reimburse local authorities for the relief that is provided.

in line with this guidance via a grant under section 31 of the Local Government Act 2003 and section 58A of the Government of Wales Act 2006.

How will the scheme be administered?

It will be for local authorities to determine how they wish to administer the scheme to maximise take-up and minimise the administrative burden for ratepayers and for local authority staff.

Local authorities are responsible for providing ratepayers with clear and accessible information on the details and administration of the scheme. If, for any reason, an authority is unable to provide this relief to eligible ratepayers from 1 April 2022, consideration should be given to notifying eligible ratepayers that they qualify for the relief and that their bills will be recalculated.

Which properties will benefit from relief?

Properties that will benefit from this relief will be occupied retail, leisure and hospitality properties – such as shops, pubs and restaurants, gyms, performance venues and hotels across Wales. More detailed eligibility criteria and exceptions to the relief are set out below.

Relief should be granted to each eligible business as a reduction to its rates bill based on occupation between 1 April 2021 and 31 March 2022. 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.

It is intended that, for the purposes of this scheme, retail properties such as, 'shops, restaurants, cafes and drinking establishments' will mean the following (subject to the other criteria in this guidance).

Hereditaments that are being used for the sale of goods to visiting members of the public

- Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licences, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Pharmacies
- Post offices
- Furnishing shops or display rooms (such as carpet shops, double-glazing, garage doors)
- Car or caravan showrooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale or hire)

Hereditaments that are being used for the provision of the following services to visiting members of the public

- Hair and beauty services
- Shoe repairs or key cutting
- Travel agents
- Ticket offices, eg. for theatre
- Dry cleaners
- Launderettes
- PC, TV or domestic appliance repair
- Funeral directors
- Photo processing
- DVD or video rentals
- Tool hire
- Car hire
- Estate and letting agents

Hereditaments that are being used for the sale of food and / or drink to visiting members of the public

- Restaurants
- Drive-through or drive-in restaurants
- Takeaways
- Sandwich shops
- Cafés
- Coffee shops
- Pubs
- Bars or Wine Bars

We consider assembly and leisure to mean the following.

Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities) and for the assembly of visiting members of the public

- Sports grounds and clubs
- Sport and leisure facilities
- Gyms
- Tourist attractions
- Museums and art galleries
- Stately homes and historic houses
- Theatres
- Live Music Venues
- Cinemas
- Nightclubs

Hereditaments that are being used for the assembly of visiting members of the public

- Public halls

- Clubhouses, clubs and institutions

We consider hotels, guest & boarding premises and self-catering accommodation to mean the following.

Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business

- Hotels, Guest and Boarding Houses,
- Holiday homes,
- Caravan parks and sites

Other considerations

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.

The above list is not intended to be exhaustive 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. However, it is intended to be a guide for local authorities as to the types of uses that the Welsh Government considers for this purpose to be eligible for relief. Local authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

As the grant of the relief is discretionary, local authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the local authority's wider objectives for the local area.

Businesses may view that they have been able to continue trading at a substantial level during Coronavirus restrictions and as such may be inclined to not apply for the relief.

Types of hereditaments that are not considered to be eligible for Retail, Leisure and Hospitality Rates Relief

The following list sets out the types of uses that the Welsh Government 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 be for local authorities to determine if hereditaments are similar in nature to those listed and if they would not be eligible for relief under the scheme.

Hereditaments that are being used wholly or mainly for the provision of the following services to visiting members of the public

- Financial services (eg. banks, building societies, cash points, ATMs, bureaux de change, payday lenders, betting shops, pawnbrokers)
- Medical services (eg. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (eg. solicitors, accountants, insurance agents, financial advisers, tutors)
- Post Office sorting offices
- Day nurseries
- Kennels and catteries
- Casinos and gambling clubs
- Show homes and marketing suites
- Employment agencies

Hereditaments that are not reasonably accessible to visiting members of the public

If a hereditament is not usually reasonably accessible to visiting members of the public, it will be ineligible for relief under the scheme even if there is ancillary use of the hereditament that might be considered to fall within the descriptions listed under *Which properties will benefit from relief?*

Hereditaments that are not occupied

Properties that are not occupied on 1 April 2022 should be excluded from this relief. However, under the mandatory Empty Property Rates Relief, empty properties will receive a 100% reduction in rates for the first three months (and in certain cases, six months) of being empty.

Hereditaments that are owned, rented or managed by a local authority

Hereditaments owned, rented or managed by a local authority, such as visitor centres, tourist information shops and council-run coffee shops or gift shops attached to historic buildings, are exempt from this scheme.

How much relief will be available?

The total amount of government funded relief available for each property under this scheme for 2022-23 is 50% of the relevant bill. This is subject to a cap of £110,000 per business across all their properties in Wales. The relief should be applied to the net bill remaining after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied (excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants).

Businesses who occupy more than one property will be entitled to Retail, Leisure and Hospitality Rates Relief for each of their eligible properties, within the cap of £110,000 per business across Wales.

A business with a single property with a remaining liability (after reliefs) greater than £220,000 can use the entire allocation of relief. No other properties owned by that business will be eligible for the scheme.

Retail, leisure and hospitality properties which are excluded from Small Business Rates Relief due to the multiple occupation rule are eligible for this relief scheme, subject to the cap being applied

Changes to existing hereditaments, including change in occupier

Empty properties becoming occupied after 1 April 2022 will qualify for this relief from the time of occupation.

If there is a change in occupier part way through the financial year, after relief has already been provided to the hereditament, the new occupier will qualify for the relief if they operate in the retail, leisure or hospitality sectors, on a pro-rata basis. This will be calculated based on the remaining days of occupation using the formula used in the section titled *How much relief will be available?*

The discount should be applied on a day-to-day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the discount on that day

State Aid / Subsidy Control Regime

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 the 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. The scheme is considered by the Welsh Government to be outside the scope of any international trade agreements as measures are focused locally within Wales.

Appendix 2

Proposed Scheme Criteria – Newport City Centre Rate Relief Scheme

- Rate relief of 25% of the full rates payable will be awarded for one year up to 31 March 2023, and continue for a second year until 31 March 2024 provided the eligibility criteria continues to be met in full.
- For new occupiers joining the scheme after 1 April 2022 rate relief of 25% of the full rates payable will be awarded from the date the business starts to trade up until 31 March 2023, and continue for a second year until 31 March 2024 provided the eligibility criteria continues to be met in full.
- For businesses that start to trade after the 1 April 2023 rate relief of 25% of the full rates payable will be awarded from the date the business starts to trade up until 31 March 2024

The following criteria will be used to assess eligibility for the Newport City Centre Rate Relief Scheme.

For Existing Businesses:

- The ratepayer must be occupying a property shown in the non-domestic rating list.
- The property must be located within the Newport city centre BID area.
- The business must be actively trading.
- The property must have a rateable value of £50,000 or less
- The ratepayer must have the necessary permissions to carry out the business.
- The property must not be occupied by a charity or similar organisation that receives or is entitled to receive either mandatory or discretionary rate relief.
- The business being run must be in the retail, leisure and hospitality sectors as defined by the Retail, Hospital and Leisure rate relief scheme 2022-23.
- The business must not have received more than £300k in state aid since January 2021 and is eligible to claim this relief under the Small Amounts of Financial Assistance rules.
- The property must not be used for storage or other non-trading activities.
- At least 75% of the available retail space must be being used.

For Businesses occupying previously empty premises:

All the conditions as above plus:

- The ratepayer must own or have signed a commercial lease with a minimum of 12 months to run with no break clause in that period.
- There must be evidence that the business is trading, and rent is being paid.
- The premises must have been unoccupied at the start of the lease.
- No relief will be awarded until the property is occupied and trading.
- Rate relief will not be paid in respect of empty property rates.
- In the case of a business moving from one premises to another within the city centre, relief will be paid on the new premises only if the property is larger and more staff are being employed.
- In the case of a new business, a detailed business plan must be supplied.
- The property being used must not be excessively large for the business that is being carried out.

In all cases the Council will reserve the right to decline to pay any applications that it considers have been created to take advantage of scheme.

In the rate relief will end when one of the following occurs:

- The business ceases to trade.
- The property becomes unoccupied.
- Action is taken by a statutory body that prevents the business from operating.

Appendix 3

Map of City Centre BID Area

