

Report

Council

Part 1

Date: 28 February 2023

Subject **National Non-Domestic Rates: Discretionary Rate Relief Schemes 2023-24**

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 2023-24.

Author Head of Finance

Ward All

Summary To assist businesses in the current challenging trading conditions, the Welsh Government has made available grant funding for billing authorities to deliver in 2023-24, 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 could benefit from reduced rates by way of this relief.

The scheme will deliver:

1. 75% rate relief in 2023-24 for qualifying properties which are broadly used for retail, leisure or hospitality.

Full details of the Welsh Government scheme are contained in the appendix to this report.
Appendix 1 Welsh Government Retail, Hospitality & Leisure Scheme
2023-24 Guidance

Proposal It is proposed Council agrees to adopt the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2023-24 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 2023
This report was prepared after consultation with:

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

Signed

Background

Welsh Government has made available funding for billing authorities to deliver in 2023-24, 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 2023-24.

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 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 will operate in a similar way to previous schemes and businesses will be required to apply for the rate relief. This year the award will be increased to 75% of the rates payable.

The scheme has 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 2023-24, 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.

Welsh Government Retail, Leisure and Hospitality Rate Relief Scheme Resolution

- (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 2023-24 'The Scheme' shall apply to the hereditaments described, and that the Head of Finance use his delegated powers to apply the relief.

The Scheme to be Adopted

Introduction

The relief is intended to be a temporary measure for 2023-24 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 for eligible businesses occupying commercial premises in the financial year 2023-24.

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 2023-24 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 75% in the rates they would be due to pay in 2023-24.

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

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.

Links with the 'Newport City Council local city centre rates relief scheme'

Members will remember that the Council introduced its own rates relief scheme for 2022/23 and 2023/24 where those eligible for the WG scheme in 2022/23 were also given an additional 25% rate relief, funded by the Council, in the city centre, as defined by the 'Business Improvement District'. In this case, those businesses will now get 100% total rates relief, where eligible, in 2023/24. This additional local scheme is awarded automatically where businesses are awarded

the WG rate relief and does not require any additional work other than applying for the WG scheme.

Financial Summary

Financial Summary (Capital and Revenue)

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.

Risks

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?
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.	Head of Finance

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

- Adopt the Wales Retail, Leisure and Hospitality Rate Relief Scheme 2023-24
- Decide not to adopt the Scheme

Preferred Option and Why

Adopt the Scheme so that as many businesses as possible may benefit from a reduction in the amount of business rates they are due to pay in 2023-24

Comments of Chief Financial Officer

This is a 'procedural report' which is required to enable the Council to make use of the WG support for eligible businesses in the retail, leisure and hospitality industries. As it involves the use of delegated powers under section 47 of the Local Government Finance Act 1988, it requires full Council to make the decision to use these powers for this purpose. It will provide much needed financial support to this sector and the scheme is fully funded by Welsh Government. It will be administered and applied by the Council's Revenues Department within the Finance service.

It also dovetails well with the Council's local scheme which is targeted to the same businesses within the city centre, as defined by the 'Business Improvement District' and in this case, those businesses will get 100% rates relief, where eligible, in 2023/24.

Comments of Monitoring Officer

The proposed Retail, Leisure and Hospitality Rate Relief Scheme for 2023-24 is in accordance with the Council's statutory powers under the Local Government Finance Act 1988 to grant discretionary business rates relief. This 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. 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 scheme. The power to make awards of 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, Policy and Transformation

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 new Corporate Plan objective to make Newport "... a thriving and sustainable city supported by inclusive economic growth and will also support the "Newport Offer" intervention within the Well-being Plan, which is expected to be carried forward in the forthcoming One Newport Local Action Plan.

The Scheme is fully funded by Welsh Government and will enable businesses that are in the retail, hospitality or leisure sector to manage their costs and the unprecedented inflationary pressures. These sectors are of major importance to the local economy and labour market and adopting the available support would be in the Council's interests. Whilst this is a one-year funding package, this assistance could help prevent immediate business failures in doing so increasing longer term resilience.

Scrutiny Committees

n/a

Fairness and Equality Impact Assessment:

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**.

Wellbeing of Future Generations Act

The proposed scheme covers all businesses that occupy businesses operating in the retail, leisure or hospitality sector, as a means to support them with reduced rate payments.

Long term - this scheme provides short term finance help to businesses and to support them through the current challenging trading conditions, which should assist these businesses to remain viable in the long term.

Prevention – retail, leisure and hospitality businesses are already in decline so the additional financial assistance provided by this scheme should help to prevent businesses from closing and the city losing a valuable source of employment.

Integration – this scheme helps to sustain the viability of the eligible businesses and supports employment opportunities across a number of sectors.

Collaboration – this is a fully funded Welsh Government Scheme and we will work with Welsh Government and ratepayers to encourage take-up and deliver the scheme across the city. Occupiers of qualifying businesses will be issued with an application form with their rate bills for 2023-24 and invited to apply.

Involvement – businesses that meet the qualifying will have to apply for the rate relief and be encouraged to apply for the scheme.

Consultation

n/a

Background Papers

The Welsh Government's Guidance on the Retail, Leisure and Hospitality Rate Relief Scheme 2023-24 is available here:

[Non-Domestic Rates – Retail, Leisure and Hospitality Rates Relief in Wales – 2023-24 | Business Wales \(gov.wales\)](https://gov.wales/non-domestic-rates-retail-leisure-and-hospitality-rates-relief-in-wales-2023-24)

Dated: 28 February 2023

APPENDIX 1

Non-Domestic Rates – Retail, Leisure and Hospitality Rates Relief in Wales 2023-24

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').

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 2023 and will be available until 31 March 2024.

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 2023-24. The scheme aims to provide support for eligible occupied properties by offering a discount of 75% 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 2023-24. 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 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 2023, 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 2023 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 2023-24 is 75% 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 2023 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.