

Report

Council



Part 1

Date: 24 July 2018

Subject **National Non-Domestic Rates: Discretionary Relief: High Street Relief Scheme 2018-19**

Purpose The purpose is for Council to resolve to adopt the Welsh Government's High Street Relief Scheme for 2018-19.

Author Head of Finance

Ward All

Summary The Welsh Government has again made available grant funding for billing authorities to deliver in 2018-19 the High Street Rate Relief Scheme to reduce the rate burden on qualifying high street retail properties. The funding for 2018-19 amounts to a maximum of £139,250 and a number of businesses are expected to benefit from reduced rates by way of this Relief.

The scheme more or less replicates the scheme that was introduced in 2017-18; the only difference being that the amount of relief available to businesses is lower.

The qualifying ratepayers will fall into two categories, tier 1 who will receive up to £250, and tier 2 where up to £750 will be awarded per qualifying property.

It is estimated that around 350 ratepayers across the city could potentially benefit from reduced rate bills under this scheme.

Proposal It is proposed that the Council resolves to adopt the Welsh Government's Wales Retail Relief Scheme for 2018-19 by making the appropriate determination and decision, as required by Sections 47(1)(a) and 47(3) respectively of the Local Government Finance Act 1988, and set out in the Appendix to this report.

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

Timetable Immediate

This report was prepared after consultation with:

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

Background

The Welsh Government made available funding to billing authorities deliver in 2017-18 the High Street Rate Relief Scheme, the scheme was intended to last for one year. In March 2018 the Welsh Government announced the intention to extend the scheme for a further year however the actual details of the scheme were not received until the end of April 2018.

The Council's allocation of funding amounts to a maximum of £139,250. The Scheme more or less mirrors the scheme for 2017-18 and again sets out the various categories of retail premises that will benefit from relief. These are detailed in the Appendix, but broadly the premises included are those that have a rateable value of £50,000 or less; are occupied; and are wholly or mainly used as shops, restaurants, cafes and drinking establishments. (These categories are intended to cover premises that are being used for the sale of goods and/or services, or food and/or drink, to visiting members of the public). In addition the premises must be situated in a high street setting or similar and precludes retail properties situated in out of town developments or industrial estates.

The only real difference between the scheme in 2017-18 and the 2018-19 scheme is that the amount of relief available to business has reduced from £500 to £250 for those in tier 1, and £1500 to £750 for tier 2 qualifying properties.

The means of making the awards of High Street 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 Council is reimbursed for the rates income foregone as a result of the Scheme when calculating monies to be paid over to the Welsh Government 'pool'.

The Wales High Street Rate Relief Scheme forms part of a package of Welsh Government measures available to support business. The High Street relief scheme for 2018-19 sits alongside other schemes, such as the Small Business Rates Relief Scheme and the Transitional Rate Relief scheme that is reducing the impact of the 2017 revaluation for some adversely affected businesses.

The application process for ratepayers is straightforward and in many cases can be awarded automatically. Due to the fact that details of the extension of the High Street Relief Scheme were not received until the end of April 2018 and the requirement for the scheme to be adopted by Council it was not possible to show the relief on the 2018-19 rate bills.

If Council resolves to adopt the scheme the rates bills of around 250 businesses will be recalculated and adjustment notices sent. The remaining potential qualifiers will be issued with an application form so that a determination on whether they meet the criteria of the scheme can be made and adjustment notices sent thereafter.

Although this scheme is new and therefore not planned in the work of the Section there are no staffing implications within Finance as it is anticipated that the work can be handled within existing resources.

Financial Summary

There are no direct financial implications to the Council in adopting the scheme. The full value of discretionary awards is reimbursed by the Welsh Government, along with a small administration grant to cover expenses such as printing and postages for the application and billing procedures.

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 made and rate bills reduced.	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 High Street Relief Scheme
- Decide not to adopt the Scheme

Preferred Option and Why

Adopt the Scheme so that as many retailers as possible may benefit from reduced Rates bills.

Comments of Chief Financial Officer

There are no direct financial implications as the cost of the relief scheme is funded by Welsh Government and is expected to be sufficient to cover the level of applications that we will receive. The administration of the scheme is also covered within the grant, therefore there is no budget impact of this report.

Comments of Monitoring Officer

The proposed scheme is in accordance with the Council's statutory powers to grant discretionary rate relief under section 47 of the Local Government Finance Act 1988 ("the 1988 Act"). In order to adopt the scheme, full Council is required to make a formal determination under Section 47(1) (a) of the 1988 Act and formal decision under Section 47(3). 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. The proposed scheme for 18/19 is identical to the previous year's scheme, with the exception that the amount of rate relief available for both tier 1 and tier 2 businesses is reduced by half. The

Council is reimbursed by Welsh Government for the total amount of business rates income foregone as a result of the discretionary rate relief awarded under the scheme, through the calculation of the pooled NNDR income.

Comments of Head of People and Business Change

The report notes that although this scheme is new and therefore not planned in the work of the Section, there are no staffing implications within Finance as it is anticipated that the work can be handled within existing resources

Adoption of the Welsh Government's High Street Relief Scheme for 2017-18 is in line the Council's Well-being Objective to "Promote economic growth and regeneration whilst protecting the environment" and help support the "Newport Offer" intervention within Newport's Well-being Plan.

Comments of Cabinet Member

The Cabinet Member for Community and Resources has approved this report for consideration by Council.

Local issues

None

Scrutiny Committees

N/a

Equalities Impact Assessment and the Equalities Act 2010

Once adopted, the Council is obliged to comply with the Welsh Government's rules in applying the Scheme. These are detailed in the Appendix.

Children and Families (Wales) Measure

n/a

Wellbeing of Future Generations (Wales) Act 2015

N/a

Crime and Disorder Act 1998

n/a

Consultation

n/a

Background Papers

The Welsh Government's Guidance on the 2018-19 Scheme is available here:

<https://gov.wales/docs/ds/jlg/publications/localgov/180411-non-ndr-high-street-rates-relief-en.pdf>

Dated: 02 July 2018

APPENDIX

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 2018-19 '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 2018-19 only, aimed at high street retailers in Wales, for example shops, pubs, restaurants and cafes – including those retailers which have seen their rates increase as a result of the 2017 revaluation undertaken by the Valuation Office Agency.

The Welsh Government will provide two tiers of non-domestic rates relief, of up to £250 (Tier 1) or £750 (Tier 2), to eligible high street retailers occupying premises with a rateable value of £50,000 or less in the financial year 2018-19, subject to State Aid limits.

Properties that will benefit from this relief will be occupied high street properties such as shops, restaurants, cafes and drinking establishments, with a rateable value of £50,000 or less on 1 April 2018.

Two tiers of relief will be provided depending on the rateable value of the property, whether liability is increasing from 1 April 2017 as a result of the revaluation and whether the business is already entitled to other Welsh Government support.

Tier 1 – lower level of support: £250 (or the total remaining liability if this is less than £250)

Eligible ratepayers will be high street retailers whose properties have a rateable value of between £6,001 and £12,000* for the financial year 2018-19 and who meet the following criteria:

- In receipt of Small Business Rates Relief (SBRR) on 1 April 2018; and /or
- In receipt of Transitional Relief on 1 April 2018.

*There will be a small number of ratepayers whose properties have a rateable value of £12,000 or above who are in receipt of Transitional Relief. These ratepayers will also qualify for Tier 1 relief.

It is recognised that there may also be a small number of ratepayers whose properties have a rateable value of £12,000 who are not in receipt of Transitional Relief and who are on the very upper threshold of the SBRR taper and hence receive no SBRR relief. Such ratepayers will be eligible for Tier 1 relief.

Tier 2 – higher level of support: £750

Eligible ratepayers will be high street retailers whose property has a rateable value between £12,001 and £50,000 for the financial year 2018-19 and who meet the following criteria:

- Not in receipt of SBRR or Transitional Relief on 1 April 2018; and
- Had an increase in their rate liability on 1 April 2017.

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

i. Premises 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)

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)

ii. Premises 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
- Cinemas
- Estate and letting agents

iii. **Premises 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
- Wine Bars

To qualify for the relief a hereditament listed in (i) to (iii) should be wholly or mainly used as a shop, restaurant, café or drinking establishment. 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.

The list set out above is not intended to be exhaustive as it would be impossible to list all the many and varied high street retail uses that exist. There will also be mixed uses. However, it is intended to be a guide as to the types of uses that the Welsh Government considers should qualify for the High Street Rate Relief Scheme. Determinations will be required as to 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 to be appropriate, however it is highly unlikely that the Council would not wish an eligible business to benefit from the reduction in rates that the scheme affords.

There are certain business types that Welsh Government has specifically excluded from the scheme namely:

i. ***Premises that are being used for the provision of the following services:***

- Financial services (eg. banks, building societies, cash points, ATMs, bureaux de change, payday lenders, betting shops, pawn brokers)
- Medical services (eg. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (eg. solicitors, accountants, insurance agents, financial advisers, tutors)
- Post office sorting office
- Tourism accommodation, eg. B&Bs, hotel accommodation and caravan parks
- Sports clubs

Children's play centres
Day nurseries
Outdoor activity centres
Gyms
Kennels and catteries
Show homes and marketing suites
Employment agencies

There are a number of further types of hereditaments which the Welsh Government believes should not be eligible for the high street relief scheme:

ii. Premises with a rateable value of more than £50,000

Whilst it is recognised there are some high street retail businesses with rateable value above the £50,000 relief threshold who are also experiencing increases in their rateable values as a result of the 2017 Revaluation, these properties will not be eligible for this relief.

iii. Premises that are not reasonably accessible to visiting members of the public

If a business is not reasonably accessible to visiting members of the public, it will be ineligible for relief under the scheme.

iv. Premises situated in out-of-town retail parks or industrial estates

The scheme will only apply to business premises that are situated in a high street environment or similar, this includes town centre pedestrian shopping precincts or malls but specifically excludes those situated in out of town retail parks or industrial estates.

v. Premises that are not occupied

Properties that are not occupied on 1 April 2017 should be excluded from this relief. There are other statutory rate reliefs that provide reductions under certain circumstances for empty properties.

vi. Premises that are in receipt of mandatory charitable rates relief

Retail premises that already receive mandatory rate relief such as charity shops are excluded from receiving additional relief under the High Street Relief Scheme.

Other Considerations

Ratepayers that occupy more than one property will be entitled to High Street Rates Relief for each of their eligible properties, subject to State Aid de minimis limits.

Eligibility for the relief will be calculated based on the circumstances of the property and ratepayer as at 1 April 2018. Changes to properties which occur after this date will have no impact on eligibility for this relief.

Empty properties becoming occupied after 1 April 2018 will not qualify for this relief.

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 not qualify for the relief.

This treatment is intended to simplify the administration of the scheme but also reflects that the relief is to help support those affected by the revaluation. It is assumed that the rateable values for properties being occupied after 1 April 2017 will have been known in advance

State Aid

Awards made under the High Street Rate Relief Scheme will in most instances count as state aid and the European Union regulates state funded support to businesses.

The De Minimis Regulation allows an undertaking to receive up to €200,000 of De Minimis aid in a three-year period (consisting of the current financial year and the two previous financial years).

To administer the scheme and comply with the De Minimis regulations it is necessary for the council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. The threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

To comply with the state aid rules all ratepayers will required to declare if they consider that they have exceeded the de minimis limits and will be sent a form for this purpose.

Further information on the state aid and de Minimis rules can be found at:

<http://gov.wales/funding/state-aid/de-minimis-aid/?lang=en>

http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf