

# Report

## Council

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### Part 1

Date: 4 April 2017

Item No: Insert item number here

**Subject** **National Non-Domestic Rates: Discretionary Relief: High Street Relief Scheme 2017-18**

**Purpose** The purpose is for Council to resolve to adopt the Welsh Government's High Street Relief Scheme for 2017-18.

**Author** Head of Finance

**Ward** All

**Summary** The Welsh Government has made available grant funding for billing authorities to deliver in 2017-18 the High Street Rate Relief Scheme to reduce the rate burden on qualifying high street retail properties. The funding for 2017-18 amounts to a maximum of £573,500 and a number of businesses are expected to benefit from reduced rates by way of this Relief.

The qualifying ratepayers will fall into two categories, tier 1 who will receive up to £500, and tier 2 where up to £1500 will be awarded per qualifying property.

It is estimated that up to 758 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 2017-18 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

**Signed**

## **Background**

The Welsh Government has made available funding to billing authorities deliver in 2017-18 the High Street Rate Relief Scheme. The Council's allocation of funding amounts to a maximum of £576,500. The Scheme 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 means of making the awards of 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 2017-18 sits alongside other schemes, such as the extension of the Small Business Rates Relief Scheme until March 2018 and the Transitional relief scheme that is reducing the impact of the 2017 revaluation for some adversely affected businesses.

The Small Business Rate Relief Scheme (SBRR) completely removes payment of rates for businesses occupying premises with a rateable value of less than £6000, and provides tapered relief for those with premises with rateable values of between £6,000 and £12,000. This scheme has been temporarily extended to 31 March 2018 when Welsh Government intends to introduce a new rate relief scheme.

Following the 2017 revaluation a statutory transitional rate relief scheme has been introduced to cushion the effect of revaluation for those businesses that receive Small Business Rate Relief or did prior to the revaluation and no longer qualify. The scheme covers those businesses that now receive less SBRR or none at all, those that have to pay rates when previously they did not and those with a rateable value of £12,000 that is unchanged but face a monetary increase in what they have to pay due to the increased multiplier for 2017-18. The scheme will last for three years and in each year the rate increase is limited to 25% with the ratepayer eventually paying full rates from year 4. Transitional relief only applies to the occupier as at the 1<sup>st</sup> April 2017, subsequent occupiers will pay the full rates due.

Full details of the High Street Rate Relief Scheme and the guidance on the application of the scheme have only just been received from Welsh Government. The application process for ratepayers is more straightforward than for previous schemes however due to the number of excluded business uses and requirements to satisfy the state aid rules by way of a declaration from ratepayers it has not been possible to show the relief on the 2017-18 rate bills which have been issued to ratepayers. If Council resolves to adopt the scheme the rates bills of around 250 businesses will be recalculated and adjustment notices sent in time for April's instalment. The remaining potential qualifiers will be issued with an application form so that a determination on whether they meet the criteria of the scheme 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.

## Comments of Monitoring Officer

The proposed discretionary High Street Rate Relief Scheme is in accordance with the Council's statutory powers under Section 47 of the Local Government Finance Act 1988 and Welsh Government statutory guidance. This transitional relief for High Street shops and retailers is part of a package of measures introduced by Welsh Government to mitigate the financial effects on local businesses of the business rates revaluation and it is only available during 2017/18. The eligibility criteria and the nature of the rates relief is prescribed by the Guidance and the cost to the Council in terms of the reduced income is funded by Welsh Government grant under Section 31 of the Local Government Act 2003. However, for the scheme to be applied in Newport, the Council needs to formally resolve to adopt the scheme locally in exercise of its discretionary powers under section 47(1)(a) of the 1988 Act and the Head of Finance will then administer the scheme and make the necessary determinations in accordance with the officer scheme of delegation. Although the award of business rates relief can potentially constitute state aid, the amounts involved at both tier 1 and tier 2 levels are so small as to come within the de minimis block

exemption, but businesses receiving the reduction will need to declare any other public funding that they receive, to ensure that they do not exceed the relevant threshold.

## **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

The Council has recently published its Well-being Objectives in accordance with the Well-being of Future Generations (Wales) Act. Adoption of the Welsh Government's High Street Relief Scheme for 2017-18 would support the Council's Well-being Objective to "Promote economic growth and regeneration whilst protecting the environment".

## **Comments of Cabinet Member**

The Cabinet Member for Human Resources and Assets 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 on 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 2017-18 Scheme is available here:



High Street Rates  
Relief (HSRR) - Guidar

Dated: 20 March 2017

## 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 2015-16 '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 2017-18 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 £500 (Tier 1) or £1,500 (Tier 2), to eligible high street retailers occupying premises with a rateable value of £50,000 or less in the financial year 2017-18, 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 2017.

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: £500 (or the total remaining liability if this is less than £500)**

Eligible ratepayers will be high street retailers whose properties have a rateable value of between £6,001 and £12,000\* for the financial year 2017-18 and who meet the following criteria:

- In receipt of Small Business Rates Relief (SBRR) on 1 April 2017;
- and /or
- In receipt of Transitional Relief on 1 April 2017.

\*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: £1,500**

Eligible ratepayers will be high street retailers whose property has a rateable value between £12,001 and £50,000 for the financial year 2017-18 and who meet the following criteria:

- Not in receipt of SBRR or Transitional Relief on 1 April 2017; and
- Have an increase in their 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 2017. Changes to properties which occur after this date will have no impact on eligibility for this relief.

Empty properties becoming occupied after 1 April 2017 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 a

## **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](http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf)

## **Section 2 – Calculation examples**

SBRR – Small Business Rates Relief

TR – Transitional Relief

HSRR – High Street Rates Relief

### **Example 1**

	<b>£</b>
Rateable Value in 2010	= 6,000
2010 Base liability @ 0.486	= 2,916
2010 liability after SBRR	= 0
Rateable Value in 2017	= 8,000
Base liability @ 0.499	= 3,992
Liability after SBRR	= 1,331
Liability after TR	= 333
Tier 1 HSRR	= 333
2017 liability after Tier 1 HSRR	= 0

### **Example 2**

	<b>£</b>
Rateable Value in 2010	= 9,000
2010 Base liability @ 0.486	= 4,374
2010 liability after SBRR	= 2,187
Rateable value in 2017	= 14,000
Base liability @ 0.499	= 6,986
Liability after SBRR	= 6,986
Liability after TR	= 3,387
Tier 1 HSRR	= 500
2017 liability after Tier 1 HSRR	= 2,887

### **Example 3**

	<b>£</b>
Rateable Value in 2010	= 15,000
2010 Base liability @ 0.486	= 7,290
2010 liability after SBRR	= 7,290
Rateable value in 2017	= 24,000
Base liability @ 0.499	= 11,976
Liability after SBRR	= 11,976
Liability after TR	= 11,976
Tier 2 HSRR	= 1,500
2017 liability after Tier 2 HSRR	= 10,476