

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

REPORT FOR CABINET

DATE: 23rd June 2014

BUSINESS RATES: WALES 'RETAIL RELIEF' AND 'LOCAL NEEDS' SCHEMES

REPORT OF THE GROUP DIRECTOR CORPORATE SERVICES

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1. Purpose Of The Report

- 1.1. This report provides Members with information about two new schemes introduced by the Welsh Government (WG) to provide rate relief for businesses. The “Wales Retail Relief Scheme” provides £8 million funding across Wales to help cut rates bills for retailers, food and drink premises; whilst the “Local Needs Scheme” provides £3.5 million funding across Wales that allows local authorities discretion to provide additional, targeted rate relief to those businesses that may have been negatively affected by the postponement of the NDR revaluation that was scheduled for 2015.
- 1.2. The effective date of both schemes is 1st April 2014

2. Recommendations

- 2.1. It is recommended that Members:
 - a) Note the details of the “Wales Retail Relief” scheme detailed in this report,
 - b) Note the details of the “Local Needs Scheme” detailed in the report and agree to receive a further report once details of the local scheme design have been completed.

3. Wales Retail Relief Scheme

3.1. Background

- 3.1.1. Welsh Government (WG) has released this new scheme to follow what happened in England, following an announcement in the Chancellor's 2013 Autumn Statement.
- 3.1.2. This purpose of the scheme is to support businesses in Wales that are responding to the challenges as a result of the changing retail environment i.e. internet shopping, with many high street traders having to adapt to changing consumer preferences in how people shop. It is also aimed at contributing to the development of sustainable and vibrant town centres. WG has announced that it will provide relief of up to £1,000 on the business rates bill for all occupied retail properties with a rateable value of £50,000 or less in the financial year 2014/15 (subject to State Aid limits). No decision has been made by WG to extend the scheme beyond 2014/15 financial year.
- 3.1.3. The Council has been awarded £685,358 to support any expenditure incurred by it for the purposes of providing support under the Retail Relief Scheme.
- 3.1.4. As this is a temporary measure, the relief will be provided by councils using existing discretionary rate relief powers under Section 47 of the Local Government Finance Act 1988 (LGFA 1988), but as this is a 'national policy', local rate relief policies adopted by councils do not need to be amended.
- 3.1.5. It will be for individual councils to grant relief under Section 47, but WG will reimburse councils for the relief that is provided in line with this guidance (using a grant under Section 31 of the Local Government Act 2003).

3.2. Which properties will benefit from Relief?

- 3.2.1. Properties with a rateable value of £50,000 or less, that are wholly or mainly being used as retail premises, that is, shops, restaurants, cafes and drinking establishments will benefit from the scheme.
- 3.2.2. WG have set out detailed lists of the types of businesses/traders that it considers the scheme is intend to help, and these are set out in Appendix 1 for information.
- 3.2.3. To qualify for the relief the property should be wholly or mainly being used as a shop, restaurant, café or drinking establishment. This is a test on use rather than occupation. Therefore, properties that are occupied, but not wholly or mainly used for the qualifying purpose, will not qualify for the relief.

3.2.4. The list set out in Appendix 1 is not exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, the list is merely intended to be a guide for councils as to the types of uses that WG consider for this purpose, to be retail. Councils 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.

3.3. Which Properties will not Benefit from Relief?

3.3.1. The list below sets out the types of uses that WG does not consider to be retail use for the purpose of this rate relief scheme. Again, it is for Councils to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme.

- a) Properties that are being used for the provision of the following services to visiting members of the public:
 - Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers)
 - Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
 - Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
 - Post office sorting office
 - Tourism accommodation such as 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

- b) Properties that are not reasonably accessible to visiting members of the public.

3.3.2 It should also be noted that as the this scheme operates under the provisions of Section 47 LGFA 1988 relating to discretionary rate relief, 'excepted properties' under Section 47 i.e. those occupied by a Billing Authority or Precepting Authority, will not qualify for support.

3.4. Additional Information

3.4.1. Wales Retail Relief can be provided in addition to Small Business Rates Relief and relief provided under the Open for Business Scheme as well as any hardship or discretionary relief awarded by the Council. The relief will be applied against the net bill after the other reliefs have been applied.

3.4.2. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid *de minimis* limits.

3.4.3. Relief can only be granted via an application form and therefore identification of affected properties will be carried out and the respective businesses targeted accordingly.

4. Wales “Local Needs Scheme”

4.1. Background

4.1.1. WG has also provided an additional £3.5m funding for local authorities to provide additional, targeted rates relief. This will give councils the flexibility to use their local knowledge to provide rates relief support to other businesses that may have been negatively affected by the postponement of revaluation of business premises.

4.1.2. The Council has been awarded £198,739 to support any expenditure incurred by it for the purposes of providing support under the Scheme.

4.1.3. Similar to the Retail Relief Scheme, this is also a temporary measure and only applies for 2014/15 financial year. The relief will be provided by councils using existing discretionary rate relief powers (under Section 47 of the Local Government Finance Act 1988), but again, as this is a 'national policy', local rate relief policies adopted by councils do not need to be amended.

4.1.4. It will be for individual councils to decide to grant relief under Section 47, but WG will reimburse councils for the relief that is provided in line with this guidance (using a grant under Section 30 of the Local Government Act 2003).

4.2. Which types of businesses may benefit from 'Local Needs' Rate Relief?

4.2.1. WG have not provided any guidance or details of the type of business that may qualify for support under this Scheme, but they have provided some illustrative scheme examples of the type of scheme or schemes that a local authority may choose to implement in targeting businesses that may have been negatively impacted by the postponed revaluation or to meet local economic development priorities.

4.2.2. The examples are not an exhaustive list of the options available to local authorities, but WG advise that in every case councils should seek its own legal advice on the propriety of the criteria it intends to adopt within the context of Section 47 of the Local Government Finance Act 1988.

4.2.3. The examples provided by WG are set out below:-

- Example 1- By geographical areas

Ratepayers will be entitled to up to £**** discount on the Rates Bills where:

- They occupy premises located in *** (high street, shopping area, rural location, or industrial area - as specified in the s47 decision).
- The rateable value of the hereditament is less than £**RV**
- The relevant State Aid criteria are met

- Example 2 – By business sector or sub-sector

Ratepayers in the **** sector are entitled to a maximum discount of £***, where:

- The business occupying the hereditament is a new business, startup or has plans to grow its business during 2014/5.
- The rateable value of the hereditament occupied by the ratepayer is less than £**RV**
- The relevant State Aid criteria are met

The local authority may ask for evidence of the business plan in order to judge whether awarding the relief will meet its locally identified economic development priorities.

The following businesses are not entitled to relief under the scheme: (examples).

- Example 3 – Businesses employing or creating jobs, in line with its economic development policy

Ratepayers are entitled to up to **% relief on the non-domestic rates where:

- The occupied hereditament is located in *** (location based on postcode, street name or other reference).
- The hereditament has a rateable value of less than £**RV**
- The business has plans in place to recruit new employees.
- The relevant State Aid criteria are met.

The authority may ask for evidence of the plans to recruit or grow and/or may ask for further evidence of how granting a discount will benefit the local authority area.

- Example 4 – Targeted relief to business entitled to other reliefs

Ratepayers are entitled to additional relief of up to £*** on the NDR Bill where:

- The business is entitled to Wales Retail Relief
- The business is located in **** (location based on postcode, street name or other reference).

4.2.4 As set out under paragraph 3.3.2 above, as this scheme will operate under the provisions of Section 47 LGFA 1988, relating to discretionary rate relief, 'excepted properties' under Section 47 i.e. those occupied by a Billing Authority or Precepting Authority, will not be able to qualify for support.

4.3. Maximising the funding available

4.3.1. With a limited amount of funding available – £198,739, it is evident that only a limited number of ratepayers will be able to be awarded with a meaningful level of rate relief. There are 6,600 businesses within RCT, but 2,900 already either pay nothing or a substantially reduced amount, as they already qualify for 50%, 80% or 100% discretionary rate relief and/or charitable rate relief.

4.3.2. As the funding is effectively cash-limited, any relief awarded in excess of the £198,789 will fall under the funding rules that apply where councils award discretionary rate relief under the Localism Act 2011 i.e. 100% of the cost must be met by the Council. However, due to the late announcement of the scheme, no provision has been set up in the Council's budget for 2014/15 for any potential

overspend.

- 4.3.3. It will therefore be necessary to design a local scheme that is effectively targeted and has restricted qualifying conditions to ensure that the Council does not overspend its funding allocation but still provides a meaningful reduction in the rate liability. It may for example, be considered prudent to exclude those businesses who already receive a significant percentage of rate relief (50%, 80% or 100%). This will be examined in more detail when evaluating the scheme design options.

4.4. **Next Steps**

- 4.4.1. The various options set out in WG guidance will need to be modelled to assess the overall financial impact of each.
- 4.4.2. Once this work has been completed, an updated report will be presented to Cabinet to consider and agree the final scheme design that will operate for 2014/15. Any resultant qualifying ratepayers will be awarded the rate relief under the scheme retrospectively to the start of the financial year or the date of occupation, whichever is the earliest.

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Appendix 1

Examples of the types of retail premises that may qualify for assistance under the Wales Retail Relief Scheme

- Properties that are being used for the sale of goods to visiting members of the public:-
 - Shops (such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, newsagents, hardware stores, supermarkets, etc)
 - Charity shops
 - Opticians
 - Pharmacies
 - Post offices
 - Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
 - Car/ caravan show rooms
 - Second hand car lots
 - Markets
 - Petrol stations
 - Garden centres
 - Art galleries (where art is for sale/hire)

- Properties that are being used for the provision of the following services to visiting members of the public:-
 - Hair and beauty services
 - Shoe repairs/ key cutting
 - Travel agents
 - Ticket offices e.g. for theatre
 - Dry cleaners
 - Launderettes
 - PC/ TV/ domestic appliance repair
 - Funeral directors
 - Photo processing
 - DVD/ video rentals
 - Tool hire
 - Car hire
 - Cinemas
 - Estate and letting agents

- Properties that are being used for the sale of food and/ or drink to visiting members of the public:-
 - Restaurants
 - Drive through/drive in restaurants
 - Takeaways
 - Sandwich shops
 - Cafés
 - Coffee shops
 - Pubs
 - Wine Bars