

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

22ND JUNE 2017

NON-DOMESTIC RATES – WALES HIGH STREET RATE RELIEF SCHEME 2017/18

REPORT OF THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES IN DISCUSSION WITH THE RELEVANT PORTFOLIO HOLDER, COUNCILLOR M NORRIS

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1. PURPOSE OF THE REPORT

- 1.1. This report provides Members with information about a new scheme introduced by the Welsh Government (WG) to provide rate relief for certain types of businesses. The “Wales High Street Relief Scheme” provides £10 million funding across Wales to help reduce rates bills for high street ratepayers i.e. retailers, food and drink premises. The scheme is intended to operate for the 2017/18 financial year only.

2. RECOMMENDATIONS

- 2.1. It is recommended that Members: -

- a) Note the details of the “Wales High Street Rate Retail Relief Scheme “ (‘The Scheme’) set out in this report;
- b) Determine that, unless properties are excepted under (c) below, Section 47(1) (a) Local Government Finance Act 1988 (‘The Act’) (relating to discretionary relief) will apply as regards the properties described in ‘The Scheme’ in accordance with the rules described in relation to those properties;
- c) Relief is not available under ‘The Scheme’ to those properties which are excepted from discretionary rate relief under Section 47 (9) of ‘The Act’ e.g. properties occupied by a local authority or a precepting authority, and
- d) Agree that for the financial year 2017/18, ‘The Scheme’ shall apply to the types of premises described in this report and that the Group Director of Corporate & Frontline Services use his delegated powers to apply the relief to qualifying ratepayers.

3. BACKGROUND

- 3.1. The independent Valuation Office Agency (VOA) undertook a revaluation of business properties across the whole of England and Wales and introduced the new Rateable Values (RV) from 1st April 2017. The revaluation did not affect domestic properties that pay council tax.

- 3.2. Business rates are set by national legislation and are not under decision-making powers of councils whose role is to collect the business rates on behalf of WG (the National Business Rates Pool). Business rates revenue is then redistributed on a 'per capita' basis through the annual Local Government Settlement.
- 3.3. The VOA's new rateable values are assigned to each commercial property and were used for the calculation of business rates liability for 2017/18 financial year (i.e. bills were issued in late March 2017). The overall effect of a revaluation exercise is cost-neutral, but inevitably there will be gainers and losers as the revaluation takes account of the fluctuations in the relative value of commercial properties since the last revaluation (in 2010). In RCT the overall effect of the revaluation saw RV's fall on average by 6.9%. This compares to a fall of 2.9% on average for Wales and an increase of 9.6% in England.
- 3.4. The Welsh Government introduced a transitional relief scheme to mitigate large increases in rate liability, tapering the increase over a three year period. In addition, the Small Business Rates Relief scheme was extended for a further one year, to 31st March 2018. This assists rate-payers with a RV up to £12,000. Despite this, earlier this year the national media widely reported on the impact of this 'redistribution of the tax liability' through the revaluation, with reports of some business ratepayers experiencing significant increases to their RV and thus a large change in their annual bill as a result.
- 3.5. In response to significant lobbying by ratepayer groups in certain parts of Wales, WG announced in February 2017 that a new scheme for 2017/18 was going to be introduced with the aim of targeting £10M of support to some high street retail ratepayers. The press statement of the Cabinet Secretary for Finance and Local Government is at Appendix 1 for information.
- 3.6. Eligibility under the High Street Relief Scheme will be focused on those businesses that have seen increases in their liability as a result of the revaluation; businesses on high streets where rates are falling but are struggling as a result of economic conditions and competition from online and out-of-town providers. The rate relief scheme is intended to be a temporary measure for 2017-18 only, and is aimed at high street retailers, for example shops, pubs, restaurants and cafes.

4. DETAILS OF THE WALES HIGH STREET RATE RELIEF SCHEME

- 4.1. Detailed guidance on how 'The Scheme' will operate was issued by WG in late March, but due to the timing of the Local Government elections, many councils were unable to get the adoption of the scheme approved in time to re-issue rate bills. In practice, the making of the awards under 'The Scheme' will be done by virtue of councils discretionary powers under Section 47, Local Government Finance Act 1988.
- 4.2. 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 Group Director Corporate & Frontline Services under the Council's 'Scheme of Delegation' (existing applications for discretionary rate relief are already dealt with in this way). The Council will be reimbursed for the rates income foregone as a result of 'The Scheme' when calculating monies to be paid over to the Welsh Government 'pool'.

4.3. 'The Scheme' 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 certain criteria and State Aid limits¹. Details are set out below:-

a) **Tier 1 – lower level of support: Maximum support £500**

Eligible ratepayers will be high street retailers whose properties have a rateable value of between £6,001 and £12,000² for the financial year 2017-18 and who meet the following criteria:-

- The property is occupied for retail purposes as at 31st March 2017 and the same occupier continues to be in occupation on 1st April 2017
- In receipt of small business rates relief and/or transitional relief on 1st April 2017
- Any sum of this award and any other funding must be less than the state aid de minimis (currently €200,000 over a three year period).

Eligible ratepayers will receive £500 (or the total remaining liability if this is less than £500)

b) **Tier 2 – higher level of support: Maximum support £1,500**

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

- There was an increase in rate liability on 1st April 2017
- The property is occupied for retail purposes as at 31st March 2017 and the same occupier continues to be in occupation on 1st April 2017
- Not in receipt of Small Business Rates Relief or Transitional Relief on 1st April 2017
- Any sum of this award and any other funding must be less than the state aid de minimis (currently 200,000 Euros over a three year period).

Eligible ratepayers will receive a maximum of £1,500

5. **WHAT TYPES OF BUSINESS WILL BENEFIT HIGH STREET RATE RELIEF?**

5.1. WG guidance indicates that for the purposes of 'The Scheme', the qualifying premises must be wholly or mainly being used as retail premises, within the "high street" and it is the intention that retail premises covers "shops, restaurants, cafes and drinking establishments".

5.2. The Guidance does not provide a definition of what constitutes 'the high street' but councils are encouraged to take a flexible and pragmatic approach to determine whether the premises is considered to be 'high street' located.

¹ <http://gov.wales/funding/state-aid/de-minimis-aid/?lang=en>

² 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.

- 5.3. The Guidance contains examples of the types of business that will qualify and these are set out in Appendix 2 of this report for information. The test should be on use of the premises rather than who is in occupation. If the premises are not wholly or mainly used for the qualifying purpose, the ratepayer will not qualify.
- 5.4. In addition the Guidance also sets out a number of conditions and a list of the types of properties providing certain services that will mean the ratepayer will not be considered eligible for relief. These are set out in Appendix 3 of this report for information.

6. HOW MANY BUSINESS IN RCT WILL POTENTIALLY BENEFIT?

- 6.1. Over the past few weeks officers in the Financial Services Division have analysed the Council’s rating records to provide WG officials with the estimated numbers of ratepayers who may potentially qualify for relief under ‘The Scheme’, so that provisional funding can be allocated. It has been estimated that the following number of ratepayers may qualify for assistance;

Category	No. of Ratepayers	Est. Value of Relief Claimed from WG
Ratepayers with a RV over £6,000 meeting Tier 1 Criteria	573	£256,000
Ratepayers with a RV between £12,001 and £50,000 meeting Tier 2 Criteria	251	£380,000
Total	824	£645,000

- 6.2. It can be seen that under ‘The Scheme’ there is scope for £645,000 rate relief to be paid to approximately 800 ratepayers (nearly 12% of the total ratepayers) in the County Borough in 2017/18 (based on 100% take-up).

7. HOW WILL LOCAL BUSINESSES RECEIVE THE RATE RELIEF?

- 7.1. WG guidance enables councils to provide relief by either making a direct award or using an application based approach. Initial indications on how councils across Wales intend to determine entitlement to relief is mixed, but it is the view of a considerable number that an ‘application based’ approach would be preferable, as this is consistent with the majority of other rate relief schemes in place and will reduce the administrative burden. This is the approach recommended for this Council.
- 7.2. In April, discussions were initiated by officers of this Council with neighbouring councils to establish if it would be possible to adopt a consistent approach to the way ‘The Scheme’ would operate in practice across a wider geographical region than just RCT. As a consequence, agreement was reached with officers from Caerphilly, Blaenau Gwent, Merthyr Tydfil and Bridgend Council’s on a number of ‘key principles’ for the operation of ‘The Scheme’ and these are set out at Appendix 4 for information.
- 7.3. Following the adoption of The Scheme, application forms will be sent to all identified ‘potential qualifiers’. All applicants will be required to indicate that the award of the relief will not exceed the State Aid €200,000 threshold. Whilst this seems unlikely in

terms of the level of relief that will be awarded, it should be noted that some ratepayers may have more than one property and could have multiple business premises across Wales.

- 7.4. On receipt of an application form and supporting State Aid documentation, relief will be granted where the qualification criteria is met. The revised rate liability will be calculated and adjustment notices sent to all successful applicants. Information on The Scheme and how to apply will be available on the Council's website.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1. The matters set out in this report are factual; there are no equality and diversity implications. Once adopted, the Council is obliged to comply with the Welsh Government's rules in applying the Scheme. These are detailed at Appendix 2 and 3.

9. CONSULTATION

- 8.1 There are no consultation requirements emanating from the recommendations set out in the report.

10. FINANCIAL IMPLICATION(S)

- 10.1. There are no direct financial implications to the Council in adopting the scheme. The full value of discretionary rate relief awarded is taken into account in the annual return made by the Council to determine its contribution from the Welsh Non Domestic Rating Pool. A modest administration grant (approx. £6,000) will be paid by WG to cover the revenue expenses of administering 'The Scheme' e.g. printing and postages for the applications and re-billing processes.

11. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 11.1. 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.
- 11.2. For the scheme to be applied in Rhondda Cynon Taf, 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 Group Director Corporate & Frontline Services will administer the scheme and make the necessary determinations in accordance with the Council's '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.

12. LINKS TO THE COUNCIL'S CORPORATE PLAN / OTHER CORPORATE PRIORITIES/ SIP

12.1. The matters set out in this report are factual and arise from internal financial records. There are no links to any of the Council's plans or priorities.

13. CONCLUSION

13.1. The Wales High Street Rate Relief Scheme forms part of a package of Welsh Government measures available to support businesses. The High Street Relief Scheme for 2017-18 sits alongside these other schemes, such as the Small Business Rates Relief Scheme until March 2018 and the Transitional Relief scheme that is also reducing the impact of the 2017 revaluation for some adversely affected businesses.

Wales High Street Rate Relief Scheme Cabinet Secretary for Finance & Local Government Press Statement

Finance Secretary Mark Drakeford today announced details of a £10m targeted relief scheme to provide extra support for high street businesses across Wales from April.

Friday 17 February 2017

The scheme will support almost 15,000 shops, restaurants, pubs and cafes, including those which have seen their rates increase as a result of the independent Valuation Office Agency's (VOA) revaluation, which comes into effect on April 1.

The high street rates relief scheme will also provide support to other retailers – some of whom have seen their rates decrease as a result of revaluation – who are struggling in the face of economic conditions and competition from online and out-of-town providers.

Eligible retailers will receive up to £1,500 off their non-domestic rates bill if they have a rateable value of £50,000 or less in the 2017/18 financial year.

To maximise the amount of support which can be provided and ensure it is targeted at areas and businesses most in need, there will be two tiers of relief available.

The first tier of relief will apply to high street retailers with a rateable value of between £6,001 and £12,000 who are already receiving either small business rates relief (SBRR) or transitional rates relief. They will receive a reduction in their rates bill of £500 or, if their bill is less than £500, it will be reduced to nil.

The second tier of relief will apply to eligible high street retailers with a rateable value of between £12,001 and £50,000 which are experiencing a rates increase from April 1. These ratepayers will receive a reduction in their rates bill of £1,500.

They will receive a higher level of support to reflect the fact they are not receiving other support, such as SBRR, and may be facing large increases in their rates following the revaluation.

High street rates relief is unique to Wales and will provide crucial support to small and medium businesses at this time – it is estimated that this will benefit almost 15,000 businesses.

The targeted rates relief scheme will be provided through a special grant made to each local authority.

Announcing the details today, Professor Drakeford said:

“Some retailers across Wales are concerned about increases in their rates as a result of the VOA's revaluation.

“We are therefore providing a further £10m to help businesses in those communities which have been adversely affected.

“This new scheme is in addition to the £10m transitional relief scheme, which will also be available from April 1 and the £100m tax cut for small businesses in Wales provided by small business rates relief. It will provide vital support to ratepayers on high streets across Wales and offer these businesses extra support.

“Work is already underway to develop a new permanent small business rates relief scheme for 2018. We are listening to the feedback we have received so we can make the scheme as fair, reasonable and transparent as possible.”

The Welsh Government has been working closely with local authorities to develop the scheme and prepare for its implementation.

Retailers can find out whether they are eligible for the high street rates relief scheme in 2017-18 by contacting their local authority. Accompanying guidance will be provided to local authorities to support the effective administration of the relief.

Wales High Street Rate Relief Scheme

Types of properties that may qualify for assistance

WG have provided the following list as examples of the types of retail premises that may qualify for assistance. For the purposes of the 'The Scheme', WG guidance indicates that high street properties such as "shops, restaurants, cafes and drinking establishments will mean the following:-

Table 1

(A) Properties being used for the sale of goods to visiting members of the public	
a)	Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licences, newsagents, hardware stores, supermarkets etc.)
b)	Opticians
c)	Pharmacies
d)	Post offices
e)	Furnishing shops or display rooms (such as carpet shops, double glazing, garage doors)
f)	Car or caravan showrooms
g)	Second hand car lots
h)	Markets
i)	Petrol stations
j)	Garden centres
k)	Art galleries (where art is for sale or hire)
(B) Properties being used for the provision of the following services to visiting members of the public	
a)	Hair and beauty services
b)	Shoe repairs or key cutting
c)	Travel agents
d)	Ticket offices, e.g. for theatre
e)	Dry cleaners
f)	Launderettes
g)	PC, TV or domestic appliance repair
h)	Funeral directors
i)	Photo processing
j)	DVD or video rentals
k)	Tool hire
l)	Car hire
m)	Cinemas
n)	Estate and letting agents
(C) Properties being used for the sale of food and / or drink to visiting members of the public	
a)	Restaurants
b)	Drive-through or drive-in restaurants
c)	Takeaways
d)	Sandwich shops
e)	Cafés
f)	Coffee shops
g)	Pubs
h)	Wine Bars

Wales High Street Rate Relief Scheme

Types of properties that do not qualify for assistance

1. The list below sets out the types of uses that Welsh Government **does not** consider to be high street retail use for the purpose of this relief and would not be deemed eligible. However, WG guidance indicates that it will be for local authorities to determine if properties are similar in nature to those listed below and if they would not be eligible for relief under the scheme.

Table 2

Properties being used wholly or mainly for the provision of the following services to visiting members of the public
a) Financial services (e.g. banks, building societies, cash points, ATMs, bureaux de change, payday lenders, betting shops, pawn brokers)
b) Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
c) Professional services (e.g. solicitors, accountants, insurance agents, financial advisers, tutors)
d) Post office sorting office
e) Tourism accommodation, e.g. B&Bs, hotel accommodation and caravan parks
f) Sports clubs
g) Children's play centres
h) Day nurseries
i) Outdoor activity centres
j) Gyms
k) Kennels and catteries
l) Show homes and marketing suites
m) Employment agencies

2. There are a number of **further types** of properties which the Welsh Government specifies **should not be eligible** for High Street Relief.

Table 3

<i>Properties with a rateable value of more than £50,000</i> 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. However, local authorities have the option to use their discretionary powers to offer discounts outside this scheme to such businesses if it is in the interests of the local community to do so.
<i>Properties that are not reasonably accessible to visiting members of the public</i> If a property is not 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 property that might be considered to fall within the descriptions in Table 1 (A), (B) and (C)

Wales High Street Rate Relief Scheme
Types of properties that do not qualify for assistance

Table 3 (cont'd)

<p><i>Properties that are in out-of-town retail parks or industrial estates</i> What constitutes a high street retailer will vary significantly across local authority areas and it is left to the discretion of authorities to determine this based on their local areas. However, properties in out-of-town retail parks and industrial estates are not considered to constitute the high street for the purposes of this relief even if there is ancillary use of the property that might be considered to fall within the descriptions in Table 1 (A), (B) and (C). As the grant of the relief is discretionary, it is for authorities to determine for themselves whether particular properties constitute a high-street retailer.</p>
<p><i>Properties that are not occupied</i> Properties that are not occupied on 1 April 2017 should be excluded from this relief. However under the Empty Property Relief scheme, empty properties will receive a 100% reduction in rates for the first three months (and in certain cases six) of being empty.</p>
<p><i>Properties that are in receipt of mandatory charitable rates relief</i> These properties already receive mandatory charitable relief which gives an 80% reduction in liability and authorities may also choose to provide discretionary charitable relief which can reduce the remaining rate liability to nil. As such, these properties will not be eligible for high street rate relief.</p>

Wales High Street Rate Relief Scheme

Key Operational Principles

Rhondda Cynon Taf, Caerphilly, Blaenau Gwent and Merthyr Tydfil County Borough Councils (“the Councils”)

Key Operational Principles Agreed

Objective: To establish common operational practice and consistency across a number of key principles in the implementation and administration of the High Street Rate Relief (HSRR) Scheme.

Key Principle Agreed:

1. How the HSRR scheme will be administered:-
 - a) Entitlement to HSRR will be by way of ‘application’ rather than ‘direct award’.
 - b) The Councils will contact ‘potential qualifiers’ and invite a written application with supporting state aid documentation.
 - c) Awareness of the HSRR scheme will be promoted through the Council’s website etc.

2. Which properties will benefit from HSRR?
 - a) To qualify for HSRR the Councils will use the lists of premises set out in paragraph 15 (i) to (iii) of WG guidance and will take a flexible and pragmatic approach to determine whether the premises is deemed to be ‘high street’ located. The decision on ‘high street’ location will aim to reflect the physical composition of towns and villages within local communities i.e. will look to award relief unless the premises are clearly situated in a retail park or an industrial estate.
 - b) The Councils will apply the ‘test on use rather than occupation’ where appropriate to do so, but
 - i) in the case of ‘tourism accommodation’ will only refuse relief where the purpose of accommodation is the primary use of the premises.
 - ii) relief will be awarded to ‘high street’ social clubs, even if access is restricted by membership.

3. How much relief will be available?
 - a) In accordance with WG guidelines, HSRR eligibility will be calculated on a daily basis and entitlement will be apportioned on change of occupation by a ‘qualifying’ ratepayer (based on occupation as at 31/03/17).

4. Changes to existing properties, including change of occupier and changes in Rateable Value (RV):-
 - a) In accordance with WG guidelines eligibility will be calculated based on the circumstances of the property and the ratepayer as at 1st April 2017.
 - b) Where there is a retrospective change in RV effective from 1st April 2017, entitlement to HSRR will be recalculated accordingly, subject to the ‘net liability’ rules set out in paragraph 23 of WG guidelines.