



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### CABINET

28<sup>th</sup> FEBRUARY 2023

#### NON-DOMESTIC RATE (NDR) RELIEF SCHEMES & REVALUATION UPDATE

#### REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR – FINANCE, DIGITAL AND FRONTLINE SERVICES IN DISCUSSION WITH THE RELEVANT PORTFOLIO HOLDER (CLLR T LEYSHON)

Author(s): MR MATTHEW PHILLIPS, HEAD OF SERVICE (REVENUES & BENEFITS)

#### 1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to provide Cabinet with:

- a) Details of the Welsh Government Non-Domestic Rates (NDR) – Retail, Leisure and Hospitality Rate Relief (RLH) Scheme for 2023/24
- b) Details of a proposed local business rate reduction scheme
- c) Details of the NDR Revaluation which comes into effect from 1<sup>st</sup> April 2023

#### 2. RECOMMENDATIONS

2.1 It is recommended that Cabinet:

- a) Note the details of the WG RLH Scheme and formally adopt the scheme for the year 2023/24
- b) Agree the proposed local Business Rate Reduction Scheme for 2023/24
- c) Note the details of the NDR revaluation exercise

#### 3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that qualifying businesses benefit from the RLH scheme and the local business rate reduction scheme for the whole of the financial year 2023/24 (in relation to business rate payments) and that Cabinet are aware of the impact of the revaluation on businesses in Rhondda Cynon Taf.

#### 4. BACKGROUND

4.1 In March 2020, in response to the growing concerns about the impact of the COVID 19 pandemic on the economy in Wales, Welsh Government published details of a financial support package for businesses, which included a new temporary business rates relief scheme.

- 4.2 The scheme, the Retail, Leisure and Hospitality Rate Relief scheme, provided a business rate “holiday” for all qualifying businesses for 2020/21 and this was extended into 2021/22. Around 1,300 businesses in Rhondda Cynon Taf benefitted from those schemes annually.
- 4.3 In March 2022, WG announced a number of changes to the RLH scheme, mainly to reduce the value of relief being awarded on an All-Wales basis. The main changes of the scheme were:
- To reduce the maximum level of RLH relief to 50% of the rates liability (previously 100%)
  - To limit the overall value of RLH relief a business could receive across Wales to £110,000
- 4.4 In conjunction with the RLH scheme, Cabinet has previously agreed to provide additional rate relief through a Local Business Rate Relief Scheme. In February 2022, Cabinet agreed a scheme that would provide additional rate relief of up to £300 to a qualifying business for the financial year 2022/23.
- 4.5 As of 1<sup>st</sup> February 2023, over £2.6M of RLH relief had been provided to over 600 qualifying businesses and £159K of local rate relief to 580 businesses for the financial year 2022/23.

## **5. RETAIL, LEISURE AND HOSPITALITY (RLH) RATES RELIEF IN WALES SCHEME**

- 5.1 On 12<sup>th</sup> December 2022, WG announced further changes to the RLH scheme for 2023/24 to reflect the current economic context, including high inflation and increasing business related costs (e.g. energy, fuel).
- 5.2 The RLH scheme for 2023/24 will provide 75% rates relief (currently 50%) for the financial year and is aimed at businesses and other ratepayers in Wales in the retail, leisure and hospitality sectors, such as shops, pubs, restaurants, gyms, performance venues and hotels.
- 5.3 The scheme aims to provide support for eligible occupied properties by offering a discount of 75% on the non-domestic rates bill of all eligible premises. The scheme will apply to all eligible ratepayers but the overall value of RLH relief that can be allowed (across Wales) is £110,000 per business.
- 5.4 The list of the types of businesses able to qualify for the relief is set out at Appendix 1 with those non-qualifying businesses set out at Appendix 2. One of the key qualifying criteria is that the property (hereditament) is used for the provision of goods and / or services to visiting members of the public.
- 5.5 As the scheme is a temporary measure, WG are providing the relief by reimbursing Councils who use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988. It will be for individual Councils to adopt a scheme and determine awards in each individual case 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.

- 5.6 In line with WG requirements, businesses will need to make an application to the Council for the RLH relief to be assessed and applied to their NDR bill.
- 5.7 As of 4<sup>th</sup> January 2023, the new UK subsidy control regime commenced with the coming into force of the Subsidy Control Act 2022. The RLH scheme is likely to be a subsidy under the new regime. Any relief provided by Councils under this scheme will need to comply with the UK's domestic and international subsidy control obligations.
- 5.8 To the extent that a Council is seeking to provide relief that falls below the Minimal Financial Assistance (MFA) thresholds, the Subsidy Control Act 2022 allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to £315,000 in a 3-year period (consisting of the 2023-24 year and the two previous financial years). Previous iterations of the RLH scheme in Wales were not provided as a subsidy. Councils should ask the ratepayers, on a self-assessment basis, to declare as part of their application for RLH that they are not in breach of the cash cap or MFA limit

## **6. PROPOSED LOCAL BUSINESS RATE REDUCTION SCHEME**

- 6.1 In order to further support our Retail, Leisure and Hospitality businesses in 2023/24 it is proposed that the local discretionary relief be extended and provided in **addition** to the WG RLH scheme of up to a maximum of £500 per qualifying business (currently set at £300 per qualifying business).
- 6.2 The qualifying criteria of the RLH scheme shall be applied. It is estimated that 600 businesses in Rhondda Cynon Taf would benefit from this further support.
- 6.3 In cases where the “net” rates bill (following the award of RLH and any other applicable reliefs) is less than £500, the rates bill will be reduced to zero.
- 6.4 Subject to an application and eligibility for RLH, the Council will then also award up to £500 local discretionary relief. Businesses will then receive an adjusted Non Domestic Rates bill, net of RLH relief and the Local Business Rate relief.
- 6.5 It is noted that there are no planned changes to the WG's Small Business Rate Relief Scheme.
- 6.6 The financial implications of the Local Business Rate Reduction Scheme have already been factored into the Council's Medium Term Financial Plan and Revenue Budget.

## **7. NON DOMESTIC RATES REVALUATION**

- 7.1 A revaluation comprises the review of the Rateable Value (RV) of all non-domestic properties, by the Valuation Office Agency (VOA), at a particular point in time. The previous revaluation took place in 2017 and reflected rental values as of 1<sup>st</sup> April 2015.

- 7.2 Every non-domestic property will be assigned a new RV, based upon its estimated annual rental value as of 1<sup>st</sup> April 2021. The VOA have recently published a draft of the new rating list. If ratepayers have questions about their valuations, they should contact the VOA.
- 7.3 Revaluation is carried out to maintain fairness in the NDR system, by redistributing the total amount payable between ratepayers, to reflect relative changes in the property market. Some ratepayers will see their bill increase, some will see a decrease, and some may not see any change, reflecting relative changes in the property market across the tax base.
- 7.4 Alongside the revaluation WG has taken the following action:
- The NDR multiplier will remain frozen in Wales for 2023-24, at 0.535. The multiplier is an integral part of determining ratepayers' bills and the Welsh Government's decision to maintain the multiplier at 0.535 protects ratepayers from the effects of inflationary increases.
  - A Transitional Relief scheme will come into force that will limit increases in NDR bills, as a result of the revaluation. Under the Non-Domestic Rating (Chargeable Amounts) (Wales) Regulations 2022, an eligible ratepayer will pay 33% of their additional liability in the first year (2023-24) and 66% in the second year (2024-25), before reaching their full liability in the third year (2025-26).

## **8. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 8.1 Due regard has been given to the Council's public sector equality duties under the Equality Act 2010, namely the Public Sector Equality Duty and Socio-Economic Duty.

## **9. WELSH LANGUAGE IMPLICATIONS**

- 9.1 There are no Welsh language implications as a result of the recommendations in this report.

## **10. CONSULTATION / INVOLVEMENT**

- 10.1 No consultation was needed on the WG RLH scheme. The Local Business Rate Reduction Scheme has been subject to previous consultation.

## **11. FINANCIAL IMPLICATION(S)**

- 11.1 The Council has already included the resource requirement in its Medium Term Financial Plan and proposed 2023/24 Revenue Budget Strategy to fund the local Business Rates Reduction scheme.
- 11.2 The Welsh Government will reimburse local authorities for the RLH relief that is provided in line with its guidance via a grant under section 31 of the Local Government Act 2003 and section 58A of the Government of Wales Act 2006.

## **12. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 12.1 The RLH Relief Scheme is in accordance with the Council's statutory powers under Section 47 of the Local Government Finance Act 1988.
- 12.2 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 Deputy Chief Executive and Group Director of Finance, Digital and Frontline Services will administer the scheme and make the necessary determinations in accordance with the Council's 'officer scheme of delegation'.
- 12.3 The revaluation of all non-domestic properties in Wales by the VOA is required in accordance with the Local Government Finance Act 1988.

## **13. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 13.1 The proposals are aligned to the Council's Corporate Plan priorities, one of which is 'Prosperity – create the opportunity for people and businesses to be innovative, entrepreneurial and fulfil their potential and prosper.

## **14. CONCLUSION**

- 14.1 The adoption of the WG RLH Rate Relief Scheme and the Local Business Rate Reduction Scheme will provide further much needed financial support for local businesses to meet their 2023/24 rate liability and forms part of a wider package of support intended to create and maintain vibrant town centres across Rhondda Cynon Taf, which is something that this Council has committed to in its Corporate Plan.
- 14.2 The revaluation of all NDR properties is a cyclical event that takes place across Wales for the purposes outlined in paragraph 7 within this report.

## Appendix 1

Examples of the types of retail premises that **may** qualify for assistance under the Wales Retail, Leisure and Hospitality Relief Scheme:

### **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 (e.g. 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 and 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

## **Appendix 2**

Examples of the types of retail premises that **will not** qualify for assistance under the Retail, Leisure and Hospitality Rates Relief 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 Appendix 1.

### **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 scheme, 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.

### **Other Information:-**

#### ***Relevant Scrutiny Committee:***

Overview and Scrutiny



**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

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Item:

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**Background Papers  
NONE**

Officer to contact:

**MR MATTHEW PHILLIPS, HEAD OF SERVICE (REVENUES & BENEFITS)**