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Llywodraeth Cymru  
Welsh Government

## Welsh Government Consultation – summary of response

Summary of Responses to the Technical Consultation on Transitional Relief following the Non-Domestic Rates Revaluation 2017

December 2016

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

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# 1. Introduction

Following the publication of the draft non-domestic rating list for 2017 by the Valuation Office Agency (VOA) on 30 September 2016, the Welsh Government announced that it would provide a fully-funded transitional relief scheme from 1 April 2017 to support ratepayers whose eligibility for Small Business Rates Relief (SBRR) would be affected as a result of the revaluation.

Accompanying this announcement, the Welsh Government published a technical consultation document which explained the proposed design and operation of the transitional relief. This set out that a scheme would be introduced to assist ratepayers in receipt of SBRR on 31 March 2017 who would experience a reduction in the percentage of SBRR they were entitled to on 1 April 2017, as a result of increases in their rateable values following the revaluation.

The transitional relief will work by phasing in the resultant increases in liability for eligible ratepayers over a three-year period (25% of increased liability in year 1, 50% in year 2, and 75% in year 3).

The consultation sought views about:

- the proposed transitional relief scheme, particularly in relation to the technical aspects of running such a scheme, the administrative implications and any processes or procedures that will need to be considered;
- the effects (whether positive or adverse) the scheme would have on ratepayers affected or excluded from this relief; and
- the effects (whether positive or adverse) the introduction of such a relief would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

This document sets out a summary of the responses to the consultation.

## 2. Responses to the Consultation

In total, 45 responses were received. Responses were received from the following categories of organisations and individuals.

- Local authorities (including community councils) – 11 (24%)
- Private individuals – 24 (53%)
- Representative organisations – 10 (22%)

A full list of respondents is given in Section 4.

The format, level of detail and subject matter of the responses varied considerably and a summary of the main points raised is provided below.

## 3. Summary of Responses

### Local authorities

1. The majority of local authorities which responded were not in favour of a transitional relief scheme. While they recognised the benefits to ratepayers and appreciated that the funding would be made available by the Welsh Government, most thought the proposed transitional relief added an extra level of complexity.
2. Comments were made that the introduction of the transitional protection overly complicates the SBRR scheme which is currently widely accepted by ratepayers and is simple to administer. However, a small number noted that the proposed transitional relief scheme for Wales appeared considerably simpler than the proposed equivalent in England.
3. Many authorities had concerns that software suppliers would be unable to make the necessary updates to their core systems to administer the transitional relief in time for the issue of the 2017-18 non-domestic rates bills. As a result, a few authorities said that they may have to send out revised bills if the changes could not be implemented on time.
4. There was concern that revised bills would cause unnecessary costs and confusion, and this together with the software updates could prove expensive in a context of reducing budgets. Some suggested that the Welsh Government should fund any costs arising from software changes or rebilling.

**During the consultation period, the Welsh Government has liaised closely with software providers to explain the detailed operation of the transitional relief scheme to facilitate the development of the necessary software changes.**

5. A number of authorities suggested that the administrative burden of applying the relief could be lessened if there were a minimum increase in liability required in order to qualify for the transitional relief.

**The Welsh Government has included provision within the regulations specifying that, to be eligible for relief, the increase in liability for the hereditament as a result of the revaluation must be more than £100.**

6. Some authorities noted that whilst the transitional relief scheme would help smaller businesses, those not currently eligible for SBRR who experience an increase in rateable value as a result of the revaluation would not receive support.

### **Private individuals**

7. Most of the responses from ratepayers were from those with premises on Cowbridge high street where non-domestic rates are increasing after the revaluation.
8. Whilst some ratepayers welcomed the scheme, many were unhappy with the proposals and wanted Wales to mirror the decision in England to increase the rateable value thresholds for SBRR.
9. Some ratepayers thought transitional relief would only be a short-term fix, as the proposed transitional relief would provide respite for three years but would not assist in the longer term those small businesses which are adversely affected by the rate increases.

**The Welsh Government notes these concerns and has committed to introducing a better targeted, permanent SBRR scheme from 2018 onwards. Proposals for the permanent scheme will be developed with stakeholders during 2017-18.**

### **Representative organisations**

10. Responses from representative organisations were the most varied in their commentary.
11. The Welsh Local Government Association (WLGA) noted the rationale for providing additional support to ratepayers but thought this approach diluted the principles of regular revaluations, namely to reflect the fluctuation in rental values in the property market. The WLGA commented that introducing a transitional relief scheme would add a layer of complexity to non-domestic rates bills. It also voiced concern about the costs of administering the scheme particularly if councils were not able to incorporate the relief within their software and were unable to issue accurate bills on time or had to rebill later in 2017-18 financial year. The WLGA thought that the proposed scheme may be perceived as inequitable by those ratepayers who face increases in rates liability as a result of the revaluation and are ineligible for transitional relief, particularly for those who are currently just above the qualifying threshold for SBRR.
12. The Association of Convenience Stores welcomed the provision of transitional relief as non-domestic rates represent the second-largest fixed rate cost for the convenience store sector. The Association also felt that the proposed scheme would provide targeted relief to some of those likely to be most impacted by the

reevaluation. It will better enable convenience retailers to manage their rates bills over the lifetime of the 2017 rating list by phasing in changes and allowing retailers three years to prepare ahead of their full rates bill. There was further support for the Welsh Government's funding of the relief so that caps are not set for ratepayers with reductions in their liability and those ratepayers with reduced liabilities benefit wholly and immediately from their reduced valuation.

13. The Rating Surveyors' Association (RSA) felt that the transitional relief scheme should not be restricted to small businesses, but should protect other ratepayers facing increases in their liability. The RSA considered that the proposed transitional arrangements in England were a better approach and expressed concerns that not all ratepayers and businesses will be able to plan for their increase in liability. The RSA recommended that the Welsh Government considered a 'safety net' or transitional scheme to support business, particularly given the uncertainty following Brexit which will in its opinion adversely affect ratepayers and the Welsh economy.
14. Bilfinger GVA raised similar points noting that no protection would be provided to other ratepayers facing increases in liability and preferring the arrangements in England which it considers offer some protection, certainty and support to ratepayers facing increases in liability. Bilfinger GVA highlighted that the deferral of the 2015 rating revaluation exaggerated the variances due to the passage of time. The response called on the Welsh Government to consider a 'safety net' to support Welsh businesses during this time of uncertainty. It acknowledged that such support would require a self-financing scheme but felt that downward transition was a necessary alternative to provide stability to all.
15. The British Beer & Pub Association welcomed the Welsh Government's proposals to support small businesses through a funded transitional scheme. From an administrative perspective, pub businesses would support a system that applies reliefs in the most straightforward manner possible, preferably automatically on bills.

### **All groups**

16. Respondents from all groups questioned the viability of a three-year transitional relief scheme when a new permanent small business rates relief scheme is to be introduced from 2018-19.

**The Welsh Government notes these comments. As the new rating list comes into effect from 1 April 2017 and the new permanent SBRR scheme will not be introduced until 1 April 2018, without transitional relief there would be no support available during the first year of the new list. The transitional relief scheme is intended to provide additional support for those small businesses whose liability is affected by the revaluation. SBRR provides support for all eligible small businesses. The interaction between the transitional relief scheme and the new SBRR scheme will be considered during 2017-18 when proposals for the new permanent scheme are developed.**

17. There was some confusion as to who would be eligible for transitional relief, especially for those ratepayers currently in receipt of partial SBRR who would still be within the partial SBRR range after the revaluation.

**The Welsh Government confirms that ratepayers in receipt of partial SBRR before the revaluation experiencing an increase in rateable value, and who are still eligible to receive partial SBRR after the revaluation, will be eligible for transitional relief.**

18. A number of technical comments were raised regarding the operation of the regulations and how the relief would be administered, for example what would happen if there were retrospective decreases to a hereditament's 2010 rateable value.

**The Welsh Government considered these comments when finalising the drafting of the regulations.**

19. Some respondents commented that the length of the consultation process did not allow for a balanced response from stakeholders.

**The Welsh Government notes these comments. The five-week consultation period was largely driven by the publication of the Valuation Office Agency draft rating list on 30 September 2016 and the lead-in time required to develop policy, allow regulatory amendments to be made and make the necessary preparations for implementation for a new scheme to come into force by 1 April 2017.**

### **Welsh language questions**

20. There were no responses in relation to the Welsh language.

## 4. List of Respondents

Responses were received from the following organisations.

### Local authorities

Caerphilly County Borough Council  
Ceredigion County Council  
City of Cardiff Council  
Gwynedd Council  
Merthyr Tydfil County Borough Council  
Monmouthshire County Council  
Neath Port Talbot County Borough Council  
Pembrokeshire County Council  
Rhondda Cynon Taf County Borough Council  
Vale of Glamorgan Council  
Wrexham County Borough Council

### Representative organisations

Association of Convenience Stores  
Bilfinger GVA  
British Beer and Pubs Association  
Hay on Wye Chamber of Commerce  
Monmouthshire District of Trade and Commerce  
Obelisk Computers  
Rating Surveyors Association  
Wales Association of Self-Catering Operators  
Wales Tourism Alliance  
Welsh Local Government Association

### Ratepayers

19 responses were received from private individuals. Most were shop owners with premises on Cowbridge high street.

## 5. Next Steps

21. The Welsh Government has used the responses to inform the drafting of the Regulations for the transitional rate relief scheme. These Regulations will be laid before the Assembly in the autumn term and will come into force on 1 April 2017.
22. A number of responses focused on the Small Business Rates Relief scheme rather than the transitional relief scheme. These will be taken into consideration during 2017-18 in developing proposals for the new permanent SBRR scheme which will be introduced from 1 April 2018.
23. The Welsh Government will work with stakeholders and consult widely to review the operation of the current SBRR scheme and develop a new permanent scheme which better targets support to small businesses.