

CABINET

Date of Meeting	Tuesday, 18 th July 2023
Report Subject	Welsh Government Consultation – Business Rates Improvement Rate Relief scheme
Cabinet Member	Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Cabinet Members with information and a recommended response to a Welsh Government consultation on proposals to introduce an Improvement Business Rate Relief scheme from April 2024.

This scheme aims to support growth and investment in the tax-base. It is intended to encourage ratepayers to invest in improvements to their properties by providing short-term relief, for a period of twelve months, from the effect of a resulting rateable value increase in their Non-Domestic Rate (NDR) liability. That is to say that when a property is improved the new level of NDR based on the improved rateable value will be deferred for a year.

RECOMMENDATIONS

1	That Cabinet consider the proposals of the Welsh Government consultation and authorise the Revenues and Procurement Manager in consultation with the Cabinet Member for Governance and Corporate Services to respond to the consultation questions, as set out in this report.
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REPORT DETAILS

1.00	EXPLAINING THE IMPROVEMENT RATE RELIEF PROPOSALS
1.01	<p>The Welsh Government launched a consultation on a proposal to provide Improvement Rate Relief in April 2024. This aims to support growth and investment in the tax-base and recognises that many businesses see the Business Rates system as a disincentive to investing in property improvements, as any resulting increase in a property's rateable value may lead to a higher bill.</p>
1.02	<p>The Welsh Government proposes to support business ratepayers investing in improvements to their properties, by providing relief from the effect of a resulting rateable value increase in their rate liability for a period of twelve months.</p>
1.03	<p>The Valuation Office Agency (VOA), which is independent of the Council, is responsible for the valuation of properties. The VOA will, therefore, determine the effect of any improvements to a property on its rateable value. If the VOA is satisfied that the improvements meet the definition of qualifying works, they will issue a certificate to the local authority confirming the increase in rateable value which is attributable to the works.</p>
1.04	<p>Where qualifying works result in a positive change in the rateable value they will be eligible for relief. Any improvements which result in no overall change in rateable value or a reduction due to simultaneous value-suppressing activity, such as demolition works, will not be eligible for the relief.</p> <p>To meet the definition of qualifying works, the improvements must result in:</p> <ul style="list-style-type: none">• an increase to the size of a building or the internal useable space;• improvements or upgrades to the property's physical state, such as the addition of heating, air conditioning, or raised flooring;• the addition of other rateable plant and machinery.
1.05	<p>For the twelve-month duration of the certificate, it is proposed that billing authorities will calculate the chargeable amount of business rates for the relevant property as if the rateable value in the list is that rateable value minus the value of the certificate.</p>
1.06	<p>It will be possible to provide short-term improvement relief (for a period not exceeding twelve months) up to and including 31 March 2029, under the enabling provision. If Welsh Government then decides to extend the relief beyond 1 April 2029, it will be able to legislate to change that expiry date.</p>
1.07	<p>In response to the consultation, officers have reviewed the consultation paper and set out the following responses for cabinet endorsement and approval:</p> <p><i>Do you agree that the proposed improvement relief will help to incentivise businesses and other ratepayers to invest in improving the properties they occupy?</i></p>

	<p>We support the introduction of the proposed scheme as it will provide businesses with an incentive to expand premises and result in longer term economic growth and investment in the tax-base. We also believe local authorities, as ratepayers themselves, should also benefit from this scheme for any local authority buildings that are improved and/or extended.</p> <p><i>Do you think that the qualifying works and occupation conditions will support the policy intent?</i></p> <p>Yes. We also believe that in the context of climate change and the need to reduce carbon emissions, the proposed improvement relief scheme should contain qualifying conditions to demonstrate carbon reduction as part of the building improvements.</p> <p><i>Do you have any other comments on the policy proposals or their practical application?</i></p> <p>We believe this scheme is closely aligned to the ongoing need for the introduction of a local rate retention scheme which also incentivises local authorities to grow the local economy and retain an element of the tax base growth.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	<p>Local authorities in Wales collect Business Rates on behalf of Welsh Government. Billing authorities therefore collect and then pay the rates contributions into a central pool which is first split between unitary authorities and the Police and Crime Commissioners throughout Wales and then re-distributed between each local authority according to shares of adult population.</p>
2.02	<p>The proposals, as set out in the consultation, do not have any direct resource implications for the Council, other than overseeing minor software changes to the business rates system, administering this scheme day-to-day and adjusting rates in relevant cases where the VOA provide a certificate.</p>
2.03	<p>Within the consultation document, Welsh Government are not making any proposals to change the national arrangements for the contribution and re-distribution of Business Rates.</p> <p>As part of the response to this consultation we have called on WG to also consider a local rate retention scheme and review the contribution and re-distribution system as the Council should be able to keep a greater share of the business rates in Flintshire, especially in cases where we work with businesses to promote expansion and growth plans.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	Welsh Government recognises that some businesses may see the business rates system as a disincentive to investing in property improvements, as any resulting increase in a property's rateable value may lead to a higher bill.
3.02	The development of a temporary rate relief scheme is seen as a way of encouraging businesses to expand their premises by providing relief from the effect of a resulting rateable value increase on their NDR liability for a period of twelve months, before their business rate bill increases.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The purpose of this report is to provide cabinet with the opportunity to comment on the consultation proposals to introduce an Improvement Rate Relief scheme from April 2024.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	The Welsh Government Consultation is accessible at: https://www.gov.wales/improvement-rates-relief

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	Rateable Value: is an estimate of how much a commercial property could rent per year on the open market at a given point in time. This is then multiplied by the 'rate multiplier' to calculate the business rates liability for a property. Any reliefs or discounts that a property is eligible for are subtracted from the liability to give a final net payable for business rates. National Collection Pool: In Wales, Business Rates are collected by local authorities and paid into a national pool administered by Welsh Government. The rates are then redistributed to Welsh local authorities

and Police and Crime Commissioners as part of the annual Local Government Settlement and Police Settlement.

Tax Base: is a measure of the 'taxable capacity' considering the total rateable values of businesses subject to business rates