

Welsh Government to amend its NDR relief policy to help keep Debenhams stores open in Wales

Y Pwyllgor Deisebau | 23 Mehefin 2020
Petitions Committee | 23 June 2020

Reference: RS20/12927/1

Petition Number: P-05-967

Petition title: Welsh Government to amend its NDR relief policy to help keep Debenhams stores open in Wales

Text of petition: The Welsh Government has adopted different NDR Relief policies to England for the retail sector, excluding the small proportion of properties with a rateable value of over £500,000. With Debenhams already in financial trouble this threatens the viability of all their Welsh stores and the future of up to 900 staff. If these stores close it will have a disastrous impact on shopping centres where they are situated, reducing footfall for other retail outlets.

<https://www.walesonline.co.uk/news/wales-news/debenhams-coronavirus-wales-stores-closed-18147574>



1. Background

Business rates (sometimes known as non-domestic rates or NDR) have been fully devolved to Wales since April 2015.

Business rates are calculated by applying a multiplier to the rateable value of a non-domestic property and subtracting any reliefs a property might be eligible for.

$$\begin{array}{c} \text{£} \\ \text{Annual} \\ \text{Business} \\ \text{rates bill} \end{array} = \left(\begin{array}{c} \text{£} \text{ } \text{Factory} \\ \text{Rateable} \\ \text{value of} \\ \text{non-domestic} \\ \text{property} \end{array} \times \begin{array}{c} \% \\ \text{Multiplier} \\ \mathbf{0.535} \\ \text{in 2020-21} \end{array} = \begin{array}{c} \text{£} \text{ } \text{Calendar} \\ \text{Annual} \\ \text{Business} \\ \text{rates liability} \end{array} \right) - \begin{array}{c} \text{Hand} \\ \text{Any reliefs the} \\ \text{property is} \\ \text{eligible for} \end{array}$$

The rateable value of a property is an estimate of how much it could rent for per year on the open market at a given point in time. The Valuation Office Agency (VOA) assesses the rateable value of all non-domestic properties in Wales and England.

The multiplier is the ‘pence in the pound’ of the rateable value paid in business rates and is set by Welsh Government each year. Any reliefs that the property is eligible for are subtracted from the liability in the final business rates bill. The multiplier for 2020-21 is set at 0.535.

In Wales, business rates are collected by local authorities and paid into a national ‘pool’ administered by the Welsh Government. They are then redistributed to Welsh local authorities and Police and Crime Commissioners as part of the annual Local Government Settlement and Police Settlement.

2. Welsh Government action

Business rates relief has formed a part of the Welsh Government’s response to COVID-19. This is alongside other measures, including grants to businesses linked to the rateable value of a property.

On 19 March, the Minister for Finance and Trefnydd announced a package of support for businesses in dealing with COVID-19. This scheme followed an announcement on 17 March regarding businesses support.

This support includes 100% business rates relief for all properties used for retail, leisure and hospitality. The support is available for one year (2020-21).

The relief will be automatically applied to the business rates bills of eligible businesses.

The scheme was amended on 24 March following the announcement to exclude properties with a rateable value of £500,000 and over. The Welsh Government state that: “this will affect fewer than 200 properties across Wales but will release approximately £117 million to kick-start the economic crisis fund”.

Guidance for the scheme contains more detailed eligibility criteria, including specific examples of property types that fall under the category of retail, leisure and hospitality.

The UK Government is also offering 100% business rates relief for eligible retail, hospitality and leisure businesses in 2020-21. There is no rateable value limit on the relief.

The Welsh Government also offers other business rates reliefs, including:

- Small Business Rates Relief:
 - eligible business premises with a rateable value of up to £6,000 will receive 100% relief; and
 - those with a rateable value between £6,001 and £12,000 will receive relief on a tapered basis from 100% to zero
- Registered Childcare Premises receive 100% relief until 31 March 2022, during which time it will be evaluated to assess its effect
- Post Offices:
 - Post offices with a rateable value up to £9,000 receive 100% relief
 - Post offices with a rateable value between £9,001 and £12,000 receive 50% relief
- Hydropower Projects with a rateable value up to £50,000 can apply for support towards their 2020-21 business rates.

- Charities may qualify for charitable rate relief, which automatically qualify for 80% mandatory rates relief, and may qualify for relief of up to 100% at the discretion of the local authority.
- Empty business properties are exempt from paying business rates for 3 months after the property becomes vacant. There are additional exemptions for certain types of property or for properties under a set rateable value.
- Local authorities can also grant hardship relief to businesses if they believe that it is in the interests of the local community to do so.

The Minister for Finance and Trefnydd's letter to the Petitions Committee notes:

The Welsh Government is providing non-domestic rates relief to the majority of Debenhams stores in Wales, with our support totalling over £1 million. I have also met the Chair of Debenhams to learn more about the company's position and I have asked officials to explore whether alternative support might be an option.

3. Welsh Parliament action

The coronavirus pandemic, including support for businesses, has been a focus of the Welsh Parliament's activity during the pandemic.

Following the change to the scheme, the Welsh Government was asked in a written question (31 March); "what did the Minister consider in choosing not to distinguish between national chains and indigenous, single-site destination tourism businesses". The Minister for Finance and Trefnydd replied:

We estimate that the decision to limit non-domestic rates relief for retail, leisure and hospitality businesses to premises with a rateable value of £500,000 or below will affect fewer than 200 business properties across Wales. It has released more than £100 million towards the new Economic Resilience Fund announced by the First Minister on 30 March.

The Economic Resilience Fund will provide a package of support to help firms of all sizes, with a focus on those that have not already benefited from the Coronavirus funding previously announced by Welsh Government. The package includes support for larger companies which are of critical social or economic importance to Wales.

Retail, leisure and hospitality businesses which are not eligible for the rates relief may make a case for support through the Economic Resilience Fund.

On 17 April, the Welsh Government was asked in a written question; “what exemptions or financial relief does the Welsh Government plan to provide to any business with a property that has rateable value above £500,000”? The Minister for Finance and Trefnydd replied:

The Economic Resilience Fund is providing a package to help firms of all sizes, with a focus on those that have not already benefited from the other Coronavirus business support schemes we have put in place.

The package includes support for larger companies which are of critical social or economic importance to Wales.

In the Public Accounts Committee (8 June) the Director General, Economy, Skills and Natural Resources Group, Welsh Government was asked to what extent the Welsh Government had considered the use of discretionary business rate relief for businesses with a rateable value of £500,000 and over. The Director General noted:

...that's down to a case-by-case judgment. Ministers took the view, at the point that we were putting the NDR schemes into play, that there was an opportunity to fund more small and medium-sized enterprises and micro-enterprises through putting the £500,000 cut-off point in there... But it will be about the particular circumstances that the company in question faces—its strategic importance in a local economy or in a supply chain, the impact on jobs, and considerations of that sort, on a case-by-case basis.

In response to questions on this subject in Finance Committee (21 May), the Minister for Finance and Trefnydd noted:

So, the rate relief, as you'll know, is part of our support for the economy, which is £1.7 billion of support, and our support here in Wales eclipses anything offered anywhere else in the UK. We took the decision to limit rate relief to properties with a rateable value of under £0.5 million, and we did so recognising that there was an opportunity there to put together a fund of £100 million to support small and medium-sized enterprises. But it didn't preclude those business with properties over that £0.5 million mark from seeking funding from the economic

resilience fund. So, there's funding there for larger companies, and I know that several of them have made applications to that.

The Minister also spoke about Debenhams specifically, stating:

I did have a useful meeting with the chair of Debenhams. I think that we have to start, really, from the point of recognising that the troubles that Debenhams are facing started long before the coronavirus outbreak, of course; it's facing insolvency for the third time. So, I think that it is—. Well, it's just not credible to suggest that rate relief support from the Welsh Government is entirely responsible for the trouble that Debenhams finds itself in. But, that said, we recognise the important role that Debenhams plays in our high streets in a number of places across Wales, and, of course, Debenhams has benefited from the rate relief in several of its stores in Wales where the ratable value is less than £0.5 million. So, I met with the chair of Debenhams, and the suggested way forward was to make an application to the economic resilience fund, which, of course, is grant support for businesses. But, as part of that, I would want to see guarantees on jobs being retained and I would want to see that kind of commitment in the longer term to our town centres, which you just, I have to say, wouldn't get if it were just a matter of offering rate relief.

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