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Local Government and Housing Committee
Welsh Parliament
Cardiff Bay
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Local Government Finance (Wales) Bill Consultation

Thank you for the opportunity to respond to this consultation on behalf of the Charity Retail Association.

The Charity Retail Association is the membership body for charity retailers. Our members run over 70% of the 513 charity shops in Wales. Charity shops in Wales employ 1,044 full-time equivalent (FTE) employees and provide 9,360 volunteering opportunities. Across Wales, our estimate is that charity retailers raise £19.5million annually for charitable causes and furthermore generate an estimated £3.79 billion of social value.¹

Increasing the frequency of revaluations to three-yearly, and a power for the Welsh Ministers to amend the revaluation year and interval between revaluation years through regulations;

Reducing the gap between revaluations from five years to three years is a positive step and one that will help ensure that rateable values better reflect market conditions. The use of an increasing annual multiplier between revaluations means that businesses can face rising business rate bills even whilst rents are falling due to worsening business conditions.

The latest Royal Institution of Chartered Surveyors (RICS) Commercial Property Monitor, saw 56% of the Welsh surveyors responding to the survey expecting retail rents to fall.² Where retail rents fall it is equitable that these falls result in a timelier reduction in business rate bills for retailers. Whilst charity shops benefit from a mandatory Charitable Rate Relief 80%, many charity shops are required to pay the remaining 20% which remains a significant financial cost. A survey that we conducted in 2018 indicated that only 4 out of the 22 Welsh unitary authorities granted an additional 20% Discretionary Relief to all the charity shops in their areas, a figure which is bound to have reduced since.

Conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw reliefs;

We are concerned that enabling Ministers to withdraw or substantially vary reliefs via regulations could lead to a lack of scrutiny and transparency resulting in detrimental impacts for the ratepayers concerned. Whilst there are benefits in relation to making it easier to alter existing reliefs, these benefits would be outweighed by the reduced opportunity for impacted parties to make their concerns known.

¹ <https://www.charityretail.org.uk/social-value-and-social-return-on-investment-sroi-of-charity-shops/>

² <https://www.insidermedia.com/news/wales/commercial-property-demand-falls-back-in-wales-rics>

As the trade association representing charity retailers across Wales, we would be greatly concerned at any move to withdraw eligibility for Charitable Rate Relief from charity shops and were such a change to be introduced via subordinate legislation our ability to make the case opposing the change would be constrained.

Strengthening the eligibility conditions for charitable relief for unoccupied hereditaments;

We welcome the decision to retain empty property relief for properties which when next in use are anticipated to be used for charitable purposes. The removal of this relief would have caused harm to charities where there were genuine practical delays in bringing a property back into use, where external circumstances required a property to temporarily close or where the charitable use of a premises was periodic.

In our previous consultation response, we proposed more effective monitoring of the relief by local authorities and believe that the current Bill will help to ensure this. It is rare that a charity retailer would need to make use of empty property relief, but it would be useful when there are delays in bringing a disused property back into use, when undertaking major modernisation projects, or if circumstances require that a charity shop closes for an extended period.

Removing a timing restriction on the awarding and varying of discretionary relief by local authorities;

To the extent that this power is used to award additional relief to ratepayers who would not otherwise have been awarded it, this is a positive change. This change could be used to help avoid ratepayers missing out on reliefs for which they are eligible because they are too late in applying or because there is a delay in processing the application due to the need for additional information.

Our only concern is that the removal of the restriction on varying previous decisions is not used to require ratepayers to repay rate relief granted in past years for which they were eligible under the criteria in force at the time the relief was granted. Decisions to alter eligibility criteria for discretionary rate relief should not apply retrospectively.

Conferring a regulation-making power on the Welsh Ministers to set differential multipliers based on the description, rateable value or location of a hereditament on the local list, or the rateable value of a hereditament on the central list;

The ability to vary the multiplier by sector provides new opportunities to ensure that the burden of business rates falls more fairly across the economy. In particular, we would be supportive of a lower multiplier for in-person retail premises as a means of removing any excessive business rates burden on our High Streets. This could potentially be funded by a higher multiplier in other areas.

The business rates burden current falls heavily on retailers, with the British Retail Consortium estimating that retailers account for 5% of the UK economy but nonetheless pay 25% of all business rates.³ A lower multiplier for in person retail premises would help address this imbalance.

Placing a duty on ratepayers to provide certain types of information to the Valuation Office Agency, and making provision for the associated compliance regime;

³ <https://brc.org.uk/media/678328/retail-rates-and-recovery.pdf>

It is important that the Valuation Office Agency invest time and resources in supporting businesses, especially smaller businesses, to meet the new requirements. Whilst the large charity retail chains have access to specialist support on business rates this is not the case for smaller charities, some of which will be largely run by volunteers.

A charity with a single shop or premises is likely to be unfamiliar with the technical detail of the ratings system and unsure what hereditament changes will require them to make an information return. For these retailers, the provision of straightforward written guidance, answers to frequently asked questions and an advice line will be essential.

A charity retailer with dozens of shops across Wales is more likely to have a robust understanding of the ratings system but might not have the same level of familiarity with each individual shop unit and may rely on property management software and/or engage with the business rates system through agents. For these retailers, it will be important that notifications from the Valuation Office Agency are sent to the correct address and that the information return process supports working with property agents and supports the provision of sending in information returns for multiple properties in a single submission.

Consideration also needs to be given to the practical challenges faced by UK-wide retailers working with four separate business rate systems as these systems diverge. There need to be efforts to coordinate requirements across the UK to avoid increasing business costs in these circumstances.

Making provision about counteracting advantages arising from artificial avoidance arrangements.

Business rates avoidance activity undermines trust and confidence in the whole system and so we are supportive of proposals to enable Ministers to prohibit specific avoidance schemes via regulation.

Yours sincerely

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