

## Welsh government - Open Consultation

### Delivering a tax cut for small businesses: A new small business rates relief scheme for Wales

#### **Q1. The Welsh Government is interested in your views about the current and future funding of SBRR in Wales, including how the multiplier operates.**

The British Hydropower Association is very concerned that the 2017 Revaluation of non-domestic rates in Wales has resulted in Rateable Values [RVs] for small-scale hydro schemes that threaten the continuing ownership of existing schemes and undermines the very prospect of future hydropower development in Wales. The reason for this is the rigid application of a wholly inappropriate valuation methodology by the Valuation Office Agency [VOA], which fails to recognise the nature of the commercial arrangements between landlords and tenants.

BHA believes that RVs should ultimately be reflective of the commercial rents that apply across the sector. As at the tone date of April 2015, rental levels in the small-scale hydro sector were between 8% and 10% of gross turnover. The BHA view is that RVs for 2017 should be aligned to this range, and should not exceed 10% of gross turnover. The 2017 Revaluation resulted, on average, in RVs for hydropower equating to 25% of gross turnover.

It is imperative that the Welsh Government intervenes as a matter of urgency to address this inappropriate valuation methodology and ensure the continued viability of the hydro sector in Wales. By doing so, the Welsh Government will create an environment of long-term confidence that allows developers and funders to make a contribution to achieving the ambitions detailed in the Welsh Government's Energy Strategy.

An alternative is to bring the RV's in line with commercial rents, operators are not against paying rates, but it is the current level of the RV's which is unsustainable.

In summary, the conclusion has to be drawn that the small-scale hydropower sector is facing punitive charges in comparison with other renewable energy technologies as a consequence of the current interpretation by the VOA of the Plant and Machinery Order as it relates to hydro plant and infrastructure.

Why is the multiplier set higher in Wales 49.9p in comparison to England 47.9p and Scotland 49.2p? The level of the multiplier in Wales sends out an extremely negative message to potential investors in hydropower in Wales. This is compounded by Scotland announcing a 60% business rates relief for hydropower schemes up to a RV of £5m from the 1<sup>st</sup> of April 2018 and a fast track review of the hydropower element of the Plant and Machinery Order. This paints the picture of Wales being very much closed for business.

#### **Q2. Do you agree that a limit should be introduced on the amount of relief a business occupying multiple small properties can receive? If so, to what extent do you think this should be restricted?**

No, we do not. Hydropower schemes have already experienced significantly large increases in RVs and a limit of this nature would make the current bad situation, very much worse. This would potentially have a significant negative impact for any individual or business in Wales which operated more than 1 hydroelectric scheme, such an introduction would be disastrous for the industry and no developers would seek to work in Wales, as they would be penalised for having more than one project.

**Q3. What are the associated administrative and technical implications of the Welsh Government's preferred approach which need to be considered?**

The administration of continuous rounds of relief will continue to be a burden both administratively and technically. A permanent solution is needed to the problem as has been suggested by the BHA – a review of the Plant and Machinery Order that addresses the fundamental problem, which is the rigid application of a wholly inappropriate valuation methodology, which fundamentally fails to recognise the nature of the commercial arrangements between landlords and tenants. Unless this issue is addressed, there will continue to be the need for rounds of relief.

**Q4. Comments are invited about the effects (whether positive or adverse) such a limit could have on ratepayers affected or excluded from this relief.**

Any limits on relief for hydropower will have an adverse effect because, for example, an operator of multiple hydro schemes will no longer benefit from SBRR for all schemes, only one.

**Q5. Are there any types of business you feel should be excluded from the new scheme and, if so, why?**

No.

**Q6. What are the administrative implications of introducing further exceptions?**

Additional exceptions will theoretically increase further the administrative support required.

**Q7. If the Welsh Government released resources from the current scheme to provide additional support to eligible small businesses under the new scheme, based on the options described in paragraph 4.26, how should these resources be reinvested to support small businesses more effectively?**

Any resource, which we assume to be financial, should be directed to support the Welsh hydropower industry as a matter of priority.

Increases in relief thresholds are always helpful, but for hydropower the majority of schemes under the 2017 valuation will nearly all breach the proposed new threshold levels.

Under the 2010 list, 52 hydro schemes benefitted from 100% SBRR of up to £6,000. Under the 2017 list this falls dramatically to 24 schemes and rises to 33 schemes if the 100% SBRR level increases to £8,000.

Of the 91 hydro schemes under the 2010 list, 69 schemes benefitted from some form of SBRR. Under the 2017 list this falls dramatically to 45 schemes and rises slightly to 48 schemes if the level of SBRR increases from £13,000.

Therefore if the proposed SBRR scheme as outlined is implemented, a significant proportion of hydro operators will realise no benefit from the new scheme which is the direct opposite of its intentions.

**Q8. Are there any administrative or technical implications which need to be considered in changing the current thresholds for relief?**

The BHA sees no implications either administratively or technically in changing the current thresholds.

**Q9. What are the potential administrative and technical implications of introducing a new permanent scheme and its interaction with transitional relief?**

A new permanent scheme and its interaction with transitional relief has the potential to increase the administrative and technical burden. Each hereditament would have to be assessed so as to understand if the rate payer was eligible to make lower business rate payments under either a new permanent scheme, or under transitional relief.

**Q10. We are seeking views on removing the enhanced relief for retail premises with a rateable value between £10,501 and £11,000.**

**11. Are there any administrative or technical implications which need to be considered in changing the relief for the retail sector?**

**Q12. We are seeking views on whether the childcare sector should be provided with additional relief, over and above that provided under the current SBRR scheme in order to support the delivery of the 30-hour childcare commitment?**

**Q13. If additional relief were provided to the childcare sector, considering the options described in 4.39 how should this be delivered via the SBRR scheme?**

**Q14. Are there any administrative or technical implications which need to be considered in providing additional relief to this sector?**

**Q15. We are seeking views on the possible introduction of time-limited support for certain ratepayers which is gradually withdrawn. What are the advantages and disadvantages of such an such an approach?**

Where there is little or no understanding of or connectivity with the hydropower industry, time-limited support is not appropriate. The BHA prefers there to be a fundamental addressing of the methodology that calculates RVs that will eventually negate the need for any form of relief schemes.

**Q16. The Welsh Government is seeking general views on providing support to businesses that support, or are working towards supporting, wider Welsh Government objectives and invites proposals for developing the scheme in future years.**

The Cabinet Secretary for the Environment, Lesley Griffiths, has recently set a target for Wales to generate 70 per cent of its electricity consumption from renewable energy by 2030 and another target of one Gigawatt of renewable electricity capacity in Wales being locally owned by 2030.

Hydropower is a very important partner in helping the Welsh Government reach these objectives, but unless the Welsh Government provides a greater level of support to the hydropower industry through changes in business rates then only a fraction of the potential schemes will be built in the future. The industry needs fair and reasonable RVs and a reduction in the overall cost burden currently being imposed.

Ultimately these targets can only realistically be achieved with a flourishing and sustainable hydropower industry in Wales. The Welsh Government has already acknowledged that there is an issue with the way in which hydroelectric schemes are rated as they have provisionally announced 100% relief to 'community' hydro schemes following this consultation. This relief isn't being offered to any other renewable technology and therefore demonstrates that intervention is required from Government, as is the case in Scotland.

**Q17. The Welsh Government would like to know your views on the effects these proposals would have on the Welsh language, specifically on:**

- i) opportunities for people to use Welsh; and**
- ii) on treating the Welsh language no less favourably than English.**

**What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?**

A flourishing hydropower industry in Wales will mean a greater number of hydro schemes being built and operated in the future, leading to increased employment which in turn will provide the opportunity for more employers to promote the use of the Welsh language.

Unless significant support for hydropower emerges through this consultation process, there is a greater likelihood that more people will leave Wales and the opportunities for the use of the Welsh language will decrease.

**Q18. Please explain how you believe the proposed policy could be formulated or changed so as to have:**

- i) positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and**
- ii) no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**

Please see our answer to question 17.

If significant additional support/ resource were made available to Welsh hydropower rate payers on the condition that they provide a linguistic statements on what opportunities their businesses create for people to use the Welsh language, we envisage additional numbers of Welsh hydropower rate payers making this their focus/ priority.

**Q19. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.**

You are about to submit your response. Please ensure you are satisfied with the answers you have provided before sending