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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref EH/05195/11

William Powell AM
Chair - Petitions Committee

committeebusiness@Wales.gsi.gov.uk

27th June 2011

Dear William

Thank you for your letter dated 5 April 2011 to Carl Sargeant. I am replying as I now have ministerial responsibility for non domestic rates.

The original rural rate relief scheme, which was introduced in 1998, was greatly enhanced in 2002 to complement the Rural Recovery Plan introduced by the Assembly Government to support the rural areas of Wales affected by the outbreak of foot and mouth disease. As a consequence of enhancing the scheme the cost of providing relief rose from £0.5 million in 2001-2 to £17.5 million in 2004-5.

Under the rural rates relief scheme scheme, local authorities designated boundaries of rural settlement areas, and they implemented discretionary relief schemes for businesses within these boundaries. Local authorities across Wales used different criteria when drawing up boundaries, and operated different relief schemes. Consequently, entitlement to rates relief in Wales depended on geographical location, and small businesses in many poorer areas, both urban and rural were not entitled to any relief. Some businesses paid no rates, but other, similar businesses paid full rates, depending on their geographical location and the policy of individual local authorities. The Assembly Government funded 90% of rural rates relief, but had no control over the cost as it depended entirely on the individual relief schemes operated by local authorities, and this was clearly unsustainable.

When the foot and mouth outbreak ended we could have returned to the original scheme that was in place prior to 2002, but after extensive consultations with representatives from business and local authorities, the Assembly Government decided to fund a much fairer scheme in which all small businesses are treated equally, whatever their location in Wales. Under this scheme, the majority of business premises fall within the rateable value thresholds that could qualify for relief – only around 21% of businesses benefited from the rural rate relief scheme. This inevitably meant that some areas and businesses received less business rates relief, but businesses in other areas, particularly in poorer urban and rural communities not covered by the rural rate relief scheme, now receive relief.

I have no plans to re-instate a rural rates relief scheme, and am pleased that the independent research conducted last year found that the small business sector is generally supportive of the current scheme

The Local Government Finance Act 1988 gives local authorities the power to grant relief to businesses on real grounds of hardship if they believe that it is in the interest of the community generally (ie the council tax payers of the local authority). The Welsh Assembly Government funds 75% of hardship relief, and provision for this has been included in the cost envelope of this scheme. Local authorities also have powers to fund rates relief for small businesses with a rateable value up to £12,000, if they are prepared to fund it.

A handwritten signature in black ink, appearing to be 'L. J. Jones', written in a cursive style.