



Dear Assembly Member,

At the end of September WAG put out to consultation proposed changes to the Small Business Rates Relief (SBRR) for 2017.

On behalf of the large numbers of self catering operators in Wales that are members of WASCO and also of those that are not, but who obviously have a similar interest in this matter, we should like to bring this consultation to your attention.

Business rates for self catering operators have shot up disproportionately compared to their earning capacity over the last ten years or so. The proposed 2017 rating list - again - shows substantial increases for most self catering businesses. This will take quite a few businesses out of the SBRR scheme. It will especially affect businesses whose owners are largely or wholly dependent on them for their income. This will lead to serious financial hardship.

The developments over the last decade or so worry WASCO greatly. Where there seemed to be a connect between business rates and the earning capacity of SC businesses around the beginning of this millenium, that connection has now been largely lost. The tourism market has changed enormously with the advent of the internet, and online companies dominating the booking market ever more, making it increasingly harder for smaller SC operators (that constitute the majority of our members) to get enough exposure and compete successfully.

Although WASCO is pleased that the WAG proposes to extend the SBRR for

another year, including some transitional relief, the proposal does not address the real underlying issues for self catering businesses. It also differs negatively from the English SBRR: the consultation does **not** propose to increase the threshold for full relief to £12,000 and tapered relief between £12,000 and £15,000 like that proposed for England.

We are confident that you count numerous self catering operators amongst your constituents, whose livelihoods will eventually be badly affected should there be no political intervention. In WASCO's opinion, this intervention should take two forms:

1. bring the SBRR for Wales in line with that of England
2. create a framework in which business rates for self catering businesses are based on a **realistic** assessment of earning capacity, in contrast to the current approach which is wholly unrealistic

In WASCO's opinion the SBRR cannot be separated from the actual values in the 2017 rating list; after all, the combination of the two will determine business costs in real terms.

We respectfully ask you to use your powers as an Assembly Member to have the proposed changes in Small Business Rates Relief subjected to the scrutiny they deserve, in order that the interests of your constituents will be safeguarded.

We take the liberty of copying WASCO's response to this consultation for your information below, and include the link to the [consultation document](#).

We hope you will see fit to follow this up, through the channels that are open to you, and would like to express our hope that, as a result, changes will be effected.

On a practical note: responses to the consultation are to be received by 4 November 2016. Should you wish to receive additional information, please do not hesitate to contact me; by email, or on 01437 781326.

Thank you for your attention.

Yours sincerely,

Jacqueline Janssen,  
WASCO Secretary

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**WASCO response to the Welsh Assembly Government Consultation on Proposed arrangements to provide transitional relief to support small businesses adversely affected by the 2017 non-domestic rates revaluation**

1. WASCO, the Wales Association of Self Catering Operators, is the only membership body specifically representing self catering operators in Wales. Its members operate/represent approximately 1500 self catering properties (units) in Wales.
2. WASCO has disseminated the consultation documents and links to relevant web pages to its members. This response collates the remarks and observations it received in reply – orally, as well as in writing.
3. WASCO has conducted a survey under its members to establish changes in the 2010 rateable values and the proposed 2017 rateable values, changes in turnover for the relevant years (2008 and 2015) for the establishment of these rateable values, and the impact the proposed 2017 rateable values will have on business costs. This response incorporates the outcome of this survey as to date.
4. Before going into detail WASCO should like to sketch the background against which it feels (its response to) this Consultation should be seen:
  - a. Self catering is an extremely important constituent sector of the tourism industry in Wales;
  - b. Therefore self catering in Wales is an important business sector in its own right;
  - c. Self catering in Wales employs large numbers of people directly, and acts indirectly as a source and safeguard of employment for large

numbers of suppliers and providers of services;

- d. Much of the economic benefit created by self catering businesses in Wales remains in their direct vicinity, often rurally, where other sources of economic activity are frequently in short supply;
- e. In doing so self catering in Wales acts as a creator and safeguard of wealth for local/rural communities;
- f. Self catering has proven to be a saviour of large numbers of often rural and often dilapidated buildings – that would otherwise through lack of economically viable use have remained unused, have remained in a state of disrepair, be and remain economically unproductive;
- g. Thus, self catering generally contributes to the quality and continued appeal of many (rural) areas;
- h. More specifically, self catering acts as counteractive force against depopulation and general impoverishment of the countryside;
- i. Many buildings, especially rural ones, that have been converted into self catering properties come with planning conditions that limit their use as ordinary residential properties, for instance through “non-occupancy” requirements for certain periods of the year;
- j. Though the majority of Welsh self-catering customers come from other parts of the UK, there is a considerable number coming from abroad, making self catering in Wales a positive contributor to the UK balance of payments;
- k. Equally importantly nowadays, with the majority of its customers travelling in ways other than by air, Welsh self catering adds to the “green” balance of payments, for Wales, and the UK;
- l. Finally, the self catering sector in Wales does not operate in a vacuum; it competes with other self catering businesses in the UK, and the rest of the world.

5. WASCO feels that any measures proposed/enacted as a result of this Consultation should, as much as possible, safeguard the positive contribution self catering makes to the Welsh economy – if not for the self catering sector *per se*, then at least for the sake of the economy in general

- and its competitive position should not be negatively affected.
6. The UK Government has extended the threshold for full SBRR to £12,000 with tapered relief above £12,000 up to £15,000. It also makes provision for transitional relief.
  7. The Welsh Assembly Government does **not** propose the increase of the current thresholds for SBRR (£6,000 and £12,000), but does propose to grant transitional relief for businesses currently receiving full SBRR but no longer able to do so from 2017 onwards. The WAG does **not** propose any other distinctions.
  8. In the last two revaluations (2005 and 2010) the rateable values for self catering businesses have increased significantly for most self catering operators.
  9. The unfavourable economic climate and changing market forces tourism has experienced since 2008 make it much harder for self catering businesses to make a decent return, and by implication, profit.
  10. The survey of WASCO members clearly shows that the proposed 2017 revaluation once again increases their rateable values. For the vast majority (80%) of respondents' businesses with 31% or more, of which one third is even hit with increases of 71% or higher! It also shows that for the relevant years, for a majority of the respondents turnover decreased or stayed the same. For the remaining respondents reported growth is less or very little more than 10%. As a result, business rates increasingly make up an even larger proportion of the business' running costs, to unsustainable levels. There is a "disconnect" between turnover, let alone profit, i.e. business performance, and rateable values. According to the Rating Manual, volume 4, section 6 *"The Receipt and Expenditure method is likely to be the preferred method of valuation in those cases where rental evidence is sparse or non existent and the rent is likely to be dictated by the actual or anticipated profit of the business carried on at the hereditament."* Where reasons for changes in rateable values should always given to be changes

in profitability for businesses in sectors that normally do not provide so called 'rental evidence', such as self catering, WASCO cannot see that the VOA is or has been doing this properly for the self catering sector.

11. It is WASCO's distinct impression that in the past ten years or so the (lead officer for the Wales self catering sector of the) VOA seems to have singled out self catering pan Wales as a cash cow for business rates. In doing so, the VOA is seriously threatening the viability of small self catering businesses, especially ones that have several units within the same curtilage, who are largely or fully dependent on their self catering business for their income, and whose rateable value exceeds the current threshold for full SBRR of £6,000.
12. In WASCO's opinion, there can therefore be no doubt that, in combination with the proposed 2017 non-domestic rates revaluation, and if enacted as proposed, the proposed arrangements to provide transitional relief to support small businesses – with no increase in the SBRR thresholds and no guarantees for the years after 2017 – will severely and adversely affect the self catering sector in Wales which, on the whole, is run on very tight margins. The proposed transitional relief for businesses with a rateable value of £6,000 or below currently, but with a rateable value above £6,000 in 2017 – although not unwelcome – does not in any way, shape or form address the fundamental imbalance between set rateable values for and the earning capacity of self catering businesses. And last but not least, the 2017 SBRR proposal for Wales creates an unlevel playing field for Welsh self catering businesses in a pan UK competitive market.
13. WASCO would respectfully suggest that (more) debating time and efforts in the Welsh Assembly and the lawmaking process be spent addressing the fundamental imbalance referred to under 12. above.