

## Consultation on improvement rates relief

### Response form

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- Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here:

### Question 1

Do you agree that the proposed improvement relief will help to incentivise businesses and other ratepayers to invest in improving the properties they occupy?

No – RICS are concerned with the lack of inclusion of landlords (some of whom are also ratepayers) in the relief and the extent to which such relief benefits will be an incentive to improve.

Landlords, rather than the occupier, will traditionally have a greater influence over significant improvements being made to a building – this is especially the case in a multi-tenant property.

While we appreciate the ambition of the policy to improve the condition of building stock in Wales, occupiers will likely only undertake improvement works specific to their business – much of which could be transferred to another building in the case of a move.

Many commercial real estate landlords have told RICS they are naturally investing in building stock improvement to meet changing tenant demands – especially with greater ESG commitments and changing working patterns since Covid-19. However, many landlords, especially small portfolio holders whose tenants make up a large proportion of SMEs in Wales, have described difficult financial conditions to make significant improvements to their stock – especially with energy efficiency and decarbonisation. RICS market survey analysis does evidence ‘brown discounts and rents’ where properties are less energy-efficient, and while there is an obvious economic benefit for landlords improving building stock, the high upfront cost could result in many putting off improvements until required or simply charging higher rents.

With incoming MEES regulations, many landlords are either having to review and dispose of older stock (thus shifting the burden onto another part of the market), prioritise energy efficiency upgrades over other important improvement works, or increase rents.

The inclusion of landlords within this scope seems logical to encourage building stock improvement – and aligns the policy like that of the Scottish Business Growth Accelerator Relief that covers landlords and tenants for improvement works.

Furthermore, the one-year relief period seems short for some of the qualifying works in comparison to the higher rateable values that result. As noted in our response to Question 2, there is a noticeable absence of qualifying works related to energy efficiency or decarbonisation (although heating is referenced).

As detailed above, there is increasing pressure to create greener building stock, but many commercial property landlords have told RICS that unlike the domestic sector, which increasing energy performance legislation is supported by various fiscal packages from government, very little support exists in the non-domestic sector. This could be addressed by perhaps extending the relief period to cover specific energy efficiency and decarbonisation works for two-to-three years – with the government reclaiming funding from increased rateable values after that period.

## **Question 2**

Do you think that the qualifying works and occupation conditions will support the policy intent?

The qualifying works definition is clear to understand from the position that it would result in a recognised rateable value.

There is a noticeable absence of any reference to works relating to sustainability, climate change and decarbonisation. The Welsh Government should clarify if improvements such as the addition of Solar PV, batteries, heating controls and heat pumps would be recognised in such a scope.

## **Question 3**

Do you have any other comments on the policy proposals or their practical application?

Consideration should be given as to whether the current appeals process is a suitable process to follow in this circumstance. The check, challenge and appeal process can exceed 12 months, longer than the proposed relief period itself. While appreciating the pressures facing the VOA and future workloads, is there scope to create a fast-track appeals system for what will be minor amendments to the rateable value in comparison to the overall amount? This dedicated appeals channel would ease pressure on the VOA and support ratepayers who might be put off from an appeal given the process would take longer than the relief period.

Trigger point for relief certification – the proposals for certification relies on the VOA notification. In cases of major improvement works, such as an extension, the planning application process is an indication of intended changes. However, many improvements will be smaller in nature and not captured by the VOA or relevant authorities. Guidance should be issued to ratepayers as to how and when to apply for such a valuation and relief, if it is reliant on the ratepayer themselves acting. This is something that might disproportionately effect SME occupiers.

**Question 4a**

The Welsh Government would like your views on the possible effects that the proposals could 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.

N/A

**Question 4b**

Please also explain how you think the policy could be developed 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.

N/A

