

Media Briefing: ITN news NDR interview

Date and time	3pm, Tuesday, February 20th
Location	Members' balcony, Senedd
Press officer	Redacted – Section 40
Media contact	Redacted – Section 40
Brief summary	Interview on the decision to reduce business rates relief offered to hospitality businesses from 75% to 40%. The interview will feature in a report claiming that pubs, bars and restaurants are closing at faster rate in Wales than the rest of Great Britain.
Interview format	Pre-recorded interview with Redacted – Section 40
Key messages	<ul style="list-style-type: none">• We are providing a package of rates support worth £134m next year on top of our permanent relief schemes, which are worth £250m a year.• Thanks to our generous system of full reliefs, almost half of ratepayers, including thousands of small businesses across Wales, do not pay rates at all.

Non-domestic rates support

- We're providing a package of additional support for non-domestic rates worth £134m next year on top of our permanent relief schemes, which are worth £250m a year.
- The reduction to 40% RHL relief will be for 2024-25 – so from April onwards.
- Every ratepayer will benefit from this package.
- This will be the fifth successive year we provide a dedicated retail, leisure and hospitality relief scheme.
- An additional £78m will be available for this targeted relief in 2024-25. Eligible ratepayers in Wales will receive 40% non-domestic rates relief. As in previous years, the relief will be capped at £110,000 per business across Wales.
- This builds on the almost £1bn of support provided through our retail, leisure and hospitality rates relief schemes since 2020-21.
- This temporary relief was never intended to continue indefinitely. As we move to more frequent revaluations, we will ensure non-domestic rates bills better reflect up-to-date market conditions for all sectors.
- We will cap the increase to the non-domestic rates multiplier for 2024-25 to 5%, at a recurring annual cost of £18m. This is lower than the 6.7% increase that would otherwise apply. It will benefit all ratepayers who do not already receive full relief.
- We will also be introducing a new £20m "Future Proofing Fund" in early 2024-25 to provide grant aid for businesses to invest in measures to future proof their business.
- We will continue to provide transitional relief to businesses affected by last year's revaluation.

NDR tax-base and support

- The tax-base in Wales differs significantly from that in England. It is right that our rates system and reliefs reflect these differences and the unique circumstances of Wales.
- Capping the multiplier increase to 5% in 2024-25, compared to the UK Government's 6.7% increase, reduces the difference between the multiplier in Wales and England's standard multiplier.
- The multiplier is one factor that determines a ratepayer's bill and it should not be considered in isolation. Another factor is the rateable value of the property. Our tax-base, with an average rateable value of around £19,000, is very different from that in England, with a much higher average around £34,000. This drives a large difference in the average liability of ratepayers.
- Reliefs are then applied to bills, which reduce or remove liability for the majority of ratepayers in Wales.
- A single multiplier applies to the whole tax-base in Wales. We cannot currently consider setting different multipliers for different sectors, as exist in other parts of the United Kingdom. The Local Government Finance (Wales) Bill aims to address this limitation in the existing legislative framework for Wales.
- Our Small Business Rates Relief supports up to two properties per local authority for businesses in Wales. This is much more generous than in England, where businesses can only claim for one property in the country.
- Small businesses account for a much higher proportion of the total rates revenue in Wales compared to England – more than double. The cost of Small Business Rates Relief in Wales is fully funded by the Welsh Government and makes up 10% of total rates revenue, compared to 4% in England.
- Almost half of all ratepayers, including small businesses across Wales, benefit from full rates relief. When partial support is included, ratepayers for more than 80% of properties will benefit from relief in 2024-25. That equates to 104,000 properties across Wales getting full or partial relief.
- To put it another way, less than 20% of properties will attract full rates in 2024-25.

Businesses seems to be closing at a more rapid rate in Wales – how are you responding to this?

- **According to UK Business Counts data from the ONS, the number of enterprises in the pubs, bars and restaurants sector in Wales increased marginally (0.2%) between 2022 and 2023, compared to a reduction (-0.2%) for the UK as a whole. Employment in the sector increased (by**

12.7%) between 2021 and 2022 (latest data available), exceeding the growth in Great Britain as a whole (7.5%).

- UK Business Counts data shows that the number of enterprises in the beverage serving activities sector in Wales declined by 5.4% between 2020 and 2023.
- Our relief for retail, leisure and hospitality does not exist by default and providing additional support will help thousands of businesses in Wales.
- The decision to provide further relief is intended to support businesses in these sectors to continue their recovery from the impact of economic challenges they have faced over recent years.
- There are many factors which affect the viability of businesses. However, non-domestic rates liability is a predictable contribution to local services, which businesses plan for.

General lines on WG support for businesses

- We are very aware that the ongoing cost-of-living and cost-of-doing-business crises continues to present difficulties for small and independent businesses in all sectors across the country.
- We are doing all we can, with the resources and powers available to us, to provide support in these difficult times. We are disappointed to hear of the closure of businesses and we stand ready to offer support to those impacted by any job losses.
- The UK Government needs to use the levers only available in Westminster to take further urgent steps to target gaps in support, particularly to boost businesses who are feeling the impacts of rising costs.
- The Development Bank of Wales' [Green Business Loan Scheme - Dev Bank \(developmentbank.wales\)](https://developmentbank.wales) is a pilot scheme and has been operating for nearly a year and is proving to be highly successful. It aims to invest £10m to provide green business loans, which will enable businesses in Wales to borrow money at discounted rates and on flexible repayment terms, so they can invest in measures to reduce their carbon footprint and energy bills.

Business Wales / Visit Wales support for hospitality businesses

- Support for struggling businesses, including those in the hospitality sector, is available from Business Wales, which provides a single point of contact for business information, advice and support.
- Visit Wales provides financial support for tourism projects across Wales that are the backbone of the industry and boost the contribution of tourism to local economies. Financial support is available from Visit Wales to those parts of the hospitality sector that form part of the tourism offer, such as high end or 'destination' restaurants. Visit Wales has recently supported the following two restaurants under the £50 million Wales Tourism Investment Fund:
 - Dylans Restaurant, Conwy - £76,856 grant & £307,422 loan support
 - Coast Bistro, Mumbles Pier - £117,258 grant & £469,033 loan support

- The £50m Wales Tourism Investment Fund (WTIF), a combination of grants and loans, managed by the Development Bank of Wales, will continue to help finance capital investment in projects that grow the sector and have a positive impact on the Welsh economy. The fund brings together both commercial and grant funding into one combined package of financial support to provide capital investment for the sector and will help finance capital investment in tourism projects which have the opportunity to create positive impact on growing the sector and Welsh economy.
- Hospitality is a core part of the tourism offer and restaurants feature on the Visit Wales website and in our marketing campaigns.
- Visit Wales also works to encourage people to take up careers in the industry and to create a pipeline of skilled employees.
- Latest industry feedback confirms that whilst the acute staff shortages when the sector re-opened after Covid have eased in some areas, the industry is still struggling to recruit and retain staff in some areas and occupations.
- We are continuing to fund “The experience makers” campaign for 2023/24 to highlight the wide variety of career opportunities and encourage people to work in tourism and hospitality. There are now nine case study films available on the Working Wales website and a toolkit has been developed to help businesses to recruit staff. The Flexible Skills Programme fund has also supported employers to train and upskill staff.

Development Bank Wales funds under management

- The Development Bank continues to offer a portfolio of funds relevant to businesses at different stages of their development and growth – including funds specifically targeting support to the tourism and hospitality sector.
- The bank offers loans or equity investments covering all stages of business development ranging from £1,000 to £10 million with terms up to 15 years.
- Business Wales can play a key role in supporting businesses through the process of applying for finance. Business Wales works with businesses to help ensure they are lending ready by providing help and advice on business planning and providing realistic assessments of the business and its finance options. The approach is two-fold; proactive - businesses come to Business Wales before they apply for finance; and reactive – Business Wales works with businesses after a funding application has been declined by a bank.
- [Funds We Manage - Dev Bank \(developmentbank.wales\)](https://developmentbank.wales)

Development Bank Wales specific hospitality support

- DBW supports the hospitality industry across a number of its lending schemes including its £500m Flexible Investment Fund, dedicated £50m Tourism Investment Fund, as well as its £30m Micro Loan Fund.
- The source of support will depend on the size of investment sought (£1k up to £10m), patient capital need (up to 15 years) and in the case of the Tourism Fund, any requirement for a grant/loan funding package for key Welsh projects.

- Through this funding capacity, DBW has been able to service a growing demand in this sector having invested £2.3m into 'accommodation and food services' in 2018/19 rising to £10.4m in 22/23. Year to date in 23/24 this is £18.3m- (which includes a single large investment of £12.5m).
- Since DBWs launch in October 2017 it has invested £48.9m in the accommodation and food services sectors across 341 investments, safeguarding 1,427 jobs (with the addition of emergency Covid support in 2020 this increases to £61m, 532 investments and 4,422 jobs safeguarded).
- This total investment has had strong regional impact across Wales with 54% going to mid and south west Wales, 28% in north Wales and 17% in south east Wales.

These figures focus on 'accommodation and food services' sector support. Additional hospitality support would have also been provided under a wider definition.

Wales Tourism Investment Fund (WTIF)

- The Development Bank has worked closely with the Welsh Government to create a suite of products that directly meets market needs through accessibility and flexibility within the prevailing market conditions and in order to maintain and develop Wales' position in the hugely competitive global tourism market, we need to continue to invest in our tourism product.
- The £50m Wales Tourism Investment Fund (WTIF) provides scope to support businesses with loans of between £100k and £5m, with Repayment terms of 10-15 years. Projects may include high quality, innovative products, all weather attractions, distinctively Welsh visitor focused experiences, innovative cultural or heritage projects, unusual places to stay and flagship attractions

Visitor Levy

- There is no visitor levy in Wales at present, proposals will be subject to scrutiny by the Senedd and 2027 has always been estimated as the earliest date a local authority in Wales could introduce a visitor levy on overnight stays in their area.
- Draft legislation will be introduced to the Senedd for scrutiny later this year, followed by a Senedd vote in 2025.
- Extensive engagement has taken place with the tourism industry, local authorities and other organisations on proposals to introduce a visitor levy. We will continue to engage with the industry to help inform our approach.
- Visitor levies are commonplace across the world, with revenues used to the benefit of local communities, tourists and businesses.
- Our plans would allow local authorities to decide if they want to introduce a small levy, based on the needs of their areas. They will be required to consult locally and undertake their own impact assessments before introducing a levy.
- The levy will generate new revenue to develop and enhance local services and infrastructure that make tourism a success.

- “Our intention is to foster a sense of shared responsibility between residents and visitors, to protect, and invest in, local areas and encourage a more sustainable approach for tourism.”

Classification of self-catering properties (182 days)

- **The changes to the local tax rules for self-catering accommodation and second homes are designed to help develop a fairer housing market and ensure property owners make a fair contribution to the communities where they own homes or run businesses.**
- **We believe that everybody has a right to a decent, affordable home to buy or to rent in their own communities so they can live and work locally.**
- **We are taking radical action using the planning, property and taxation systems to achieve this, as part of a joined-up package of solutions to a complex set of issues.**
- Properties which do not meet the criteria to be classified as non-domestic can still continue to operate as self-catering providers, but they will make a contribution to the local community through council tax, in the same way as other homeowners already do. Those which meet the criteria will make a contribution through the higher levels of economic activity they generate.
- It is for each local authority to decide whether to apply council tax premiums to the second homes and long-term empty properties in their area.
- There are a number of exceptions to the premiums and, following consultation, we have recently extended these. Holiday lets captured by one of the exceptions should not be charged a premium. We have also updated our guidance to confirm local authorities have discretionary powers to reduce or remove the requirement to pay a premium or the standard rate of council tax in the event that the new letting thresholds are not met.
- The 300% limit for council tax premiums is a maximum. Local authorities may apply a premium at any level up to the maximum.
- We amended the criteria for self-catering properties to be classified as domestic for local tax purposes, from 1 April 2023. Previously, properties that were available to let for at least 140 days and actually let for at least 70 days, within a 12-month period, could be liable for non-domestic rates rather than council tax. These thresholds have been increased to at least 252 days available to let and at least 182 days actually let.
- This reflects our policy view that, in order to be listed for non-domestic rates, self-catering properties should be operating as businesses for at least half the year.
- The Welsh Government has recognised that some self-catering properties are restricted by planning conditions preventing permanent occupation as someone’s main residence. As a result, we have extended the existing exceptions to the council tax premium for properties with a planning condition which specifies that the property may only be used for holiday let or which prevents their permanent occupation as a person’s sole or main residence.
- Such properties would become liable for council tax at the standard rate if they do not meet the letting criteria for classification as non-domestic property, but

they could not be charged a premium. This is consistent with our policy view that property owners should make a fair contribution to local communities either through local taxation or through the economic benefit they bring to an area.

- We published revised guidance for local authorities on implementing and enforcing council tax premiums for long-term empty dwellings and second homes on 9 March 2023. This highlights the discretionary powers and additional options that are available to local authorities in the event that self-catering properties not restricted by planning conditions do not meet the letting criteria.
- The Welsh Government continues to monitor the effect of the legislation but has no plans to undertake a formal review of the changes to the self-catering criteria in the short-term nor in isolation from the broader package of measures within our three-pronged approach to tackling the impact of large numbers of second homes and holiday lets can have on communities and the Welsh language.
- Such a commitment could create uncertainty for the self-catering sector, which is unlikely to be helpful in diverting their focus from responding, as they consider necessary, to the criteria in place now and for the foreseeable future.
- The new requirements have been in place for less than a year and a review at this stage would be premature, particularly given that the latest evidence from the sector is consistent with our initial assessment of the anticipated impacts and benefits of the policy. It is much too early to draw firm conclusions.

General budget lines

- We're facing an incredibly tough financial situation and we've taken some really difficult decisions to radically redesign our budget.
- Our overall funding settlement is not sufficient to meet all pressures and allow us to do all the things we want to do.
- Spending more in some areas means there's less to spend in other areas.
- Our decisions are underpinned by our principles – to protect core, frontline public services as far as possible; to support the hardest hit households and to prioritise jobs, where we can.

Background briefing in case of off-topic questions (not expected)

Redacted – not in scope for relating to misinformation, public messaging strategy, or reputational risk