

Rateable Values for water industry charging

The brief note provides clarifications regarding the appropriate RV to be used for charging in the following circumstances:

- Situations where RVs should be increased
- Revisions to RVs due to appeals
- Premises mergers
- Consolidated Rateable Values

1. Situations where RVs should be increased

Part 1 Appendix 3 of the Wholesale Charges Scheme defines the RVs that are to be used for water industry charging.

Section 1.5 states that RVs should only be increased *‘where it is identified that the Rateable Value recorded at the CMA is incorrect (either an error or a default provisional value that has not been corrected)’*.

The ‘error’ group comprises:

- customers in premises that have a zero RV (£0 or £0.10) and
- customers that are not being charged on the appropriate RV – either the RV is simply the wrong value or the RV had not been updated to reflect modifications.

Recognising that some premises are not covered by Rateable Values (such as farms) and landlord SPIDs will not have an RV recorded, business premises should never be allocated a zero RV (£0 or £0.10) and therefore the appropriate RV requires to be assigned to the zero-RV premises.

It is possible that customers may not know if a non-zero RV that is being used for water industry charging is appropriate or not. Correcting these non-zero RV errors will increase charges which customers may not have been expecting nor have made provision for. On reflection we now recognise that RVs should not have been corrected in this situation.

In advance of moving to ‘live’¹ RVs (currently anticipated in 2018), **LPs can reverse RV increases that have been made since April 2014, unless the increase in RV related to:**

- **assigning the appropriate RV to replace a zero RV,**
- **assigning the appropriate RV to replace a default RV, or**
- **an RV-increase associated with premises mergers or RV-consolidation (see 3 and 4 below).**

¹ ‘Live’ RV is the term used to describe the RV currently assigned to the premises by the SAA and used by local authorities to levy business rates.

2. Revisions to RVs due to appeals

The Charges Scheme states premises can remain on an historic RV reflecting the RV that was in force when the premises was built or last modified, rather than change in line with the 5-yearly (periodic) rates revaluations.

The Charges Schemes defines a Property Modification as *any change of circumstances that the LCRA considers will have a material change on the rental value of the property that results in the Rateable Value being revised between periodic re-assessments.*

While 'last modified' is often regarded as relating to physical changes to premises (extensions or demolitions) or change of business activity (e.g. office to restaurant), the Scottish Assessors Association (SAA) will actually revise RVs in response to an appeal, to reflect any material change in circumstances, which can include a change in the economic circumstances which is considered to impact on the rental value of the premises.

LPs should therefore reduce RVs in line with RV-appeals that have been upheld by the SAA.

3. Premises mergers

Where multiple premises are physically merged into a single premises, the new RV assigned to the merged premises should be used for water industry charging.

The RV recorded at the CMA should be amended to be the lower of:

- **the RV assigned to the premises following the premises merger, or**
- **the combined RV of the pre-merger SPIDs recorded at CMA prior to the merger.**

4. Consolidated Rateable Values

Where the RV entries (at the SAA) for multiple premises are consolidated on to a single RV entry, the consolidated RV assigned to the premises should be used for water industry charging.

The RV recorded at the CMA should be amended to be the lower of:

- **the consolidated RV assigned to the premises, or**
- **the combined RV of the pre-consolidation SPIDs recorded at CMA prior to the consolidation of the RVs.**

Scottish Water

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