

# Customer facing FAQ for introduction of Live RVs

## Frequently Asked Questions regarding the move to Live RVs by the water industry

### 1. Introduction

Water, sewerage and drainage charges are payable by owners and occupiers of non-household properties (also known as non-domestic premises) which are connected whether directly or indirectly to public networks.

Unmeasured charges, such as property and roads drainage, are calculated by reference to Rateable Values. These charges relate to the costs of dealing with rainwater that enters Scottish Water's sewers from private property and public roads across Scotland.

### 2. What is changing?

From the 1 April 2018, the Rateable Values most recently assigned to premises by the Assessor, i.e. the 2017 Rateable Value that councils use to charge business rates, (referred to as the Live RV), will also be used to calculate unmeasured water and sewerage charges.

Other than for premises that have been built since 1 April 2017, water industry charges that use Rateable Value are currently based on historic Rateable Values, some of which will have been assigned to premises as far back as 1995.

### 3. Why is this change happening?

The Water Industry currently uses historic Rateable Values to calculate unmeasured charges. The historic Rateable Values date back to when the property was built (or last modified) and in some cases can be the value assigned to the property as far back as 1995. This means that there can be significant differences between the amounts charged for water services at properties that have the same Live Rateable Value and which are charged the same level of business rates. The Government recognises that this situation is unfair and needs to change.

### 4. What impact will the change have?

The change will mean that all customers will be charged on a consistent basis.

As a result of the change some customers will see increases in their bills for those services that are charged on Rateable Value while other customers will see lower bills for their Rateable Value related services.

Many customers will still be better off by the move to Live RV even if their Live RV is higher than the RV that is currently used by the water industry to calculate some of their water charges.

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### 5. Will these changes increase revenue for the water industry?

No. This is not a revenue raising measure for the water industry.

The level of the unit price (the charge per £ of RV sometimes referred to as the poundage) for Rateable Value based charges will be reduced to ensure that overall the business community does not pay more for the services it uses.

### 6. What charges will be affected by the changes?

The move to use 'live RVs' will impact on the following charges that are based on the Rateable Value of the property:

- water and sewerage charges at premises that have not been metered, and
- property and roads drainage charges.

### 7. When will the changes start?

The change will start from 1 April 2018.

### 8. Will there be transition arrangements?

Yes. Transition arrangements will cover the 3 years 2018-19, 2019-20 and 2020-21. From 1 April 2020, all RV-based charges will be completely based on the Live RV.

### 9. How will the transition arrangements work?

The transition arrangements will mean that the RV related parts of your bills will change in equal cash instalments in each of the next three years.

In the case of a customer currently charged £600 for RV-related services and as a result of the move to Live RV the bill in 2020-21 reduces to £450, the annual charges over the transition period will be:

	Annual bill (for RV-related services)
2017-18	£600
2018/19	£550
2019/20	£500
2020/21	£450

In the case of a second customer currently charged £600 for RV-related services and as a result of the move to Live RV the bill in 2020-21 increases to £750 the annual charges over the transition period will be

	Annual bill (for RV-related services)
2017-18	£600
2018/19	£650
2019/20	£700
2020/21	£750

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## **10. Will the unit price for Rateable Value based charges change?**

Yes. To ensure that the water industry does not raise extra money from customers, the unit prices (the charge per £ of RV or poundage) for all services that are based on Rateable Values will reduce.

## **11. What happens if my Rateable Value changes during the transition period?**

It depends on what has caused the Rateable Value to be changed. Some circumstances will result in the level of charges during the transition period being recalculated to take account of the change, while changes for other reasons will mean that the transition arrangements come to an end.

If your RV changes as the result of winning an appeal, your RV will be amended and your charges will be recalculated.

If your RV changes because you extend your premises or demolish part of your premises during the transition period this will also result in your charges being recalculated.

Any other changes to your property that cause the RV to be revised, such as merging it with neighbouring premises, dividing it into multiple units or where a premises undergoes complete redevelopment will end the transition arrangements. When transition arrangements end all further RV-related charges will be based entirely on the revised Live RV.

All of these changes to RV will be applied to water charges from the date the assessor issues a notice amending the valuation of the premises - which is called the Valuation Notice Issue Date.

## **12. Why will changes to the RV not be applied from the same date as used for business rates?**

While the water industry uses rateable value to calculate charges for some of its services, it is different from the way that councils use rateable value to calculate business rates.

Water charges will be allowed to reflect the revised RV during the transition period, but only from the Valuation Notice Issue Date. This is to protect the competitive retail market and to ensure that customers can continue to switch between service providers during the transition period.

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### 13. What will the change mean for me?

Only your service provider can tell you exactly what the change will mean for your bills.

You could still be better off by the move to Live RV even if your Live RV is higher than the RV that your water charges are currently based on.

The impact on your charges depends on four things,

- the services that you have that are charged on Rateable Value (unmetered water and waste, and property and roads drainage),
- the Rateable Value that is currently used to calculate charges for these services,
- the new Rateable Value that was assigned to the premises through the 2017 revaluation and which the council uses for business rates, and
- the level of charges that you have agreed with your service provider.

The main driver is how big the Live RV is compared with the RV that is used for water charges today. The examples below show how much bigger the Live RV can be compared to the RV that is currently used to calculate water charges and the customer should still be better off.

The first example below relates to a property that is currently charged **property and roads drainage** on a RV of £10,000 and shows that if the Live RV is up to 29% higher than the RV that is currently used to calculate water charges, the customer should be better off.

Premises where only property and roads drainage are charged on RV		
RV currently used to calculate water industry charges	Live RV that will be used to calculate water industry charges from April 2018	Impact of the change
£10,000	Less than £12,900	Customer should be better off
£10,000	£12,900	No impact on customer
£10,000	More than £12,900	Customer likely to be worse off

The second example below relates to a property that is currently charged for all services (**water, foul sewerage as well as property and roads drainage**) on a RV of £10,000. This time the table shows that if the Live RV is up to 39% higher than the RV that is currently used to calculate water charges, the customer should be better off.

Premises where all services are all charged on RV		
RV currently used to calculate water industry charges	Live RV that will be used to calculate water industry charges from April 2018	Impact of the change
£10,000	Less than £13,900	Customer should be better off
£10,000	£13,900	No impact on customer
£10,000	More than £13,900	Customer likely to be worse off

You can use these increases as a rule of thumb to work out if you are likely to be better off as the result of moving to Live RV depending on your own circumstances - but only your service provider can tell you of the precise impact for you.

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### **14. How can I find out if I will be better or worse off?**

You can use these rules of thumb to do a quick check but only your service provider can tell you exactly what the change will mean for your bills.

### **15. What are my alternatives to being charged on Rateable Value?**

If a water meter can be fitted to your water supply you can be charged for the water that is used in your business. If a water meter cannot be fitted, then charges can be based on an assessment of the water that your business uses. Contact your service provider to discuss these options.

Currently there is no alternative to using Rateable Value as the basis for property and roads drainage charges.