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Department of Communities and Local Government
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Dear Sir,

The transitional arrangements for the non-domestic rating revaluation 2010 in England

BCSC is grateful for the opportunity to set out its preferred option for transitional rate relief.

BCSC represents businesses operating in the retail property sector. Our mission is to promote industry best practice and advance the professional aims of the retail property industry. We represent a broad church of property professionals including landlords, developers, retailers, surveyors, architects and public sector managers.

The retail and retail property sectors play a vital role in communities across the UK, employing around 7.6 million people, creating jobs for a diverse range of professions. In 2008 around £6 billion was invested in the UK shopping centre industry, with over 500,000 m² of additional floor space delivered. With this amount of leverage retail development has the potential to transform the UK's towns and cities, often acting as a catalyst for wider regeneration. It is for this reason that, whilst we recognise the obvious pressures Government is under, with public sector borrowing at around £107 billion in 2009 and tax receipts expected to be 7% lower than last year, we assert **that business rates must not be seen as a simple and predictable mechanism to raise revenue to fill voids in the public finances.**

During the last 18 months, we have seen a radical change in the fortunes of shopping centre and retail led development. The stark consequences of the UK banking crisis, combined with falling capital values, of up to 50% in many secondary retail locations, and falling consumer demand have had a profound affect. Add to this the reluctance of banks to provide loan facilities to commercial property, particularly development, and you have the recipe for stagnation which, as we have explained on below, has consequences for occupier as well as owner. Our research

shows that virtually all development that is not under construction at present will not be implemented until sustainable consumer demand improves. Despite a number of forward looking indicators suggesting the worst of the recession might be over, strong consumer demand is unlikely for sometime, especially with unemployment continuing to rise, expecting to peak at around 10% of the workforce by 2010, and earnings growth constrained.

Economic recovery clearly requires a sustained improvement to the whole economy. However we strongly believe that the particular plight of retailers needs to be ameliorated by action to reduce their business rates liability as part on an overall strategy towards recovery. As such we believe it is critical that Government intervenes to ensure ratepayers are protected from large increases in their rates bills and have time to adjust to their new liability. For this reason **we support Option 3 as set out in the consultation document for annual caps on both increases and reductions over a five year period.**

We strongly support a scheme that lasts 5 years and therefore the duration of the quinquennial review period, avoiding the same problems as occurred this year when large increases materialised as the 4 year scheme came to an end, and in part prompted Government to introduce its deferral scheme. We also support the phasing in of business rate increases with a subsequent downward cap on rate decreases. This is much the preferred option as we believe a supplement to pay for an upward cap would add further complexity to an increasingly complex business rates system.

While we support Government's preferred option as set out in the consultation we believe further consideration should be given to the level of the upward cap which at 12.5% and 17.5% of the rates rise for years 1 and 2 still represents a significant increase in rates paid at a time economic fragility. The impact of business rates' increases resulting from the 2010 revaluation and based on April 2008 rental levels which clearly do not reflect today's market is further compounded by a number of additional rates burdens:

- In London the introduction next year of a business rate supplement to part finance Crossrail will add 2p to the business rate multiplier, costing London's retailers £34 million / year for the duration of the project.
- The removal of empty property rate relief after 3 months which, contrary to the statement on page 7 of the consultation document that '*non-domestic rates are a tax paid by occupiers or, for empty properties, owners of most non-domestic properties*', is also borne by retailers still in legal ownership of empty shops.
- This year's inflation based business rates increase that, despite Government providing an option to defer the cost over three years, will still affect the bottom line over a three year period.
- The proliferation of Business Improvement Districts (BIDs) also continues to add to the cost of occupancy.

The impact of these additional costs on occupation, and retailers' margins and growth plans, is further stagnation in the development market as new retail schemes fail to meet the viability test. Subsequently this will have a major impact on the

occupational market for retailers as effectively there will be no new retail space delivered which provides quality retail space appropriate for modern multiple retailer requirements. Retail demand for additional retail space, still the primary means that retailers use to grow their business, will therefore have to be met from the current retail stock. There will be an initial period where previous over-supply and vacancies will take up some of the slack, but this is unlikely to last very long. It will be particularly difficult for larger space occupiers to acquire large units as there is relatively little that can be created from existing centres, and traditionally they have relied upon new developments as their primary source of new, efficient and larger spaces.

Although business rates are a tax on occupation they also have implications for owners and developers of commercial property. This correlation is critical as occupational demand drives development and without this demand the kind of retail schemes that have come online over recent years, and in doing so contributed significantly to economic growth and community improvements, are no longer viable from an investment perspective. As Government embarks on this latest policy that adds to that rates burden we request this point is taken into account and **Government considers introducing a significantly lower upward cap, particularly in the early years, that recognises the current economic fragility and the contribution retail and retail property can make to a sustainable economic recovery.**

We would be happy to expand on any of the points set out above.

Yours faithfully,



Edward Cooke
Executive Director
BCSC