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Mark Barnett
Business Rates and Valuation Division
Department of Communities and Local Government
Zone 5/D2, Eland House, Bressenden Place
London SW1E 5DU

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Dear Mark,

Discretionary Business Rates Discounts – Issues for Consultation

BCSC welcomes the Government consultation on discretionary business rates discounts.

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. Our membership is a broad church of over 2,600 property professionals including owners, developers, retailers, surveyors, architects and public sector managers.

As you will be aware, 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, approximately £6 billion was invested in the UK shopping centre industry. With this amount of leverage retail development has the potential to transform UK towns and cities, often acting as a catalyst for wider regeneration.

Retailers' contributed around 25% of Government's annual £25 billion in business rate receipts in 2009 / 2010, and with a revaluation in 2010 along with powers given to local authorities to raise additional rates revenue through a Business Rate Supplement (BRS), the cost of business rates to retailers is likely to increase. Clearly therefore, escalating business rates at a time of falling sales driven by weak consumer confidence, continues to have a detrimental impact on retailers' ability to remain profitable. Rising costs and falling sales have resulted in large numbers of retailers going into administration¹ and an increase in the

¹ PwC analysis into corporate insolvency numbers shows 342 retail businesses failed in Q2 2010.

amount of empty retail property on the high street², a situation which is particularly severe in secondary retail locations. This has serious implications for the physical attractiveness of a location as empty properties create a blighting effect on many towns and cities, deterring customers from visiting and therefore retailers and property owners from investing.

In some extreme circumstances where the cost of empty property rates is too high to bear, property owners have been forced to demolish empty and unwanted units, further exacerbating the state of decay of many locations and reducing the supply of usable space.

Although often presented as a tax on occupation, in a weak occupier market, as we are undoubtedly in, the true incidence of taxation often falls to the property owner as rents are reduced to take account of retailers' increasing operational costs and falling turnover. This in turn deters investors from the retail property market as they calculate the likelihood of them securing a return on an investment, which will be partly based on the rents that occupiers are paying, against the risk of investing.

It is this investment that many of our towns and cities across the UK are so desperately in need of in order to improve the vibrancy of the retail offer, the attractiveness of the physical space and the provision of jobs and training to those out of employment.

In previous submissions to the last Government, we called for a commitment to investigate ways in which the financial pressures on the retail property industry, both owner and occupier, can be reduced, particularly focussing on business rates. In this context we are particularly pleased to see the new Coalition Government considering discretionary business rates discounts.

Turning directly to your proposals, BCSC strongly supports an extension to the discretionary measures for providing business rate relief.

We fully welcome the Government's suggestion to establish a broad new power allowing a local authority to grant relief to any ratepayer, subject to local eligibility criteria. In particular, we would welcome relief for retail as a specific sector (point f of your examples) as we believe this would help support town centres during the current difficult economic climate. We strongly believe that any relief should also be made available on empty property, and indeed empty property should be one of the specific local eligibility criteria, and therefore the landlord who is often responsible for paying rates on empty property as retailers continue to fail.

As noted above, business rates are one of the major operating costs of retailing and a major factor in determining whether some stores are profit or loss making. When stores become loss making, retailers are forced to dispose of them, resulting in job losses. Further assistance in business rate relief could therefore assist with maintaining staff levels across the retail sector, especially in those secondary and tertiary locations where retailers are unlikely to renew leases.

On the issue of funding, we are concerned that if this relief is to be funded by the local authority rather than Government, there may be little local appetite to utilise this new power.

² Local Data Company (LDC) reported that UK high street vacancy rates were around 12% in February 2010.

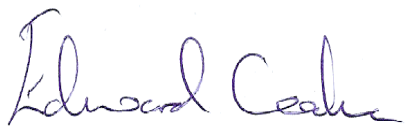
Local authorities will understandably be looking for cost savings over the coming months and years and we would urge the Government to consider funding, or perhaps part funding, this proposal to ensure that it is effectively implemented on the ground. We believe that this policy has the potential to make a positive contribution to town centre rejuvenation. However, if Government does not provide adequate support it is likely to be a wasted opportunity.

By way of example, it should be noted that the same provision exists presently in relation to the grant of discretionary rural rate relief and of hardship relief. We believe the difficulty of showing beyond potential challenge that exercising discretion will be in the interests of council tax payers is a key reason why these reliefs are so little used. In 2008/9 only £1.3m was granted in hardship relief throughout England, notwithstanding that councils have to bear only 25% of this cost. The likelihood of councils granting relief when they have to bear 100% of the cost is therefore going to be modest.

We would be interested to note whether the Government has already discussed this proposed policy with a sample of local authorities, and if so, if these authorities have indicated whether they would use this power, if provided.

We would be happy to discuss this matter with you in more detail.

Yours sincerely,



Edward Cooke
Executive Director
BCSC