Committee for Finance and Personnel

Report on the Proposed Large Retail Levy and the Expansion of the Small Business Rate Relief Scheme

Together with the Minutes of Proceedings of the Committee relating to the Report, Minutes of Evidence, Written Submissions and Memoranda

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Mandate 2011/2015 **First Report**

Committee Remit, Powers and Membership

Powers

The Committee for Finance and Personnel is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of the Belfast Agreement, Section 29 of the Northern Ireland Act 1998 and under Assembly Standing Order 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Finance and Personnel and has a role in the initiation of legislation.

The Committee has the power to:

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- approve relevant secondary legislation and take the Committee Stage of primary legislation;
- call for persons and papers;
- initiate inquiries and make reports; and
- consider and advise on matters brought to the Committee by the Minister of Finance and Personnel.

Membership

The Committee has eleven members, including a Chairperson and Deputy Chairperson, with a quorum of five members. The membership of the Committee during the current mandate has been as follows:

Mr Conor Murphy MP (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree MBE
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Ross Hussey
Mr Paul Maskey MP[1]
Mr Mitchel McLaughlin
Mr Adrian McQuillan

1 Mr Maskey replaced Ms Caitríona Ruane with effect from 12 September 2011.

Table of Contents

List of Abbreviations and Acronyms used in the Report

ATM	Automatic teller machine
BCTC	Belfast Chamber of Trade and Commerce
BIDs	Business Improvement Districts
BIS	Department for Business, Innovation and Skills
DFP	Department of Finance and Personnel
DoE	Department of the Environment
DSD	Department for Social Development
ERINI	Economic Research Institute of Northern Ireland
ETI	Enterprise, Trade and Investment
FSB	Federation of Small Businesses
GB	Great Britain
GVA	Gross value added
HQ	Headquarters
IDBR	Inter Departmental Business Register
IREP	Independent Review of Economic Policy
LPS	Land and Property Service
NAV	Net annual value
NI	Northern Ireland
NIABI	Northern Ireland Annual Business Inquiry
NIIRTA	Northern Ireland Independent Retail Trade Association
NILGA	Northern Ireland Local Government Association
NIRC	Northern Ireland Retail Consortium
NIW	Northern Ireland Water
PAYE	Pay as you earn
PR	Public relations
RICS	Royal Institute of Chartered Surveyors
RoI	Republic of Ireland
SBRR	Small business rate relief
SME	Small and medium-sized enterprise
UK	United Kingdom
VAT	Value added tax

Executive Summary

In his statement to the Assembly on the Budget 2011-15 on 4 March 2011, during the previous Assembly mandate, the Minister of Finance and Personnel announced his intention to rebalance the non-domestic rating system. This would be done by way of a levy on larger retailers, which would be used to fund an expansion of the small business rate relief scheme. In explaining that his Department would consult publicly on the proposals, the Minister indicated that he hoped the subsequent legislation would be passed by the new Assembly to enable any changes to take effect from April 2012. For this to happen, it would be necessary for the legislation to pass by the accelerated passage procedure which, if approved by the Assembly, would remove the opportunity for the normal Committee Stage scrutiny of the Bill. Given the level of public interest in this matter, the Committee for Finance and Personnel considered that it was particularly important to undertake thorough scrutiny of the policy proposals prior to the final decisions being made by the Executive, and in advance of the introduction of the Bill.

The Committee sought to establish a sound evidence base for its scrutiny by taking the views of a representative group of stakeholders within the short timeframe available to it. Department of Finance and Personnel officials also provided additional information required by the Committee, again often within extremely short timescales. The Committee is grateful for the input from both stakeholders and Departmental officials, which has helped to inform this Report. A number of key conclusions and recomme ndations have been identified for consideration by the Minister of Finance and Personnel and the wider Executive.

Given the current economic climate, the Committee is, in principle, supportive of the proposals to expand the small business rate relief scheme. However, concerns remain that the scheme is a “blunt instrument” as it will apply to all small properties with a net annual valuation of £5,001 to £10,000, regardless of sector or need. While the consideration now being given to excluding large businesses with multiple small premises from the scheme is to be welcomed, the Committee would encourage the Department to consider further measures to refine the scheme so that it targets those businesses most in need.

The Committee sees merit in spreading the cost of funding the expansion of the small business rate relief scheme fairly across a number of large business sectors rather than it resting solely with large retailers. A range of viable options have therefore been identified to enable the scope of the levy to be extended to include, for example, banking and financial institutions, telecoms companies, wholesalers and large hotel groups in addition to large retailers. Finally, to ensure a fair and transparent means of distributing the rates burden in the longer term, the Committee considers it essential that the revaluation of non-domestic properties takes effect from April 2015, to coincide with the end of the small business rate relief scheme and the levy.

Key Conclusions and Recommendations

Context

1. Given that the Assembly may approve accelerated passage for the legislation to implement the proposed large retail levy and other non-domestic rating reforms – which would remove the normal Committee Stage scrutiny of the Bill – the Committee for Finance and Personnel determined that, in view of the level of public interest in this matter, it would be especially important for it to undertake a thorough scrutiny of the policy proposals, within the given time constraints and in advance of the introduction of a Bill. (Paragraph 4)

2. In recognising the relative importance of the respective contributions to the local economy of both the small business sector and large retailers, the Committee has sought to focus its scrutiny on the scope for improving the current policy proposals to help ensure that the support is provided to smaller businesses who need it most while placing an equitable and proportionate burden on the larger businesses which will be required to fund the expanded small business rate relief scheme. (Paragraph 19)

Small Business Rate Relief Scheme

3. The Committee recognises that some well-founded concerns were raised in respect of the small business rate relief scheme, both in response to the Department of Finance and Personnel consultation and in evidence to the Committee. Members therefore consider that it is imperative that the Department undertakes a comprehensive evaluation of the effectiveness and value of the existing small business rate relief scheme at the earliest opportunity. (Paragraph 34)

4. The Committee believes that steps should be taken to identify longer-term alternatives to the relief scheme, that take account of the concerns raised during this process and which also align with the Executive’s future policy direction, including priorities in the Economic Strategy and any changed context in the event of the devolution of corporation tax powers, from which small companies could benefit. The options in this regard will require to be fully explored and costed, to determine the most effective way of supporting the growth and success of the small business sector in the longer term. (Paragraph 35)

5. The Committee recognises that the Executive presently has only a limited range of economic levers at its disposal. Therefore, notwithstanding the need for evaluation of the existing small business rate relief scheme and research into future options, in considering that an additional 9,000 small businesses could be eligible for relief, in the current economic climate, the Committee is, in principle, supportive of extending the scheme for the next three years to premises with net annual value of £5,001 to £10,000. That said, while serving a purpose in easing the burden on smaller businesses, the Committee concurs that small business rate relief is a “blunt instrument” and urges the Department of Finance and Personnel to undertake urgent work to further refine the scheme to target, as far as is practicable, those small businesses most in need. (Paragraph 38)

6. While recognising the divergence of views among stakeholders on whether the expanded small business rate relief scheme scheme should be targeted at small retailers only, members are mindful that many small businesses face difficulties in the current economic climate and that the most needy are not necessarily confined to the retail sector. As such, the Committee concludes that a scheme targeting relief at small retailers only would be too narrow in focus. (Paragraph 47)

7. Members support the principle of excluding businesses with multiple premises from the small business rate relief scheme scheme, but would emphasise the importance of carefully

defining “multiples” in the legislation. The Committee recommends that any savings resulting from the exclusion of multiples is used to increase the relief available to other small businesses under the scheme, rather than to mitigate the impact of the levy on large businesses. (Paragraph 58)

Large Retail Levy

8. The Committee has some sympathy with the view expressed by various stakeholders that a non-domestic revaluation in 2010 would at least have provided a more transparent and fair way of rebalancing the distribution of rates than the current proposals.[1] It is essential therefore that the revaluation takes effect from no later than April 2015 and that the Department ensures that all the necessary preparatory work, including provision for reviews and appeals and advance communication with non-domestic ratepayers, is concluded in good time to enable a smooth transition. In this regard, the Committee requests to be provided with an implementation plan and timetable for the related work, to enable members to monitor progress on a regular basis. In the meantime, the Committee supports, in principle, the introduction of a levy on large businesses to fund the extension to the small business rate relief scheme. (Paragraph 73)

9. In noting the suggestion from the evidence that family disposable income in NI is significantly lower than in GB, the Committee believes that the importance of competitive pricing to consumers here should not be underestimated when assessing the risks associated with a large retail levy. (Paragraph 90)

10. Despite the Department’s assertion that the proposed large retail levy is not aimed at arresting the growing trend for out-of-town retailing, it is clear to the Committee that there still appears to be some confusion in this regard. While acknowledging the Department’s arguments as to why the levy could not be applied solely to out-of-town shops at present, the Committee would, in principle, be supportive of measures to protect town centres, and would therefore call for work to be undertaken to bring forward a clear definition of what is considered “out-of-town”. Furthermore, steps should also be taken to ensure that the revaluation of non-domestic properties, scheduled to come into effect in April 2015, takes location into consideration to help address the issue of out-of-town stores and the impact that they have on town centres. (Paragraph 102)

11. The Committee welcomes the assurance from the Department of Finance and Personnel that a “sunset clause” is to be included in the forthcoming Bill, which would require additional primary legislation to apply a levy beyond March 2015. The Committee believes that this should help to address some of the concerns raised by stakeholders but members also recognise a need to ensure no gap occurs between the ending of a levy and the non-domestic revaluation taking effect. (Paragraph 105)

12. In light of the generally positive attitude of stakeholders, including the large retailers, towards the principal aim of supporting small businesses through the current downturn, the Committee believes that the Department of Finance and Personnel and the Executive should carefully consider the case for extending the scope of the levy to help ensure that the burden of funding the extended small business rate relief is shared equitably across the large business sectors. Towards this end, it would be appropriate for the Department to engage further with the key stakeholders over the coming months to establish broad agreement on how such improvement can take effect, particularly in 2013-14 and 2014-15. In this regard, the Committee recommends that the Department ensures flexibility in the legislation to allow the scope of the levy to be extended in the last two years. (Paragraph 112)

13. The Committee notes the argument by some supermarkets that they are being targeted because they are keeping prices down, while utility companies are being “rewarded” for

1 Official Report, 23 November 2011, Appendix 2.

increasing their prices. In examining the case for wider application of the levy, the Committee considers that, in principle, the utility companies should be expected to make, what would be a relatively modest contribution to funding the extended small business rate relief scheme, without passing the cost to consumers. The Committee therefore calls on the Department to further investigate the scope for the Utility Regulator to require utility companies to make efficiency savings, rather than automatically passing additional rates costs on to consumers. (Paragraph 119)

14. It is the view of the Committee that widening the scope of the temporary levy to include banks and financial institutions would not act as a significant disincentive to inward investment in this sector. Moreover, the Committee would point out that the logical conclusion to any fatalistic argument against extending the levy to include financial services, on the basis that this would deter inward investment, or to utility companies, on the basis that they would pass on costs through price increases, would be that similar consequences would arise from any future increase in rates for these sectors, including from a decision to unfreeze the regional rate or as a result of revaluation. (Paragraph 122)

15. Through its scrutiny of the proposed levy, which has been actively facilitated by the responsible Department of Finance and Personnel officials, the Committee has identified a range of viable options for the Department and the Executive to examine with a view to ensuring that the burden of the levy is shared fairly across the large business sectors in the local economy. In particular, some of these options would allow for the scope of the levy to be expanded in a measured way to include, for example, banks, financial institutions, telecommunication companies, wholesalers and hotel groups. (Paragraph 129)

16. Members believe that the various options identified would enable the cost of the levy to be spread fairly across large business ratepayers to help mitigate any risk of the levy being the “tipping point” in terms of forcing individual businesses into decisions which would have detrimental implications for consumer prices, future investment or employment. The Committee, therefore, calls on the Department and the Executive to pursue these options as a matter of urgency. (Paragraph 130)

Introduction

Background

1. The Department of Finance and Personnel (DFP) launched its public consultation on changes to the rating of non-domestic properties on 28 June 2011.[2] With the intention of rebalancing the rating system during the economic downturn, the paper included options aimed at providing more help to smaller businesses which would be funded by large retailers. It also considered measures to address concerns about the negative impact that empty shop windows can have on town centres.

2. The preferred approach set out in the consultation paper was as follows:

   - a general expansion of the small business rate relief scheme (SBRR) – 20% relief to be provided to eligible premises with a net annual value (NAV) of £5,001- £10,000;
   - no additional relief would be provided to those currently receiving SBRR (NAV of £5,000 or below);
   - an average levy on rate bills of around 20% to be applied to those retail premises with a rateable value of £500,000 or more, in the form of a regional rate supplement;
   - allowing limited use of window displays in empty shops for (non-political) community, artistic or other non-commercial purposes, without incurring full occupied rates (entitlement to 50% empty property relief – or exclusion if applicable – would be preserved);
   - the above changes would apply for three years from 1 April 2012 until 31 March 2015; and
   - clarifying the legislation relating to the valuation assumptions used at non-domestic revaluation, by being more specific about the state and circumstances to be taken into account in compiling a new valuation list. This would take effect at the next revaluation in 2015.

3. As a SBRR scheme is already in operation, any required changes to the scope of the scheme could be done by way of subordinate legislation; however, should the decision be taken to proceed with a large retail levy, primary legislation will be required. The latter also applies in respect of shop fronts and windows, and for valuation assumptions for non-domestic revaluation. Subject to final decisions by the Executive and the Assembly, it is anticipated that the relevant subordinate and primary legislation will come into effect on 1 April 2012.

The Committee’s Approach

4. The Committee was initially briefed on the planned consultation on the large retail levy and the extension of the SBRR by DFP officials on 8 June 2011. At that time, members were advised that, as the intention was to have the measures in place at the start of the 2012-13 rating year, it would be necessary for the Minister to request that the associated legislation would proceed through the Assembly by the accelerated passage procedure. **Given that the Assembly may approve accelerated passage for the legislation to implement the proposed large retail levy and other non-domestic rating reforms – which would remove the normal Committee Stage scrutiny of the Bill – the Committee for Finance and Personnel determined that, in view of the level of public interest in this matter, it would be especially important for it to undertake a thorough scrutiny of the policy proposals, within the given time constraints and in advance of the introduction of a Bill.**

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2 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf
http://www.dfpni.gov.uk/iia-extension-tosbrr-scheme-june-2011.pdf
http://www.dfpni.gov.uk/iia-large-retail-levy-june-2011.pdf

5. The Committee received a briefing on the outcome of the DFP consultation on the proposed large retail levy and the extension to the SBRR scheme from DFP officials on 9 November. Members agreed to take evidence from stakeholders on the basis of themed panels, each comprising up to four witnesses. It was considered that this would enable the Committee to hear from as wide a range of stakeholders as possible, given that the time available to the Committee to take evidence and agree its position was limited.

6. The following organisations gave oral evidence to the Committee:

- Belfast Chamber of Trade and Commerce;
- Londonderry Chamber of Commerce;
- Newry Chamber of Commerce and Trade;
- Northern Ireland Independent Retail Trade Association;
- Larne Traders Forum;
- Pubs of Ulster;
- Northern Ireland Local Government Association;
- Asda;
- B&Q;
- IKEA;
- Northern Ireland Retail Consortium;
- CBI;
- Federation of Small Businesses NI; and
- Royal Institute of Chartered Surveyors .

The Official Reports (Hansards) of these evidence sessions are provided at Appendix 2.

7. All of the witnesses listed above provided written submissions, which are provided at Appendix 4. Written submissions and correspondence were also received from the following:

- Boots;
- Northern Ireland Hotels Federation;
- Committee for Enterprise, Trade and Investment;
- Sainsbury's;
- Committee for Social Development; and
- Department for Social Development.

Following the evidence from stakeholders, a further evidence session was held with DFP officials to enable the Committee to gain clarification on issues that had been raised in either oral or written evidence.

8. Due to the limited time available, the Committee's deliberations were mostly confined to the proposals in respect of expanding the SBRR scheme and the proposed large retail levy. While briefly considered, it was not possible to explore in detail the issues relating to empty shop windows and in respect of the valuation assumptions for non-domestic revaluation, which will be included in any resulting primary legislation.

9. The Committee's consideration of the range of issues raised during this process is set out below.

Consideration of the Issues

The local economic context

10. In examining the case for the proposed expansion of the SBRR scheme and the large retail levy, the Committee is mindful of the importance of both sectors to the local economy, including their respective contributions to growth and employment. Previous studies have highlighted how the NI economy is dominated by small firms, with the 2009 Independent Review of Economic Policy (IREP) stating that NI has "proportionately more small businesses relative to its population size than the average for the rest of the UK (as measured by stock of VAT registered businesses)".[3] The IREP also indicated that there are more small retail firms in NI than the UK average.[4]

11. Figures from the Inter Departmental Business Register (IDBR) show that NI continues to be a small business economy with this category (less than 50 employees) accounting for 98.2%, medium-sized (50-249 employees) accounting for 1.5% and large (250+ employees) making up only 0.3%. Micro businesses (those businesses with less than 10 employees) accounted for 87.8% of the NI total, similar to the UK rate of 88.6%.[5]

12. An analysis of turnover shows that 44.9% of the businesses registered for VAT and/or PAYE in NI have a turnover which is less than £100,000, which compares to the UK average of 40.8%. In NI, 9.6% of registered businesses have a turnover which exceeds £1 million, which is slightly below the overall UK rate of 9.9%.[6]

13. Table 1 draws on data from the Department for Business, Innovation and Skills (BIS) to compare the position of small businesses in NI with England, Scotland and Wales.

Table 1: UK Small Business Private Sector Make-up 2009

All sectors	No of enterprises (< 50 employees)	Employee Numbers	Turnover	Enterprises %	Employee Numbers %	Turnover %
NI	122,910	336,000	£31,597m	99.3%	63%	57.5%
England	4,157,875	9,403,000	£1,025,392m	99.4%	47.8%	35.8%
Scotland	198,955	475,000	£33,270m	99.4%	63.4%	43.2%
Wales	321,515	794,000	£66,523m	99.1%	48.7%	34.5%

14. There are estimated to be around 120,000 – 125,000 small businesses in NI with less than 50 employees. Around three quarters have no or one employee, while almost 95% have fewer than 10 employees (micro businesses).[7]

15. Small businesses in NI make a greater contribution towards private sector employment and turnover than in GB, providing around 60% of the turnover and employment in the local economy.[8] A comparison with the Republic of Ireland (RoI) shows that the percentage of small and medium-sized enterprises (SMEs) aligns with that of NI (approximately 99.5%). There

3 http://www.irep.org.uk/Docs/report.pdf p. 33.

4 Ibid.

5 http://www.detini.gov.uk/idbr_publication_december_2010_web_.pdf

6 Ibid.

7 http://www.dfpni.gov.uk/rating-review/rating_of_commercial_properties_public_consultation.pdf

8 Ibid.

is, however, a slightly lower percentage of micro-enterprises in RoI (85.3%) compared to NI (87.8%) and a higher percentage of large businesses: 0.5% in RoI, 0.3% in NI.[9]

16. NI is often described as a SME dominated economy, though it is perhaps more accurate to describe the NI economy as marked by a relative scarcity of large, high-turnover businesses. Large businesses account for only 19% of employment and 19.5% of turnover in NI, compared with 41% of employment and 49% of turnover on average across the UK. In NI, there are 45 businesses with more than 500 employees, whereas at a UK level there are 4,510 – a difference of a hundredfold, even though the UK population is only around 34 times higher than that of NI.[10]

17. The Committee notes that there is perhaps a question over the optimum balance between small and large companies in the economy: while large companies are able to generate the efficiencies of scale and critical mass that often support exports, small firms bring the productivity benefits of competition and can be among the most innovative. Increasingly, many small companies are able to engage in international activities right from inception, without relying on achieving critical mass in their home markets. Furthermore, evidence suggests that SMEs have been integral in NI in driving employment growth over the past decade.[11]

18. In terms of the contribution of retailing, the Committee notes that this is the largest sector employer in NI, as in GB.[12] The economic contribution of the retail sector has grown significantly over the last ten years, outpacing the growth rate in the NI economy as a whole and also outstripping growth in the retail sector in GB.[13] In March 2010, 9.4% of NI businesses (VAT registered or PAYE based) were in the retail sector, slightly higher than the UK level. Recent data also shows the retail sector in NI to have fewer registered businesses with a turnover of less than £100,000 and more registered businesses with a turnover of £1m or more (17%) compared to all business sectors (10%).[14] The retail sector has been “characterised by the growing importance of the large retailer” and while there have been significant benefits from retail concentration, there is also an issue of employment displacement.[15] According to Northern Ireland Annual Business Inquiry (NI ABI) data, between 2008 and 2009 turnover, contribution to the economy (GVA) and employee numbers for all sectors in NI declined, while for large businesses (including large retailers) both turnover and GVA increased.[16]

19. **In recognising the relative importance of the respective contributions to the local economy of both the small business sector and large retailers, the Committee has sought to focus its scrutiny on the scope for improving the current policy proposals to help ensure that the support is provided to smaller businesses who need it most while placing an equitable and proportionate burden on the larger businesses which will be required to fund the expanded SBRR scheme.**

9 http://ec.europa.eu/enterprise/policies/sme/files/craft/sme_perf_review/doc_08/spr08_fact_sheet_ie_en.pdf p.1.

10 http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/7/F/varney_review300408.pdf p. 87.

11 Ibid, p. 88.

12 http://www.dfpni.gov.uk/rating-review/rating_of_commercial_properties_public_consultation.pdf p. 15.

13 http://www.dfpni.gov.uk/rating-review/rating_of_commercial_properties_public_consultation.pdf p. 8.

14 Ibid.

15 http://www.dfpni.gov.uk/rating-review/rating_of_commercial_properties_public_consultation.pdf p. 15.

16 http://www.dfpni.gov.uk/rating-review/rating_of_commercial_properties_public_consultation.pdf p. 8.

Expansion of the SBRR Scheme

Current SBRR Scheme

20. As noted in the preceding section, the small business sector makes a significant and important contribution to the NI economy. However, there is evidence to suggest that rate liabilities have a disproportionate impact on small business, often accounting for a larger proportion of the turnover and profit than those of larger firms. The DFP consultation paper notes a GB Green Paper on Government Finance (2000), which highlighted that, for companies with a turnover of less than £50,000, rates accounted for 7.7% of turnover, 13.7% of overheads and 35.9% of profit. By comparison, for those businesses with a turnover in excess of £1bn, rates accounted for 0.7% of turnover, 3% of overheads and 3.3% of profit.[17]

21. The intention of the current SBRR scheme, introduced on 1 April 2010, was to alleviate the impact of the rates burden on small businesses and, in turn, help support their growth and sustainability. Eligibility is based on the NAV for each business property, and there are two levels of relief:

- Business properties with a NAV of £2,000 or less receive 50% relief; and
- Business properties with a NAV of more than £2,000 but less than £5,000 receive 25% relief.

In addition, post offices with a NAV of up to £12,000 receive more generous relief.

22. Certain types of business property are excluded from the scheme, such as unoccupied or partially occupied buildings, ATMs, car parks and public bodies. The DFP consultation paper states that, for the 2011-12 rating year, almost 16,000 small businesses qualified for the scheme, with almost one third of these receiving 50% relief. The average award was approximately £400, with a total cost of £6.3 million, which is funded by the Executive through a loss to regional rate revenue, with no additional cost to other ratepayers (in the form of a supplementary rate, as is the case in England and Scotland).[18] The current scheme is intended to run for five years from its introduction, until 31 March 2015. It is anticipated that, prior to that date, an evaluation will be undertaken to determine the scheme's effectiveness and value for money.

23. Members are aware that the predecessor Committee supported the introduction of the existing SBRR scheme, including enhanced relief for post offices, recognising the importance of the small business sector to the local economy.

What is proposed?

24. The Department proposes to expand the existing SBRR scheme so that those businesses with a NAV of £5,001 - £10,000 will receive 20% rate relief. It is intended as a "downturn measure", time-limited to 31 March 2015. As discussed later, the measure will be cost-neutral for the Executive as it is anticipated that it will be funded by a large retail levy. However, the scheme is not restricted to retail premises but will be available to all eligible non-domestic businesses. It is estimated that approximately £6.5m will be available, with 9,000 additional businesses receiving an average of £730 per annum.

25. The Department's report on the outcome of the consultation notes that forty respondents fully supported or agreed with the expansion of the SBRR scheme. While there was no outright opposition to the proposals, fourteen respondents raised some concerns, including the effectiveness of SBRR and the need for evaluation, and the anomaly of relief for multiple premises which are part of a chain.

17 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf , p.19

18 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 3.

26. Similarly, those stakeholders who gave either oral or written evidence to the Committee were generally supportive of the proposed expansion of SBRR. In its written evidence to the Committee, for example, the Northern Ireland Local Government Association (NILGA) stated that it considered the proposal "could prevent further loss of employment and social hardship"; additionally, it "favours new entrants on the market and allows for diversification of the business base".[19] A number of stakeholders, however, raised issues similar to those that arose in response to the Department's consultation. For example, CBI expressed concern that SBRR was a blunt instrument, relieving businesses with small premises and not just those in need of help or potential to grow. The principal concern that the extension to the SBRR will be funded through the large retail levy is addressed separately, at paragraphs 77 to 95. Other issues for consideration are outlined below.

Rationale and Effectiveness of SBRR

27. The DFP consultation report[20] notes that a range of reasons were given in support of the extension of SBRR, and that small businesses are viewed by many as "critical to the survival of local communities, social cohesion and community life". It notes that a number of the respondents referred to the rates burden on smaller businesses, and that the NI Independent Retail Trade Association (NIIRTA) considers that the relief could be the "difference between staying open or closing". This view was also put forward by NIIRTA in its oral evidence to the Committee, stating that:

> "Although we have never said that the small business rates relief scheme is a silver bullet, it is nevertheless an important step in addressing the cost base, and the very survival, of our small business and retail sectors".[21]

28. In its written evidence to the Committee, the Federation of Small Businesses (FSB) advised that the average sum of £730 which may be available could pay an employee's National Insurance for a year. It also noted that its members would invest any money gained by a reduction in business taxes (including rates) to innovate and grow (56%), or to increase capital investment in their business (41%).[22]

29. On the other hand, a number of those who responded to the consultation raised concerns with regard to the effectiveness of the measure, in particular whether the relief will be at such a level that will make a tangible difference to small businesses. In evidence to the Committee, a number of stakeholders, such as the Royal Institute of Chartered Surveyors (RICS) and Belfast Chamber of Trade and Commerce (BCTC), considered it unlikely that the amount of relief that will be applied would be sufficient to sustain a business that may not otherwise be viable; nor would it be likely to "impact on a business decision to recruit or retain staff".[23]

30. Reference was also made by a range of stakeholders, including CBI, to the findings of the Economic Research Institute of NI (ERINI) in its *Investigation into a Small Business Rate Relief (SBRR) Scheme in Northern Ireland* in 2008.[24] It was noted that ERINI argued against a SBRR scheme for a number of reasons, including because there was evidence to suggest that up to 50% of small businesses might see no benefit due to the relief being captured by their landlords in cases where they rent their property. Additionally, from the information available to ERINI, it did not appear that such a level of relief would have a significant impact on performance or behaviour of many ratepayers.

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19 NILGA written submission, Appendix 4

20 Appendix 3.

21 Official Report, 16 November 2011, Appendix 2.

22 FSB written submission, Appendix 4.

23 RICS written submission, Appendix 4.

24 http://www.dfpni.gov.uk/rating-review/sbrr_report_march_2008_published_15_apr_08.pdf

31. During the final evidence session with DFP officials on 29 November, members raised the issue of landlords benefiting from the relief. The Committee was assured that the proposed legislation will provide that, where rates are paid by the landlord rather than the occupier, the relief will be conditional upon the landlord passing the benefit to the tenant holder business. However, it is still unclear to the Committee whether, or to what extent, landlords are benefiting from the existing SBRR scheme; and, if there is a loophole in that regard, whether it will also be addressed in the proposed legislation.

32. DFP also sought to address the concern raised in the 2008 ERINI report that relief would simply translate into higher rents. DFP contends that there are two reasons why this scenario would be unlikely: firstly, ERINI suggested that this would be a long-term effect and the SBRR scheme is a short-term measure, which would not allow time for landlords to increase rents; and secondly, given the current fragility of the property market, as compared to 2008, it is unlikely that landlords would be in a position to increase rents.[25]

33. The DFP consultation report acknowledges that concern was raised with regard to the need for an evaluation of the SBRR scheme. In the consultation paper issued in June 2011, it was considered that it was too early to evaluate the effectiveness of the scheme as it had only been in operation since 1 April 2010. [26] This view was reiterated by a senior departmental official during oral evidence to the Committee. While pointing out that the local SBRR scheme is more closely aligned to that in Wales, the consultation paper made reference to reviews which had been undertaken in respect of both the Scottish and Welsh schemes. It stated that:

> "The main finding in the Welsh evaluation was that the financial assistance provided through the SBRR scheme is supporting their economic sustainability in the current economic environment".

It was also noted that the Scottish evaluation found the scheme to be "worthwhile and relatively well targeted".

34. **The Committee recognises that some well-founded concerns were raised in respect of the SBRR scheme, both in response to the DFP consultation and in evidence to the Committee. Members therefore consider that it is imperative that the Department undertakes a comprehensive evaluation of the effectiveness and value of the existing SBRR scheme at the earliest opportunity.**

35. The Committee notes the Department's belief that the non-domestic revaluation scheduled for 2015 will rebalance the rating system[27] and, accordingly, a SBRR scheme will no longer be required. **The Committee believes that steps should be taken to identify longer-term alternatives to the relief scheme, that take account of the concerns raised during this process and which also align with the Executive's future policy direction, including priorities in the Economic Strategy and any changed context in the event of the devolution of corporation tax powers, from which small companies could benefit. The options in this regard will require to be fully explored and costed, to determine the most effective way of supporting the growth and success of the small business sector in the longer term.**

Increase relief under existing scheme or extend to other small businesses?

36. The DFP consultation report states that thirty-five respondents commented on whether additional relief should be provided to those who already qualify for SBRR, or if the scheme should be extended to encompass properties with a NAV of £5,001 to £10,000. Of these, thirty-one were in favour of extending the scheme to those with a NAV of £5,001 to £10,000.

25 Official Report, 29 November 2011, Appendix 2.

26 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf , p.22

27 The issue of non-domestic revaluation is examined further at paragraphs 66 to 73.

The stakeholders who provided either written or oral evidence to the Committee were of a similar view. NIIRTA and the Larne Traders' Forum highlighted that, of 100 small traders surveyed in Larne, the number of those eligible for relief will increase from 28 to 55 when the scheme is extended. The Larne Traders' Forum considered that this "will be another method of protecting the existing 75,000 jobs". Similarly, NILGA welcomed the proposal to extend the scheme in this way, believing that it "could prevent further loss of employment and social hardship".

37. The DFP consultation report notes that both Belfast City Council and BCTC consider that it may be more beneficial to increase the relief to those currently receiving it, but further research is required to determine if this would be the case. Armagh City and District Council questioned whether businesses may decide not to expand or develop in order to avoid exceeding the £10,000 NAV threshold.

38. **The Committee recognises that the Executive presently has only a limited range of economic levers at its disposal. Therefore, notwithstanding the need for evaluation of the existing SBRR scheme and research into future options, in considering that an additional 9,000 small businesses could be eligible for relief, in the current economic climate, the Committee is, in principle, supportive of extending the scheme for the next three years to premises with NAV of £5,001 to £10,000. That said, while serving a purpose in easing the burden on smaller businesses, the Committee concurs that SBRR is a "blunt instrument" and urges DFP to undertake urgent work to further refine the scheme to target, as far as is practicable, those small businesses most in need.**

How should the relief be targeted?

39. The consultation document stated that "the overriding aim [of the proposals] is to rebalance the rating system, so that more smaller businesses get help during the economic recovery". Therefore, under the proposal to extend the scheme, all small businesses with a NAV of between £5,001 and £10,000 will be eligible for relief, regardless of sector (subject to some exclusions as noted above).

40. In acknowledging that the extension to the SBRR scheme will be funded by a levy on large retailers, the consultation paper set out options for targeting relief to small retailers. It noted, however, that a key consideration for restricting the relief scheme to retail businesses only would be "the definition of retail". The Department considers that a primary purpose of the business would have to be the sale of goods to the public, rather than the provision of a service, meaning that consideration would have to be given as to whether this should include businesses such as food take-aways, restaurants and licensed premises, hairdressers, beauty salons, etc.[28]

41. The Committee notes that the consultation paper also pointed out that the way in which data is held by Land and Property Services (LPS) would not readily identify small retailers, but rather could categorise a wide number of businesses as shops where they occupy shop premises (e.g. building societies). It would not be possible to automatically apply the relief, which could give rise to both costs and delay for both business and LPS in respect of the administration of the scheme, as each individual business would be required to apply for the relief. The Department confirmed in oral evidence to the Committee that the only way to operate a retail only scheme would be through an application process.[29] While it did not provide a cost of administering a scheme targeted at retail, DFP stated that the reason it could target the levy and not SBRR was largely down to numbers, in that there were 100 retailers within the levy threshold but that within SBRR there could be around 6,000 depending on the threshold chosen. It is also worth noting that the FSB view is that the relief needs to be automatic and that business owners should not be required to apply for the

28 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 24.

29 Official Report, 29 November 2011, Appendix 2.

relief. FSB stated that experience of such a scheme in England is that there has been a poor take up and that the aim of rebalancing the rates system is not being met.

42. The report on the consultation notes that, of the thirty-five who commented on this issue, twenty-five were supportive of the proposal that the relief should be applied to all non-domestic properties, regardless of use, while seven expressed support for targeting relief to small retail premises. While not all those who gave evidence to the Committee commented on this issue specifically, a range of views on whether the relief should be targeted was expressed.

43. The preferred option set out in the consultation document was welcomed by a number of stakeholders; in its oral evidence to the Committee, for example, NILGA stated that “the most basic and simple way to apply the scheme is to look at all non-domestic properties”. FSB also welcomed the extension of the scheme as proposed and stated that it would like to see the relief expanded to aid many more businesses. BCTC expressed the view that “a restriction of the proposed relief to a particular industry is inappropriate” and accepted the Department’s arguments relating to the complexities of definition and implementation in relation to targeting the relief. The Committee notes that the Department has also pointed out that:

> “there is evidence to suggest that small businesses face serious challenges across the board which are not simply confined to retail. Indeed, those challenges may be even greater in other sectors.”[30]

44. In subscribing to the conflicting view that the relief should be targeted towards small retailers, Asda, for example, stated:

> “We do not believe that the retail sector should be used to subsidise other sectors of the economy. If the Executive wishes to support small retailers then it should reform the proposal to apply only to small retail class properties”.[31]

45. A breakdown complied by the Northern Ireland Retail Consortium (NIRC) of small businesses that would benefit from the relief highlighted that around 50% will be shops, showrooms or supermarkets.[32] Others types of premises that will benefit include banks, offices, bookmakers and amusement arcades. NIRC proposed that “the relief should restrict its coverage by property Use Class ensuring that small high street and neighbourhood store retailers would be the chief beneficiaries”.

46. On this point, the Committee notes that the Department’s consultation paper stated that “if 25% relief were provided solely to retail premises, and not those primarily providing a service, around 5,700 extra premises could be brought into the scheme, within the £6.5m funding limit”. This could apply to properties with a NAV of £5,001 - £13,500 and the average award would be in the region of £1,140.[33] Some stakeholders have noted that, if the rate relief scheme was more targeted, it may not be necessary to increase the large retail levy by such a high percentage. The Department stated that, if 20% relief were provided solely to retail premises with a NAV of between £5,000 and £10,000, this would cost £3m and would apply to 4,000 premises. Therefore, it appears that targeting at retail only reduces the overall cost of the SBRR scheme by 50% and would have a resulting reduction in the overall levy.

47. **While recognising the divergence of views among stakeholders on whether the expanded SBRR scheme should be targeted at small retailers only, members are mindful that many small businesses face difficulties in the current economic climate and that the most needy are not necessarily confined to the retail sector. As such, the Committee concludes that a scheme targeting relief at small retailers only would be too narrow in focus.**

30 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 25.

31 Asda written submission, Appendix 4

32 NIRC written submission, Appendix 4.

33 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 24.

48. Aside from the issue of whether relief should be confined to the same sector as where the funding was raised, concern was also raised that the scheme is a blunt instrument, and that a more refined, targeted system should be considered. In particular, NIRC pointed out that no differentiation is made between small businesses and larger businesses who occupy smaller premises. CBI, as mentioned above, was also concerned that the relief benefits businesses with small premises and not just those in need of help or with potential to grow. RICS, in its evidence to the Department, suggested that the proposals do not reflect that there are many profitable business organisations operating from small premises and that they may not need the support provided.[34] In addition, a number of stakeholders considered that support for small retailers in town and city centres would be more appropriately provided through the business improvement districts (BIDs) scheme (this issue is examined in more detail at paragraphs 106 to 108). In oral evidence to the Committee, the Larne Traders' Forum agreed that "the business improvement district model would, perhaps, be useful in the medium term but it is not any use to us, as retailers, in the short term".[35]

49. A further potential area for refinement in the SBRR scheme was identified by the Committee during questioning of departmental officials on 29 November, when members learned that small industrial units can benefit from both the 30% cap under the industrial de-rating policy and the SBRR scheme.[36] In the case of the expanded SBRR scheme, this would mean eligible small manufacturers receiving a 20% relief after the 70% industrial relief has been applied. A similar overlap in relief exists in respect of the existing SBRR scheme and the industrial de-rating scheme. The Committee would call on the Department to consider the business case for including such businesses in the expanded SBRR scheme.

50. Also on the issue of targeting the relief, the Committee notes that the consultation paper set out other options together with related concerns. These were:

- New start-up businesses: it was considered that this could provide a competitive advantage to new businesses; additionally, the Department contended that "if the subsidy was attractive enough some businesses might close at the end of the qualifying period, to subsequently re-open and qualify again elsewhere"; and
- Exporting businesses: it was considered that this option could give rise to state aid issues.

Relief for chains/multiple premises

51. The DFP consultation report notes that concerns were raised by a number of organisations, including Asda, Next and Tesco, regarding the awarding of relief to a business which formed part of a larger chain. A number of stakeholders also made this point to the Committee, with the Newry Chamber of Commerce and Trade advising that "we would see the exclusion of multiple chains from rates relief as providing more money for genuine start-ups and small independent businesses".[37] CBI pointed out that the relief will benefit several properties which are part of large groups and multinational companies including banks, off-licences, betting shops, pharmacies and insurance brokers.

52. In its submission, NIRC stated that similar schemes in GB ensure that they are genuinely for small businesses: either you are trading from single premises or, if you have two or three premises, there is a sliding scale on which you get a reduced rate of relief on your second and third properties, and there is a cap on the total rateable value that qualifies.

53. By contrast, in its written submission, Boots pointed out that, for national retailers, each store is an independent cost centre, must be viable and sustainable in its own right, and

34 Official Report, 23 November 2011, Appendix 2.

35 Official Report, 16 November 2011, Appendix 2.

36 Official Report, 29 November 2011, Appendix 2.

37 Official Report, 9 November 2011, Appendix 2.

contribute to the company profits. In that respect, it considers that "the ownership of the unit does not alter its viability, and the differentiation between 'independent' and 'national chain' is irrelevant".[38]

54. In his foreword to the consultation report, the Minister of Finance and Personnel noted that particular concerns have been raised in relation to banks and chains of bookmakers benefitting from the scheme, and has undertaken to "examine if there are ways of excluding businesses with multiple premises". He also noted that "there may not be sufficient time to do this for rate bills for the forthcoming rating year but it may be possible for the two subsequent years".[39]

55. The Department confirmed to the Committee that the option of excluding multiple premises was being actively considered and that the revenue savings would depend on what was excluded.[40] It has also been explained that there is an issue over the definition of "multiple" and the Department recognises that there are many small businesses that would have perhaps one or two premises. Members were advised that much will depend on what LPS is capable of doing at reasonable cost within the short timeframe available and that DFP's initial thinking is that any ratepayer with more than three premises (whether large or small) would be ineligible for SBRR on any of those premises with a rateable value of £10,000 or below; however, a different model could also be adopted.[41]The Department points out that this will not rule out independent pubs and bookies.

56. The Committee also noted that, in its evidence, Pubs of Ulster acknowledged the argument made against "banks, boozers and bookies" benefiting from rates relief but put forward the case that pubs should be recognised as a separate case. Pubs of Ulster cited the contribution that pubs make to the tourism industry, their importance within rural communities and the fact that most are small family-run businesses struggling to survive in the current climate. FSB also pointed out that many betting shops and pubs are small independent businesses which employ people and play a role as a social hub.

57. In its submission, the Committee for Enterprise, Trade and Investment (ETI) has welcomed the proposals for the SBRR scheme but has explained that it "supports the view that business with multiple premises should be excluded from the rates relief scheme". The ETI Committee stated that, while it recognises that there would be difficulties in implementing this for the forthcoming rating year, it would "strongly urge that immediate measures are taken to ensure its implementation in the two subsequent years."[42]

58. **Members support the principle of excluding businesses with multiple premises from the SBRR scheme, but would emphasise the importance of carefully defining "multiples" in the legislation. The Committee recommends that any savings resulting from the exclusion of multiples is used to increase the relief available to other small businesses under the scheme, rather than to mitigate the impact of the levy on large businesses.**

Time-limited to 2015

59. As noted above, the expansion of the SBRR scheme is intended as a "downturn measure", and as such is time-limited to 31 March 2015. Of the thirty-two stakeholders who commented on this issue in their response to the DFP consultation, fourteen were supportive of the timeframe; eight suggested that consideration should be given to extending the measure; while ten raised some concerns, including the impact that the removal might have at the

38 Boots written submission, Appendix 4.

39 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf Ministerial Foreword, p. ii.

40 Official Report, 29 November 2011, Appendix 2.

41 DFP Response to Committee Queries, 30 November 2011, Appendix 3.

42 Committee for Enterprise, Trade & Investment correspondence, 24 November 2011, Appendix 5.

end of the three-year period. In particular, the consultation report noted that a number of respondents believe it will be "politically difficult" to remove the relief. In its written evidence to the Committee, FSB noted that the end of the scheme will coincide with the non-domestic revaluation, and expressed concern that this may result in what it called a "double whammy" increase for some small businesses.

60. The CBI response stated that the problems faced by small enterprises are, for example, in lack of demand, access to finance and the rapid expansion of the online retail market. It suggested that, while a relief of £720 for three years may be welcomed by those operating in small business premises, it is unlikely to address these issues. NILGA stated that it would welcome the provision to extend the scheme after 31 March 2015, based on business need and with future consultation.

61. The Committee notes that, for its part, the Department has stated that steps will be taken to prepare small businesses for the potential withdrawal of SBRR after three years, by continuing to make the time frame clear in all communications so that businesses have time to budget for it. However, members consider that the aforementioned evidence from stakeholders underscores the Committee's recommendation that steps should be taken to identify longer-term alternatives to the relief scheme.

Introduction of a Large Retail Levy

What is proposed?

62. DFP is proposing the implementation of a large retail levy to fund the expansion of the SBRR. The SBRR currently in place provides £6.3m of relief and is funded through a loss to the regional rate. It is proposed to double the amount of relief currently provided through the SBRR scheme (an increase of £6.3m to approximately £13m) and to fund this through a levy on the largest shops and retailers. The levy would be applied to all retail properties with a rateable value of £500,000 and above. There would be an average 20% increase in the rates bill on these properties with the actual impact on a scale between 18.5% and 22.5% due to the variation in the district rate. Implementation of the levy would impact on 77 properties, the majority of which (over three-fifths) are out-of-town shops with 75% of the revenue coming from out-of-town supermarkets. The average cost of the levy per store would be approximately £85,000 per year bringing the average annual rates bill for these properties to around £515,000. The levy would range from £55,000 to £320,000 per year. The levy is intended to be in place from 1 April 2012 and to apply for three years until 31 March 2015.

63. The overall policy justification put forward by the Department for introduction of the levy is that, whilst recognising the economic contribution of the large retail sector, it is considered that large retailers are better equipped to deal with the current economic downturn than small businesses. Rates represent a higher percentage of outgoings for small businesses than larger retailers and therefore the largest retailers are in a better position to afford a temporary levy.

64. Overall the Department contends that the changes are about "co-existence, not favouring small over large businesses".[43] In considering the proposals put forward by the Department, the Committee considers that it is therefore essential to ensure that a balance is achieved and that the measures are as fair as possible given the economic situation currently facing all businesses.

65. The Department's report on the outcome of the consultation on the large retail levy states that there were 31 respondents (of a total of 60) who agreed, on balance with an introduction of a levy as a means of funding SBRR. There were 22 respondents who were opposed to the

43 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p.2.

large retail levy which included 11 businesses who would be directly affected. While there was widespread support for the expansion of the SBRR there were a number of significant issues raised regarding the implementation of the levy. These are outlined below.

Postponement of the 2010 Revaluation

66. The last revaluation of business properties in NI was due to take place in 2010 but was postponed. The reason given for the postponement was that the commercial property market was suffering badly during the economic downturn and due to the uncertainty for business ratepayers and for local councils.[44] The Department also stated, in recent correspondence with the Committee,[45] that market evidence for a new valuation list was inadequate and inconsistent and, if the revaluation had proceeded, it would not have met basic international valuation standards.

67. The Department suggests that a revaluation is not possible at present, primarily due to the continued economic downturn, instability in the property market and the fact that the market evidence to allow LPS to construct a reliable tax base is inadequate and inconsistent. In response to Committee queries as to whether similar issues had not arisen when a revaluation took place in England in 2010, the Department pointed to the fact that the legislation governing rates revaluation and local government finance is significantly different in GB in that “they have a system where they can cushion local authorities from the impact of shrinkages in the tax base, whereas councils here are much more independent”.[46] The Department has also stated that the next revaluation, which is now due to take place in 2015, will negate the need for the levy after the three year period.

68. The Committee had some concern regarding whether the revaluation would actually take effect in 2015 to coincide with the ending of the SBRR scheme and the large retail levy. In responding to these concerns, DFP has stated that there is a “firm intention” that the revaluation will take effect in April 2015 and that “the proposal is that the SBRR scheme and large retail levy will be terminated on 31 March 2015, the day before the revaluation takes effect and bills issue for the 2015/16 rating year”. [47] The Department has also explained that preparatory work will begin in 2012 and that LPS is already collecting market evidence, with a view to having as substantial a body of evidence as soon as possible. In addition, the legislative changes regarding the circumstances to be taken into account at a revaluation, which is part of the proposed Bill, will provide more stability to a new list and will be more easily understood by ratepayers.

69. The Committee was also concerned about the potential for appeals during the revaluation process and the resulting delay in implementation. In seeking to offer assurance, the Department stated that it is already engaged with LPS regarding the appeals process and lessons are being learned to be introduced for the next revaluation. Moreover, it was noted that “all rates bills remain due and payable, notwithstanding that an appeal is ongoing, so it will not affect billing and collection”.[48]

70. In welcoming the clarification from the Department, members note that there appears to be some disconnect between the policy reasons for the earlier postponement of the revaluation and the proposed implementation of the large retail levy. There is an argument to suggest that inequalities have occurred as a result of the postponement of revaluation as it is intended to re-distribute the burden more fairly as rental values are brought up to date. There are

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44 http://www.dfpni.gov.uk/rating-review/index/press-releases/23_september_2009_-_wilson_postpones_revaluation_and_clarifies_position_on_rating_of_empty_homes.htm

45 DFP Supplementary Committee Paper, 22 November 2011, Appendix 3.

46 Official Report, 29 November 2011, Appendix 2.

47 DFP Response to Committee Queries, 30 November 2011, Appendix 3.

48 Ibid.

differing views on how the postponement of the revaluation has impacted. A number of retail stakeholders have called for the revaluation to be brought forward as an alternative to the levy.

71. It is the view of the Department that, given the continuing growth of the major retailers, a revaluation would possibly have increased their share and therefore postponement until 2015 has worked in their favour. The last revaluation in 2003, for example, resulted in a substantial increase in rates liability for large retailers. The Department suggests that the levy compensates for this. However, evidence from IKEA, as an example of the largest single store subject to the levy, suggests that it would have seen a reduction in its rates following a revaluation. Therefore, while the revaluation would mean an overall re-distribution of rates, some retailers clearly feel they have suffered loss on an individual basis.

72. RICS stated that there is a distinct possibility that, had the revaluation gone ahead in 2010, some of the businesses identified could have availed of a reduction in their NAV. For example, a number of business premises located in Donegall Place, Belfast would have had a reduction in 2010 but will now be subject to the levy. Thus, the evidence appears to suggest that postponement of the revaluation has, at the very least, created uncertainty around the fairness of the rating system.

73. **The Committee has some sympathy with the view expressed by various stakeholders that a non-domestic revaluation in 2010 would at least have provided a more transparent and fair way of rebalancing the distribution of rates than the current proposals.**[49] **It is essential therefore that the revaluation takes effect from no later than April 2015 and that the Department ensures that all the necessary preparatory work, including provision for reviews and appeals and advance communication with non-domestic ratepayers, is concluded in good time to enable a smooth transition. In this regard, the Committee requests to be provided with an implementation plan and timetable for the related work, to enable members to monitor progress on a regular basis. In the meantime, the Committee supports, in principle, the introduction of a levy on large businesses to fund the extension to the SBRR scheme.**

The Rateable Value Threshold

74. Rates are applied to commercial properties in NI as a tax on the occupation of premises and liability is based on property value with no reference to the nature of the business.[50] The Department has stated that rateable value is the only known and practicable way to determine which properties are to be subject to the levy and that it would not be practicable under the current property tax system to apply business criteria, for example, sales turnover, profitability or employment. The proposals aim to target properties at a rateable value threshold of £500,000 and above. The Department stated that the preferred threshold aims to strike a balance between sharing the rates burden amongst a broad range of retail businesses and also keeping it proportionate.[51]

75. The Committee is aware that the level at which the threshold is set determines: the number of businesses who are subject to the levy; and the percentage increase in rates for those businesses. Changes to the rateable value threshold can therefore have a significant impact on the practical application of the levy. The Department's preferred threshold of £500,000 and above will mean that the levy captures 77 businesses and will require a 20% increase on rates for those properties.

76. In its consultation paper, the Department provided examples of how changes in the threshold would impact. For example, if the threshold were lowered to £400,000 this would capture

49 Official Report, 23 November 2011, Appendix 2.

50 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf p. i.

51 DFP Supplementary Committee Paper, 22 November 2011, Appendix 3.

100 businesses and reduce the average levy to 17%.[52] The issue is whether there is a more appropriate level at which to set the threshold in order to distribute the burden more equitably. The argument has been made that a reduction in the threshold, whilst reducing the burden for large retailers, would also see the inclusion of more businesses within town and city centres, which may not be appropriate given the overall aim of assisting small businesses within smaller towns and cities. The Department also stated that graduating the scheme or introducing it at a lower threshold would complicate the scheme. The Committee has considered further options on how the burden of the levy might be shared fairly and this is discussed at paragraphs 113 to 131.

Targeting of the Retail Sector

77. The Department's preferred approach is that the levy is to be applied to the large retail sector only, as oppose to all businesses that fall within the £500,000 threshold and above. DFP has presented a wide range of data to indicate how large retailers have fared better in the recent economic downturn than small businesses. The levy would impact on 80 properties with 75% of the revenue coming from large out-of-town supermarkets. The majority of the properties would also be outside of town centres. Tesco has the most stores affected and would pay a levy of £1.5m per year. IKEA is the largest single store affected.

78. The Committee has noted that the three major supermarkets who occupy around 45% of the properties that would be subject to the levy had a combined UK operating profit of £4bn in 2009/10.[53] The percentage of UK sales turnover and operating profit of the top 20 retailers that would be subject to the levy (e.g. of the 11 companies in the top 20 UK retailers who subject to the levy) would be 0.005% of their combined UK sales turnover and 0.8% of their UK operating profits. The current rates bill for the stores that would be subject to the levy is, on average, around 1.2% of indicative individual store sales turnover or less than 1.5% if the levy is included. The levy is estimated to be around 0.25% on average of indicative individual store sales turnover for the affected companies.[54]

79. A number of retail stakeholders have indicated that the data put forward by the Department focuses on UK-wide sales turnover and fails to recognise the individual business models of the different companies affected. This view is supported by CBI who pointed out that the figures are based on turnover rather than profit and that, while 0.25% of indicative individual sales turnover appears low, the net profit margins of stores are so low that companies may question their viability.[55]

80. Retail stakeholders have also pointed out that each individual store must remain viable, in that each store acts as an individual profit and loss centre. Asda, for example, stated that the levy is not a tax on the bottom line but rather on each individual store. It suggested that the consultation fails to recognise that it operates on very low margins and that decisions on creating more jobs in stores, investing in extensions and undertaking refurbishments are made on a clear assessment of individual store profitability.

81. The Department, on the other hand, has argued that what is of significance is not so much the position of the retail sector but how large retailers compare to smaller businesses. In this context, there is a greater need to support smaller businesses who are struggling to survive in the current climate.

82. From the evidence presented to the Committee, it appears that the targeting of the retail sector alone is one of the most contentious issues raised within the Department's proposals. As alluded to earlier, a number of stakeholders have argued that, if the levy is to apply to

52 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 12.

53 Ibid, p. 13.

54 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 14.

55 CBI written submission, Appendix 4.

retail businesses only, then retail should be the only sector to benefit. Conversely, it has been argued that the levy should be applied to all large businesses within the rateable value threshold if the relief scheme is to provide a benefit to all small businesses – an issue which is examined in more detail below.

83. The Committee notes that an argument has also been put forward that the levy should apply to supermarkets only. In its evidence, B&Q explained that it is liable to pay the levy on all nine of its stores and claimed that the levy will wipe out its profits and will mean it will be unable to trade here. It further pointed out that it has no flexibility in the size or location of stores; it needs large storage spaces for high volume, low value products and also needs large car parks. DFP claims, however, that a levy on supermarkets only presents difficulties in definitions, since "virtually all of the large food based retailers have diversified into fashion and household goods"[56] and that the levy would have to increase to around 50% if it only targeted supermarkets; the Department considers this to be a "disproportionate burden".[57] The issue of targeting supermarkets also relates to the proposals for a public health levy, which are discussed below.

84. Another significant issue raised is the question of why bank premises cannot be included within the levy. The Department claims that placing a levy on international banks operating in NI would be contrary to current investment policy which has targeted this sector and has stimulated job creation. The option of including banks is also considered in more detail below.

Risks in Targeting the Retail Sector

85. It has been argued by some stakeholders that there could be significant risks involved in targeting the retail sector in terms of the potential impact on consumer prices, future investment and job creation. The impact on jobs and investment was the most cited reason among the respondents opposed to the levy. There have been a diverse range of views on whether the levy is significant enough to have such an adverse impact.

Possible Impact on Consumer Prices

86. The aim of the Department's proposals is that funding for the expanded SBRR is redistributive so that there is no pressure on public finances. However, some stakeholders have suggested that there is a need to consider how the cost of the levy could be passed on to consumers by other means.

87. According to the Department, the 2003 commercial property revaluation resulted in a 30% increase in the rates bill for retail warehouse premises but there was no discernible impact on the price of goods sold. DFP also states that national pricing policies apply and that it is too expensive to vary UK-wide pricing structures for NI.[58] The Committee also noted that none of the large retailers indicated in their consultation responses that they would have to increase prices.

88. NILGA, in its evidence to the Committee, expressed the view that the cost of the levy would be passed on to consumers to some extent. For example, it suggests that a multiple has already reduced prices on 3000 products in order to respond to competitors but has recovered the money through reductions in the bonus system associated with its loyalty points, cutting the discount from about 2% to 1%. NILGA suggested that this practice could be further amended in order to counterbalance the effects of the levy, leaving customers at a loss.

89. The cost of the levy could also be passed on to suppliers. The large retailers in their evidence cited the extent to which they support local suppliers by sourcing local products. It follows

56 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 10.

57 DFP Supplementary Committee Paper, 22 November 2011, Appendix 3.

58 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p.17.

also that large retailers have the potential to squeeze the profit margins of their suppliers to make up for the cost of the levy. NILGA's view is that large retail multiples could amend contracts or delay payments to their suppliers. Some suppliers are paid on a six-monthly basis and any issues or query found in the suppliers claim can lead to payments being delayed and postponed until the next claim deadline. Small suppliers cannot survive without regular and consistent cash flow. In the view of NILGA, this situation may lead to some suppliers not being able to continue trading.[59]

90. A different point regarding consumer prices was raised by Asda in its evidence to the Committee, when it explained that it measures family disposable income on a monthly basis and that disposable income in NI is significantly lower than in GB (and is at its lowest for three years). In NI families have around £80 per week of discretionary income compared to £100 in Scotland and an average of £150 across GB. Asda contends that it has brought competition which helps drive prices down. **In noting the suggestion from the evidence that family disposable income in NI is significantly lower than in GB, the Committee believes that the importance of competitive pricing to consumers here should not be underestimated when assessing the risks associated with a large retail levy.**

Future Investment

91. Views have also been expressed that there is a risk that the levy could impact on future investment decisions by large retailers who perceive the levy as a disincentive to investment. The Department's proposals estimate that two new large food stores would have become operational during the three year period of the levy and that no new stores are likely to be constructed due to the planning consent process. Whilst recognising that the levy is a temporary measure and may not have a direct impact in the next three years, it has also been argued that it could send the wrong message to potential investors, creating uncertainty in the long term, with potential investors becoming wary that the Executive may be pre-disposed to introduce similar measures in the future. NIRC expressed this view that the levy sends out the wrong message to businesses who want to invest in NI. Conversely, FSB supported the focus on large retailers, on the basis that it will not have a significant adverse impact on the sector or on investment and that the resulting benefit for small business represents good value for money. [60]

92. A number of stakeholders have claimed that the large retail levy runs contrary to the proposals to reduce the rate of corporation tax. NIRC argued that it sends out mixed signals to business. FSB, on the other hand, pointed out that corporation tax in the UK is currently being reduced every year with a resulting benefit to the businesses who would be affected by the levy. FSB cited the example of Dunnes Stores who, under the levy, would see an increase in the combined rates bill of its affected stores of £340,000. Assuming profits continue along the current trend, Dunnes Stores would save between £1.4 and £2m in corporation tax in the years during which the levy is to be applied.

93. The evidence suggested that there is a need to also consider the potential for companies to locate to RoI given the lower rate of corporation tax which applies there. However the Department would contend that corporation tax is only one factor in considering location and that there are other positives such as lower wages in NI.

94. The Committee is aware that during the debate on the proposed Scottish levy, the issue in relation to the negative message which the levy sends out to business and the potential impact on investment also arose. Similar views were put forward during the Local Government and Communities Committee deliberations in Scotland and appear to have had a significant influence on the Committee's decision to seek annulment of the regulations.

59 NILGA written submission, Appendix 4.

60 FSB written submission, Appendix 4.

Employment

95. CBI stated that a number of large retailers have made it clear to them that, if subjected to the levy, they will need to reduce employment costs and in some cases will need to forestall further investment in their stores. NIRC claimed that the levy would equate to around 400 retail jobs a year and Tesco suggested that it would mean 1500 jobs over three years. CBI also stated that in some cases corporate social responsibility activities will also have to be curtailed.[61]

Why not target only out-of-town retail parks?

96. The Committee is mindful that there has been a perception that the levy would be focused solely on out-of-town retail parks. DFP has made it clear, however, that the aim of its proposals is not to arrest the growing trend for out-of-town retailing but to raise money to support small businesses.

97. The Committee notes that 19 of the properties that will be affected by the levy are in Belfast city centre.[62] This issue was highlighted in the evidence to the Committee. For example, BCTC raised concerns regarding the impact on city centre stores. It argued that city centre stores operate with varying degrees of success and that while the impact on supermarkets may be limited, "if the levy tipped even one major Belfast store over the edge into closure this would have a major impact on the part of the city affected, and we would suggest have a greater impact on the economy than any benefits from the business relief". [63]

98. It has been argued that major retailers within Belfast city centre could be said to be central to its attractiveness as a retail destination for tourism. There is also a risk that the inclusion of large retailers within city centres could undermine the benefit to be provided to small businesses in the same location. For this reason a number of stakeholders have supported the alternative that the levy should only apply to out-of-town stores. NIIRTA, for example, in its response to the consultation supported the alternative of a levy on out-of-town retailers with large car parks to exempt stores within Belfast city centre who fall within the proposed threshold. However, the Department stated that there is a problem in defining what is "out-of-town" as explained below.

99. The Committee is aware that the issue of the impact on large retailers in city/town centres was a matter of concern during consideration of the proposed large retail levy in Scotland. The Scottish levy was to apply to properties with a rateable value of more than £750,000 and was to be banded so that retailers would have paid more as the rateable value of their property increased. The Scottish Government introduced its proposals as part of the draft Budget but did not consult separately. However, a motion was later carried which annulled the levy regulations. While there was no consultation carried out by the Scottish Executive, the Local Government and Communities Committee did consult as part of its scrutiny of the regulations and it is useful to note that similar issues were raised. MSPs were concerned that there was a perception that the levy would apply to out-of-town retail parks and large supermarkets but that, in fact, it would have applied to flagship stores in town and city centres.[64]

100. In its consultation paper, DFP argued that applying the levy to out-of-town stores only would "present difficulties" because defining what is "out-of-town" is not straightforward.[65] That said, the consultation paper stated that the majority of the properties (just over three-fifths) are located outside town centres and advised that "town centres have been determined with reference to area plans from the Department of Environment's Planning and Local

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61 CBI written submission, Appendix 4.

62 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p.18.

63 BCTC written submission, Appendix 4.

64 Research and Information Service briefing note, The proposed large retail levy, Appendix 6.

65 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 10.

Government Group". The Department has explained that this issue was discussed with the Department of the Environment (DoE) during the early stages of policy development and that DoE does not have a legislative definition of "in-town", "out-of-town" or "edge of town". Although this is not a problem for DoE planning purposes it would not be appropriate as a basis for differentiating on taxation. The Department also claims that applying the levy in this way "could potentially give a competitive advantage to one major retailer versus another" and would concentrate the levy on a smaller number of retailers, "thus making it a greater imposition on those required to pay".[66]

101. Following the final evidence session with DFP officials on 29 November, the Committee queried whether the revaluation in 2015 might offer an opportunity to establish arrangements for more easily identifying out of town/in town premises. In responding, the Department has undertaken to ask LPS to consider this issue going forward.

102. **Despite the Department's assertion that the proposed large retail levy is not aimed at arresting the growing trend for out-of-town retailing, it is clear to the Committee that there still appears to be some confusion in this regard. While acknowledging the Department's arguments as to why the levy could not be applied solely to out-of-town shops at present, the Committee would, in principle, be supportive of measures to protect town centres, and would therefore call for work to be undertaken to bring forward a clear definition of what is considered "out-of-town". Furthermore, steps should also be taken to ensure that the revaluation of non-domestic properties, scheduled to come into effect in April 2015, takes location into consideration to help address the issue of out-of-town stores and the impact that they have on town centres.**

The Three Year Timeframe

103. The proposed levy is to be in place for three years until the end of March 2015, after which the revaluation of non-domestic properties will take effect. The Department suggested that the need for a large retail levy beyond 2015 would be negated by the revaluation as this will rebalance the distribution of rates.[67] It is unclear, however, whether 2015 will see the end of the relief scheme, whether there will be scope to consider other options as a result of the revaluation or whether other schemes such as BIDs will be seen to override the need for the SBRR. Whatever the case, in the view of the Committee, it is difficult to see how the economic circumstances will have changed to any great degree for small businesses. NIRC and CBI, in their evidence to the Committee, suggested that it would be difficult to withdraw the relief to small businesses after three years and therefore questioned whether the levy could be a short-term measure.

104. In response to questioning from the Committee, however, the Department confirmed that there will be a "sunset clause" in the proposed legislation, which will ensure that the levy will not be in place after 31 March 2015, one day before the proposed revaluation takes effect on 1 April 2015. Beyond this date new primary legislation would be required, along with the necessary research, consultation and impact assessments.

105. **The Committee welcomes the assurance from DFP that a "sunset clause" is to be included in the forthcoming Bill, which would require additional primary legislation to apply a levy beyond March 2015. The Committee believes that this should help to address some of the concerns raised by stakeholders but members also recognise a need to ensure no gap occurs between the ending of a levy and the non-domestic revaluation taking effect.**

66 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 10.

67 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf p.14.

Business Improvement Districts (BIDs)

106. It has been argued that the proposed implementation of BIDs could be said to provide more of a tangible benefit to small business than the SBRR. A question was also raised over the potential impact of the large retail levy on the introduction of BIDs, which would involve a 1% levy on any business ratepayer within a district. Members noted that the DFP report on the consultation stated that the introduction of BIDs in NI has the support of the Finance Minister and is being taken forward by the Social Development Minister.

107. CBI supported the fast-tracking of legislation to introduce BIDs and expressed the view that the SBRR is not enough in itself and that BIDs are a more effective mechanism to enhance small business. One business owner suggested that a rates reduction may not make much a difference, but if the money was pooled by a number of small businesses it could be used to fund a road manager, develop a PR strategy and a lot more.[68] The Committee also notes that a number of stakeholders suggested that managing the impact of out-of-town shopping should be done through effective planning policy and that the revitalisation of town and city centres should be assisted through BIDS, which are business-led.

108. The question was raised in the evidence from Boots over whether retailers, who have business premises within small towns and are supportive of BIDs, will question the merits of contributing to BIDs as well as a large retail levy (particularly if the proposal to merge multiples was to be included). However, the Committee notes that, given the legislative timetable for introducing BIDs is likely be at least a two year process, it is unlikely that large retailers would be subject to the two levies simultaneously.

Public health levy

109. It has been noted that the Scottish Government is now going ahead with alternative plans to introduce a health levy. This levy will be used to tackle the cost problems associated with alcohol and tobacco through a business rates supplement paid by large retailers of both tobacco and alcohol from April 2012. Some respondents to the DFP consultation supported the introduction of a similar public health levy in NI. According to DFP, the aims and potential impact of this policy are “quite different to the large retail levy proposals” and while a health levy could be considered, it “would not be possible to have it in place for April 2012 because of the need to fully research and consult on the matter.”[69] The Department has further stated that, because the retail levy is intended to run for three years, “it would not be realistic to consider the imposition of an alternative, or supplementary, public health levy”.[70] The Committee accepts the Department’s arguments in this regard, though it would wish to engage on any future policy proposals from the Executive in this area.

Is there potential for a compromise?

110. The Department has indicated throughout the consultation process that it is open to alternative options from stakeholders. The consultation responses overall indicate that stakeholders are not against providing support to small business during the economic downturn but that there are concerns about the businesses who will benefit as well as the targeted nature of the levy. In the evidence to the Committee, a number of stakeholders expressed some frustration that any alternatives put forward have been rejected by the Department on policy grounds and also that other options cannot be pursued due to time constraints and administrative work required.

68 CBI written submission, Appendix 4.

69 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf p. 6.

70 Ibid, p. 7.

111. Some stakeholders, such as Asda, suggested that, recognising the time constraints, if the current proposals are pursued then they could be implemented during year one but that consideration could be given to adjusting and refining the measures for subsequent years. This could allow time for changes to the SBRR scheme, for example, to exclude banks and other multiples from benefitting from the rates relief, as alluded to earlier, and to include other large businesses in the levy. On this latter point, members recognise that a broader base for the levy would align better with the decision not to confine the extended SBRR to small retailers. In this regard, during the final evidence session with DFP officials on 29 November, the Committee asked that consideration be given to an in-year review of the levy to establish how it might be extended to other sectors in years two and three to spread the burden of funding the extended SBRR. In response, the Department has indicated that it is prepared to undertake such a review, subject to Executive agreement; though it has highlighted both the potential need for further consultation and the need to set parameters, at the outset, for any further widening of the levy, in order to avoid creating uncertainty within the wider business community.[71] The Committee accepts this point and, as such, has sought to develop some potential options for any extension of the levy, which are discussed below.

112. **In light of the generally positive attitude of stakeholders, including the large retailers, towards the principal aim of supporting small businesses through the current downturn, the Committee believes that DFP and the Executive should carefully consider the case for extending the scope of the levy to help ensure that the burden of funding the extended SBRR is shared equitably across the large business sectors. Towards this end, it would be appropriate for DFP to engage further with the key stakeholders over the coming months to establish broad agreement on how such improvement can take effect, particularly in 2013-14 and 2014-15. In this regard, the Committee recommends that the Department ensures flexibility in the legislation to allow the scope of the levy to be extended in the last two years.**

How might the burden of the levy be shared fairly?

113. The Committee has noted that a number of funding proposals have been suggested throughout the consultation and in the evidence as alternatives to a levy on large retail properties alone. In examining some of the alternative options for broadening the base for the levy, members noted from Table 2 the following breakdown of the 260 properties with NAV of £500,000 and above:

Table 2: Breakdown of the 260 properties with NAV of £500,000 and above

Category	Proportion
Public bodies, receive public funding, etc.	50%
Retail properties	30%
Electricity or gas companies	10%
Miscellaneous (banks, hotels and call centres, etc.)	10%

According to the DFP consultation paper, applying a general levy to all high value properties is "not without its drawbacks"; a wider application "may work reasonably well in England or Scotland but in NI, apart from retail, there is not the same scale of big business within the property tax system to support it".[72]

114. In terms of the 50% of properties which are publicly funded/supported, the Department cautioned that applying a general levy to them "may be inefficient and raise issues about the recirculation of public money".[73] At the request of the Committee, DFP provided a breakdown

71 DFP Response to Committee Queries, 30 November 2011, Appendix 3.

72 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 10.

73 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 10.

of such properties that have a rateable value of £500,000 or above and members accept the logic of this sector being excluded from any extension of the levy.[74]

115. In addition, the Department argued that a wider levy would "run contrary to established Executive policy in a number of areas", including:

- **large manufacturing premises** – the Department pointed out that industrial de-rating is retained for the spending review period;
- **utility companies** – the Department contended that the charge would be passed onto customers through higher bills, increasing cost for businesses and increasing fuel poverty for households; and
- **major airports** – the Department took the view that this would run contrary to policy on air passenger duty.

116. On the issue of creating a dichotomy by including large manufacturers in the levy, the Committee notes that, in its *Report on the Executive's Draft Budget 2011-15*, the previous Finance Committee concluded that the industrial de-rating policy was not the most effective measure for providing support to the manufacturing sector, though it accepted that to remove the measure in the current economic climate may have a destabilising effect on the sector, and for that reason supported the proposal to maintain liability at 30%. Importantly, however, the previous Committee also recommended "that DFP does not wait until the end of the four-year budget period to consider an alternative to industrial de-rating, and indeed that the cap at 30% should also be evaluated and amended as appropriate within this period." In this context, members would also highlight the duplication in relief for small manufacturers under the industrial de-rating scheme and the existing SBRR scheme, as discussed at paragraph 49.

117. The Committee notes that DFP has consistently argued that any extension of the levy to utility companies would result in the charge being passed onto customers through higher bills, increasing cost for businesses and increasing fuel poverty for households. Members are also mindful of the Department's converse position in terms of its confidence that retailers will not be inclined to increase their prices as a result of the retail levy. Also on this point, in its evidence, Asda raised the issue of whether supermarkets are being targeted because they are keeping prices down, while utility companies are being "rewarded" for increasing their prices.

118. In further examining this issue, the Committee asked DFP for any evidence to indicate that the Utility Regulator would have no flexibility or discretion in deciding whether utility companies could simply pass on an additional rates levy to consumers. In response, DFP stated:

> "We have been advised that for water, prices are regulated; NIW must ask the regulator if they can pass on costs, and the regulator may ask them to make efficiency savings instead. We understand that for the utilities, costs are still tightly regulated as the utility companies must make a bid for rates in their business plans which the Regulator will determine upon for reasonableness. However, we have been advised that in general no efficiency challenge is applied and these costs are then passed through to electricity and gas prices. We also understand that historically this has been the process." [75]

119. **The Committee notes the argument by some supermarkets that they are being targeted because they are keeping prices down, while utility companies are being 'rewarded' for increasing their prices. In examining the case for wider application of the levy, the Committee considers that, in principle, the utility companies should be expected to make, what would be a relatively modest contribution to funding the extended SBRR scheme, without passing the cost to consumers. The Committee therefore calls on the Department to further investigate the scope for the Utility Regulator to require the utility companies**

74 DFP correspondence to CFP, 29 November 2011, Appendix 3.

75 DFP correspondence to CFP, 1 December 2011, Appendix 3.

to make efficiency savings, rather than automatically passing additional rates costs on to consumers.

120. In correspondence to the Committee, DFP also cautioned against charging large bank premises the levy. The Department has stressed that the banking sector is "a priority for inward investment and significant numbers of new jobs have been created to date (unlike retail, which includes a significant proportion of displaced old jobs)".[76] DFP went on to state that "in light of this to place a levy on the largest bank premises would be at odds with wider Executive investment programmes. Indeed, it would act in an arbitrary fashion, falling most on those banks that either had centralised regional HQ buildings or happened to be involved in call centre operations for the whole of the UK." Again, the Committee is mindful that it might be argued that there is a contradiction in this DFP position, in that the large retailers have similarly criticised the levy as being implemented in an arbitrary fashion, as it targets businesses with large premises rather than high profit margins. Members also recognise that inward investment decisions by international financial institutions are influenced primarily by factors such as the availability of a suitably educated and skilled workforce and appropriate infrastructure.

121. To inform its deliberations on the case for extending the levy to these other sectors, the Committee previously requested information on rates as a proportion of the outgoings of utility companies and banks. In its response, DFP stated that it did not have detailed information on this but referred to data which indicated that rates as a percentage of turnover, overheads and profits are lower as company turnover increases.

122. **It is the view of the Committee that widening the scope of the temporary levy to include banks and financial institutions would not act as a significant disincentive to inward investment in this sector. Moreover, the Committee would point out that the logical conclusion to any fatalistic argument against extending the levy to include financial services, on the basis that this would deter inward investment, or to utility companies, on the basis that they would pass on costs through price increases, would be that similar consequences would arise from any future increase in rates for these sectors, including from a decision to unfreeze the regional rate or as a result of revaluation.**

123. The Committee noted that some respondents to the consultation raised the suggestion of graduating the levy and introducing it at a lower threshold, though the Department has argued that this would complicate the scheme.[77] DFP stated that "it is important that the scheme is both easily understood and easily applied given its short lifespan of three years and the need to provide additional funding as soon as possible". The Department has also argued that reducing the threshold below £500,000 would include more retailers in town and city centres, which could "potentially undermine any secondary benefit of supporting small retailers, through the SBRR expansion, in those areas".[78] [79]In correspondence to the Committee, the Department cautioned that this would also risk increasing rates liability for small independent retailers in large premises.[80] Again, while noting this point, the Committee is mindful of the similar argument from some of the large retailers that the levy targets retailers with large premises rather than high profit margins.

124. Given the aforementioned considerations, the Committee requested DFP to provide the information in Table 3 below in order to assist members in determining the merits of the

76 DFP Supplementary Committee Paper, 22 November 2011, Appendix 3.

77 DFP Supplementary Committee Paper, 22 November 2011, Appendix 3.

78 http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf p. 11.

79 The Committee had asked DFP to provide an additional column in Table 3 to show the number of businesses within town or city centres that would be included within each option but the Department was unable to provide this data for the various options within the timescale required.

80 DFP Supplementary Committee Paper, 22 November 2011, Appendix 3.

various options for extending the levy beyond the large retail sector to help ensure that the burden of funding the extended SBRR scheme is shared fairly.

Table 3: Impact of Changes to Target Sector (raising the £6.7m required)

Target Sector/s Options	Threshold	Number of properties affected	Average Levy	Average amount paid in Levy
a) All large retail (current proposal)	£500,000 +	77	20%	£ 85,000
b) All large retail (2 thresholds)	£400,000 to £499,000 £500,000+	100	13% 15% 18% 17.5%	£65,000 overall
c) All large properties	£500,000+ (RV)	219	5.5%	£30,000
d) All large properties except public bodies	£500,000+ (RV)	137	9.3%	£47,500
e) All large properties except public bodies (2 thresholds)	£400,000 to £499,000 £500,000+	54 137	7% 8%	£17,000 £41,000
f) All large properties except public bodies and manufacturing	£500,000+	134	9.4%	£36,000
g) All large properties except public bodies and manufacturing (2 thresholds)	£400,000 to £499,000 £500,000+	46 134	6% 8.5%	£15,000 £44,000
h) All large properties except public bodies, manufacturing and utilities	£500,000+	110	13.8%	£59,090
i) All large properties except public bodies, manufacturing and utilities (2 thresholds)	£400,000 to £499,000 £500,000+	41 110	9% 12%	£22,199 £51,377

125. During the final evidence session with departmental officials on 29 November, the Committee sought further information on option (f) to establish which businesses, other than the 77 large retailers, would be included if the levy was to be extended to all large properties except public bodies and manufacturing. In response, DFP has advised that the businesses in the below Table 4, which occupy premises that have a rateable value of £500,000 or over, would be included in the levy under this option. The Committee was also advised that six of these businesses, covering slightly over twenty properties, could be deemed to be a utility, including: AES Kilroot Power Ltd, Coolkeeragh ESB Ltd, Moyle interconnector Ltd, Power NI (NIE), Phoenix Natural Gas Ltd and Premier Power Ltd.

Table 4: Businesses other than large retailers, public bodies and manufacturers occupying premises with rateable value of £500,000 or over.

- Abbey National plc
- AES Kilroot Power Ltd
- Allstate Northern Ireland Ltd
- Bank of Ireland
- Bar Library Services
- Belfast City Airport Ltd
- Belfast Hilton Ltd
- Belfast International Airport Ltd
- BP Oil Ltd
- British Telecom
- Capita Business Services Ltd
- Capita Life & Pensions Regulated Services
- CDC (NI) Ltd
- Cib Properties Ltd
- Coolkeeragh ESB Ltd
- First Trust Bank
- Halifax Building Society
- Hastings Hotels Group Ltd
- Henderson Wholesale Ltd
- Heron Property Ltd
- Liberty Information Technology
- Makro
- Moyle Interconnector Ltd
- Musgrave Retail Partners NI
- Power NI (16 properties)
- Northern Bank
- Odyssey Trust Company Ltd
- Phoenix Natural Gas Ltd
- Premier Power Ltd
- Price Waterhouse Coopers
- Ulster Bank Ltd
- Ulster Bank Ltd
- Virgin Media Ltd
- Wilmslow Ltd partnership

126. In follow up to the evidence session on 29 November, DFP also advised that, under option (d) (all properties over £500,000 excluding public bodies), three manufacturing properties would be included in the levy after derating, with their average liability increasing from £628,767 to £661,236. The three manufacturing properties are occupied by Bombardier, Invista Textiles and Quinn Building products.

127. The Department also advised that, under option (e) (all properties excluding public bodies, with two thresholds, £400,000 - £499,999, and £500,000+), eleven manufacturing properties would be included in the levy after derating. The occupiers of these properties would be Charndlers Ltd, Coca Cola HBC NI Ltd, F G Wilson (Engineering) Ltd, Invista Textiles, Michelin Tyres Ltd, Montupet UK Ltd, Sanmina Sci UK Ltd, Bombardier, Tyco Health Care, and Quinn Building Products Ltd.[81] The average liability of these manufacturers before and after the levy would be as follows:

Threshold	Before	After
£400,000 - £499,999	£441,430	£458,610
£500,000	£628,767	£656,734

128. From a preliminary analysis of the options in Table 3, the Committee concludes that there are viable alternatives to focusing the levy solely on large retailers. Some of the options, including (h) and (i), would have the effect of significantly reducing the burden of the levy on contributors, both in terms of the average amount paid and as an average percentage increase on existing rates bills, whilst also addressing some of the concerns raised by the Department regarding application to certain sectors.

81 DFP Response to Committee Queries, 30 November 2011, Appendix 3.

129. **Through its scrutiny of the proposed levy, which has been actively facilitated by the responsible DFP officials, the Committee has identified a range of viable options for the Department and the Executive to examine with a view to ensuring that the burden of the levy is shared fairly across the large business sectors in the local economy. In particular, some of these options would allow for the scope of the levy to be expanded in a measured way to include, for example, banks, financial institutions, telecommunication companies, wholesalers and hotel groups.**

130. **Members believe that the various options identified would enable the cost of the levy to be spread fairly across large business ratepayers to help mitigate any risk of the levy being the "tipping point" in terms of forcing individual businesses into decisions which would have detrimental implications for consumer prices, future investment or employment. The Committee, therefore, calls on DFP and the Executive to pursue these options as a matter of urgency.**

Empty Shop Window Displays

131. The Minister of Finance and Personnel has noted concerns from the business community about the impact that empty properties can have on town centres, making them feel and look run down. Therefore, a temporary change is proposed to ensure that steps can be taken to improve the appearance of shopping areas without extra rates being incurred. The Department has noted that the proposals should also ensure that efforts to brighten up shopping streets with colourful displays in shop windows (for non-commercial purposes) do not incur a financial penalty.[82]

What is proposed?

132. Empty shops are normally entitled to 50% empty property relief (subject to some exclusions) and this policy is set to continue. However, at present almost any use of an empty shop will trigger full commercial rates at 100%. The Department proposes to allow limited use of window displays in empty shops for (non-political) community, artistic or other non-commercial purposes, without incurring full occupied rates. These premises would qualify as "empty" for rating purposes. The use of a window display for the purpose of advertising goods or services, storage or any form of business activity would be excluded from this change. The change will apply from 1 April 2012 through to the end of the current spending review period, 31 March 2015.[83]

133. The Committee notes that responses to the public consultation were generally supportive of the proposals for empty shop window displays. The majority of the responses fully supported the preferred approach to window displays and some responses supported the broad direction of the proposals but felt that more needed to be done by way of the permitted activities.[84] The proposals were also welcomed by the committees for Enterprise, Trade & Investment, and Social Development.[85]

134. Suggestions for expanding the scope of the proposals include permitting the following uses:

- commercial use (including advertising and use where no money changes hands);
- the display of small business logos, where community activities are being sponsored; or

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82 http://www.dfpni.gov.uk/rating-review/rating_of_commercial_properties_public_consultation.pdf p. 27.

83 Ibid.

84 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf p. 24.

85 Committee for Enterprise, Trade & Investment and Committee for Social Development correspondence, 24 November 2011, Appendix 5.

- physical occupation/use of ground floors in shops for charitable, artistic and community purposes as well as exhibitions.[86]

135. Some responses indicated that commercial window displays, or use for community or artistic occupation, should also be permitted. A number of responses suggested that there should be flexibility in the implementation of these proposals and one response, from Fermanagh District Council, indicated that it would welcome a cross-departmental approach to stimulating property turnover. The Council also suggested that there should be a cap on the number of retail properties that would qualify for the window display measure. Several responses also stated that the measure should be reviewed in 2015 and possibly extended.[87]

136. Members note the DFP conclusion that:

> "Generally consultees supported the proposal as a means of encouraging footfall, detracting from the poor appearance of boarded up shops and animating city centres. It was felt that the measure could attract investment and business to town centres, ensuring vibrancy and promoting local events. The proposal was also viewed as a means of complementing various initiatives to regenerate and sustain communities and also enhance the visual appearance of high streets.[88]

137. The Minister has also set out his intention to examine the feasibility of providing a rates concession for new businesses setting up in empty retail premises.[89] This was supported by a number of responses in the public consultation, including the Londonderry Chamber of Commerce, the Newry Chamber of Commerce and the Committee for Social Development.[90]

138. While it has not been possible for members to explore in detail the issues relating to empty shop window displays, in light of the responses to the public consultation, the Committee also generally welcomes the proposals as presented by the Department.

86 Ibid, p. 26.

87 Ibid.

88 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf p. 25.

89 http://www.dfpni.gov.uk/rating-review/consultation_outcome_report_-_large_retail_levy_and_small_business_rate_relief-2.pdf

90 Londonderry Chamber of Commerce and Newry Chamber of Commerce written submissions, Appendix 4. Committee for Social Development correspondence, 24 November 2011, Appendix 5.

Northern Ireland Assembly

Appendix 1

Minutes of Proceedings

Wednesday, 8 June 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Dominic Bradley MLA (Deputy Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr Paul Girvan MLA Mr David Hilditch MLA Mr William Humphrey MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA Ms Caitríona Ruane MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer)
Apologies:	Mr Ross Hussey MLA

10.05am The meeting opened in public session.

10.53am The meeting moved into closed session.

6. DFP consultation on large retail levy and extension of small business rate relief

The Committee received a briefing on the forthcoming consultation on the large retail levy and extension of small business rate relief from the following DFP officials: Mr Brian McClure, Head of Rating Policy Division, Central Finance Group, DFP; Dr Veronica Holland, Rating Policy Division, Central Finance Group, DFP.

The Committee noted the Confederation of British Industry (CBI) paper, Proposed rating levy on Large Retail properties in Northern Ireland – Pre-consultation.

10.16am Mr Girvan left the meeting.

11.18am Mr Girvan returned to the meeting.

11.41am The meeting moved into public session.

[EXTRACT]

Wednesday, 29 June 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Dominic Bradley MLA (Deputy Chairperson) Mr Leslie Cree MBE MLA Mr Paul Girvan MLA Mr Ross Hussey MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA Ms Caitríona Ruane MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer)
Apologies:	Mrs Judith Cochrane MLA Mr David Hilditch MLA Mr William Humphrey MLA

10.05am The meeting opened in public session.

9. Correspondence

Members noted the following items of correspondence:

- DFP: Consultation on Rebalancing the Business Rates System

Agreed: to request that DFP ensures enough time is built into this and similar consultation processes to provide the Committee with an analysis of responses, in advance of any decisions being taken by the Minister or the Executive.

[EXTRACT]

Wednesday, 14 September 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Dominic Bradley MLA (Deputy Chairperson) Mr David Hilditch MLA Mr William Humphrey MLA Mr Paul Girvan MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer)
Apologies:	Mr Leslie Cree MBE MLA Mr Ross Hussey MLA

10.04am The meeting opened in public session.

7. Initial Consideration of Stakeholder Responses

Members considered the responses received from stakeholders over the summer.

Agreed: to defer consideration until a later date.

[EXTRACT]

Wednesday, 21 September 2011
Room 30, Parliament Buildings

Present:	Mr Dominic Bradley MLA (Deputy Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr David Hilditch MLA Mr Paul Girvan MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Mr Colin Pidgeon (Research and Information Service)
Apologies:	Mr Ross Hussey MLA Mr William Humphrey MLA Mr Adrian McQuillan MLA Mr Conor Murphy MP MLA (Chairperson)

10.04am The meeting opened in public session.

12. Committee Work Programme

Members considered a draft of the Committee work programme.

Large Retail Levy & Small Business Rates Relief

The Committee noted that a number of sessions have been set aside in November to take evidence from stakeholders on the large retail levy and the extension of the small business rates relief scheme.

Agreed: to invite representatives from Sainsbury's and Chambre Public Affairs to brief the Committee on this issue.

Agreed: to request DFP to provide a list of those who responded to the consultation as soon as it closes, to enable evidence sessions with all interested stakeholders to be arranged.

[EXTRACT]

Wednesday, 28 September 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Dominic Bradley MLA (Deputy Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr Paul Girvan MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student)
Apologies:	Mr Ross Hussey MLA Mr David Hilditch MLA

10.04am The meeting opened in public session.

3. Matters Arising

DFP: Initial Response to Committee's Request for list of Respondees to Consultation Paper on the Large Retail Levy and Small Business Rates Relief

Members noted an initial response from DFP to its request for a list of respondees to the consultation paper on the large retail levy and small business rates relief.

[EXTRACT]

Wednesday, 5 October 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Leslie Cree MBE MLA Mr Paul Girvan MLA Mr David Hilditch MLA Mr William Humphrey MLA Mr Ross Hussey MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student) Mr Colin Pidgeon (Assembly Research and Information Services)
Apologies:	Mr Dominic Bradley MLA (Deputy Chairperson) Mrs Judith Cochrane MLA

10.04am The meeting opened in public session.

10. Correspondence

Members noted the following items of correspondence:

- DFP Press Release: "Finance Minister refutes NIRC claims on small business rate relief scheme";

[EXTRACT]

Wednesday, 12 October 2011
Room 30, Parliament Buildings

Present: Mr Dominic Bradley MLA (Deputy Chairperson)
Mrs Judith Cochrane MLA
Mr Leslie Cree MBE MLA
Mr Paul Girvan MLA
Mr David Hilditch MLA
Mr William Humphrey MLA
Mr Ross Hussey MLA
Mr Paul Maskey MP MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)
Ms Roisin Fleetham (Assistant Assembly Clerk)
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)
Mr Jim Nulty (Clerical Supervisor)
Mr Dominic O'Farrell (Clerical Officer)
Miss Aine Gallagher (Bursary Student)
Mr Colin Pidgeon (Assembly Research and Information Services)

Apologies: Mr Conor Murphy MP MLA (Chairperson)
Mr Mitchel McLaughlin MLA

10.08am The meeting opened in public session.

12. Committee Work Programme

Members considered a draft of the Committee work programme.

Large Retail Levy

The Committee noted correspondence from B&Q regarding the proposed large retail levy and small business rate relief scheme. Members also considered a note of the Chairperson's meeting with representatives from Boots on this issue.

Agreed: to request information from the Department for Social Development on the Business Improvement Districts scheme.

[EXTRACT]

Wednesday, 19 October 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr Paul Girvan MLA Mr David Hilditch MLA Mr William Humphrey MLA Mr Mitchel McLaughlin MLA Mr Aidan McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student)
Apologies:	Mr Dominic Bradley MLA (Deputy Chairperson) Mr Ross Hussey MLA Mr Paul Maskey MP MLA

10.07am The meeting opened in public session.

12. Committee Work Programme

Members considered a draft of the Committee work programme.

Large Retail Levy

Members noted that the Scottish Government is again giving consideration to the introduction of a large retailer levy.

Agreed: to commission research on the Scottish experience to help inform the Committee's deliberations on this issue.

[EXTRACT]

Wednesday, 26 October 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Dominic Bradley MLA (Deputy Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr David Hilditch MLA Mr Ross Hussey MLA Mr William Humphrey MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Ms Roisin Fleetham (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student)
Apologies:	Mr Paul Girvan MLA Mr Adrian McQuillan MLA

10.03am The meeting opened in public session.

10. Correspondence

Members noted the following items of correspondence:

- DFP List of respondents to Large Retail Levy consultation.

12.42pm Mr Ross Hussey left the meeting.

12. Committee Work Programme

Members considered a draft of the Committee work programme.

Large Retail Levy

The Committee considered a secretariat paper outlining options on how to schedule evidence sessions on the Large Retail Levy and Small Business Rate Relief Scheme.

Agreed: to gather the evidence on the Large Retail Levy and Small Business Rate Relief Scheme on the basis of themed panels, each comprising up to four witnesses. The first panel will provide evidence on 9 November 2011 following a DFP briefing on the outcome of the related public consultation.

[EXTRACT]

Wednesday, 9 November 2011
Room 30, Parliament Buildings

Present:	Mr Dominic Bradley MLA (Deputy Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr David Hilditch MLA Mr Ross Hussey MLA Mr Paul Maskey MP MLA Mr Adrian McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Mrs Sinead Kelly (Assistant Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student) Mr Colin Pidgeon (Assembly Researcher)
Apologies:	Mr Conor Murphy MP MLA (Chairperson) Mr Paul Girvan MLA Mr William Humphrey MLA Mr Mitchel McLaughlin MLA

10.03am The meeting opened in public session.

5. **Research Briefing: Proposed Large Retail Levy – Scottish Experience**

The Committee received a briefing from Assembly Research and Information Service on the briefing note, The proposed large retail levy, including the Scottish experience.

Agreed: that the Researcher will provide any follow-up information as requested.

6. **Outcome of Consultation on Large Retail Levy and Small Business Rates Relief – DFP Evidence Session**

The Committee took evidence from the following DFP officials: Mr Brian McClure, Head of Rating Policy Division, Central Finance Group and Dr Veronica Holland, Rating Policy Division, Central Finance Group. The evidence session was recorded by Hansard.

Agreed: that the DFP officials will provide follow-up information as requested during the session.

7. **Large Retail Levy and Small Business Rates Relief – Evidence from stakeholders**

The Committee took evidence from the following witnesses: Mr Joe Jordan, Belfast Chamber of Trade & Commerce; Ms Sinead McLaughlin, Londonderry Chamber of Commerce; and Mr Cathal Austin, Newry Chamber of Commerce & Trade. The evidence session was recorded by Hansard.

12.08pm Mr Paul Maskey left the meeting.

Agreed: that the Committee will invite representatives from the NI Retail Consortium, B&Q, Tesco and Sainsbury's, to form a panel of large retailers to give evidence at the meeting on 23 November.

13. Any Other Business

Agreed: to seek clarification of when the information from the Department for Social Development on the Business Improvement Districts (BIDs) scheme will be available.

[EXTRACT]

Wednesday, 16 November 2011
Room 30, Parliament Buildings

Present: Mr Conor Murphy MP MLA (Chairperson)
Mr Dominic Bradley MLA (Deputy Chairperson)
Mrs Judith Cochrane MLA
Mr Leslie Cree MBE MLA
Mr David Hilditch MLA
Mr William Humphrey MLA
Mr Paul Maskey MP MLA
Mr Mitchel McLaughlin MLA
Mr Adrian McQuillan MLA

In Attendance: Mr Hugh Farren (Assembly Clerk)
Mrs Sinead Kelly (Assistant Assembly Clerk)
Mr Jim Nulty (Clerical Supervisor)
Mr Dominic O'Farrell (Clerical Officer)
Miss Aine Gallagher (Bursary Student)
Mr Colin Pidgeon (Assembly Researcher)

Apologies: Mr Ross Hussey MLA
Mr Paul Girvan MLA

10.08am The meeting opened in public session.

4. Large Retail Levy and Small Business Rates Relief – Evidence session from NI Independent Retail Trade Association (NIIRTA) and small independent retail representatives

Members noted that DFP had requested sight of any briefing papers provided to the Committee on the Large Retail Levy and Small Business Rates Relief.

Agreed: that briefing papers would be forwarded to DFP following consideration by the Committee; and to request that DFP prepares a response to the issues raised in advance of its scheduled evidence on 29 November.

The Committee took evidence from the following witnesses: Glyn Roberts, NIIRTA Chief Executive; Colin Neill, Pubs of Ulster Chief Executive; David Hunter, Larne Traders Forum; and Patrick Cassidy, NIIRTA Member. The evidence session was recorded by Hansard.

Mr William Humphrey declared an interest as a Member of Belfast City Council and former Chair of the Council's Development Committee

10.25am Mr Dominic Bradley joined the meeting

11.07am Mr David Hilditch left the meeting

11.12am Mr Dominic Bradley left the meeting

Agreed: to request further analysis and figures from DFP in relation to the Large Retail Levy and how an adjustment to the rateable value threshold and the level of the levy would have an impact – e.g. a staggered analysis with the starting point of a rateable value of over £400,000 with a levy of 10%, over £500,000 with a levy of 15% etc.

5. Large Retail Levy and Small Business Rates Relief : Evidence session from the NI Local Government Association (NILGA) and local council representatives

The Committee took evidence from the following NILGA representatives: Derek McCallan, NILGA Chief Executive; and Karine McGuckin, NILGA European Officer.

The Chair explained to the NILGA representatives that responsibility for deciding the final version of the proposed scheme would lie with the Department and not the Committee, though the Committee will publish a report on its response to the Department's proposals.

11.33am Mr Dominic Bradley joined the meeting

Evidence sessions on 23 November

Members noted that the NI Retail Consortium and B&Q confirmed that they will give evidence to the Committee on 23 November and that Tesco and Sainsbury are unable to attend.

Agreed: that IKEA and Asda would also be invited to give evidence to the Committee on 23 November.

[EXTRACT]

Wednesday, 23 November 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mr Dominic Bradley MLA (Deputy Chairperson) Mr Leslie Cree MBE MLA Mr David Hilditch MLA Mr William Humphrey MLA Mr Ross Hussey MLA Mr Paul Girvan MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Mrs Sinead Kelly (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student) Mr Colin Pidgeon (Assembly Researcher)
Apologies:	Mrs Judith Cochrane MLA

10.04am The meeting opened in public session.

3. **Matters Arising**

Large Retail Levy

Agreed: to request DFP to provide additional figures in relation to alternative approaches to calculating the Large Retail Levy. It was also agreed that, given that next week's session with DFP officials will be the last opportunity for the Committee to gain clarification on issues before agreeing its position, the Committee staff will forward a list of outstanding issues or gaps identified from the evidence to DFP prior to the next meeting to be addressed during the evidence session.

4. **Large Retail Levy and Small Business Rates Relief – ASDA, B&Q, IKEA, Northern Ireland Retail Consortium (NIRC).**

10.13am Mr Adrian McQuillan joined the meeting

The Committee took evidence from the following witnesses: David Paterson, Head of Regional Affairs, ASDA; Diarmuid Walsh, Divisional Director, B&Q; Iain Joannides, Finance and Operations Manager, IKEA; and Jane Bevis, Director, NIRC. The evidence session was recorded by Hansard.

Mr William Humphrey declared an interest as a member of Belfast City Council

11.01am Mr Dominic Bradley left the meeting

11.03am Mr Ross Hussey joined the meeting

11.12am Mr Dominic Bradley joined the meeting

11.14am Mr Paul Maskey joined the meeting

5. Large Retail Levy and Small Business Rates Relief – Evidence from CBI; Federation of Small Businesses NI; NI Hotels Federation and Royal Institute of Chartered Surveyors.

The Committee took evidence from the following witnesses: Roger Pollen, Head of External Affairs, Federation of Small Businesses; Nigel Smyth, Director, CBI and Chris Kenton, Head of Property Group NI, Royal Institute of Chartered Surveyors. The evidence session was recorded by Hansard.

[EXTRACT]

Tuesday, 29 November 2011
Room 30, Parliament Buildings

Present:	Mr Conor Murphy MP MLA (Chairperson) Mrs Judith Cochrane MLA Mr Leslie Cree MBE MLA Mr David Hilditch MLA Mr William Humphrey MLA Mr Ross Hussey MLA Mr Paul Girvan MLA Mr Paul Maskey MP MLA Mr Mitchel McLaughlin MLA Mr Adrian McQuillan MLA
In Attendance:	Mr Shane McAteer (Assembly Clerk) Mrs Kathy O'Hanlon (Assistant Assembly Clerk) Mrs Sinead Kelly (Assistant Assembly Clerk) Mr Jim Nulty (Clerical Supervisor) Mr Dominic O'Farrell (Clerical Officer) Miss Aine Gallagher (Bursary Student)
Apologies:	Mr Dominic Bradley MLA

10.09am The meeting opened in public session.

4. Large Retail Levy and Small Business Rates Relief – Evidence from DFP

The Committee took evidence from the following witnesses: Mr Brian McClure – Head of Rating Policy Division, Central Finance Group and Dr Veronica Holland - Rating Policy Division, Central Finance Group. The evidence session was recorded by Hansard.

10.20am Mr Adrian McQuillan joined the meeting.

10.21am Mr Paul Girvan joined the meeting.

10.22am Mr David Hilditch joined the meeting.

10.40am The meeting was suspended

10.53am The meeting resumed

10.53am Mr Ross Hussey joined the meeting.

10.55am Mr Paul Maskey joined the meeting.

11.11am The meeting moved into closed session.

5. Large Retail Levy and Small Business Rates Relief – Initial Consideration of Committee's Draft Report on its Response

Members considered a working draft of the Committee's report in response to the proposed large retail levy and extension of the small business rate relief scheme.

11.42am Mr William Humphrey joined the meeting.

11.58am Mr Mitchel McLaughlin left the meeting.

12.03pm Mr Ross Hussey left the meeting.

Agreed: that any additional issues raised by the Committee today would be forwarded to DFP for a written response before final consideration of the Committee's position at next week's meeting.

[Extract]

Tuesday, 7 December 2011
Room 30, Parliament Buildings

Present: Mr Conor Murphy MP MLA (Chairperson)
Mr Dominic Bradley MLA
Mrs Judith Cochrane MLA
Mr Leslie Cree MBE MLA
Mr William Humphrey MLA
Mr Ross Hussey MLA
Mr Paul Girvan MLA
Mr Paul Maskey MP MLA
Mr Mitchel McLaughlin MLA

In Attendance: Mr Shane McAteer (Assembly Clerk)
Mrs Kathy O'Hanlon (Assistant Assembly Clerk)
Mrs Sinead Kelly (Assistant Assembly Clerk)
Mr Dominic O'Farrell (Clerical Officer)
Miss Aine Gallagher (Bursary Student)

10.04am The meeting opened in public session.

3. Matters Arising

DFP: Large Retail Levy – Response to Committee Queries

The Committee noted a response from DFP to queries members had raised in relation to the proposed large retail levy and small business rate relief scheme.

10.06am The meeting moved into closed session.

4. Report on the Proposed Expansion of the Small Business Rate Relief Scheme and Large Retail Levy – Final Consideration of Draft Report

Members formally considered the final draft of the Report on the Proposed Expansion of the Small Business Rate Relief Scheme and Large Retail Levy.

Agreed: that paragraphs 1-9 stand part of the Report;

Agreed: that paragraphs 10-19 stand part of the Report;

Agreed: that paragraphs 20-33 stand part of the Report;

10.15am Mrs Judith Cochrane joined the meeting

10.15am Mr Paul Girvan joined the meeting.

Agreed: that paragraphs 34-35 as amended stand part of the Report;

Agreed: that paragraphs 36-38 stand part of the Report;

10.23am Mr William Humphrey left the meeting.

Agreed: that paragraphs 39-48 stand part of the Report;

10.31am Mr William Humphrey joined the meeting.

Agreed: that paragraph 49 as amended stands part of the Report;

Agreed: that paragraphs 50-58 stand part of the Report;

Agreed: that paragraphs 59-60 stand part of the Report;

Agreed: that paragraph 61 as amended stands part of the Report;

Agreed: that paragraphs 62-72 stand part of the Report;

Agreed: that paragraph 73 as amended stands part of the Report;

Agreed: that paragraphs 74-83 stand part of the Report;

Agreed: that paragraph 84 as amended stands part of the Report;

Agreed: that paragraphs 85-90 stand part of the Report;

Agreed: that paragraphs 91-102 stand part of the Report;

Agreed: that paragraphs 103-105 stand part of the Report;

Agreed: that paragraphs 106-111 stand part of the Report;

Agreed: that paragraph 112 as amended stands part of the Report;

Agreed: that paragraphs 113-119 stand part of the Report, subject to paragraph 119 being merged with paragraph 118;

Agreed: that paragraph 120 as amended stands part of the Report;

Agreed: that paragraphs 121-123 stand part of the Report;

Agreed: that paragraphs 124-130 stand part of the Report;

11.08am Mr William Humphrey left the meeting.

Agreed: that paragraph 131 as amended stands part of the Report;

Agreed: that paragraphs 132-139 stand part of the Report;

Agreed: that the draft Executive Summary, as amended, stands part of the Report;

Agreed: that the Appendices stand part of the Report;

Agreed: that the extract of the unapproved Minutes of Proceedings of today's meeting is checked by the Chairperson and included at Appendix 1.

Agreed: that the Report on the Proposed Expansion of the Small Business Rate Relief Scheme and the Large Retail Levy, as amended, be the First Report of the Committee for Finance and Personnel to the Assembly for the session 2011/12.

Agreed: that the Report on the Proposed Expansion of the Small Business Rate Relief Scheme and the Large Retail Levy, as amended, be printed.

Members were advised that typescript copies of the agreed Report would be laid in the Business Office within 24 hours for the attention of all MLAs. The printed copies of the Report will be issued to all MLAs once available.

Agreed: that the press release, as amended, be issued today.

Agreed: that staff will issue typescript copies of the Report to the media and to stakeholders who had provided evidence, in advance of the printed copies being made available.

[Extract]

Northern Ireland Assembly

Appendix 2

Minutes of Evidence

9 November 2011

Members present for all or part of the proceedings:

Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr David Hilditch
Mr Ross Hussey
Mr Paul Maskey
Mr Adrian McQuillan

Witnesses:

Mr Brian McClure	*Department of Finance*
Dr Veronica Holland	*and Personnel*

1. **The Deputy Chairperson**: I welcome, once again, Brian McClure, the head of rating policy division in the central finance group of the Department of Finance and Personnel, and Dr Veronica Holland of the rating policy division of the central finance group. You are very welcome, and I invite you to make an opening statement.

2. **Mr Brian McClure (Department of Finance and Personnel)**: Thank you, Deputy Chair. Before I do that, I was interested to hear Mr Pidgeon's presentation. Would you like me to make a couple of comments on that before moving on?

3. **The Deputy Chairperson**: That would be welcome; yes.

4. **Mr McClure**: The integrated impact assessment that the Department will produce will probably come out before the end of the year. The impact assessment that we have published is an initial one. The Department does not regard an impact assessment complete until we have consulted on it, and that is what we have done through this consultation process. I just want to make it clear that we do not regard ourselves as being at the end of that process. The integrated impact assessment will be published before any measures are taken forward.

5. Secondly, on the Scottish proposals, I can tell the Committee what I understand is happening with the public health levy, as I think it is described in Scotland. They expect to raise £110 million for the supplement over the next four years. It is estimated that the levy will raise £30 million in 2012-13. Around 240 properties in Scotland would be affected, and the money raised through that will contribute towards preventative spend measures that will be taken forward jointly with the Scottish Government, local authorities, the National Health Service and the third sector. It is targeted at retail outlets above a valuation threshold of, we think, £300,000 rateable value. It is for outlets that sell alcohol and tobacco. As I said, it is being put in place to fund the preventative spend measure.

6. Our understanding is that, in Scotland, they will consult on that as part of the Budget consultation. They already have existing powers in their business rates legislation to allow them to do that through subordinate legislation. They have quite a different process from us. I do not think that it is right to say that they will not be consulting; they will consult as part of the Budget. They do not need primary legislation to take that through. I am not making any comment about the merits or otherwise of that; I am just providing some information.

7. Turning to our evidence, I would prefer to take as many questions as possible, rather than taking up a lot of the Committee's time by repeating what is in the consultation report. Before continuing, I would like to say something about where we are with this, a little bit about the rating system, which has already been discussed in Mr Pidgeon's presentation, and explain the basic rationale behind the changes and the origins of the policy. The Minister has not made up his mind, and he will not take the matter to the Executive until

he has the views of the Committee. He is very clear about that. If anything that I say today implies certainty about the measures, please treat it with a pinch of salt. I am doing it for the sake of brevity rather than continually saying that it is the preferred option.

8. Before I go further, it is worth restating that the business rates system is a fairly simple property tax. It does not attempt to relate the level of that tax to particular businesses and their activity levels or performance figures, which is what was previously discussed. Rather, it is a government charge for the occupation of premises that is based on their assessed rental value at a particular point in time. In Northern Ireland's case, that is 2001. The more successful retail businesses tend to locate in the highest value premises, but that is as far as the rating system can ever go in aligning with profit or business activity. From a policy perspective, it is not possible to zero in on particular businesses. Furthermore, Land and Property Services (LPS) does not hold data on businesses. Even the property descriptions in the valuation list reflect the way in which the property is valued, rather than describing the business activity that goes on. A building society in a row of shops, for example, will be described by LPS as a shop rather than an office or financial institution.

9. LPS does not send out single composite bills to particular businesses. It is often the case that individual bills will be sent out to companies, one for each property. I mention all of that because I think that there is a public expectation that the rating system can be engineered in such a way that enables it to target particular types of business for a levy or exclude them from the relief. As has been mentioned already, the banks are a particular case in point.

10. The Department is satisfied that there was a very good response to the consultation in respect of the number of business organisations that took the trouble to put together submissions. All of those submissions have been on our website for some days now. A wide range of views was expressed, which is hardly surprising given that the measures are about charging some ratepayers more and many ratepayers less. In other words, there are winners and losers in the proposals.

11. I have to say that it was a bit disappointing that, despite the Minister making a special plea for businesses and business organisations to provide evidence on the impact or potential impact of proposals, most confined their responses to expressing opinions. The consultation, however, was a useful exercise in terms of what it revealed. In a sense, it was also informative because of what it did not reveal. What I mean by that is that the Department asked for some estimates of how proposals would impact on particular businesses. In other words, we asked about the difference that it would make to the businesses concerned in relation to both the levy and the small business rates relief scheme.

12. Virtually no businesses provided any meaningful information that would throw new light on the issue. B&Q, at least, pointed out what we knew already, which is that different businesses, or different sectors of the retail business, work to different business models and have different margins. That is fully accepted, and the average figures provided by the Department in the consultation paper were put there to stimulate the production of further analysis by the business sector. None was forthcoming, nor did we get any useful information about the comparative rate costs between here and the rest of the UK and Ireland. Only IKEA pointed out that its Belfast store paid more than its Scottish stores and a number of its English stores.

13. The Department fully accepts that the measures will have more of an impact on some businesses than on others, but that it matters to them all. Nevertheless, the key point is that rates, as a proportion of business outgoings, are significantly higher for smaller businesses compared with major businesses. The Economic Research

Institute for Northern Ireland (ERINI) reported on that issue in 2008 and it is something that previous studies have identified. The ranges are quite startling. At one end of the scale, rates for small businesses — those with a turnover of less than £50,000 — can account for around 8% of turnover or a third of profits, whereas the largest businesses — those with turnovers of £1 billion or more — the percentage is in small single figures at around 1% of turnover or 3% of profits. Some have suggested that an average £700 a year saving for the 9,000 small businesses in question is marginal; they will not hire a new employee on the back of it, for example. However, the point is that many of those businesses are at the very limits of viability, which is not a position in which many of the major retailers find themselves.

14. Another disappointment of the consultation was the fact that no one identified any credible way of raising the required £6·5 million a year to fund the expansion of the small business rates relief (SBRR) scheme, aside from raising the regional rate or charging all large premises a levy — that is to say all those outside the retail sector as well. You will note that the Minister's foreword to the consultation report explains some of the difficulties in adopting such alternative approaches. It runs contrary to a number of policy decisions already made by the Executive.

15. I would also like to clear up a misunderstanding that the current or expanded small business rates relief scheme is or should be a retail rates relief scheme. That is not its purpose, nor was there support for it during the consultation, albeit half of those who could benefit would be retail premises.

16. I would like to mention one more thing before taking questions. The policy had its origins in the Budget review group, and is viewed very much as a downturn measure. It is not something, therefore, that the Department has been developing as part of a wider reform of the rates system. I am here today to present the policy, outline the views expressed during the consultation, indicate roughly what is in the Minister's mind in relation to the policy, and explain as best I can why some other ideas will not work terribly well.

17. That is all I have to say by way of introduction. I am more than happy to take questions. As I said, the Minister will not be putting any views to the Executive Committee until he has the views of the Committee for Finance and Personnel.

18. **The Deputy Chairperson**: I remind members that an issues paper is available in the tabled papers. The Department's public consultation document referred to evaluations of the equivalent SBRR schemes in Wales and Scotland. Although the Northern Ireland scheme was introduced only in April 2010, is there any emerging evidence locally to indicate that the scheme is supporting economic sustainability or that the benefiting businesses are reinvesting the savings for growth and development?

19. **Mr McClure**: The Department has not done any work on the evaluation, because it is too early to undertake it. You need the scheme to have been operating for well over a year before you can carry out a proper assessment of it. Many of the businesses and business organisations that responded to the consultation were very much in favour of it and its expansion, but of course, that is not surprising. Very strong views were expressed in favour of it.

20. **The Deputy Chairperson**: The departmental report on the consultation states that the introduction of business improvement districts (BIDs) in Northern Ireland has the support of the Minister and is being taken forward by the Minister for Social Development. Is the Department concerned when stakeholders such as Boots, which is supportive of business improvement districts, question the merits of contributing to this and to the large retail levy?

21. **Mr McClure**: To put this into perspective, a typical BIDs levy would be of around 1% on businesses, whereas what is proposed in this consultation is a levy of 20%. We also believe that the rates proposals are being brought forward as a downturn measure to be introduced from next year. We think that the DSD proposals would take a considerably longer period to put in place, because there is a raft of subordinate legislation to be taken through that would have to be consulted on.

22. At best, it would take two years before the BIDs levy would be passed legislatively, and then maybe a further period to get those established. Bearing in mind that there is a three-year timescale on this retail levy scheme, if there were any overlap, it would be of one year at most. However, we do not expect that that overlap will occur. Again, to put this into perspective, a BIDs levy is a 1% levy, and we are talking here about a 20% levy.

23. **Mr McQuillan**: Why did you say that we cannot charge the banks a levy? Why are they being excluded?

24. **Mr McClure**: As I said, the rates system does not identify particular businesses, so there would be difficulties in trying to establish a valuation limit that would capture the banks. There is also a question around whether to include credit unions and mutual societies. If you include mutual societies, does that mean that you would charge Northern Rock a levy, but not charge the Nationwide? Once you get into that territory, you are very vulnerable to legal challenge both locally and also in relation to state aid in taking a differential approach to different types of financial institutions. Those are a couple of reasons, but one of the principal reasons is that it is very hard to identify them through the rates system.

25. **Mrs Cochrane**: I just wanted to come in on that point. If you are basing it on the rateable value of the property, how can you not tell what the rateable value is of a bank or building society in the centre of Belfast? Surely they pay their rates.

26. **Mr McClure**: Yes, they do, but if we wanted to charge a levy above —

27. **Mrs Cochrane**: You are telling us that the levy is 20% above the rateable value of the property. If you know what the rateable value of the property is —

28. **Mr McClure**: And you do, yes, and you know the address of every property and you know who is in it, but I do not think that you can then just name individual companies that would be subject to that levy. I do not think that would —

29. **Mrs Cochrane**: That is fair enough, but your example was that we cannot decide to charge Northern Rock and not the Nationwide. In the same way, we are not suggesting that we charge Marks and Spencer but we will not charge Boots.

30. **Mr McClure**: We are charging a levy on all major retail premises in Northern Ireland.

31. **Mrs Cochrane**: Yes, but the argument is whether the levy should purely be put on retail premises or on large business premises, so that would include utility companies, banks — everything. I do not understand why that is not being considered.

32. **Mr McClure**: There are certain policy reasons why you would not want to charge utility companies. The regulator would allow the utility company to pass on the additional rating cost to consumers, which would not improve fuel poverty, and which would add cost to business.

33. **Mrs Cochrane**: I agree, but, in the same way, the retailers can pass it on.

34. **Mr McClure**: That is a moot point because, as we have said in our consultation paper, all the major national retailers operate national pricing policies. Our assessment is that they will not change those national pricing policies for Northern Ireland for a three-year period. To give you an example, at its last revaluation, B&Q's valuation went up 37% and its rates liability went up nearly 20%, but it did not change its prices in Northern Ireland. There is

no evidence that that would happen. That is not to say that they will not do it, but there is no evidence that they would. The costs of changing systems, marketing campaigns and advertising would also have to be taken into account. It is our view that they will not change their pricing policy.

35. **Mr McQuillan**: You mentioned IKEA, and said that the rates here are more expensive than in Scotland. How do the rates for supermarkets here compare to those in Scotland?

36. **Mr McClure**: We asked for that information. We asked all the major retailers if they could provide comparative costs between here and England, Scotland, Wales and the South, but that information was not forthcoming, so we undertook our own analysis. CACI, a consultancy firm that is a market leader in retail planning, advised us that, socio-demographically, and so on, the Hull area was probably the best comparator for the Belfast area. We looked at comparable stores there and found that, certainly for all of the major food retailers, the rate level in Belfast was around 60% of those in the Hull area, and generally in the north-east of England, which is widely accepted as a socio-economic comparator for Northern Ireland.

37. **Mr Hilditch**: Some of the folks that I have met have been concerned, worried, and perhaps nervous about the three-year temporary period that has been suggested. Will you say something about that?

38. **Mr McClure**: There are a number of sound policy reasons for wanting to confine it to three years. First, that is the length of time remaining in the mandate of the current Assembly. Secondly, it coincides with what we believe to be the downturn. It is a downturn measure, not a long-term measure. Thirdly, it also coincides with the next non-domestic revaluation, which is scheduled for 2015. That will redistribute the rating burden among the business sector so that those sectors, locations and types of property that have fared relatively well since 2001 will pay a bit more, and those that have fared less well will pay less. The need for that and the need for the small business rates relief expansion will also, hopefully, disappear. If the revaluation does its job properly, we fully expect that there will not be a need for it.

39. We will ensure that the legislation is drafted in such a way that new legislation would have to be passed if we were to extend it beyond the three years. The Minister is on public record as saying that he sees it as a three-year measure. We are very conscious of not wishing to give confused signals to business. Business needs certainty so, if the Assembly agrees to it, the Minister will put the measure forward very clearly as a three-year measure.

40. **Mr Hilditch**: Thank you. You touched on the revaluation and the absence of that at the moment in Northern Ireland. How has that affected the relative amounts that businesses pay in rates?

41. **Mr McClure**: The reason for revaluation is to bring the values that are used for assessing rates up to date, and it is our assessment that the continual growth of major retailing will mean that, proportionally, major retailers will pay more. The converse of that is that the smaller businesses will pay less. We expect that to occur at revaluation. We would have expected it to have occurred if we had had the planned revaluation in 2010. That went ahead in the rest of the UK but did not go ahead here, so the absence of a revaluation will have helped many of the major retailers. I fully accept that it will not have helped them all, but many of them.

42. **Mr Hilditch**: Is the timeline — to adjust the bills by April 2012 — going to work?

43. **Mr McClure**: It will go very close to the wire, but, given that it is a downturn measure, and given the very difficult circumstances faced by small business in Northern Ireland at the moment, the Minister is very keen to press ahead with it as soon as possible to ensure that rates bills are adjusted so that,

next turn-of-year, rate bills will reflect the discount for small businesses. Of course, the converse of that is the levy on larger retailers.

44. **Mr P Maskey**: I want to follow on from Judith's point about the financial institutions. Brian, you raised a point about utilities: if it was passed on to them, the Utility Regulator could agree that it is passed on to the customer. Surely that could be handled in the same way as in the retail sector. I do not think that you can have separate arguments for different types of businesses.

45. A financial institution is in business to sell money; that is what they do. How can you not impose the measures on financial institutions and the biggest banks in Belfast city? It is determined by the size and rateable value of a property. It is beyond belief that you cannot take the same argument that is used in the retail sector and put it up to the banks and other financial institutions.

46. **Mr McClure**: To do that, you would have to list every single financial institution.

47. **Mr P Maskey**: You have listed the name of every single retail business.

48. **Mr McClure**: Yes, but it is the value of their premises that determines whether they are in or out. Anything in retail that is above that will be included and put on our list. There is an issue with office accommodation. Take a large office block, such as Bedford House or Windsor House, which has a lot of floors and may house a financial institution. It can very easily subdivide and arrange its business in such a way to avoid any charge that is levied above a certain valuation level. We have concerns about the practicality of that. In effect, to take through a levy that you wish to apply to banks, you would have to list every single bank and every single address.

49. **Mr P Maskey**: You have done that with Tesco, Sainsbury's, Boots and all the others.

50. **Mr McClure**: Yes, but they will not be listed in the legislation. You would have to list the banks in the legislation.

51. **Mr P Maskey**: Sainsbury's, Asda and many of those stores have restaurants and offices for staff. Is that taken into account as well?

52. **Mr McClure**: That would be part of the composite evaluation.

53. **Mr P Maskey**: If that is taken into account, why can you not do the same for a financial institution?

54. **Mr McClure**: You can subdivide offices and put separate entries on the evaluation list. However, you cannot do that with a big Tesco, Asda or Sainsbury's store, because it is one entry in the valuation list.

55. **Mr P Maskey**: This is a shame. It seems that the banks are getting away with it again, which is unfortunate. From the point of view of the Department, or anyone else, the banks have caused major problems in society. They have hurt the retail sector, because people do not have money to spend now. It is wrong that they are being let off. I would like the Department to look into that issue further. It is not good enough that people who make much more money than some retail stores are getting away scot-free. We should look at that, and I hope that you will take those views back to the Minister.

56. **Mr McClure**: I am here to listen to the Committee. I will take those views back, and we will respond to the Committee accordingly.

57. **Mr P Maskey**: I appreciate that. I am torn. I meet small retailers in my own constituency day and daily. The cost to them will be somewhere in the region of £700. It is not enough to create other employment opportunities, but £700 could stop some small businesses going under, especially if it is over a couple of years; that is the unfortunate reality. If you are looking at the issue, you need to do it right and include banks and financial institutions.

58. The other issue concerns the LPS. This will start at the end of March or the start of April next year. We have seen issues with LPS in recent years where it has estimated costs for councils and has got it wrong. Some councils have ended up having to put their own rates up because the valuations have been wrong and because that money was supposed to be incoming. How will we make sure that that put right? It is only a short time away, yet the policy is not even formulated at this stage.

59. **Mr McClure**: Are you talking specifically about these measures or the more general, broader issue of getting the estimates right?

60. **Mr P Maskey**: The estimates is a separate issue. This is another issue. I suppose you could probably wrap it all up in one because the issue for me is that if this is given to them now and we ask them to sort it out between now and the end of April, how will we ensure that that will work? If £600 or £700 needs to go to the small businesses in my constituency and in everybody else's constituency, that needs to happen because you cannot be promised one thing and then get it wrong and not be able to do it.

61. **Mr McClure**: The straight answer is that the small business rates relief scheme will fall on the regional rate, and the levy will come to the regional rate. So, it will not affect district council finances. That is a very clear policy.

62. **Mr Cree**: I am still trying to get to the bottom of the point about non-retail. This is a retail rates levy. Does the Department consider the likes of financial institutions, building societies and estate agents non-retail?

63. **Mr McClure**: We currently do not consider those as retail.

64. **Mr Cree**: Never mind all the talk about the size and subdivision, is that why are you are excluding them?

65. **Mr McClure**: None of them are above the £500,000 rateable value limit anyway. A couple of the banks are.

66. **Dr Veronica Holland (Department of Finance and Personnel)**: The numbers are small in comparison to the overall numbers at that threshold.

67. **Mr Cree**: I am trying to get to the basic principle. Is it because it is not considered to be a retail outlet?

68. **Mr McClure**: Yes, that is right.

69. **Mr Cree**: Never mind all the other flannel; it is nothing to do with that.

70. **Mr McClure**: Mr Maskey has raised a number of issues as to why we do not include them but the policy is related wholly to the large retail sector, which does not include the financial institutions.

71. **Mr Cree**: You do not consider them to be retail. Are estate agents the same?

72. **Mr McClure**: This is an issue of policy, and what policy people want.

73. **Mr Cree**: What policy are you talking about?

74. **Mr McClure**: The policy I am talking about is the one presented in the consultation paper, and that people commented on. That relates to retail only, and excludes the financial institutions.

75. **Mr Cree**: Or anything else that is not retail.

76. **Mr McClure**: Anything that is not involved in the sale of goods.

77. **Mr Cree**: Throughout the consultation paper, you use quite a lot of examples and statistics from the UK generally. I am particularly intrigued about the retail sales index example, because that is going down in the UK. However, you conveniently set that aside by saying that, whilst it excludes Northern Ireland, things might be different here. What evidence do you have for saying that? I contrast that with the other statistics that you quote, which are all about the UK and suit the purpose. However, the negative one is discounted.

78. **Dr Holland**: Which paragraph of the paper are you referring to?

79. **Mr Cree**: Paragraph 60 on page 12, where it states that the retail sales index excludes Northern Ireland and cannot be relied upon. It is a small point, but I want to know the logic behind it.

80. **Mr McClure**: I am sorry; we were looking at the consultation report, not the initial public consultation paper.

81. **Dr Holland**: We were trying to flag up the fact that the figures were at a UK level and that we could not isolate an impact for Northern Ireland. That was simply to provide a caveat in that section.

82. **Mr McClure**: The important thing about the consultation paper is that it presents a lot of high-level information, and, through publishing that, we wanted to try to stimulate responses on the following questions. What does it mean for me? What does it mean for my business? What does it mean for the business organisations that I represent? That was there simply as a piece of background information, and we caveated it. There was no agenda at work there. We just said: “Here are the most recent seasonal retail sales index figures that we have.” We simply said that they exclude Northern Ireland. We had hoped maybe to stimulate something out of the consultation in providing something specific to Northern Ireland.

83. **Mr Cree**: It looks as if it does not suit the picture because it is negative, whereas, three paragraphs up, it talks about retail sales proving robust and growing by 1·9%.

84. **Mr McClure**: Maybe that was clumsily drafted. If we were of the mindset to try to dismiss something, we probably would not have included it, but we like to include everything with regard to background.

85. **Mr Cree**: I have an opinion but I would like it confirmed: will the proposed levy apply to only single stores with a valuation of £500,000 plus?

86. **Mr McClure**: That is correct.

87. **Mr Cree**: No aggregation or anything like that?

88. **Mr McClure**: That is correct.

89. **Mr Cree**: Thank you.

90. **Mrs Cochrane**: I want to be quite clear that I am in support of the small business rates relief scheme as it stands, and I would like to see it expanded. I have worked with a number of small businesses in different sectors, and not in just retail, so I am in favour of that. However, I want to make sure that, whatever way it is funded, it is funded fairly.

91. You made a point with regard to the consultation that you were disappointed that large retailers provided only an opinion and not evidence of the negative impact the scheme would have on them. At the same time, you had opinions from the people who would benefit but they have not demonstrated the impact the scheme would have either.

92. **Mr McClure**: Yes. One of the first questions in this session was about what evidence we have that the small business rates relief scheme is a success. The answer is that we have not done any work because it has not been up and running long enough. I then went on to say that there were very strong opinions in favour of it. The same applies, however, in that there was not the same evidence in respect of the small business rates relief scheme or the levy.

93. **Mrs Cochrane**: Bearing in mind what I said about my being supportive of trying to expand the rates relief programme, a few other options have been mentioned of potential ways to fund this. Has research been undertaken into those options, and, if not, how have they been dismissed?

94. **Mr McClure**: Are you talking beyond the options of increasing the regional rate or putting it onto other large properties such as utility companies, airports, large office users and manufacturing? Those are not dismissed yet but the Minister’s thinking is outlined in the foreword to

the consultation report. Maybe you are talking more specifically about having a levy on simply out-of-town stores, for example.

95. **Mrs Cochrane**: Options that have already been raised include a levy on all large properties with an NAV over £500,000, levying out-of-town stores, a banded levy and a public health levy.

96. **Mr McClure**: Nothing is completely ruled out but there are difficulties with them, and I am more than happy to go through what the Department sees as difficulties with some of them, if you would like me to do that.

97. In relation to a levy on out-of-town stores, you have an issue of definition to start with. When does out-of-town become edge-of-town, and when does edge-of-town become in-town? What about the big stores in Craigavon? A more fundamental issue is applying a levy that will give a competitive advantage to one major retailer versus another major retailer. That is a fundamental issue that we would have with applying it across the board.

98. Other proposals such as increasing the regional rate run contrary to Budget decisions made by the Executive. Applying it to other large properties, say Bombardier, for instance, runs contrary to established Executive policy on industrial de-rating.

99. We have already discussed applying it to the utilities. Applying it to the airports, which, some say, should perhaps attract the levy, also runs contrary to policy on passenger duty. Once you start going through some of the lists, you will understand that there are other policy reasons why you would not wish to do that.

100. There is talk about having a banded or graduated levy, but we still have to raise £6·5 million a year to pay for the expansion of the small business rates relief scheme. You can cut and dice it any way you want, but if you try to graduate it, that will affect the very largest stores disproportionately. Some of them may have something to say about that. There are issues. IKEA is one of the largest stores in Northern Ireland; should it take the highest rate of levy? I am not sure whether it should, but I would be interested in the Committee's views. The bottom line is that £6·5 million a year has to be raised to help fund the expansion of the small business rates relief scheme. It has to be raised in such a way that we are certain about it, so that charging a 20% levy on the major retailers will allow a 20% discount to be applied to 9,000 small businesses in Northern Ireland.

101. **Mrs Cochrane**: But not just retailers; you are hitting one sector and helping all.

102. **Mr McClure**: I am trying to say that we are struggling to see what sectors it could be extended to without causing a major issue in respect of existing Executive policies on a number of areas.

103. **The Deputy Chairperson**: Perhaps, Brian, we could have a written response on the various alternatives outlined in paragraph 66 of your paper.

104. **Mr McClure**: Yes.

105. **Mr D Bradley**: Thank you very much for your presentation. We may meet again in future on this issue.

106. **Mr McClure**: I am more than happy to come back.

107. **Mr D Bradley**: Thank you very much.

9 November 2011

Members present for all or part of the proceedings:

Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr David Hilditch
Mr Ross Hussey
Mr Paul Maskey
Mr Adrian McQuillan

Witnesses:

Mr Cathal Austin	*Newry Chamber of Commerce*
Mr Joe Jordan	*Belfast Chamber of Commerce*
Ms Sinead McLaughlin	*Londonderry Chamber of Commerce*

108. **The Deputy Chairperson**: I welcome Mr Joe Jordan from the Belfast Chamber of Commerce, Mr Cathal Austin from Newry Chamber of Commerce, and Ms Sinead McLaughlin from the Derry/Londonderry Chamber of Commerce.

109. **Ms Sinead McLaughlin (Londonderry Chamber of Commerce)**: Good morning. Thank you for inviting the Londonderry Chamber of Commerce to address members today. My oral evidence is submitted on behalf of the largest and most proactive business representation network in the north-west region. We represent 500 members companies, from large corporations to the smallest small and medium-sized enterprise (SME), who collectively employ approximately 20,000 local people.

110. On behalf of our members, I would like to present the views of the Londonderry Chamber of Commerce in relation to rebalancing the rating of non-domestic properties, and, in particular, to respond to the preferred approach as outlined by the Minister of Finance and Personnel in the consultation document.

111. First, we applaud the Department's initiative in its effort to support small businesses. The small business sector is a vital component of our economy and we welcome any supporting measures delivered by the Government that will help sustain it through the current economic downturn. We favour the need to extend the small business rates relief scheme, particularly in these harsh economic times.

112. The economy of Northern Ireland is facing significant challenges. Figures released this week confirm that our economic prospects remain muted. Over the past 12 months, Northern Ireland has experienced a 6% decrease in export demand from the Republic of Ireland, and the ongoing difficulties in the euro zone suggest that the outlook could deteriorate further. With that backdrop, it is essential that supportive economic legislation is developed in a manner that helps those who most need it and does not penalise or act as an economic deterrent to those that already make a significant investment in Northern Ireland.

113. That is the reason why the Londonderry Chamber of Commerce disagrees with the Minister's preferred approach. We take the view that the imposition of a 20% extra rates costs on retail premises with a rateable value of £500,000 or more is a very blunt rating mechanism.

114. The consultation document makes many references to rebalancing the rating system. In wider discussions and debates, this levy has been framed as an out-of-town levy that will stimulate growth and rejuvenate town and city centres. However, 60% of the premises that will be affected are, in fact, located in or near city centres. Although the levy will apply to a relatively small number of premises — 77 in total — some of those properties are at the heart of the retail effectiveness of our city centres, mainly here in Belfast. This new retail tax will discriminate against Northern

Ireland's retail stores, discourage investment plans, impact negatively on jobs and make Northern Ireland a less attractive target for retail expansion.

115. In relation to Derry city centre, we believe that the suggested rating system will ultimately make attracting large retail investors to our city centre all the more difficult, and it will curb our ambitions to grow our retail offering as our taxation base would be discriminatory towards large retailers.

116. The retail sector is facing extremely challenging trading conditions. Consumer and business confidence is low, and many of our retailers have told us that sales volumes are down. This week, we heard that Marks and Spencer's first half-year profits fell as cash-strapped shoppers cut back on purchases of clothes and furniture. M&S is just one of the many victims that have been caught in the drastic slowdown on our high streets. Its chief executive has indicated that the slowdown is set to continue.

117. Most of the large retailers rely on high turnover and low profit margins, and are assessed as stand-alone commercial entities by their parent companies. The chamber would caution the Committee not to make a short-term taxation decision based on the perceived success of this sector.

118. Where do we go from here? The proposed rates relief scheme is welcome, but it is just a small piece of the support that small businesses need. The estimated savings of £730 per annum is not substantial enough to ensure the survival of small businesses or to encourage more business start-ups. Retailers face a number of difficulties including lack of demand, securing finances, online retail growth, high inflation, difficulty in passing on rising costs and very fragile customer confidence. We must be realistic about what this extra taxation support can do in terms of supporting our city centres.

119. I ask the Committee to consider looking at a number of alternative solutions, and I will give some examples. Instead of a large retail levy, we would ask the Committee to consider a public health levy on business that sell alcohol with a net annual value (NAV) of more than £500,000. That would also tie into the public health policies of other Committees as well as rebalancing the out-of-town versus city centre discrepancies. This would raise 75% of the £6·5 million required, with the remainder being raised through efficiency savings in the rates department itself, by making sure that the considerable rates revenue owed is collected.

120. The Londonderry Chamber of Commerce would also like the Department to consider bringing forward legislation to support the development of business improvement districts. The chamber believes that Northern Ireland requires good, expedient planning policies to support and protect town centres.

121. Finally, I commend to the Committee the Scottish Government's economic plan, "Plan McB". They have prioritised capital spending, and they want George Osborne to give them money to invest in building more houses and a series of road projects. Putting Northern Ireland back to work, capital investment in roads infrastructure and our universities are what will ultimately protect our small businesses and, indeed, our town and city centres.

122. **The Deputy Chairperson**: Thank you very much, Ms McLaughlin.

123. **Mr Cathal Austin (Newry Chamber of Commerce)**: On behalf of Newry Chamber of Commerce and Trade, I thank the Committee for giving us the opportunity to outline our position on the consultation entitled 'Rating of Commercial Properties: Small Businesses, Large Retail Properties and Empty Shops'.

124. Newry chamber acknowledges the Department's proposals as a step in the right direction to help to support our towns and city centres, many of which have been decimated over the past

decade by bad planning decisions that have led to exponential growth in out-of-town retail developments. The future of many locations, like Newry, is under threat because of multiple major out-of-town planning applications.

125. As you are all well aware, the recession has hit the retail industry extremely hard. Newry is no exception. Perhaps it suffered a sharper decline, given the economic problems in the South, which forms a sizeable portion of our hinterland. Shuttered-up shop windows are now commonplace on our high streets. Our towns and city centres require urgent attention, rejuvenation, investment and a reason for people to return. The Department's draft proposals, although not ideal in their current format, show that the Department is attempting to address some of the issues in our city centres. We welcome that as a first step on the road, but it is not really the final destination. That has to be the rejuvenation of our city centres.

126. To set the position of Newry chamber in context, our membership database and the Newry business community primarily consists of small businesses. The extension of the small business rates relief scheme will assist a large number of our members by alleviating some of the burden of rates from what are cash-strapped businesses. Newry chamber supports the 'Fair Rates for Small Traders' five-point plan. Newry Chamber of Commerce and Trade broadly welcomes the Department of Finance and Personnel's proposals to extend the small business rates relief scheme towards a NAV of £10,000, which will paid by large retailers. Three fifths of that will be met by large out-of-town multiple superstores, many of which pay less per square foot in rates than many town centre independent traders.

127. To ensure that the scheme assists those who require it most, Newry chamber proposes that the beneficiaries be restricted to independent retailers and the independent service sector providers. That measure will reduce the overall number of beneficiaries of the rates relief scheme, and the subsequent increase in reserves should be apportioned to those that were defined previously, namely independent retailers and service providers. That would increase their rates relief from the proposed £750 a year to a more substantial and meaningful amount.

128. Newry Chamber of Commerce also supports the serious consideration of the small business rates relief scheme to be funded by an alternative funding mechanism of an additional rate levy on large out-of-town stores, which currently have large free car parks. That would address concerns of the stores in city and town centres that are liable for the additional rate levy. Newry chamber would also like the Department to consider elements of the Scottish model, whereby those large retailers that do not sell alcohol and cigarettes would be exempt from the additional levy. Such a measure would benefit large city-centre stores and household names such as House of Fraser, Boots, Next, B&Q, etc.

129. Newry chamber recognises the problem of vacant units in many of our towns and city centres and the need to incentivise new business start-ups. Therefore, we call on DFP to examine ways of getting empty shops back into business. That would apply to large and small retailers alike. We appreciate that there are issues with subsidising new businesses to compete with established ones and that there are difficulties in deciding what is genuinely a new business. All that we are proposing is a modest rate concession that involves newly occupied premises retaining their 50% empty property relief for the vulnerable first year of trading. In the long term, that will help to stimulate business, not stifle it. Full rates will be payable when those businesses become established. That measure will encourage independent retailers and service-sector providers, such as coffee shops, restaurants, etc, to open in the centres of towns and cities, breathing new life into those centres and stimulating economic growth and job creation.

130. Newry Chamber of Commerce would also like the Department to consider mechanisms that assist small businesses to open premises on high streets. The current model whereby retailers bid against others that are exempt from paying rates gives the other retailers an unfair advantage and makes it difficult for independent retailers, in particular, to compete on a level playing field.

131. Newry Chamber of Commerce also supports the green new deal and investment in green technology and energy efficiency. To incentivise sustainable investment, DFP should give rates reductions to any small business that makes such a commitment. That is a sure way to support a radical extension of the green new deal and address the challenge of climate change. The chamber supports an early rates revaluation for Northern Ireland.

132. In conclusion, Newry Chamber of Commerce believes that the above proposals will have a measurable impact on assisting some of those businesses that are most in need of additional help and support in surviving this difficult economic period. The proposals will assist new business start-ups, along with providing a much-needed lifeline for revitalising our towns and city centres. They are fair in that those who are most able to afford an additional levy will pay and those who cannot afford to do so will get much-needed support. I trust that our views will be taken into consideration. Thank you.

133. **The Deputy Chairperson**: Thank you very much, Mr Austin.

134. **Mr Joe Jordan (Belfast Chamber of Commerce)**: Thank you, Chair. I thank the Committee for inviting Belfast Chamber of Commerce. I am here to represent the commercial rates base of Belfast city centre. You have our response in your packs. It was put together in consultation with a company called Mott MacDonald.

135. First, I would like to concur with what my two colleagues have said on the issue. I do not have much to add on the content of their comments, except to say that the Belfast Chamber of Commerce has an objection in principle: we believe the levy to be inequitable. It is a property tax that bears on particular firms, rather than on firms generally. For instance, it affects only retailers, and not banks and utilities. It is particularly galling to work out that some small bank branches will actually benefit from the scheme. We believe there to be a wider risk to people’s perception of and confidence in investing in Northern Ireland. Everybody knows that income tax was introduced as a temporary measure in 1797. It is still here today. We are afraid that the 20% levy might well last longer than three years. I know that Brian McClure has given evidence today that it will not. However, that is a concern.

136. It also concerns us that it may well demonstrate the Government’s willingness to countenance levies on certain firms simply because, as it has been claimed, they can afford to pay more easily than others. That suggests to outside investors of all kinds that Northern Ireland is a place where the tax regime is liable to change to the detriment of business, unpredictably and without clear justification. That contrasts markedly with the defence of low corporation tax rates by the Government in the Irish Republic in the face of intense economic and political pressure to raise those rates.

137. Finally, I want to focus on the threat to Belfast. The chamber believes that Belfast has a special role as the capital city of Northern Ireland and a focus for tourism and investment. Its vibrant city centre is one of the most obvious outcomes of the peace process. The major retail stores anchor the city centre’s economy as a whole. It is only a slight simplification to say that the 77 stores to be affected by the proposed retail levy comprise of supermarkets on one hand and the large city centre stores of Belfast on the other. The city centre stores operate at varying degrees of commercial success. It would be inappropriate to identify specific stores by name. However, some have

experienced financial difficulty. Although it may well be true that the impact of the levy on supermarkets would be limited, that is, by no means, obviously true of the Belfast stores. We have spoken in particular to one CEO, whom I cannot name but who indicated that, if the 20% levy is introduced, his store in Donegall Place will close.

138. If the levy tips one major Belfast store over the edge and into closure, it will have a major impact on the part of the city that is affected. We suggest that that will have a greater adverse impact on the economy than the benefits from the business relief. We have already noted Belfast's need to step up the collective league table of British and Irish retail centres by attracting retailers beyond the mainstream chains. That endeavour will be rendered markedly more difficult by the implementation of the levy. We concur with Newry's suggestion that there are inefficiencies in Land and Property Services (LPS) that we believe has led there to be £150 million of uncollected rates. A small increase in the efficiency of that agency would cover the £6·5 million that the Minister is looking for.

139. **The Deputy Chairperson**: Thank you very much, Mr Jordan. Some members have indicated that they wish to ask questions.

140. **Mr P Maskey**: I will have to go shortly because I have to attend a meeting of the Public Accounts Committee. I do not mean to be rude by walking out just after asking my questions. You mentioned the public health aspect, and companies that might sell alcohol or cigarettes. Do you mean pubs or clubs, or just retail units?

141. **Ms S McLaughlin**: We have indicated that our alternative mechanism adheres to the parameters set out in the consultation document. It relates to firms with an NAV of over £500,000, so it is the major supermarkets that we suggest will have to pay the extra public health levy, as opposed to a large retail business levy.

142. I have spoken to my friends in the Scottish Chambers of Commerce. I believe that, before we came in, the Committee was briefed on the Scottish model. That type of model was put before the Scottish Chambers of Commerce and was rejected, but it is now back before them as a public health levy. It is different to what I am trying to describe. It applies to both tobacco and alcohol, and there could be some difficulties with that. Large supermarkets might not bother selling cigarettes because they do not have a big profit margin; however, no one will cease selling alcohol. It is, then, is a public health levy, as opposed to a retail levy.

143. **Mr P Maskey**: I think that 77 businesses in Belfast would be affected by this. I am concerned by that because I live in and represent a part of Belfast. I am in a dilemma: a lot of the small retail businesses in the area that I represent are finding business very hard, just as other big retail businesses do. No one escapes. You were saying that there are a lot of boarded-up premises in Derry and elsewhere, but that is the case all over. I have them in my constituency, and they are in the constituencies of every Member. I do not think that £700-odd is a great deal of money, but in some cases it may be offset against a bill, which is a great help. Another example of this is that, last weekend, £1 million was spent last weekend on the MTV awards in Belfast and that brought in an income of £10 million. People who discussed the figures with the Minister said that £10 million came into the city centre. However, small retail units in west Belfast did not get much of that. My point is that, whereas £1 million was spent to draw in £10 million, that income mostly benefited the city centre. The businesses that you represent today would not have received any of that much-needed income. We have to find ways to support those businesses. I appreciate that you have given a number of examples of how we might support small businesses.

144. This follows on from some of the questions by Adrian and Judith about

the financial institutions. Are some of the financial institutions members of chambers of commerce?

145. **Ms S McLaughlin**: Yes. Probably all the major banks are members. I am here on behalf of all of my members.

146. **Mr P Maskey**: I am glad to hear your stance on the financial institutions, even though they are members of the chambers of commerce. They might be in conflict with you; or are they in agreement? Have they seen and accepted your proposals?

147. **Mr Jordan**: Speaking on behalf of the Belfast chamber, the document that we prepared for submission was shown to all the membership before it went in, so everybody had a chance to comment on it. Not everybody did comment on it, particularly the institutions you just mentioned.

148. **Mr Austin**: In the case of Newry, all our members support the position that the chamber has outlined.

149. **Mr P Maskey**: That is an important point because the departmental representatives are still here and they say they will takes these views back. The chambers shared their submissions with their members, and some financial institutions are members. It is important for the Department to take heed of that and look at ways to see how something could be done on that. We want to share the wealth, and that is important. However, we also want to share the cost, and that is another important aspect.

150. **Ms S McLaughlin**: I want to qualify one thing in case we have seemed misleading. When we get consultation documents into the Londonderry Chamber of Commerce, we process them through a policy committee and assess what is best for our wider membership. Turkeys do not vote for Christmas. Therefore, some of the legislation coming in will adversely affect some of our members but we have to take the wider good into consideration and make a considered response based on that. When the Londonderry Chamber of Commerce makes responses on legislation, we also take into account what is good for Northern Ireland and not for just Derry city centre. So our submission is based on the wider good.

151. Banks will get a 20% small business rates relief, and even they know that that is not a fair way for government to give support. The rating system itself is unfair because you are reading the value of the property as opposed to the turnover or profitability of the organisation. In some ways, it is too simple just to say: “That property spends £50,000 on rates, so we will give them 20% relief.” What we should be doing is that if there are 20 branches of Bank of Ireland, amalgamate them and cost them as major premises. They are, collectively, large premises and a branch should not be seen as one entity just because it is small. It is the same with building societies: if there are five or six branches, collectively amalgamate their taxations.

152. **Mr P Maskey**: I do not know whether the Department has even thought of that. You could also look at that for bookmakers and turf accountants, because there are lots of them.

153. **Mr Hilditch**: Some of them are small retailers as well.

154. **Mr P Maskey**: The point is whether they benefit from this. Will the multiples benefit when they are probably massive profit organisations? That is the issue.

155. **Mr Austin**: From Newry’s point of view, our city centre has been decimated by the recession. We would encourage, I suppose, investment in small, independent retailers. We would see the exclusion of multiple chains from rates relief as providing more money for genuine start-ups and small independent businesses.

156. **Mr Hussey**: How would you differentiate between larger businesses? Banks, for example, trade under Bank of Ireland, Northern Bank or whatever, and there are the larger businesses such as Tesco. Then you have the Supervalus and the Spars. They are obviously stand-alone businesses. A Spar shop is an

individual unit but is still Spar. How do you differentiate between who, what, when and where, if you know what I mean?

157. **Mr Austin**: A Spar shop may trade under the Spar banner but it is certainly an independent retailer that has invested his or her own money in the business.

158. **Mr Hussey**: I accept that.

159. **Mr Austin**: Newry has the Good Food Shop, which is a small, local independent business that gives much-needed jobs to the city centre, and that needs to be encouraged.

160. **Mr Hussey**: Without a doubt. I would have a concern when we start to look at bringing all the large stores together as one.

161. **Mr McQuillan**: I agree with a lot of what Cathal said, especially about the 50% rates relief in the first year of business. I think that is a good idea to try to get some of those empty premises filled. You have all mentioned the financial institutions, which we should be looking at. I just want to know how many members each of you have who would actually benefit from the scheme. What worries me a bit about the Chamber of Commerce is that all big businesses can afford to be in the Chamber of Commerce, but the smaller businesses cannot. I know what it is like in Coleraine. I talk to small business representatives every day who would benefit from this, and they tell me that they cannot afford to join the chamber.

162. **Ms S McLaughlin**: Well, 87% of our members are small businesses.

163. **Mr McQuillan**: Would they be small enough to apply for the scheme?

164. **Ms S McLaughlin**: Absolutely.

165. **Mr Austin**: It is a similar position in Newry. In fact, some of the small business owners in Newry — there are some behind me today — are main drivers in the chamber.

166. **Mr Jordan**: The Belfast chamber is slightly skewed the other way. Around 30% would benefit from it.

167. **Mr Cree**: I have a question for Sinead. You mentioned the question of aggregating the small stores of multiples. Do you not think that that would have an adverse effect on footfall in the town centres?

168. **Ms S McLaughlin**: Sorry, I do not understand your question.

169. **Mr Cree**: You were suggesting, if I understood you correctly, that large stores that have small branches downtown should be aggregated, so a small one, like a small Co-op or a small Boots in a town centre would have to be taken into that. If that were the case, surely that would adversely affect footfall and therefore the well-being of town centres.

170. **Ms S McLaughlin**: To clarify, we were speaking about the financial institutions. I was saying that, for example, if the Bank of Ireland had five branches within an area, which were all paying very small amounts in rates, maybe we should aggregate those. I take on board what you are saying, Ross, about Centras, Spars, etc. They are actually privately owned individual franchises or independent stores, and that is different, because each individual is paying their own rates. However, it is Bank of Ireland plc that is paying the rates for all of its branches. That is what I was qualifying. I suppose it would be difficult. It would be messier and would not be as easy, but sometimes we need our civil servants to not just look for the simple solutions, and put a 20% levy in here and take it out there. It is not that easy, and it is going to cause city centres to suffer.

171. Fundamentally, the view expressed by all of the chambers is that we support the small business rate levy, but we are just not comfortable with the fact that the larger retailers are being penalised, because we feel that the smaller retailers are actually going to suffer for that. We need the larger

retailers in order to drive the footfall in our city centres. It needs to be seen by the outside world and investors that we are a place where you can come and do business, and we respect the investment that large multiples make within our city centres.

172. **Mr Cree**: So you would not really support aggregating those small ones for the purpose of levying extra rates?

173. **Ms S McLaughlin**: We would need to see what that formula looked like, but I was particularly talking about the banking institutions.

174. **Mr Cree**: I have no sympathy with the banks. We will leave that alone.

175. **Mr McQuillan**: On that point, would that not go against what you are arguing for on public health, because it would be large retailers that would be hit by that as well.

176. **Ms S McLaughlin**: They certainly would, but the general language in the consultation paper spoke of the rebalancing of the rate system: out of town versus city centre. Quite frankly, 60% of those affected are in or near city centres.

177. **Mr McQuillan**: I think we heard this morning that that was not the case. It was not out-of-town versus town centres; it was all business over a certain size. That is what we were told by the Department this morning.

178. **Ms S McLaughlin**: Yes, but 77 stores are affected: 29 are in Belfast, 16 in greater Belfast and 32 are elsewhere. Four are in Derry, but not particularly in the city centre. However, quite a substantial number of them are predominantly in town or out of town. So, if the essence of the issue with the consultation document is out-of-town versus city centres, the public health levy will deal with that in totality.

179. **Mr McQuillan**: I cannot really see where you are coming from but I can see where the Belfast Chamber of Commerce is coming from. However, the chambers in Londonderry and Newry will be a bit like my own in Coleraine, where any stores that will be hit with this tax will be based outside town centres.

180. **Ms S McLaughlin**: When the consultation document comes out, we do not reply to it just based on what is outside our front door. It is Government legislation, and we have to future-proof it. In three years, because of the financial situation and its fluidity, there is absolutely no guarantee that this will taken off the legislative table and given back to the large retailers or that there will be more support. Given the way things are going, we will not be in a much better position in three years. So, future-proof any legislation that comes before you. Will it stand up?

181. **Mr McQuillan**: Any legislation will have to come back to the Assembly after three years to be renewed. So we have to future-proof it again. I think that the three years will cover it, and if it is not covered within those three years, those of who are here in three years can do that again.

182. **Ms S McLaughlin**: What happens if the situation is still the same in three years?

183. **Mr McQuillan**: We will know in three years whether it is worthwhile doing again.

184. **Ms S McLaughlin**: OK.

185. **The Deputy Chairperson**: Thank you very much for your evidence. Just to explain the process to you: we will take evidence from a variety of panels that will present different angles on this issue, and the Committee will prepare a report, which will be a compilation of the evidence that we have taken on the issue, and we will reach a decision on it by 7 December. Thank you all for coming today. If you wish to send any further information to us, that will be very welcome.

16 November 2011

Members present for all or part of the proceedings: Mr Conor Murphy (Chairperson)

Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr David Hilditch
Mr William Humphrey
Mr Paul Maskey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Mr David Hunter	*Larne Traders' Forum*
Mr Patrick Cassidy Mr Glyn Roberts	*Northern Ireland Independent Retail Trade Association*
Mr Derek McCallan Ms Karine McGuckin	*Northern Ireland Local Government Association*
Mr Colin Neill	*Pubs of Ulster*

186. **The Chairperson**: I welcome Glyn Roberts, chief executive of NIIRTA (Northern Ireland Independent Retail Trade Association); Colin Neill, chief executive of Pubs of Ulster; David Hunter from the Larne Traders' Forum; and Patrick Cassidy who is a member of NIIRTA. You are very welcome. You will know that we have taken evidence sessions on this proposition from the Department of Finance and Personnel (DFP) from those who are in favour of it and from the large retail sector, which, by and large, is opposed to it. The Committee will be preparing its response next month, and I am led to believe that the Minister of Finance and Personnel intends to take a policy position to the Executive before Christmas. However, we must deal with our part. I invite you to make some opening remarks, and we will then open it up for questions.

187. **Mr Glyn Roberts (Northern Ireland Independent Retail Trade Association)**: Thank you very much, Chairman and Committee members, for this opportunity to present to you. We will make brief opening statements from our various perspectives. The four organisations that are represented here belong to a much wider coalition of some 31 business organisations that make up the fair rates for small traders campaign. I see that you have copies of the five-point plan that we launched two days ago with the Finance Minister. I want to give the context in which we preface our remarks.

188. In Northern Ireland, 82% of retailers employ fewer than 10 employees. The independent retail sector makes up the largest subsection of our small business sector, and members will be aware that small business makes up 98% of all business in Northern Ireland. According to figures from the Department of Enterprise, Trade and Investment (DETI), in 2009, some 600 shops closed their doors, and we estimate that that figure has more than doubled in 2010-11.

189. Northern Ireland also has the highest rate of shop vacancies in town and city centres in the UK. Not a day goes by without a member, independent retailer or small business closing its doors. Although we have never said that the small business rates relief scheme is a silver bullet, it is nevertheless an important step in addressing the cost base, and the very survival, of our small business and independent retail sectors. We have always said that. The Programme for Government, which the Assembly will discuss tomorrow, is also important.

190. There is a whole range of other things that we can do. Although this is a necessary and important step, we have not simply said that we support it and left it at that, although, obviously, we do support it. In our five-point plan, we put forward other ideas through which

the scheme might be funded. We look at a stand-alone levy on out-of-town car parks. We have also indicated that we support the Scottish option, although it would need considerable tweaking before it could be implemented in Northern Ireland. We have urged the Department to bring forward the revaluation. In the context of revaluation, we want parity between town centre and out-of-town rates, as it could considerably increase the rates take to fund the extension of the small business rates relief scheme.

191. Even under the current scheme, many large retailers would have faced such an increase anyway, with the revaluation that has been postponed. It is a temporary measure for three years, which, as the Minister rightly says, will bring us more or less to the next revaluation. Moreover, many of the big retailers pay less per square foot in rates than many of our members in town centres. Their rates bill does not reflect their free car parking.

192. Several issues need to be addressed in that regard. It is not about putting the boot into large retailers. It is about a level playing field for rates and ensuring that rates are fair for large and small retailers. My colleagues will go into greater detail from their various perspectives. Colin Neill, representing the pub trade, will give a specific example in Larne. Patrick will go into detail about how he will use the saving in the scheme to benefit his business.

193. In our five-point plan, we went further. We put on record the need to address the issue of vacant properties. A landlord who has a vacant property is subject to 50% rates. We have put forward the idea that in order to address the high number of shop vacancies, any new business or retailer that takes up a vacant unit should pay the 50% rates only for the first year. That would help them with their first-year costs, and as Committee members are aware, the first year for a small business, or for any business, is a critical time. I think that the Department of Finance and Personnel is looking seriously at that proposal. It would address some of our vacancy problems, as well as stimulating economic growth in the retail sector.

194. We also want to see the introduction of green rates. All our organisations are keen supporters of the green new deal. If you build a house and put in energy-efficiency measures, you get help with your rates. Likewise, if a business or a retailer makes such changes to its store or business, it should get help with its rates.

195. We have put forward various ideas. Yes, we support what is on offer from the Finance Minister, but we are open-minded to other ways in which we can raise money to fund the small business rates relief scheme. Some 31 business organisations support the scheme and they are open-minded to other ways of raising funds to extend it. As members may be aware, most submissions to the consultation supported the extension of the small business rates relief scheme. Thirty-one submissions supported what was on offer; others outlined alternative ways of funding it. Therefore, we remain open-minded: if there are other ways of funding the scheme, we are open to them. The consensus is that it is necessary to extend the small business rates relief scheme to help a sector that is going through absolute turmoil.

196. Members will be familiar with the House of Commons debate on fuel costs. That hike kicks in in January, and rising insurance costs and the electricity cost hike of 19% or 20% will affect small business and independent retailers. Unless Christmas is very good, January and February will probably be the worst two months that our small business sector has ever faced. If Christmas goes wrong and we do not start to address the problem, the first quarter of 2012 will be very demanding for our small business sector.

197. The big traders have, frankly, done a great deal of scaremongering but have rarely put forward alternatives. We are putting forward alternatives and saying that there are several ways of doing this. However, the central problem remains: how do we help our small business

sector and our independent retail sector to survive and to be at the cutting edge of recovery?

198. **Mr Colin Neill (Pubs of Ulster)**: Pubs of Ulster is the industry body for the licensed trade in Northern Ireland, and although we are branded as Pubs of Ulster, our membership is made up of pubs, restaurants and hotels and is spread right across the hospitality sector. Our industry employs some 35,000 people and we put £1 billion into the Northern Ireland economy. That money stays in the Northern Ireland economy. We are not part of multinational groups, so that money is not exported.

199. We are a key industry, and although I respect that some people may not wish to frequent licensed premises that serve alcohol, the pub industry is key to our tourism and our culture and has been around for an awful long time. Most pubs are owned by families who have passed them down through the generations. We run a very responsible industry and provide a great deal of employment, particularly in rural areas that do not have a mobile workforce.

200. Proportionally, we pay higher rates than anybody else. Ours is the only business rate based on turnover. Therefore we pay, on average, 30% more rates than any other commercial body that uses the same building, and to be honest, that has evolved into a social levy because we sell alcohol. We now sell only about 25% of the alcohol in the Province. The multinational supermarkets sell the majority. However, they pay the standard, out-of-town commercial rate.

201. The British Retail Consortium, under its name of the Northern Ireland Retail Consortium, took a swipe at us in the press by saying that the only people to benefit will be boozers, bookies and banks. I am not here to argue on behalf of the bookies and the banks, but boozers — I do not particularly like the term — are equally justified to benefit from the rates relief. We are small businesses that are spread right across the Province and we are often at the heart of small communities. It is where people meet and where cohesion comes from. In a village that I live close to, church groups use the pub and people who move into the area go there to meet the locals and to become part of the community.

202. We are the cornerstone of the tourism industry: 80% of all tourists visit a pub and 70% eat in one. ‘The Lonely Planet’ guide lists us as the number one thing to do when visiting the Province. You can have all the hotel rooms in the Province that you like but nobody comes here to visit a supermarket or an out-of-town development. We are part of the fabric. The future of our economy is tourism, in which we are now the highest grossing sector. However, we are under threat.

203. We survey the whole industry every year and, at the moment, 120 pubs are telling us that they are about to close; another 200 say that they are for sale if only they could be sold; 34% have paid off staff; more than 60% have reduced staff hours; and another 52% say that they are about to reduce staff hours. We are struggling to survive, and although the small business rates relief scheme will not be the silver bullet, it is vital to many of our premises. I think that it would bring in about 270 pubs.

204. That point is important. These are not the fancy, glitzy bars that you see in Belfast city centre. These are rural pubs and pubs in town centres that are part of the community. It is important that we do all that we can to help them to survive because of the employment and other benefits to our economy and the fact that they are already paying substantial rates. Despite getting small business rates relief, we pay proportionately more than an out-of-town superstore that sells alcohol.

205. Pubs are closing daily. I am sure that members have all seen that in their constituencies and in headlines in the local papers. Unfortunately, I spend a great deal of my time with the press discussing those closures when I would rather see the pubs move forward.

206. Anecdotally speaking, I have not seen any major supermarkets close because of the recession. We have issues with how supermarkets trade alcohol but this is not about their selling alcohol. It is, as Glyn said, about their benefiting from the fact that there has been no rates revaluation. That has resulted in our suffering because considering how trade is going and the fact that our rates are based on turnover, we would have seen them go down. However, that will not happen until 2012, and this measure will help us to survive until then.

207. I commend the Committee and the Minister for being visionary in looking at this. It is a brilliant example of how the Assembly can work. I appeal to the Committee to endorse the scheme.

208. **Mr David Hunter (Larne Traders' Forum)**: Thank you, Chairman and members. I want to talk about my region of Larne but I will first touch on some of the figures that Glyn mentioned. Skillsmart, which researches figures on behalf of the Department for Employment and Learning, estimates that 6,635 retail businesses were active in Northern Ireland in 2010, and of those, 82% employed fewer than 10 persons. That accounts for a massive percentage of the 75,000 jobs that are directly linked to retail in Northern Ireland. Those people are employed by small businesses.

209. The small business community — and we are a community — sometimes feels that the big brand names are listened to more closely when they make a noise. Closer attention is paid to them than to small businesses, but it is amazing to think that 75,000 people are directly employed in retail. That figure can be increased for independent retailers, although I am not sure by how much. Consider the people who are indirectly involved in local retailing: local retailers generally purchase their materials in Northern Ireland, they purchase the produce that they sell in Northern Ireland and they employ local people to carry out their marketing or legal affairs, all of which creates secondary employment through retail.

210. I will simplistically describe how changes to rates affect small retailers more than larger retailers. Every small business works off a small triangle of purchases, sales and overheads. Sales are down at the moment. We are in very hard times because people's disposable income is not what it was, so, generally speaking, sales are down in small businesses. Everything that we bring into a small business has increased in value because the cost of fuel, raw materials and labour has gone up. The value of everything that we bring into our business for resale has increased. Sales are down, purchases have increased and overheads are increasing for the same reasons. Heating and electricity bills are up and the minimum wage continues to rise. All that means that the "p" for profit in the middle of that triangle is being squeezed at every corner.

211. The same cannot be said for the large stores that make such a song and dance about this proposed change in the rates relief scheme. They put pressure on their suppliers to supply at the same rate and they can withdraw their offer to buy from them. Independent retailers cannot do that. Even from that perspective, it is not a level playing field.

212. I carried out a survey on what we regard as our main street in Larne, and to keep the mathematics simple for myself, I found that the ratio was 1:100. In the previous rates relief scheme, 28 businesses could have benefited from the £5,000 threshold. If, as envisaged by this proposal, that threshold is increased to £10,000, it will mean that 55 businesses out of 100 can benefit. As others said today, it will not be a lifesaver but it will be another method of protecting the existing 75,000 jobs. I also contest that when people talk about the creation of jobs and threaten to remove certain elements of investment, the issue is about displacement, which is another argument. However, the important point is that the Executive should look at protecting the 75,000 existing jobs.

213. Colin referred to tourism. I remember that when Bill Clinton spoke on the steps of the Guildhall in Derry, he said that Northern Ireland had not even begun to tap into its tourism potential. From what I see on the coast road at Larne and the Antrim coast road, it seems that we are not extracting money from people's pockets. It is OK to say that the number of tourists is up, but the glens of Antrim, beautiful as they are, are a free attraction. You drive your car up there and benefit from the glens whether you pay money or not. If Northern Ireland is to tap into that tourism potential, we in this Province must work out how to take that money out of tourists' pockets and put it into our economy. Small towns play a vital role in that because nobody will come to Northern Ireland to visit the same three square boxes that have the same products as exist in their home town at the same price. It will not happen. Therefore, we must protect our town centres and our independent retailers.

214. **Mr Patrick Cassidy (Northern Ireland Independent Retail Trade Association)**: My name is Patrick Cassidy. I am associated with NIIRTA and I am an independent business retailer. I will give you a bit of my background. Ours has been a family business for approximately 110 years. My great-grandfather started off with a pub in Belfast and my grandfather made boots for the GIs during the Second World War. We have been in retail, dentistry and a lot of other businesses. I firmly believe that the words on everybody's lips at the minute are "the economy". I strongly believe that the survival of small to medium-sized businesses is hugely important. A rates reduction would be a massive help for small businesses, as it would help them to survive and to move forward.

215. Collectively, there is a weight of responsibility on everybody's shoulders, including everybody in this room, to sit and take note. One in six small businesses in Northern Ireland is now closed. There is the potential for 300 pubs in Northern Ireland to close and some are going through that process. Basically, there is a corrosion of a way of life, and it is a work in progress. We have to stand up to protect our communities, pubs and businesses. I am asking everyone here to listen to what we are saying. In the months and years ahead, there will, as George Osborne said, be a war on the economy. I am sorry for my introduction being so short, but that is basically what I have to say today.

216. **The Chairperson**: Thank you very much. Before I open up the meeting to members, I have a couple of questions to ask. One of the propositions in your five-point plan relates to a levy on the large free car parks. Broadly speaking, the Committee and, it seems, the Executive and the Minister have been sympathetic in principle in trying to find some mechanism whereby greater relief can be given to small businesses to try to keep them and town centres sustained. I can safely say that all of us here recognise your arguments about the attraction of town centres and the importance of small indigenous businesses. However, the issue is finding a correct mechanism to achieve that outcome. One of your suggestions is to have a rate on out-of-town car parks. Part of the difficulty with some of the options that we have been exploring and discussing is that we are running up against the state aid issue. Have you tested your suggestion against that?

217. I have another point to make. Some of the figures that we have received show that if the scheme were carried out in the way in which it is intended, you would, on average, be talking about £700 a year for a small business. However, we do not have a clear sense from the Minister or the Department as to how they intend to approach this matter following the consultation.

218. I would love to think that that is the difference between somebody closing and staying open but, in this climate, I am not so sure whether that would make a huge difference to small businesses. Would that money be reinvested or would it simply be used to pay one or two bills? People have said that that could be the difference

between somebody staying open or not staying open. I find it hard to get that sense from that. I appreciate your saying that this is not a silver bullet but if that is the amount that we are talking about, it seems to be a very small bullet in keeping businesses open.

219. **Mr Roberts**: In discussions that we had with DFP officials about the levy on car parks, they indicated that it might be possible to introduce a special levy that is separate from that. Therefore, that is doable. The issue with a lot of the alternatives that are being put forward is whether we can get this through by April 2012, given that the legislation will be progressed by accelerated passage. I am sure that members would agree that that is not the most ideal way to pass legislation. However, given how important the first quarter of 2012 will be to the survival of many small businesses and independent retailers, and given that this will, hopefully, be through as an automatic discount in their bills in April 2012, it is crucial that we get that levy through. We have to look at what can be done in the meantime. If all that can be done is what is on offer, obviously we will support that, and that will be a positive thing.

220. In the grand scheme of things, £700 may be seen as a small amount. However, it is a step in the right direction in helping businesses with their bills. I outlined all the increased costs that businesses have had to endure and that they will continue to endure, given that the fuel levy increase will happen in January. Therefore, they will have to factor that in as well.

Emma Dunn is a new start retailer on the Belmont Road in east Belfast. When we were doing our launch the other day, she made this point to the media: "As a new start small business I strongly welcome this scheme as I hope to use the saving from the rate reduction to employ another member of staff."

221. She made the point that if even half the 9,000 small businesses that qualify for the scheme could take on one more staff member, whether on a part-time or full-time basis, that would be a step forward.

222. What is good for small businesses is good for this economy because this is a small-business economy. A rates reduction is not the only thing that we need to do. We will be looking very closely at what is in the Programme for Government if it is published tomorrow. There is a whole host of other things that we need alongside the rates reduction, such as getting planning right and getting a real joined-up approach to our town centres. There is a whole range of things that we need to address, including the skills deficit, investment in infrastructure, and the red tape and bureaucracy agenda. However, this is a small step in the right direction. It is the bare minimum that the Assembly should be doing on rates because, after all, dealing with rates is the only taxation power that the Assembly has. We should be looking at how we can create a level playing field for small and large retailers and for small and large business.

223. Bluntly, the wolf is at the door of our small business sector. It is not at the door of Tesco and ASDA and those other big retailers. That is the blunt reality. I notice that two members from South Antrim are here. A very prominent retailer in Ballyclare is due to close its doors in the next week. It has been there for 40 years. I do not want to see any more such shops being closed in that way. That business is laying off 30 staff a few weeks before Christmas. I do not want to be in a position to see any more businesses like that. So, this is the bare minimum that the Assembly should be doing.

224. **Mr D Bradley**: Good morning, gentlemen. During Question Time a couple of weeks ago, I asked the Minister about the further efforts that we could make to help small businesses. He pointed out that the freeze in the regional rate was also supportive of small businesses. He also referred to the fact that the Department for Social Development is bringing forward legislation for business improvement districts (BID). How much of a benefit will business improvement districts be to small retailers?

225. **Mr Neill**: Chair, I will answer that, although not so much from the point of view of the pub industry. My background is town centre regeneration and I worked in town centre management for 10 years in Belfast and Ballymena. I think that the business improvement district model will be very useful and will bring benefits. It is based around the business community buying in and paying in. It is not about a free ride for anyone, and I think that that is vital. When you get that model together, you can put a coherent plan in place and deliver on it.

226. The existing model of town centre management very much stumbles from year to year, and it is a question of whether you can get funding, who you can get it from and what you can do with it. The business improvement district model is presented on a three- or five-year business plan. You raise your funds and votes against that plan and if you get the vote, you deliver on the plan and you know that you have the money to do so. It means that you can even mortgage yourself to go forward with that. The model allows you to do things that local authority rules do not. So, I think that it will be crucial, as it gives the power to the partnership.

227. **Mr D Bradley**: From reading some of the papers on the other side of the argument, I noticed that they are saying that the business improvement district approach is more beneficial than the approach that the Minister of Finance and Personnel is taking. As the Chair pointed out, the savings to small businesses are quite insignificant, so they support a BID approach.

228. **Mr Hunter**: The argument to counter that is that it is only those towns that buy in to the BID process that will be able to avail themselves of the benefits. A large number are still very sceptical about the BID process. However, I agree with Colin that it will be of huge benefit to town centres, but the difference between it and the rates relief scheme is that the rates relief scheme will affect every business below a certain threshold. Just before you came in, I touched on the fact that 29 businesses from numbers 1 to 100 on Larne Main Street benefit from it and I said that the scheme will increase that number to 56. The rates relief scheme will affect more businesses more quickly because if it is introduced, we can reach out and touch that money next year, which is when it will be needed. The business improvement district model would, perhaps, be useful in the medium term but it is not any use to us, as retailers, in the short term.

229. **Mr Humphrey**: Good morning and thanks for your presentation. I am sympathetic to your case. I declare an interest as a member of Belfast City Council and a former chair of the development committee there. I am aware of the figures that you quoted for employment in the tourism and hospitality sector in Belfast. In the region of 15,000 people are employed in tourism and hospitality in Belfast and, at times, it has been a long haul to get people to recognise how important tourism is, how fast the sector is growing and how significant it is to the Northern Ireland economy. We have reach there and it is vital to the economy.

230. I will make a helpful suggestion. You are losing the PR battle to the large retailers. This relates to Mr Bradley's point. Tesco, for example, can go to the media to talk about the numbers in the way that it does because it has hundreds of employees and millions of pounds of turnover. The Chair made the point that to an individual business in a town centre, a saving of £700 seems to be a small amount. However much an ordinary member of the public would like to have that £700 in their purse or wallet, it is a small figure in the context of the figures that those large companies are talking about. You need to get your case across, in the way that you have put it to the Committee, by lumping everything and its effects together, including the impact that it has on the people who you employ. I noted copious figures from what was being said; for example, I heard that pubs put £1 billion into the economy, and so on. Such information is vital in the PR

battle. We have all had people from the large companies knocking our doors down and bringing PR people with them to get their case across.

231. I have two closely related questions to ask. Will you expand on the points that you made in response to Mr Bradley and outline what you see as the benefits of business improvement districts? Also, is a buy-in from city or town centre management or the local chamber of commerce needed for a city centre or town centre to opt in to that scheme?

232. **Mr Roberts**: I will touch on the “PR battle”, as you put it, and my colleague Colin will talk about the BID scheme.

233. Recently, we launched our five-point plan, and we will take the message from that out to every constituency. We are a coalition of some 31 business organisations, which are mainly the local chambers of commerce in all 18 constituencies. So, we will be working on that over the next few months.

234. The PR coverage is, in the main, about the multiples and some of it amounts to scaremongering. It is about issuing threats. That is not what we are about. We could sit back and just say that we support what is on offer and leave it at that. We are putting forward alternatives. My message to large multiple stores is that they should think again about those threats and scaremongering and they should put forward their alternatives. That is fine for those big multiples, which I will not name, but I have met a number of them and I have encouraged them to be more constructive by putting forward alternatives. That is what I would say.

235. It is not for me to speak for the Finance Minister but I think that the type of PR and approach that certain multiples have adopted with the Finance Minister has done their case more harm than good. We will emphasise that we are making a number of positive proposals and we are being constructive. We will take that message to literally every town and city in Northern Ireland through our colleagues in the various chambers. They will co-ordinate their efforts and will talk to local councils and MLAs to ensure that they get an impression of how much support exists.

236. My last point before handing over to Colin is that 31 business groups support this measure. That is more than the 27 who supported the car park charges campaign and it is larger, even, than the corporation tax campaign, which 23 business organisations supported. Nearly every city, town, village and sector is represented in our fair rates coalition. That emphasises the depth of support that is out there for it. All that I can say about the PR battle is that members should watch this space.

237. **Mr Neill**: Some of the large stores and their organisations say that they support the business improvement districts scheme rather than this one. That is generally because most of them are out of town and would not be affected by business improvement districts. The probable exceptions to that are Belfast and parts of Derry/Londonderry. So, they are very pro that scheme because they can walk away from it at no cost.

238. I should say that although £750 on average does not sound like a lot, I have numerous members, and I mean hundreds, who take no wage from their premises at the minute. I have publicans who do other jobs during the day. I have one who is, thankfully, a builder and he is still working and has a labouring job during the day just to keep the family business going. So, £750 is a fortune to him. It really is —

239. **Mr Humphrey**: I am not taking away from that but my point is that you need to bring all those £750 payments together to get the overall figure so that the picture matches the spin that other people are putting on it.

240. **Mr Neill**: Yes. Again, Glyn touched on that spin, and, to go back to that, very large organisations have very big budgets. As an industry and a collective, we have been careful to try not just to go to the media and throw mud. I responded to the issue in the media

only when they talked about "boozers, bookies and banks" in what I saw as a slur on the intent of the legislation.

241. The big benefit of business improvement districts is that most of our members will probably have been exposed to some degree of town centre management in their own towns. In its current form, town centre management in Northern Ireland is probably slightly weaker. Many operate in or are heavily influenced by councils, and the private sector has not bought in or paid in as it needs to so that it can move forward.

242. Town centre management also always runs on an annual approach of securing funding for this year and then deciding what can be done, whereas the key element of a business improvement district is that it allows you to plan ahead. Forgive me if I am perhaps teaching members about this but I will give you a quick tour of a BID. In a business improvement district, an area is decided on and a line is drawn around a street, two streets or a whole town or city centre. A collective of interested stakeholders is brought together to develop a business plan for that area to address what it is felt needs to be done and a vote is taken. Everyone who is eligible to be hit by the levy for the BID is entitled to vote and if you lose, you lose.

243. Looking at the history of business improvement districts across the world, it seems that the people involved have to have a track record of delivery. You cannot just decide to form a group today and have a BID. There must always have been a track record of town centre management and delivery that people can believe in and trust and buy into. When they buy in, everyone inside the area must pay the levy whether they vote for or against it. That, in itself, removes the historical freeloading approach.

244. People buy into normal town centre management. I was the town centre manager for Ballymena Borough Council, and we developed what we called a voluntary BID. We took the legislative model and secured significant funding from the private sector for a number of major initiatives. As a result, we were able to go to the council to have that funding matched pound for pound. However, there is a freeloading element and you find, unfortunately, that a lot of that tends to involve the multinationals, which say, "No, we do not have to pay it, so we will not". The bottom line for those businesses is minimum spend, so it tends to have been the local independents that have paid into town centre management. However, I spent some time in Belfast and I know that the situation is slightly different there. The point is that the creation of business improvement districts allows the freeloaders to be brought in.

245. It is interesting to note that every business improvement district in England to date — I think that I am right in this — that has had a successful BID the first time has had a second successful BID. They have proved their worth and have maintained the majority vote to move forward. That ownership, the fact that private sector money is brought in and the fact that they can address the issues that councils cannot makes business improvement districts successful.

246. **Mr Cree**: Colin, you mentioned that most of the businesses are in two large conurbations but the reality is that most of the small businesses are in rural areas or smaller towns.

247. Glyn, you mentioned the window scheme, of which Perry Street in Dungannon is an example. Will you develop that point and tell us how successful that has been? When this issue is resolved, there will still be the problem of vacant properties. Will you develop that point for us?

248. **Mr Roberts**: Perry Street is a good example of a council thinking outside the box. Perry Street has almost been too successful, and the town centre manager in Dungannon has informed me that certain customers in a hostelry across the road have tried to walk into the painted shops.

249. **Mr Humphrey**: Was that before or after they went to the hostelry?

250. **Mr Roberts**: After, obviously. It is important to point out that Perry Street, although visually very attractive, is only a sticking plaster. There is no recipe like the real thing.

251. The important issue that we need to address is the 50% vacant property rate. If we can ensure that new businesses pay that 50% only for the first year, that will help them with their first-year costs, of which rates are obviously a very substantial part. However, we could probably go further than helping those businesses with their first-year costs and address the vacancy rate.

252. If any type of business takes up a vacancy, that will create business elsewhere. For example, if a solicitor's office opens in a town centre, the staff in that office will buy sandwiches at lunchtime, they may go for a drink in one of Colin's members' establishments on a Friday night and they may do a bit of shopping in some of my members' stores after work. It is important that we focus on the vacancies. We need to address the fact that Northern Ireland has the highest shop vacancy rate in the UK.

253. I understand that the Minister is looking very sympathetically at the proposal and it may even form part of the legislation that he brings to the Assembly. From DFP's point of view, it is essentially revenue neutral. We will gain in year 2 when that 50% rate ends and they go to full rates, so there is a benefit there. Perry Street is a good example, but we need to focus on getting the real thing into those stores. We want real shops rather than painted-on shops.

254. **Mr Cree**: So, would you say that the real issue is increasing the footfall in all those areas?

255. **Mr Roberts**: It is, and it is about getting businesses back into our town centres. Obviously, although retail is a crucial element of town centres, it is not the only thing that they need. We need a strong cafe culture, a strong night-time economy and a strong arts and culture scene. So, it is about creating the best possible shopping experience for the consumer.

256. I know that David also wants to talk about this, but the key challenge is to provide consumers with choice. If we are left with three big retailers selling all the same things, who is the worst off? It is the consumer because they will be left with little or no choice. Who are the other losers in that process? It is the farmers and suppliers because they will be beholden to two or three big retailers that can drop them at the drop of a hat, which will mean the end for their business.

257. The independent retail sector is a crucial route to market for many of our farmers and producers. I would like to think that the people whom I represent give farmers and producers a fair deal. So, it is about that broader contribution that independent retail makes to the wider concept of town centres. The Christmas market is one of the great examples of how Belfast has led the way. So, there are lots of really good ways in which town centres right across Northern Ireland can look at good ideas. It is about getting footfall into town centres, but we have to have vibrant businesses, retailers, pubs and restaurants in our town centres to attract people there.

258. **Mr Hunter**: I do not believe that the window dressing is by any means for the medium or long term. It dresses a town up for tourists and visitors and certainly gives a better, aesthetically pleasing image, but I do not think that it is a long-term solution.

259. It brings in another question. We have to look at town centres here over the next 10 years and ask what they are to become. We are aware that the multinationals are already in place, and it is clear that retail is changing. I think that we have to be grown up about that as retailers, look at our towns and say that the idea of having every backstreet full of nice wee quaint shops is probably not going to work in the future. We want to encourage those people to come back on to the main street or thoroughfare, and we should protect an area and not

lose the core town centre and the value that it gives to the local economy.

260. The Chair asked about the £700, and when I look at the pages indicating the various Land and Property Services rates valuations, I can see a page of valuations that say that only one retailer can benefit. However, I have another page on which it is indicated that everybody can benefit. For the retailers here, who do not themselves benefit directly, that means that a busy activity of mixed retail is created if those smaller shops are kept open and if that £700 and £1,000 makes a difference to their being in business. I believe that that is what we want to do. I honestly believe that, going forward, the Executive should look at what our town centres need to become because it is clear that they are changing and that we need to change.

261. **Mr Hilditch**: As the acting chair of the Carrickfergus town centre regeneration steering group, I have a lot of sympathy with what is being said at the end of the table. Colin, you painted a fairly dark picture of what is in front of us, with potential closures and sales of properties. Previous legislation tried to assist and it probably opened up the licensed trade as a very user-friendly way to go. We must have come from a very good place to where we are today. Historically, how have we got to where we are today? I know that you painted the picture forward, but there must have been a lot of loss even in getting us to where we are today.

262. **Mr Neill**: There has been. My organisation has been around since 1872, and having dug through past minutes of meetings, I think that this is the most crucial time in its history for closures.

263. A number of things affect our industry. One has been the social change brought about by drinking at home. That has had an impact. We now sell about 25% of alcohol in the Province. The majority comes from supermarkets and is consumed at home. It has an impact. There is customer choice; we have no issue with that. However, we have a side issue about how alcohol is used as a footfall generator and sold so cheaply. Everyone who thinks alcohol thinks pub, so we pick up the blame for antisocial behaviour. Nowadays, most of the hassle comes from people arriving pre-fuelled. A pub will have its best people on the door to stop people getting in but if there is trouble outside, we get the blame. We feel that alcohol should not be used like a loss leader commodity. That has affected us.

264. There are many costs associated with running a pub. I do not take exception to our being the most regulated industry: we sell a controlled substance and we should be regulated. As an industry body, we are not looking for deregulation. The last thing that we want is the 24-hour sale of alcohol. We are heavily regulated in every form. Our rates are 30% higher than anyone else's, which is a big chunk of a small business's turnover. It is interesting to note that some 600 licensed premises are in rates arrears because of the difficulty in meeting that heavy bill.

265. Sky television charges are based on rates paid. A pub in Belfast will pay a colossal £2,000 a month to show Sky TV sport; a country pub will pay £500. Our legislation states that you can trade until 11.00 pm. However, to sell beyond 11.00 pm until 1.00 am, which is our maximum sale, you must provide substantial food until 12.30 am or have light entertainment. Historically, light entertainment has been offered because few people want to eat so late. To provide light entertainment, not only do you have to pay the band but you have to have an entertainment licence, which will cost somewhere between £5,000 and £7,000 a year. Then you have to pay a couple of hundred pounds to have a band play. If you are in a rural pub with 20 people, you cannot afford to have a band, so you lose those trading hours. Also, people often do not go out until late, which has impacted heavily.

266. There are costs for materials as well. The average cost of a pint of beer is £3. Most people think that if they can buy a can of lager for 50p, we are making

£2·50. The first pound in a pint goes to the Government in duty and VAT, the second goes to the manufacturer, and the publican is left to run the business out of a pound. The average pub will do 60% in draught beer. It is our unique selling point because you cannot buy draught in a supermarket. It nets down to 3 pence profit to reinvest, so there are very tight margins.

267. Those are broadly the difficulties that we face. We are diversifying as much as we can. More than half the industry now does food, and that has moved us to a much wider sell. Some people might laugh at me when I say that no one goes to a pub for alcohol. If you want alcohol, you go to a supermarket, because our model is so much more expensive. You go to a pub for food, music, sport and to socialise and mix with people. That is our product and we are working very hard to raise quality and to appeal to people. It is an expensive night out. There are rates for 24 hours a day, so we have to try to be relevant during the day. Now, pubs do lunch, morning coffee and all sorts to diversify.

268. Although we diversify, it is still costly to compete. People think that we pay only rates and other taxes, but let us look at VAT. Of the £12 that you spend on a bottle of vodka in a supermarket, £2 will be VAT. By the time that we dispense it, it is four times that VAT revenue. Food bought raw is zero-rated. However, by the time that we cook it, we pay 20% fully to the Exchequer, whereas you normally pay VAT on the difference between what you buy food in at and what you sell it at. We pay a lot of heavy taxes along the way.

269. We generate much more than a large out-of-town retailer. We are talking to Departments about how we can reduce red tape as well as making sure that we stay within the controls on the alcohol side to reduce costs. However, it is about looking to take out £700 or £1,000. To a small publican, that may be a month's wages. That is what he is living off, so that is critical. If we can take £1,000 out here and £1,000 out there, you have a viable business.

270. **Mr Hilditch**: There appears to be, if not a split, a difference emerging between the city and provincial areas. Last week, we heard arguments in favour of looking at the public health levy in Scotland as an option. What are your thoughts on that?

271. **Mr Roberts**: That is an option that could be looked into. In our view, it would apply only to the very large retailers that have a net asset value of £500,000 and retail in alcohol and tobacco — essentially, the big supermarkets. My colleague from Londonderry Chamber of Commerce made a similar point, so it is an option that could be considered. However, given all those options, we need to look at the time remaining to get this through by April 2012. If that option were viable in Northern Ireland, we would have no problem supporting it. It might be a good deal fairer to some of the bigger traders, such as B&Q, IKEA and the House of Fraser in Belfast city centre, which are taken in by this issue. To some degree, the rates levy is a blunt instrument, although there are all sorts of EU state-aid laws that mean that it has to be. Therefore, we need to see what can be done or what alterations are possible to get this over the line for April 2012. I repeat that the first quarter of 2012 will be a very tough time. It will probably be the toughest that our economy has ever faced, particularly for our small, independent retail sector.

272. **Mr Cassidy**: I will pose a question to every member sitting at the table: what are your views on retailing in Northern Ireland for the forthcoming years? You do not have to give me a collective or an individual answer. My vision of retailing in Northern Ireland is a working together of multinationals and independent businesses. The four or five political parties in the Stormont Government work well together. As someone who grew up in Northern Ireland, I am immensely proud of what the Government have achieved, considering our past. If one party ruled in the Stormont Government, it would not work. Parties have to come together, and that analogy can be used for retailing in Northern Ireland: the multiples must

work hand in hand with independent businesses. That is very important.

273. You have a background in business, so you must understand the importance of independent businesses and their contribution towards the well-being of a community. They are the fabric of our communities. People congregate round businesses and support them. They are important to every town in Northern Ireland. I ask you to consider favourably what we are saying here today.

274. **The Chairperson**: We have three further questioners. I do not wish to rush anyone, but we are already 15 minutes over time.

275. **Mrs Cochrane**: Thank you for your presentation. Many of the points that I wanted to raise have been dealt with. One of the key issues was bids, and we are still waiting for an update from the Department for Social Development on the progress of that issue. You said that you were supportive of town and city centres. By its nature, the proposal as it stands will hit Belfast city centre and some of its anchor tenants. Moreover, this is not a level playing field between large and small retailers. It will hit large retailers but it will affect every business. It bothers people that you are singling out one sector in order to assist small businesses.

276. I want to pick up on something that Glyn said about how the revaluation needs to happen quickly if the levy is to be in place by April 2012. Last week, I said that although I support expanding the small business rates relief scheme, it needs to be funded fairly. If it is to go through accelerated passage, it may be more acceptable if it is seen to be fair. We asked departmental officials last week about other options, as they seem to have dismissed them without looking at them in any detail. Have you looked at figures? For instance, if you included the banks and utility companies, would the money that is brought in from that reduce the 20% levy to 18%? Instead of its being quite so blunt, you could raise rates for properties over £400,000 by 10% and those over £500,000 by 15%. If that were done, it might become a bit more acceptable. Have you considered that?

277. **Mr Roberts**: In relation to Belfast, if we adopted the Scottish option or a rate on out-of-town free car parks, that would exempt pretty much all the big stores. The car park at House of Fraser in Victoria Square is not free; CastleCourt is the same. We are acutely aware that that is an issue.

278. We are very open-minded about other ways of funding it or of tweaking or adjusting it. We make it clear in our five-point plan that we are open to other options. Again, it goes back to what can be done in the short time frame —

279. **Mrs Cochrane**: Surely some of those figures could be looked at in quite a short time.

280. **Mr Roberts**: Absolutely. Those are questions that the Department has to answer. We remain open-minded. I think that the consensus is that the extension to the small business rates relief scheme will not be funded out of the public purse or the Executive Budget; it has to be raised outside that. Finding the fairest way is crucial. If there are other means of funding, we would be very happy. Some good ideas were put forward during the consultation, and we are very open to those. My organisation launched an alternative programme for government last year. We are open to other suggestions. However, it goes back to what can be done in the time remaining. That is our proviso.

281. **Mr Neill**: Probably everyone will have businesses that they do not want in the legislation and businesses that they do. I accept that if you take the British Retail Consortium trying to stir it up with “boozers, banks and bookies”, there are people who would probably not want to see pubs, betting shops and banks. It is about coming up with legislation that stands up robustly, can be challenged in Europe and is seen as fair and effective. It is a short-term measure. People say that it is unfair that large stores are being hit. However, without the rates revaluation, it was due.

Small businesses have been subsidising their rates for some time. We are just redressing that in the short term.

282. **Mr P Maskey**: I try to spend as much money in my constituency as possible, which is a good way of supporting local retailers and businesses that find it hard. Doing nothing is no longer an option. Something has to kick in. If you look at the £700 or so, over the three-year period of the scheme, it would be more than £2,000 for each business. It is not the be-all and end-all, but at least it is something to work on.

283. You mentioned boozers, banks and bookies. As one who invests a bit of money in bookies from time to time —

284. **Mr McLaughlin**: You invest in all three. *[Laughter.]*

285. **Mr P Maskey**: I have not had much return on my investment. I do not know of any poor bookies. They are an example that we need to look at. Bars, clubs and shops are suffering but I do not know whether bookies are suffering. Usually, you find that when unemployment goes through the roof, bookies become even busier. I am not sure what your thoughts are on that, but some of the big banks, which have units that are the same size — if not larger — as some of the other units that will be hit with the levy are escaping it as well. That is an issue. I was following up on Judith's point. Do you have any other thoughts about bookies' shops? Can they be exempted? They will benefit from this.

286. **Mr Roberts**: If issuing press releases about banks, bookies and boozers is the level of their contribution to this debate — if that is their idea of wooing people — I would hate to see what else they have in mind. Of the 9,000 businesses that will be involved, only a small number are bookies. This is not about subsiding independent retailers. It will, hopefully, help businesses that are struggling just as much as independent retailers. You heard Colin speak very effectively about the pressures facing his members. This is about ensuring that whatever support is available can be given to small businesses. Rates are the only taxation power that the Assembly has at present.

287. Likewise, we support the need to move on corporation tax. The Committee has discussed that in great detail, and you will all know that changes to corporation tax will take place over the long term. It will be quite a few years before the impact of reducing corporation tax is felt. Alongside that, we have to make ourselves attractive to foreign direct investment, and corporation tax is a key part of that, but we should also be building our indigenous base. Just as it is right that big businesses make savings on corporation tax, let us not forget that all those stores that qualify and will have to pay extra will do very well out of a change in corporation tax. What they may lose on rates, they will gain on corporation tax. That is the bottom line.

288. **Mr Hunter**: There are many dangers for the Executive in trying to micro-manage the situation. You could almost be accused of being discriminatory. Each of us has our own ideas about who should pay less rates or more rates. I would like to charge banks, for instance, 10 times the rates of local retailers. However, there is a danger in getting into that debate. The system is simple and that is the reason why it can work.

289. Retailers in the city centre need to look at the big picture. Perhaps this is about egos, but people do not come into town to visit one store, they come to visit all the other little shops in Belfast city centre that make it interesting. Those retailers have to look at the big picture and support the smaller retailers that surround them because they are the lifeblood of the city centre and they bring in the footfall.

290. **Mr McQuillan**: Thank you for your interesting presentation. I was not going to speak; I was just going to listen. However, it is important to recognise that this scheme will last only three years. It is about supporting not only small businesses but the small towns and villages throughout the country that

depend on those small businesses. I would also like to charge the banks more, but including all financial interests would make the scheme messy and unworkable. The money gained would be spent out again. It would not go where we want it to go, which is to small businesses. That is why we should push ahead with the scheme as it stands. We should do that for three years, as you say, and then look at it again to see who else we can include in it. By that time, it will have taken us to the revaluation and, hopefully, we will get it out then. As a short-term measure, the gains that it will make will help businesses to survive and will provide people with a wage, which is important. I support the scheme and wish you all the best in the future.

291. **Mr McLaughlin**: We cannot prevent the multiples — the out-of-town traders — from passing on pressures on their margins to suppliers or customers but we can reach out to help those businesses that would otherwise go under. That is the merit of the scheme; it is temporary. We are all aware of pubs and restaurants closing. God knows what will happen after Christmas.

292. **The Chairperson**: Thank you, gentlemen. We have further evidence to take. No doubt you will hear the deliberations of the Department and the Committee as they bring proposals to the Executive.

293. **Mr Roberts**: Thank you.

294. **The Chairperson**: I welcome Derek McCallan, chief executive of NILGA (Northern Ireland Local Government Association), and Karine McGuckin, who is NILGA's European officer. Sorry to keep you waiting. The previous session ran on and we were slightly late in starting.

295. Your paper states that you wish to review and comment on the final determination made by the Committee. However, the Committee will give its views to the Executive and the determination will be made by the Minister in consultation with the Executive. Our views will be published and will be a matter of public record. I invite you to make your opening comments, after which we will ask questions.

296. **Mr Derek McCallan (Northern Ireland Local Government Association)**: Thanks for the opportunity to supplement our written submission on our original consultation with this oral evidence. I am very conscious of this process and of your timescales, so we will keep it as short as possible. I want to register an apology from our colleagues on the local economic development forum: Shirley McKay, who is a Belfast City Council officer, and Councillor Sean McPeake. It is protocol for NILGA office bearers to represent us, but he has had to pull out because of constituency business. For some reason, he trusts us implicitly.

297. **The Chairperson**: All politics are local.

298. **Mr McCallan**: That is corporate politics in NILGA. I will keep our presentation to the three principal issues, as prepared in our original paper: the proposals for the small business rates relief scheme, the formula for the application of the levy, and window displays in empty shops. We want to state our case on those proposals. My colleague Karine wants to identify the key issues in regard to the doubling of the small business rates relief scheme.

299. **Ms Karine McGuckin (Northern Ireland Local Government Association)**: I am very conscious of time and that we have submitted a supplementary paper, which members have today.

300. NILGA is broadly in favour of the small business rates relief scheme for several reasons. Small businesses represent the backbone of our economy. As Northern Ireland is mainly semi-rural, the majority of its businesses are in rural areas where footfall is lower than in conurbations such as Belfast or Derry. Obviously, we are in favour of rates relief because we are conscious that in the current recession, consumer patterns have changed dramatically. Consumers look for items of necessity, so businesses have to adapt to that. In many cases, there have been closures. All that is combined with an

unemployment level that is probably the highest that it has been for 17 years. We want to maintain the number of new entrants on the market. Obviously, our key message is that we support the doubling of small business rates relief.

301. Another key message is that the measure should go beyond retailers. We would like all non-domestic properties, not only retailers, to be considered for the relief. That is because when you talk about retail, you automatically start to make definitions. How do you define a business or retailer? Therefore, that will make the situation difficult and tricky. We believe that the most basic and simple way to apply the scheme is to look at all non-domestic properties. Obviously, that particular measure will be subsidised by a levy, for which a formula needs to be determined. Derek will give evidence on that.

302. We are very supportive of the third aspect of the proposals, which relates to empty shop window displays. Councils can play a vital role in incentivising and promoting that. NILGA would be very happy to assist councils in so doing. We could look, for example, at seasonal displays, such as for Christmas, Easter or summer events. We will also work with communities to make sure that they use empty windows to display their projects. That would lead to better cohesion at community level. So, we support that strongly.

303. I will pass over to my colleague Derek, who will address the levy.

304. **Mr McCallan**: Whatever decision is taken on the “how to”, which is the formula, it carries a contingent risk. We make no apology for the fact that we found the myriad responses from stakeholder organisations, private businesses and political parties very compelling. In following acutely the situation in Scotland, by accident more than design where this subject matter is concerned, I found myself in Edinburgh with the UK leaders of councils yesterday. I was given a potted history of how the principles that were espoused led, ultimately, to a decision not to follow through on this matter for a variety of reasons that included European laws, legal constraints and perceptions of discrimination. As a Committee, you will be very aware of the Scottish Parliament’s current move to look at a health levy on alcohol and tobacco. It would not be a substitute and it would not have the same outcome. However, although Northern Ireland is a sovereign entity in its own right, the process and the small “p” politics of the movement in Scotland was very interesting. I know that your researchers are also looking at that.

305. From our perspective, the formula is the elephant in the room. It is the “how to”. We are respectful of the fact that the public purse just cannot cope with the demands placed on it and that the principle of introducing a levy on businesses that may be perceived to be the haves, that is, the big retailers, rather than the have-nots, is one way to deal with that.

306. We are conscious that this has been widened. Just as we were coming in, Mrs Cochrane MLA mentioned the need to get more information about those premises that have a rateable value of £500,000, as well as information about those that are worth a bit more and a bit less than that. It is our understanding that there are more than 200 such properties in the public sector. The potential exists to apply a levy that is more in the region of 6% than 20%, thereby spreading the load across sectors such as the financial services sector, which has some larger premises that fall into that category. I need not tell any members that consumers are somewhat exercised about the activity of the financial services sector in recent months and years and that the perception that that sector is being positively discriminated against could have some repercussions.

307. We ask the Committee to explore, which I am sure it is doing very thoroughly, the comprehensive list of properties with a net asset value above £500,000. That is because that formula has the potential to reduce the actual cash burden on individual companies. We

realise that a dynamic political decision needs to be taken but we would simply say that there is a contingent risk to whatever decision the Assembly as a corporate body takes. As you said, Chairman, you will make the decision, and we will simply receive it and see whether there is anything supplementary that we as councils can do in our economic development activity to incentivise the payment of concessionary rates for small companies and whether we can do more within the law, with not just councils but bodies such as DETI. As you know, however, the law is a curate's egg. It is good in parts.

308. In summary, we would be happy to see this measure broadened to take in any properties with a net asset value above £500,000. However, we are conscious of the perception that retail brands in cities could suffer as a result. We are also conscious that each high street store stands on its own two feet, so there could be repercussions. However, decisions require leadership, and we respect that you will have to take a contingent risk when making those decisions along with the Minister. We will work in a wider forum to keep our high streets and local economies open.

309. This is not straightforward and clinical, but we do not apologise for that. We found the information available from the other consultees, published by DFP and the Committee, to be extremely compelling. This is not a clinical issue because Ministers and politicians are clearly exercised about it. We are very happy to respond in whichever way we can, not as specialists but on behalf of the councils that we represent.

310. **The Chairperson**: Thank you very much for that. In your closing remarks, you spoke about this not being clinical. Your argument that some of the bigger financial institutions should be brought in to this is not necessarily a contradiction. However, your initial argument that all non-domestic properties should benefit from it is an anomaly because some of the financial institutions at a local level, such as smaller banks, building societies, solicitor's offices, insurance companies and estate agents, would benefit as well. So that is an anomaly, and as we have been examining this, we have found that there are anomalies everywhere. It is not a sophisticated instrument. In fact, most people have accepted that it is blunt. On the one hand, you argue that from a perception point of view, it would be better if businesses at the top level were brought in to pay this. However, on the other hand, you argue that all non-domestic properties should benefit, which would actually benefit those businesses with smaller properties throughout towns, villages and cities.

311. **Mr McCallan**: I think that that goes back to something that my colleague mentioned earlier. Ultimately, when you start from that basis and look at the formula, you may ask yourself, "This is not a business, but I know that it is very businesslike, so how are we going to pay for it and who do we discriminate against?". So, you are quite right, Chairman. The key to this would be the standard business classification, which is the determination of whether something is a manufacturing or a technology business. Those classifications could be made.

312. Again, as my colleague Karine said, the more you get into the micromanagement of the scheme, the more difficult it is to question whether you are discriminating or could be perceived to be discriminating. However, that is the baseline. Decision-making timescales mean that there is not a lot of time but if you baseline that, you could start to work out through that broad classification what are small businesses and financial institutions and what are not.

313. It is very difficult, and I make no apology for saying that we do not come with a panacea for this. However, we feel that the retail-only debate will create an awful lot of repercussions. Those can be managed because decisions that you as MLAs take are sometimes controversial and you can manage the repercussions. However, the point is that, unlike in

Scotland, a big consultation process is taking place. I understand that in Scotland, the measure was just seen as part of the Programme for Government. They said that they were just going to do it but they could not. I would not say this often but that is one of the values of the length and quantity of the consultation. Perhaps there is an opportunity to time bound the measure in such a way that means that, until that is sorted out, you cannot take a decision clinically for this financial year. However, you should bear in mind, Chair, that a lot of the lobbyists — I cannot use any other word — are arguing that they have already made projections for their financial undertakings for the year and that this is something that they will not have considered.

314. So, there is a dunt there for those businesses that may have to endure this in the coming year because they had not projected the potential payment of £85,000. It is not that I am arguing that you should not make a clinical decision. I think that the quantum of information still has to be examined meticulously to make sure that there is no fear of substantive challenge over whether you are discriminating against X over Y.

315. **Mr Cree**: Thank you, Chair. Thank you very much for your submission. I found it very interesting. You spoke throughout your presentation about the UK. Do you mean the entire UK in this instance? Do you not have any separate figures for Northern Ireland?

316. **Mr McCallan**: When referring to the UK, I am including information from England, Scotland, Wales and ourselves. We do not have independent data on NI.

317. **Mr Cree**: I thought that that was the case. You highlighted a couple of very important points, such as the loyalty cards and the £350 million that has already been clawed back by reducing the discount from 2% to 1%. I am sure that not many people know about that. I will certainly have a look at what my loyalty card is worth now. It cannot be very much.

318. The final point is the one that concerns me most and it has done for some time. These big stores have a very large grip on local suppliers. I would hate to think that the local suppliers could ultimately suffer. Your submission mentions payment being made in six months or, if there is a query, up to a year. How much detailed work have you done on that particular area?

319. **Mr McCallan**: First, I give due credit to my colleague who thought that the loyalty card and supplier issues were required, simply because if you are faced with a big, medium or small bill, as a business, you look at how you can absorb the cost. Karine’s point is that it will be passed on either to the supplier or to the customer. Figuratively, both analogies were given.

320. I will answer your question about how much work has been done, and Karine may then wish to amplify the point. Through the local economic development initiatives that individual councils have done, for example, in the Ards area, I am aware of a number of businesses in the creative industries, organic suppliers, and so on, who simply went out of business because they could not meet the price and quantity timescales applied by large retailers. That is a generic issue across these islands, of course.

321. The perception across the board and across Northern Ireland is that if the payment, that is, the mitigation, goes to the suppliers, Northern Ireland suppliers will at least in part have to meet the costs of the levy.

322. **Ms McGuckin**: The loyalty card is an instrument that multiples use widely to compensate for price variations, so you think that, in one way, you are getting a benefit, but the rules change as they go. That means that they will reduce loyalty card benefits to compensate for a decrease in the price of basic food items, for example. It is a way of keeping tabs on unforeseen increases or decreases in prices that multiples use widely to control their prices and benefits. That is something that you

can expect them to play with more if you impose a levy.

323. Suppliers obviously welcome the presence of the large multiples in Northern Ireland. We are happy to have them here because they bring diversity to the market and bring in products that you otherwise would not have. However, it is true that the way that they sometimes deal with suppliers can be very hard for the small companies that supply them.

324. Sometimes, small companies are paid only on a six-monthly basis. If there is one mistake in the claims that they submit, the multiple involved sometimes delays sorting out the issues relating to that claim, which means that it passes to the next payment phase. That can mean a yearly instead of a six-monthly payment. For a small company that has one of those multiples as its main source of income, that can mean their going out of business. Some do not have a choice because it is about the contract. Without any other source of income, that can be a big difficulty for them.

325. **The Chairperson**: If no other members wish to ask questions, I thank you very much. You came in on the back of a fairly full evidence session on the same issue, so we have had quite an exploration of the argument for an increase in rates relief. You said that it is up to the Minister and the Executive, not the Committee, to determine the outcome of this. However, the Committee intends to respond on the issue early next month, and that will be published and made available to you.

326. **Mr McCallan**: Chairman, I wish you MLAs well in your debate tonight on the Programme for Government. We also believe that that programme should, of course, be inclusive of local government. Thank you for your courtesy this morning.

23 November 2011

Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Ross Hussey
Mr Paul Maskey
Mr Mitchel McLaughlin
Mr Adrian McQuillan

Witnesses:

Ms Jane Bevis	*Northern Ireland Retail Consortium*
Mr Iain Joannides	*IKEA*
Mr David Paterson	*Asda*
Mr Diarmuid Walsh	*B&Q*
Mr Chris Kenton	*Royal Institute of Chartered Surveyors*
Mr Roger Pollen	*Federation of Small Businesses*
Mr Nigel Smyth	*Confederation of British Industry*

327. **The Chairperson**: You are very welcome. Please make sure that all phones and electronic devices are switched off as they interfere with the recording. We welcome David Paterson, head of regional affairs at Asda; Diarmuid Walsh, divisional director of B&Q; Iain Joannides, finance and operations manager at IKEA; and Jane Bevis, director of the NI Retail Consortium. After you make a presentation, I will open it up to Committee members for questions and discussion.

328. **Mr Iain Joannides (IKEA)**: I am the finance and operations manager for the IKEA store in Belfast, where I am based. I have been living in Northern Ireland for 12 years and have worked for IKEA Belfast for four years. IKEA arrived in Northern Ireland in spectacular fashion. At the time, it appeared to symbolise many things, the importance of which was demonstrated by the First Minister and the deputy First Minister's opening the store. Much has changed since then. We now find ourselves in a rather desperate situation, where funding must be found to support the many struggling small retailers that are the backbone of our economy and on whose success we all rely to provide jobs and spending for our customers. We believe that that funding must be sought, and we have no objection to it being sought from large firms that, as the Minister correctly states, can weather the storm better than small businesses. I question, however, why it is that, under the proposals, the levy will be applied only to shops with a net annual value greater than £500,000. We believe that all big businesses should contribute.

329. We believe that that would increase the number of businesses included from 77 to 251, and we estimate that it would drop the required increase from 20% to roughly 6% and generate £6·5 million. I understand that the Minister has communicated several reasons why other businesses and organisations are not included; however, it seems illogical to target retail simply because it is too difficult to administer a fairer approach. We urge the Assembly to reconsider the levy in its current form and to apply a fairer and more balanced approach. In our store alone we pay £1·67 million in rates. That is equivalent to 50% of our staff costs and is our next greatest cost behind staff costs. Once the levy has been applied, it will have a damaging impact on businesses of any size.

330. There has been a great deal of press recently about our original submission in which we stated that we face very tough trading conditions. In the past financial year, ending September 2011, our Belfast store sales contracted nearly five times more than that of our average UK store and twice that of our Dublin store. Our

Dublin store opened in July 2009, so the effect of this had passed by the start of the last financial year. Let me assure you all that our Belfast store makes a substantial loss. Please do not underestimate the hugely damaging impact that the levy will have on IKEA Belfast.

331. The Minister and his advisers argued that rates in Northern Ireland are comparably 20% lower than in other regions of the UK. However, I question the value of the Department's investigation in which it assessed the rates in Hull to support that statement. Surely a more balanced and fairer approach would have been to compare the rates in several UK cities. The nearest store that we have to compare ourselves with is the one in Leeds: IKEA Belfast pays £100,000 more than IKEA Leeds. In our submission I have highlighted the fact that we pay far more in Northern Ireland than we do for a number of our units in Great Britain. If you wish, I will happily share with you the amount that we pay for all our units and their comparable sizes.

332. We were penalised by the cancellation of the rates review in 2010, which we believe would have reduced our rates bill. The levy has been designed to claw back some of the lost revenue that a revaluation would have made. In our case, it appears to be a double charge: not only are we paying more than we believe we should, but we are expected to pay another 20% on top. We cannot understand why the rates review was not conducted last year. Again, we urge the Minister to reconsider the manner in which the levy is applied.

333. From our perspective, Northern Ireland companies face far higher operational costs, such as utilities and shipping, as well as a more expensive rating system. It is clear that rates in Northern Ireland are not 20% lower today than in other regions of the UK. The proposals completely undermine confidence in the Northern Ireland Government to create fair business conditions and to support all retailers to contribute to the growth of the local economy and the jobs market. There is no question that the proposed levy will place a huge financial burden on IKEA Belfast. As there is no room to absorb those additional costs, the short-term consequences will be job losses. Surely, there should be greater emphasis on the Government's ability to create economic growth and jobs instead of focusing on creating an additional tax for retailers who are also struggling during these tough times. The middle- and long-term consequences for IKEA Belfast caused by worsening business conditions and the levy will be discussed in the privacy of our UK boardroom.

334. I appeal to you to reconsider the proposals in their current form. If the revaluation would have delivered the same income as the levy, surely the revaluation of rates for all businesses — not only retailers with a net asset value greater than £500,000 — would be a fairer and more honest way of generating that income.

335. I hope that I have demonstrated, from IKEA's perspective, why Northern Ireland is not a level playing field; we pay far more in rates than our comparable stores in the UK. Finally, I cannot stress enough the damaging impact that the proposed levy will have on our business. As I said earlier, we already pay £1·7 million; we simply cannot absorb any further cost without significant impact on our operation. Thank you.

336. **Mr David Paterson (Asda)**: Thank you very much for the opportunity to present to you. Asda employs 4,500 colleagues here in Northern Ireland; we have 16 shops, seven of which will be hit with the new tax. Economists estimate that through our direct and indirect investment, we support about 8,700 jobs, which equates to about 1% of the entire Northern Ireland workforce.

337. We have followed with interest evidence that has been given to the Committee and have been struck by the extent to which the debate seems to have become about large retailers versus small businesses and the suggestion that it is a zero-sum game. However, as we have grown our business, we have

seen that we are investing in small businesses. In 2010, our sales of local produce rose above the £60 million mark. That means that, at present, £1 in every £5 that is spent on food in our stores is spent on products that are sourced in the Republic or Northern Ireland. A number of businesses benefit from that investment.

338. Our driving purpose is to save our customers money every day; that is what we exist to do. That is crucial for customers in Northern Ireland in the current economic climate. We measure families' disposable income every month. Our income tracker shows that the amount of money that families have left to spend after they have bought their food, paid their mortgages, filled the tanks of their cars and heated their homes is lower now than at any point in the past three years. It is important to point out that, worryingly, it is significantly lower here than in any other part of the UK: families in Northern Ireland have about £80 a week discretionary income left to spend, compared with £100 a week in Scotland and £150 a week on average throughout the UK.

339. Therefore, we believe that we deliver benefits to the economy in Northern Ireland; we save customers money, and we invest in small businesses. In fact, we help small businesses by being here. The fact that we are here drives competition and drives down prices on items such as fuel, which is a great benefit to many small businesses.

340. The tax sends the wrong signal; it fails to recognise the nature of our business model. Yes, we are a high-turnover, high-volume business; however, we work on very low profit margins. In fact, we operate on a margin of between 3% and 5%, and our Northern Ireland stores operate towards the bottom end of that scale. That is due primarily to distribution costs here being some 15% higher than in the rest of the UK. Utility costs are about 5% higher. Despite that, we continue to offer customers here the same low prices as in every other part of the UK.

341. We see other barriers to competition and trade here that we do not see elsewhere: the speed of the planning system is an issue; the alcohol licensing system and barriers to entry to the pharmacy market are others. The tax is damaging because it comes straight off the bottom line of the stores affected. For a business such as ours, for every £1 of tax, we need to ask our stores to sell an additional £25 through the till. That is not an easy thing to do in the current economic climate. Those costs must be factored into the individual profit-and-loss accounts of the stores affected; they do not come straight off our overall bottom line. More important is that it is also factored into our return-on-investment models that inform our decisions on new store development. I would be happy to talk to you later about that, but, given that our capital is funded by Walmart, those are decisions that are taken on a global basis.

342. We believe this to be an unfair tax. As our colleague from IKEA said, we do not understand why one part of one sector is being asked to subsidise all others. It has been said that, as a matter of policy, the Executive do not want any additional costs to be placed on utility companies because that will simply be passed on to customers. However, we ask you to consider why the Executive should take the view that a sector that is already more profitable than retail and which is putting up costs should not be asked to pay some of that burden, compared to one that is making life that much easier for ordinary people. We do not believe that our customers will understand helping banks and utility companies at a time when they are, arguably, making the cost of living higher.

343. We understand support for small business rates relief; we are not against that. However, funding it has to be fair. It has been said that it is too difficult to avoid banks and other large companies benefitting. We simply do not accept that. There are schemes in operation in other parts of the UK where that is not the case, and we think that work should be done here too. We have also

heard that it is a matter of policy that airports and manufacturing businesses should not be asked to pay more in case that discourages investment, yet rates will rise by 2·2% and 2·7% over the next three years. Those businesses will pay more. Our contention is that a fairer approach would be to ask all large businesses that do not receive the small business rates relief to pay a very small levy in addition. A levy of about 0·6p would raise the funds necessary. That fits very well with the approach that we have seen in Scotland, with the large business supplement of about 0·7p. There has been no evidence there that that has had any deterrent effect on investment. However, a significant levy singling out one sector may well have such an effect.

344. It is difficult to take any other message from the tax than that the Executive do not want to support our sector by encouraging investment. We are ambitious for Northern Ireland. We would much rather be here today to speak to you about our plans to get more young people into work, to create apprenticeships and to invest in the economy and the food and drinks sector. We believe that more work needs to be done to make the tax fairer. The Executive should think again about that and let us look to how we can avoid the unintended consequences of making Northern Ireland a less attractive place to do business.

345. **Mr Diarmuid Walsh (B&Q)**: Thank you for the opportunity to discuss B&Q's concerns about the proposal for a large retail levy in Northern Ireland. I am Diarmuid Walsh. I am Belfast-born and have lived in Northern Ireland all my life. My whole career has been in retail. I started as a shelf-filler in Marks and Spencer in Donegall Place in the mid-1970s and I am now the divisional director for B&Q for Northern Ireland, Scotland and northern England. At the outset, I want to highlight that B&Q in Northern Ireland is fully committed to its stores and its people. It is here to stay. There were comments in the press recently that indicated otherwise, which we have reacted to. Furthermore, we do not support the British Retail Consortium's (BRC) position on that matter. We do not wish to be associated with the more outspoken supermarkets. Through the consultation process, we have tried to engage constructively with the Executive and MLAs to find an outcome that benefits everyone. B&Q supports the levy and backs the Executive's support for small business.

346. Small and medium-sized enterprises (SME) make up a large number of our customers in B&Q in the building and home improvement trades, and we know that our business only thrives when the high street thrives. Small firms drive consumer confidence, and that, in turn, leads people to invest in their homes, which is very important to B&Q. At the beginning of the downturn two years ago, B&Q anticipated that small businesses would need additional support and that is why we created TradePoint, which is our small business operation. It offers tradesmen discounts of up to 50% on all our products and has successfully passed on huge savings to more than 12,000 small businesses in the Province and has helped to support the economy. Since the start of 2010, B&Q has given more than £750,000 in discounts to small businesses in Northern Ireland.

347. B&Q is not a supermarket. Therefore, we believe that the rates system should be fair. In these difficult times, those companies that can afford to pay more should do so and those that cannot should not be unnecessarily penalised. During the downturn of the past two years, B&Q has seen a 15% slump in sales in Northern Ireland and we have already undertaken as much as we possibly can by way of belt tightening and efficiency savings. We simply cannot afford to pay a blanket 20% rates increase. Why? It is our business model that prevents us from being able to pay. We have no flexibility in the location or the size of our stores, and those of you who know B&Q will know that we need large amounts of storage space. We sell high-volume, low-value products such as

8ft by 4ft sheets of timber, plasterboard, cement, sand and plaster. Equally, we need larger car parks — unlike some of the tighter car park spaces that you might see elsewhere — to allow those bulky items to be put into our customers' cars and trade customers' vans.

348. As a result of the proposal, we would be liable to pay the proposed levy on all nine B&Q stores in Northern Ireland. That would not be the case for many other multi-site retailers, including the supermarkets, which have more flexibility in their business models. For example, the largest food retailer in Northern Ireland would only be liable to pay the levy on approximately one third of its store estate in the Province. It has been able to open small stores in town centres, which B&Q cannot do. Our sales are only 8% of that large supermarket retailer's sales, yet, under the proposed levy, we would be required to pay more than 50% of the contribution that it would be asked to pay.

349. That will have dire impacts for B&Q. It will wipe out our entire profit in Northern Ireland; in contrast, it will not do that to the supermarkets, as they have far higher sales per square foot ratios. We are a responsible business in Northern Ireland: we employ 1,000 people and we pay nearly £5 million in rates, yet we make less than £1 million in profit. The point that was raised by IKEA is that the rates burden in Northern Ireland, compared with other regions, is exceptionally high. Indeed, our store in Newtownabbey pays a third more in rates than equivalent stores in Glasgow or Hull.

350. The proposal will hurt the ordinary staff in B&Q as well as its business, as we will no longer be able to pay profit-share bonuses. At B&Q, staff are given a share in the profits of the store that they work in, which is worth between £30 and £100 for each member of our shop floor staff. That does not sound like much, but it is very important to every one of those employees. The reward scheme is directly linked to store profit, and wiping out that profit will have a dire impact on the staff profit-share scheme. In 2010, we made £1 million in Northern Ireland, and we gave half of it back to our shop floor staff in profit-related bonuses. Therefore, that is £500,000 that we put into the Northern Ireland economy through the pockets of our employees.

351. In B&Q, we believe that the current proposal is not workable for businesses like ours. We believe that there is an alternative way to raise the funds that the Executive need to support small business. Having examined the options, we believe that the large retail levy should mirror the Scottish model of a supermarket tax — in other words, a levy on only those large retailers selling alcohol and tobacco. Many companies in the non-food sector have similar business models to B&Q, and they also support the supermarket tax.

352. In conclusion, I would like the Committee to know that we want to work with the Executive and the Assembly to create jobs and growth in Northern Ireland. B&Q is willing to pay its way. We will continue to help small businesses through TradePoint, and we will be paying £5 million a year in rates. We are also willing to publicly support any alternative suggestion to the levy that creates a fair system.

353. **Ms Jane Bevis (Northern Ireland Retail Consortium)**: Thank you for inviting us to give evidence this morning. We are the new kids on the block. The Northern Ireland Retail Consortium (NIRC) was launched back in the spring of this year to represent the largely multiple retailers in the British Retail Consortium membership trading in Northern Ireland. There are many aspects of public policy on which we have views and on which we wish to work in partnership with the Executive and the Assembly in promoting the role of retail in Northern Ireland's economy and society.

354. As the largest private sector employer, we feel that we can play an enormous role in developing the economy and in supporting the growth and expansion of our many small and medium-sized enterprise suppliers in Northern Ireland by offering flexible working

opportunities to the many people who find it difficult to secure work in other sectors, by developing our staff in their careers, and by providing vital services to the communities in which we trade, whether in food, pharmacy, clothes or household electrical goods, for example. Furthermore, we can play a role in ensuring that goods that are safe and of good quality are offered at competitive prices, as David mentioned, thus helping hard-pressed households to stretch their budgets, and in supporting our communities through providing equipment for schools, funding for youth groups, raising funds for charities and encouraging staff to volunteer in local good causes, for instance.

355. Between them, NIRC members employ around 30,000 people here in the North and, as the Department of Finance and Personnel (DFP) acknowledges, have grown jobs by over 18% over the past few years. They have plans to employ at least an additional 6,150 people in the next few years, which is a further 20% of growth. For that reason, it appears, they have been singled out as a cash cow to be milked by the Finance Minister.

356. We fully support the extension of small business rate relief as a temporary assistance to genuinely small businesses to give them space to adjust their cost base in these particularly testing times. Our members contribute to similar schemes in Scotland and England but at 0·7p in the pound not 11p, as proposed by Minister Wilson. The rate here would be 16 times higher than in GB. This is a tax on jobs, which is a very strange proposal in these times of growing unemployment. It is the modern equivalent of bleeding the patient to restore his health, and it has many unintended consequences.

357. We want to see retail of all sizes and descriptions thrive, and today we have come forward with a five-point plan to secure retail's future in Northern Ireland. First, we want a fairly funded small business rate relief scheme. Secondly, we would like lower rates for all businesses and households that are honestly paying their rates at present. Thirdly, we want investment in town centres, including the acceleration of the well-tested business improvement district concept that is operating in the South and in GB. Fourthly, we want a reformed planning system that helps to encourage and sustain inward investment, including a "town centre first" policy. Finally, we have made a commitment and want to work with the Executive in developing the skills of our workforce, as a more skilled and productive workforce ultimately means economic growth and more jobs.

358. In all those cases, the Executive have put forward proposals that go at least some way to delivering our vision. We are concerned about whether they are delivered as a coherent package of measures and are being taken forward sufficiently urgently to reverse the current economic difficulties. We need more urgent action on administrative reform; collecting outstanding rates rather than writing off millions of pounds of unpaid rates; bringing the business improvement districts (BIDs) legislation forward; planning reforms; and skills training. We need a more considered approach to the large retail levy and the hundreds of suppliers, thousands of employees and millions of pounds of inward investment that that will affect. This Committee has a crucial role in ensuring that these proposals are given the careful scrutiny that such a controversial policy with so many unintended consequences needs. We look forward to working with you in this endeavour.

359. **The Chairperson**: Thank you very much. Obviously, the Committee is very aware of its role. We have been gathering evidence from the Department and the Minister who made the policy proposals and from those with a vested interest in the small retail side and people like you on the larger side. We are trying to approach this with an open mind and to take evidence from across the board. The Committee will then, having put further questions to the Department, come to its own view on the policy

proposals and make that available to the Minister of Finance and Personnel.

360. I want to return to a point that Iain made. You said that you felt that it would be fairer to do a revaluation. I do not think that it is planned or possible to do the revaluation in the next couple of years, and there is obviously an immediate need for small business rates relief. Given that this is a fixed-term proposal — it is intended to die after three years — do you accept that it may well have the same effect as if we were in a position to do an immediate reassessment or revaluation?

361. **Mr Joannides**: I can speak only for the process that happened in our store. If you look at it in a straightforward manner, looking at the value placed on our business and at the rates placed on other businesses in similar markets, it is very clear that we are paying a huge amount more than we should be paying. I do not know the intricacies of why that has happened. To us, it is about parity and fairness. The Minister believes that we should all pay more because we currently pay 20% less, but we do not currently pay 20% less, so surely a revaluation would bring us back to where we should be.

362. **The Chairperson**: You assume that revaluation will benefit you.

363. **Mr Joannides**: Yes, we think so.

364. **The Chairperson**: I am not sure who can answer my next question, as I know that there are some commercial restrictions on what people can tell us. Figures that we have received from the Department suggest that the levy is estimated to represent 0·005% of the combined UK sales turnover of the large retailers and 0·8% of their operating profits. Is that accurate as far as you are concerned?

365. **Mr Joannides**: All that I can say is to repeat the fact that we make a substantial loss in Belfast, and we have only one store in Northern Ireland. You have to look at things in isolation. We do not want to look at things on the back of a UK company. We look at where you are applying the tax. You are applying the tax in Belfast, and we currently make a substantial loss in our store. There is nothing more that I can add to that.

366. **The Chairperson**: Surely, you are part of a network that is across here and in Britain and in Ireland?

367. **Mr Joannides**: Absolutely, but is it right that —

368. **The Chairperson**: I presume that if one store is losing, the entire network can absorb that in some shape or fashion and, hopefully, turn around the individual store.

369. **Mr Joannides**: Potentially, but is it right to subsidise one loss from another store?

370. **Ms Bevis**: I think that the figures used by the Department are the wrong set of comparisons. First, turnover is irrelevant. If you look at many of the other large businesses that are not within the Department’s proposals, you see that they have enormous turnovers as well. So, on that basis, why would they not be included? You need to look at profit on a per-store basis. As colleagues have explained, we are a very low margins sector. Everybody sitting here on the panel is cutting margins absolutely wafer-thin in order to offer the best possible offer to customers to attract them in. It is a very competitive situation that we are all facing. We recognise that colleagues in small retailers, equally, have to try to find a way forward within that very competitive environment.

371. In terms of the profit margin of an individual store, the levy actually represents something like 8·5% or 9%, which is a much bigger figure. To an extent, a retailer will, of course, cross-subsidise between stores in the short term. Ultimately, however, if you cannot turn a store round, you have to close it. If you cannot make the case for a substantial competitive rate of profit on a new store opening compared with investing that same capital somewhere else, you cannot open the store. Although we are not saying that this will result in large retailers withdrawing

from Northern Ireland, it will certainly have a significant impact on their future investment decisions.

372. **The Chairperson**: That is a disputed fact, but we are happy to take evidence from you on that.

373. **Mr Cree**: Thank you very much for your submissions, particularly the written ones. There is a lot of detail in them that will be helpful.

374. In your submission, Jane, you are saying, "Look, treat everyone the same. Ignore the fact that small towns have small stores from big groups." Do you recognise that there is a problem in town centres generally with footfall and everything else? Additionally, in comparing the rates with other regions, are you mindful of the fact that our regional rate has been frozen for the past four years and will be for, hopefully, the next four years?

375. **Ms Bevis**: I very much acknowledge the point that you make that town centres are facing huge challenges. We released figures earlier this week on the number of vacancies that we are seeing not just in town centres but in shops generally, so out-of-town as well. That is a bigger problem in Northern Ireland than anywhere else in the UK. However, I am very pleased to say that it is less of a problem in Northern Ireland now than it was three months ago. Innovative processes are already taking place to encourage pop-up shops in empty shops, etc, and councils are working to encourage more shops into empty properties.

376. What we need is a long-term plan and that is why we think that the business improvement district legislation is so vital, because that enables private businesses — largely retailers but not exclusively retailers — within the designated area to come together with the local authorities and potentially other partners to come up with a scheme that really addresses the problems that face that particular town. There will be different problems in different places. There is not a one-size-fits-all solution: it must respond to local difficulties.

377. That concept has been proven in the US for over 25 years and, more recently, in the Republic and in England, Scotland and, to a lesser extent, Wales. There is no need for a long scrutiny process on that. The Executive should be rushing that legislation through the Assembly now. That is what needs accelerated passage so that we can start to put the heart back into towns and look at ways to streamline the planning system and to do all the things that will encourage large retailers to invest. They draw in the footfall for their small neighbours and that is how you get a vibrant town centre again.

378. **Mr Cree**: And the regional rate?

379. **Ms Bevis**: It is always good to have a freeze on any costs. Of course, rates are just one of a list of costs facing retailers in trading. There are certainly areas of Northern Ireland where rates are more expensive than elsewhere in the UK. There are other costs that are more expensive here than elsewhere in the UK.

380. **Mr D Bradley**: Morning, everyone. Thanks very much for your presentations. Jane, if my memory serves me right, it was you who said that you would not mind contributing to the scheme if it was genuinely for small business. I take it from that that you suggest that the scheme has a bit of a scattergun approach. How do you suggest that the scheme should be made more focused and, at the same time, operable?

381. **Ms Bevis**: Indeed. Similar schemes in GB ensure that it is genuinely for small business: either you are trading from single premises or, if you have two or three premises, there is a sliding scale on which you get a reduced rate of relief on your second and third properties, and there is a cap on the total rateable value that qualifies. The proposals that have been brought forward are not a small business rate relief scheme; they are a small business premises rate relief scheme. There is a huge difference. It

means that some very large businesses here will be recipients of the scheme, whereas, if they were elsewhere in the UK, they would contribute to funding the scheme. If the administrative arrangements are perfectly applicable and easy to put in place elsewhere, they should be here too. To be honest, we are talking about 9,000 properties. If, at the beginning of the consultation process back in the summer, someone from DFP had got on their bike and taken a clipboard, they could have got round all those properties by now and decided which are eligible and which are not.

382. **Mr D Bradley**: I am not sure, but my understanding is that there will be no sunset clause in the Bill. Do you think that there should be a sunset clause?

383. **Ms Bevis**: It is absolutely vital that there is a very clear end point. Minister Wilson said that he sees it as a temporary measure to help small businesses in a very difficult period. None of us know when the difficult trading conditions will end. The Minister said that he is looking at the BIDs legislation and other tools being in place over a three-year period. I have already made the point that I think that the BIDs tool should be in place a lot faster to enhance confidence among businesses investing in Northern Ireland. I am not talking about just retailers but every other large business. I know that colleagues from the Confederation of British Industry (CBI) will give evidence later. We look at the scheme from the point of view of someone who is saying, "I am in international big business and choosing where to invest my capital. Do I trust that the Government of Northern Ireland will treat me fairly once I have that capital in place?" The scheme, as it is currently, sends entirely the wrong message in that regard. A sunset clause would help significantly towards putting confidence back into those big businesses.

384. **Mr D Bradley**: Some of you mentioned the extent to which you use local suppliers, the amount of money that you invest in the economy here, and so on. Many people's view is that, generally speaking, you are people from outside Northern Ireland who come in and benefit from trading here but leave only a limited benefit behind and that, in difficult times such as those at the moment, it is not really too much to ask you to contribute a bit more. By the way, I am happy to hear all of you answer.

385. **Ms Bevis**: Our 30,000 employees are overwhelmingly local people who support local families and spend in the local economy. Our wage bill, which is one of our biggest costs, is invested in Northern Ireland's economy. We estimate that the average supermarket that trades here has 200 SME suppliers locally. That is more business for them, and that is more wages paid into the local economy. We estimate that, between them, they spend £1·5 billion a year in the Northern Ireland economy. Colleagues from Enterprise Ireland, for example, have said to me that, if Tesco were a country, it would be their third biggest export market. Essentially, that is also true for the North, so there is lots put back into the economy here.

386. **Mr D Bradley**: Some people would argue that you have displaced trade that, previously, was taken up by smaller retailers.

387. **Ms Bevis**: By improving productivity, we stimulate more growth and more spending in the economy. As David said, it is not a zero-sum game. We can get into employment more people who are spending at the local small shops as well as the big multiples.

388. **Mr Paterson**: When we came to Northern Ireland, one of the things that we found was the extent to which we were welcomed by customers and a range of businesses here because we brought competition and that helped to drive down prices. That helped people to have a bit more money in their pocket, which they can spend in other ways. There is a direct benefit from wages and suppliers, but let us not underestimate the impact on inflation. From the recent Office for National Statistics (ONS) figures on inflation, it is clear that competition in our sector was driving

prices down and keeping inflation from growing even more. That has a benefit for everyone in Northern Ireland.

389. **Mr Humphrey**: Thank you all for your presentation. I notice that Tesco is not part of your delegation. Do you think that the comments from Tesco helped your cause?

390. **Mr Cree**: Every little helps.

391. **Mr Paterson**: I will certainly not answer for our major competitor. That is for it to do, and you may wish to ask it about that later. Members who have seen our consultation response will know that we have tried to take a constructive approach. We have set out four separate options on how we think that the tax could be made fairer and on issues that could be addressed to do with that. We have also had those discussions with the Finance Minister. We have raised other issues where we think that barriers currently exist. One of those, for example, is the current state of the alcohol licensing system, which brings in great uncertainty and significant cost. That could be revised and could bring in much-needed funds for the public purse. We have tried to be constructive in that process.

392. **Ms Bevis**: Tesco is one of our major members, and I know that it is very committed to Northern Ireland and its stores and colleagues here. It is genuinely worried and frustrated by the proposals.

393. **Mr Humphrey**: The question was: do you think that it has helped your cause?

394. **Mr Walsh**: From the perspective of B&Q, I said that we did not wish to be associated with the more outspoken supermarkets. That is the clear position of B&Q.

395. In answer to the question of how we support local industry in Ireland: B&Q's policy is to source for all its 350 stores from its vendor base right across the British Isles, including Northern Ireland and the Republic of Ireland. A lot of the products that we sell in our stores are manufactured and sourced in Northern Ireland and the Republic.

396. **Mr Humphrey**: I have taken cognisance of the overall number of people that you employ and the disposable income that those people have. David, you said that the amount of disposable income that goes on grocery spending is less in Northern Ireland than on the mainland. Many people will contest that that is because wages are lower than on the mainland. I used to work in the food industry, and I know that there are UK agreements on the purchase price for thousands of products. Therefore, I am not entirely convinced of the distribution argument. One of the ways in which you can address that — I am sure that companies continue to do that — relates to Mr Bradley's point. It is not just about the effect of the spend of the 30,000 people collectively employed by companies in your organisation. The purchasing power that you have in buying local products and increasing the volume of such products on your shelves will also have an effect.

397. I am hugely sympathetic to the point that Diarmuid made about the responsible way in which B&Q is looking at this. There are a number of points regarding rates on which I also have huge sympathy with Jane. I take Iain's point about the rates paid here compared with the mainland. We have a dual rates system in Northern Ireland — a regional and a local rate. The previous Secretary of State for Northern Ireland once increased the regional rate by 19% in one fell swoop, in one year. The difficulty is that that position was inherited by the Minister and the Executive. Many local councils — I declare an interest as a member of Belfast City Council — have sought to keep rate increases below inflation or, in some cases, sought a 0% increase.

398. I agree with you that business improvement districts are important. The Department for Social Development is looking at that. Rate collection and the Planning Service are also issues. Our Committee has nothing to do with scrutiny of the Planning Service, but I sympathise with your frustration. In support of what the Chairman said: we

are looking at this root and branch. We have had the Department's permanent secretary in to discuss how rate collection can be improved. The Department has brought in the performance and efficiency delivery unit (PEDU) to try to improve that. It is a huge problem. The Minister is keen to address the level at which rates are being written off. The responsibility to address that lies with the permanent secretary, and we have questioned him on that.

399. To come to my question: last week, the Committee heard from the Northern Ireland Independent Retail Trade Association (NIRTA), Pubs of Ulster and small business representatives from across Northern Ireland. They said the converse of much of what you have said today. It is a difficult situation for the Executive, the Minister and MLAs in their constituencies, because small business people come to their offices to make the point made by Mr Bradley, that huge multinational stores have displaced the small trader. How do you argue against that point?

400. **Ms Bevis**: Ultimately, it is customers, is it not, who decide which retailer does or does not thrive? That is why things such as investing in town centres are so important — you need to attract customers to where your shops are. As David explained, the real challenge at the moment is that customers are finding it difficult to balance their budgets and, therefore, do not have a lot of disposable income. You have to offer customers a good deal, whether that means the best price, service, choice of goods or whatever. Small retailers can be very innovative and successful at that, and we absolutely support them as an important part of the mix. However, we do not think that it is right to take the approach of subsidising a failing business. Actually, we need that business to be a better one.

401. **Mr Humphrey**: I do not think that the Minister is taking that view.

402. **Ms Bevis**: That is why we support a temporary relief to help those small businesses adjust. There is always a temptation in these situations to say, "Oh well, we have put a temporary relief in place, but, actually, it is quite difficult to make the decision to take it away now. We will go on making the subsidy." As we have seen in lots of other industries, ultimately, that does not work because, in retail more than any other area, the customer decides who wins and who loses.

403. **Mr Paterson**: I want to pick up on a couple of points that you made about the relationship with suppliers. It is fair to say that, in Northern Ireland, we source and give more space and prominence to local products than any other part of the UK. However, we do that without adding price for our customers. We believe that we deal fairly with suppliers here: we have a higher cost to operate, but we do not put that through to prices for customers.

404. One of the other points that you rightly picked up on was rate collection. An interesting point came out from the debate in Scotland last year when the Finance Secretary proposed a large retailer levy that was not too dissimilar to this proposal. At that point, the Finance Secretary said that he required £30 million or there would be a range of cuts. That levy was defeated in the Scottish Parliament, and, when it was, the Finance Secretary told us that, because of increased buoyancy in rate collection, not only was that £30 million not needed but he had found more money from business rates to fund other things. Therefore, one of my questions for the Minister here would be that, if the buoyancy of business rates were higher and if tax collection were greater than expected, would the Executive look at the levy again or would they look to provide a rebate to business? My understanding is that the Minister did not set out as a matter of policy to try to equalise the playing field; he simply wishes to raise the £6·5 million. Therefore, if he finds that that money comes in through increased buoyancy or through improved rate collection, will he look at reducing the tax or at offsetting it?

405. **Mr Humphrey**: I was in IKEA on Saturday. I do not know whether you were there, Iain, but it was bunged. It was quite noticeable that there were a number of cars from the Republic. I have not seen any recently, so shoppers from the Republic are clearly shopping there. There is a great opportunity coming down the line for Northern Ireland retail and business in general, because the Republic's Finance Minister, Michael Noonan, has indicated that value added tax in the Republic will increase to 23%. What effect will that have?

406. **Mr Joannides**: That will obviously present an opportunity for all the retailers in Northern Ireland, especially those in border areas. Newry, Strabane and Enniskillen have suffered greatly over the past 12 months, and it would be great to see some Southern customers returning to those areas.

407. Going back to your original question, from our perspective, we very much support rates relief for small businesses, and we have never, at any point, said that what the Minister is trying to do is not the right thing. Our customers predominantly work for small businesses, and if they have greater spending power and job security, we will do better. That is very straightforward. The only problem that we have is with the fairness in how the tax will be collected. We already pay more, and we have no problem with a small increase on top of what we currently pay. However, we feel that the increase should not be levied simply at retailers; as David said, there must be a fairer way of administering it. There has to be. Big businesses should contribute to the current conditions, but that should be across the board. Every large business in Northern Ireland should pull together to support smaller businesses.

408. **Mr Humphrey**: Thank you.

409. **Mr Walsh**: B&Q has been in Northern Ireland for nearly 30 years, and we are not aware of having any impact on any of the competition. We need to reinforce the fact that, in Northern Ireland, non-discretionary spend is definitely under pressure. Sales in B&Q in 2010 and for most of 2011 have been down by 15%. We also have nine stores in the Republic of Ireland, and we do not enjoy any of the benefits of cross-border trade.

410. **Mr Hilditch**: My question relates to your first question, Chair. Hopefully, we got an honest answer to that from IKEA. David, if the rate review had taken place on schedule, would it not be the case that Asda, for example, would already be paying at a comparable level to what is proposed or perhaps paying even more?

411. **Mr Paterson**: We do not know, because we do not know what the exact detail of that revaluation would be. What we do know is that that would be at least fair. We would have the opportunity to appeal decisions where we felt that the revaluation was inappropriate for those individual stores. There would be a certainty to that.

412. We have an additional concern that goes back to the point about the sunset clause. We accept the Minister's intention that this is to be a three-year measure. However, we also think that it would be very difficult to remove that support from small businesses after three years. We are not aware of any other scheme where that has happened. In fact, every other scheme where that has been brought in has been expanded and increased. Therefore, we have a concern that this could prove to be a double whammy, in that not only do we pay more now — that may continue, which is why we would ask for a sunset clause — but the revaluation may hit us again.

413. However, there is a process to that. That process would not send the same message to our board about investment in Northern Ireland. At the moment, the very clear message is: "We believe that you, the large retailers, should pay more tax and that no other large businesses should, despite having higher profits and turnover."

414. **Mr McLaughlin**: Thank you very much. They were very interesting presentations. I am more interested in the process now, and I thank you for the information

that you provided, which, I suppose, will have to be reflected in agreeing a final position.

415. I also acknowledge that there is a temptation to deal with other issues that are connected with this one. There are ongoing considerations for the business improvement districts. The Executive are intending to produce the primary legislation in 2012. This is November 2011, and you are arguing that they should do it more quickly. I do not know exactly what the impact of that would be, but we have found that there are issues, even in our preliminary investigations, particularly where the power relationships between the big operators and those associated smaller businesses are concerned. There are also questions about whether there is the same commitment to ensuring that the BIDs achieve their purpose. However, that, for us, is for another day.

416. I am concerned about your engagement with the Department. We heard from today's presentations that people are not arguing against the principle of providing support if that would have the desired effect of ensuring that small business survives this downturn. The difficulty with the sunset clause is that none of us knows when we will come through this or whether we are heading into another dip, which would put intense pressure on the Executive to respond.

417. However, the point is well made that, if you provide those reliefs, it would be very difficult to cut them off when the dependency emerges. However, if we cannot get that competitiveness, those businesses would not survive anyway. So, the Executive, in their general approach, will have to bear down on all that. The sunset clause is probably too prescriptive to be an effective measure if we end up having to double ourselves over again on the basis of a continuing economic crisis.

418. I would really be interested to hear about the Department's responses when you indicated that the scheme is, in fact, a blunt instrument and that there are businesses that really do not need it as much as others. Those businesses will benefit and could move in immediately and claim the relief. Do you think that that point has been recognised and accepted?

419. **Ms Bevis**: It is not just us who think that it is a blunt instrument; the First Minister said that it was a blunt instrument. In our discussions with the Minister and the Department, they indicated that they are very open to other suggestions on ways to fund the small business rates relief. It is just that every time we come up with a suggestion, they tell us that it would be contrary to policy and that they do not want to proceed that way. We think that there needs to be a policy that is pro-retail, as well as a policy that is pro-manufacturing. All we are asking for is equal treatment.

420. **Mr McLaughlin**: I understand why you are making the case. In fact, I have some sympathy for that. I am asking whether you got a response and whether you think that the point was made.

421. **Ms Bevis**: On each specific proposal that we came up with, reasons have been given as to why they do not think that they can actually do it that way.

422. **Mr McLaughlin**: We have met those civil servants as well. Can anybody else respond?

423. **Mr Paterson**: We had similar responses, as some said that there may not be time to do some of the administrative work on, for example, differentiating between banks operating out of small premises and so on. We think that that is unfortunate, because that is something that, frankly, we raised right at the start of the consultation process. Therefore, we do not see why you had to wait until the end of that process to begin to do the work that would give greater flexibility in the rates system. That could have started long ago, and we put it to the Minister back in early summer.

424. **Mr Walsh**: I endorse David's point. Concerns have definitely been raised that, if the scheme is in place for the

start of April, there is no time to allow alternative schemes to be considered and consulted on.

425. **Mr McLaughlin**: OK. Nevertheless, we have a responsibility in the Assembly and the Executive for policy, so if things change, the system will have to respond. We have had four very interesting submissions, and they made some similar points, but there is also a clear divergence. In fact, there are some people who are not here today who we probably could have heard from. I think it would help everyone if we could boil it down to heads of agreement and have an engagement on that. Given the time factor, perhaps we should do more work at that end of it.

426. **Ms Bevis**: We would be very happy to work with the Committee or with individuals on that.

427. **Mr McLaughlin**: And, I suggest, with the Minister and his officials, given the urgency of the situation.

428. **The Chairperson**: I want to expand on Mitchel's point, because he brought up a concern that we raised here. I think that you referred to it, Jane. The scheme does not target some businesses that perhaps should be targeted, and it provides a benefit to businesses that perhaps should not receive it on the basis of the size of their premises. Given that our rates are based on property size, you can see the departmental officials' argument that they do not have flexibility there. You suggested that rates relief should be approached on the basis of the type of business rather than on premises. Have you put any argument to the Department? That is something that we have heard in the Committee and about which we have our own concerns, even though we understand in principle the necessity of support to assist small businesses. One of the concerns that we have, which Mitchel identified, is that some larger businesses that perhaps should be in the picture are not and that some of the beneficiaries are people who are doing quite well as they are part of multiples. The only difference is the size of their property. Have you put any specific propositions to the Department on how to achieve the outcome that you suggested?

429. **Ms Bevis**: We put two main proposals in our submission. One was that, if the idea is that it is to be a retail scheme, the only recipients should be small retailers. You can use planning classes to broadly distinguish who they are. There will be a few little pinches around the edges, but it will broadly get you to the place that you need to get to. Alternatively, you could say that it is a complete cross-sectoral approach for all small businesses, in which case all large businesses contribute. You cannot have a hybrid that has a broad range of beneficiaries but only a very small base of funders.

430. **The Chairperson**: OK. You also suggest that the BIDs initiative could be an alternative to that, although, as Mitchel suggested, there is a time frame for bringing that in. Is there not a mix of both schemes in Britain, where there is a BIDs scheme as well as rates relief from targets?

431. **Ms Bevis**: Yes, but to put it into context, we are talking about 0·7p in the pound being the contribution to supporting small businesses and typically around 1p in the pound — a few are edging up towards 2p now — contributing to the BIDs scheme. Even where you have both in place, which applies in an increasing number of town centres in Scotland and England, that still amounts to only 2p or 2·5p in the pound, compared with a much bigger figure here of 11p in the pound. That is why the proposal is so damaging.

432. **Mr Paterson**: In our response, we suggested a number of options as to how that could be distributed that could be looked at. As Jane said, you could take an approach similar to that taken in Scotland, with 0·7p in the pound as the contribution. A similar approach here would mean that, we think, around 0·63p would be the contribution.

433. However, other options could be fairer. For example, you could take the current threshold that the Executive are proposing, which is £500,000, and apply that to all large businesses. We think that that would result in a levy of around 2·8p. Alternatively, you could look at something smaller, say a threshold of £100,000, which would work out as a levy of around 1·13p. The point is that we do not believe that larger businesses being asked to pay at that level would find that a deterrent to further investment.

434. At the level we are talking about now, if our board is taking decisions on investing and sees a 20% increase in business rates, that would have an impact, because we have a two-stage process in our investment decision. We decide what schemes we want to put forward across all countries in the UK, and that gets whittled down. We do not support schemes where we do not believe we will make a profit. We then have to take that to our board at Walmart, which adjudicates among 14 different countries. We are talking about global capital being invested in Northern Ireland and in other parts of the UK, and we have to show a clear return on investment. Adding costs such as this tweaks the investment model. It makes it harder to make a return more quickly, and a 20% increase would have a clear impact. If you are looking at a levy supplement of 0·6p or 0·7p, or even 1p or 2p, that would not have nearly the same impact on the return on the investment model. That is why we are asking for a bit more parity.

435. **Mr Walsh**: Again, we made representation to the Minister along similar lines to those that David discussed. We believe that that is much fairer.

436. **Mr Paterson**: I have one thing to add. On the question of whether there is time to sort this out before April, we are not convinced by the answer that there is not. We think that work could be got on with. If the Minister is saying that this is a three-year measure, why not make year 1 the current position and do the work in the intervening time? That could be the fallback position, and it would mean that, at some point, perhaps in October, banks and other large businesses that will be beneficiaries would stop being beneficiaries and start paying their way from there. We would ask for that work to be done.

437. **The Chairperson**: OK. We have run beyond our time, so thank you very much for your presentation. As I said, the Committee will continue to take evidence — we have another evidence session now — and we will come to our own views with further evidence from the Department as well.

438. We will now have a further evidence session on the same issue, so could anyone who is either in the Public Gallery or here to give evidence please switch off any mobile phone or electronic devices? We are joined by Roger Pollen, head of external affairs for the Federation of Small Businesses (FSB); Nigel Smyth, director of the Confederation of British Industry; and Chris Kenton, the head of the property group in the NI Royal Institute of Chartered Surveyors (RICS). You are very welcome, gentlemen. We received an apology from Janice Gault, the chief executive of the Hotels Federation. She is unable to attend due to unforeseen circumstances. We are one witness down, but, given that we have run over time already, that might not do any harm.

439. I am not sure whether you have agreed a speaking order among you, but I invite each of you to make some opening remarks. You will have had a flavour of the previous session through some of the questions asked and the discussions that arose. The purpose of the session is to help to inform the Committee so that it can go back to the Department with further questions, observations and points that have been put to us. We intend to distil all the information that various interested parties have given us and come up with a report on the Department's policy proposal. Would you like to kick off, Nigel?

440. **Mr Nigel Smyth (Confederation of British Industry)**: I am happy to do

that. First, thank you; we welcome the opportunity to appear before the Committee to provide a short statement. As you are aware, the CBI has provided a detailed response, and I will take this opportunity to highlight a few key points.

441. First, as set out in the Department's summary of consultation responses, there is strong evidence that consumer expenditure and confidence have declined, largely because of fairly low wage increases, significant inflationary pressures and, indeed, a reduction in the number of consumers from the Republic of Ireland. Business confidence is in significant decline as well. Most businesses face a situation in which there is weak demand combined with rising costs, which, overall, create difficult market conditions. To give a little bit of context, we are very keen to see the rating system used to encourage economic activity for inward investment and, indeed, for the development of indigenous businesses. Indeed, we believe that any proposal to significantly increase rates would be unhelpful to encouraging investment in Northern Ireland.

442. The CBI is strongly opposed to the proposed 20% levy for large retail premises. The measure has been considered by our economic affairs committee and our council, which does not have any retailers on it. We have also consulted our retail members, from whom you heard. We strongly believe that the proposal sends out the wrong messages to investors in Northern Ireland. The Minister has stated that he is targeting a sector that is perceived to be faring better than others. However, our evidence shows that the levy will place a major burden on large retailers. Our concerns apply to not just the retail sector; they go much wider. The Executive's decision to target a sector because it is perceived to be doing well sends out a very negative message.

443. The timing of the decision could not be worse. As I highlighted, the retail sector is operating under difficult market conditions, which are likely to remain for a considerable time. That is impacting on large and small stores. The levy increases uncertainty and undermines confidence in future investment. Faced with such significant cost increases, we believe that stores will have to respond by cutting costs. We have highlighted that we do not believe that stores will close, although some think that that will not be a certainty in the new year, given the pressures on the retail sector in Belfast. Our evidence indicates that companies will either cut staff numbers, social responsibility activities or other investments, particularly those on the environmental side. The proposal will undermine town and city regeneration. We believe that the consultation, which is very much based on turnover figures at a national level, undermines the impact of the levy on store profitability in Northern Ireland. It is very unfortunate that the rating revaluation did not take place. We believe that that is the fairest system, and we have argued for a long time that it needs to be done regularly.

444. On the issue of the small firms rates relief scheme, our members with small businesses will clearly benefit from the proposals and will strongly welcome them. They stand to benefit from a reduction in rates of between around £600 and £1,200 over the next three years. However, it is fair to say that we highlighted in our response that it is unclear what impact the extension of the small business rates relief scheme will have. The anecdotal evidence that we have picked up on certainly indicates that it will not help to create jobs. Indeed, if we look at the evidence from Scotland and Wales, we will see that the scheme's main achievement there has been that support has been given to some very small and marginal businesses, particularly those with turnovers of less than £100,000. It will certainly help such businesses in the current difficult market trading conditions.

445. We certainly believe that job creation should be the key short-term focus for the Executive. Indeed, the CBI and seven other organisations highlighted that earlier in the year in our jobs plan.

We proposed something that would bring additional leverage. We were very keen to see the rates system being used to encourage investment and to incentivise investment in areas such as energy efficiency.

446. We oppose what the Minister is bringing forward. We want to support town and city regeneration, and we have highlighted alternatives. You heard about business improvement districts, which are, we believe, a very sensible way to go, and we would like to see proposals on those brought forward with urgency. We believe that serious consideration should be given to material change of circumstances. I see that the Department's response suggested that that would undermine the local rate base. However, it would get more rates from the large store of whatever kind that a regional centre is developing. There should be an opportunity for smaller shops in particular to be able to challenge and respond, because their market conditions would obviously change on the back of that out-of-town development. We clearly need more effective planning policies in place.

447. Critically, we certainly believe that the Committee should be asking about the outcomes of those proposals, particularly where maintaining and creating jobs is concerned.

448. For comparison, the Invest NI jobs fund of £19 million will create 4,000 jobs by 2014, and our latest business plan from the green new deal, which will use about £12 million of public expenditure, will certainly create several hundreds, if not thousands, of jobs over a similar period.

449. **Mr Chris Kenton (Royal Institute of Chartered Surveyors)**: The Royal Institute of Chartered Surveyors (RICS) welcomes the opportunity to brief the Committee on the commercial rating consultation and, in particular, the proposal to extend the small business rates relief to be funded through a supplementary levy on large retail premises. RICS is the principal body of its kind in the world for professionals engaged in property, construction, land and related environmental matters. As an independent and chartered organisation, RICS regulates and maintains the professional standards of over 91,000 qualified members and over 50,000 trainees and students. In Northern Ireland, RICS represents some 3,000 members. It is governed by a royal charter and is approved by Parliament, which requires it to act in the public interest.

450. I will briefly address a number of the issues regarding the proposal to introduce a supplementary levy, and I will outline a number of the recommendations on commercial rating and support for small business in Northern Ireland.

451. RICS welcomes the Northern Ireland Executive's desire to provide support for small businesses in the current economic downturn and notes that many businesses are finding trading conditions difficult in the current climate. However, we are not convinced that the proposal, as outlined in the consultation document, is the best way of providing that assistance to small businesses. We concur with some of the findings of the Economic Research Institute of Northern Ireland's (ERINI) 2008 investigation into the small business rates relief for Northern Ireland.

452. The Northern Ireland Executive have advised that there should be four drivers as the focus of government policy: an increase in research and development; promotion and encouragement of enterprise; upskilling the workforce; and ensuring a modern infrastructure for workers. Policies should be durable, and by that I mean that they should be sustainable without periodic public assistance, and there should be spillovers for the wider economy. According to the strategy, those principles were devised to ensure that limited public resources are used in the most effective way.

453. Under the proposed extension of the small business rates relief, commercial premises of a net annual value (NAV) of between £5,000 and £10,000 will receive relief on their rates bill, which

will amount to approximately £730 per annum. Although small businesses would, no doubt, welcome relief of that amount, it is unlikely that that would be sufficient to make the difference between a business being viable and closing down. Neither is the proposal likely to impact on employment figures. More importantly, the average assistance of £730 is not going to impact on staff retention, nor is it likely to create additional employment opportunities. It is our view that the support will do little to meet the criteria established for drivers of government policy, and it is not the optimum method of using taxation to assist those businesses in greatest need.

454. As the Finance Minister has noted, the measure is a blunt instrument, and we note that the proposal does not reflect that there are many profitable business organisations operating from small premises and that they may not need the support provided. Similarly, not all retailers occupying large retail premises will be highly profitable.

455. In our response to the consultation, RICS called for a fair rating system, which is revaluated regularly to ensure that anomalies are addressed. It also called for the establishment of a system in which investors can have confidence. In 2009, RICS acknowledged the rationale behind the Executive's decision to postpone the 2010 revaluation, given that the local councils required certainty on the rates base. If we are looking at job creation and investment from business organisations, it is imperative that they are given the same stability and confidence in the rating system. Had the postponement of the 2010 non-domestic revaluation not taken place, it is our contention that some of the stores identified in the consultation document, such as those in Donegall Place, could have reasonably expected a reduction in the NAV, given the proximity of the Victoria Square development. Many of those stores have already been impacted on by the decision to postpone the revaluation, given that their NAV was maintained at existing levels. In effect, those stores will be paying a supplement on an NAV that is already above levels that they would have been paying had the revaluation proceeded.

456. Among the proposals put forward by RICS is that revaluations need to take place regularly to address anomalies and to provide certainty in the rating system and that non-domestic revaluation should commence as soon as is reasonably practicable. RICS also considers that small business rates relief is not the optimum vehicle for providing assistance to small businesses and concurs with the view that the measure is a blunt instrument that is unlikely to impact on business viability or employment creation. In fact, we are concerned that the proposal could lead to a contraction in employment, as those large retailers identified attempt to assume the cost of the supplement.

457. Thirdly, although the consultation is not directly linked to the survival of town centres, the argument has moved in that direction. RICS Northern Ireland supports the development of business improvement districts as a means of marketing and developing town centres across Northern Ireland, and although BIDs legislation is not within the Committee's remit, RICS believes that BIDs legislation should be introduced as soon as is practicable.

458. Fourthly, it is the opinion of RICS that the Northern Ireland Executive should, as a matter of urgency, work in a cross-departmental manner to address the needs of town centres. At present, the approach is fragmented. For example, the Department for Social Development has a remit for urban regeneration, the Department of the Environment has a remit for planning, the Department for Regional Development has a remit for car parking and transportation, and the Office of the First Minister and deputy First Minister has a remit for cohesion and integration. If relevant Departments choose to work in a co-ordinated way, town centres can become more sustainable.

459. Fifthly, we urge the Department to re-examine the rating of car parks in the next revaluation. Sixthly, we believe that support should be given to those who need it most. Starting up is one of the most challenging times for a business, and rating assistance should be provided to genuine start-ups that occupy vacant premises where there is a prospect of job creation.

460. I welcome the opportunity to explore these issues in the question-and-answer period. Thank you for hearing me.

461. **Mr Roger Pollen (Federation of Small Businesses)**: Thank you, Chairman, for the opportunity to give evidence to you and your colleagues. The Federation of Small Businesses (FSB) is the largest business organisation in Northern Ireland, with nearly 8,000 members. We survey our entire membership annually and carry out monthly panel surveys to find out what our members think about the issues that affect them and what they are experiencing on a wide range of issues. That means that FSB speaks for the typical businesses of Northern Ireland.

462. FSB supports the proposed extension of the small business rate relief scheme. Indeed, when the current scheme was introduced in April 2010, we called for it to be extended further because we could see the benefits that it was starting to deliver. In fact, we are not aware of a single Member of the Assembly who is not supportive of the idea, so we are agreed that the principle of small business rates relief is something that we all want to achieve.

463. It is worth considering why small businesses need rates relief. Rates are a disproportionate burden on small businesses; in some cases, they make up nearly 15% of their overheads. In our surveys, business taxes have been identified as a key barrier to doing business, with half of our members identifying rates as their preferred target for cutting.

464. Cash flow is another issue for small businesses, and it is magnified by the difficulties of obtaining bank lending and the increasing culture of late payments. Against that backdrop, a reduction in one of the largest overheads — rates — is an effective way of leaving cash in the business. It has been mentioned that small business confidence is significantly lower here than in the rest of the UK. Small business rates relief will have some impact in bolstering confidence.

465. Perhaps the greatest concern is the raw numbers that reflect private sector employment throughout Northern Ireland: small to medium-sized enterprises make up more than 99% of all businesses here, and the vast majority of those employ fewer than 10 people. During the last Assembly mandate, from 2007 to 2011, the number of small, medium and self-employed enterprises fell by more than 10,000, from 132,000 to 122,000. In the same four-year period, employment by SMEs has fallen from 81% to 77%, representing about 35,000 employees.

466. In bringing about these changes, we are trying to assist in that. We have seen it through the number of shops that have closed, with the negative effects that that has on their neighbours and on the appearance of towns and villages for tourism. We are also very supportive of the proposals to allow window displays in vacant properties, as a way of revitalising premises and of lessening the negative impact on neighbouring properties, and as an interim measure towards the return of the properties to an occupied status. Therefore, we add our voice to the proposal to allow the 50% vacant rate to continue for the first year of occupation, although the criteria for qualification will require further consideration.

467. We also suggest that, to encourage community cohesion and corporate social responsibility, businesses should be allowed to and be encouraged to sponsor community projects, and they should be given the opportunity to have a discreet logo on those window displays without triggering a rates liability for that small commercial advantage.

468. Echoing what has been said, we support an expeditious review of the rates revaluation system. Not only will that measure benefit retail, but it will benefit a large number of other small enterprises. Often, those enterprises are in rural locations where employment is difficult to stimulate. We must keep that in focus.

469. Chairman, I took the liberty of looking at half a dozen or so of the constituencies that are represented by members of the Committee, and it is clear how widespread the proposal's benefits will be. I will use your own constituency as an illustration, if I may. There are 24 businesses in the Mall in Newry, seven of which are in receipt of small business rates relief. If the proposal is implemented in the way in which it has been put forward, a further 10 businesses would come into the scheme. That means that 71% of businesses in the Mall would benefit from the proposal. As I said, there are other illustrations from constituencies that are represented around the table. Broadly speaking, the lowest number of beneficiaries would be 40% of businesses in a typical area — which, I believe, is the case in your own area, Chairman — right up to about 81% of businesses in typical areas in constituencies. It is, therefore, a direct way of delivering benefits throughout Northern Ireland.

470. The figure of £700 was mentioned as the typical amount of relief that each business could expect to receive. What could be done with that money? In the simplest terms, it would pay bills; it would provide working capital for stock and overheads rather than having to get overdraft facilities; it could pay a part-time member of staff for a month; or it could pay one employee's national insurance for a year.

471. Interestingly, one of our recent surveys found that, despite the economic turmoil, 71% of our members said that they would like to employ staff or additional staff, and 65% said that the most effective and helpful measure that the Assembly could introduce to encourage businesses to employ would be to reduce business taxes. Again, the ability to survey members enables us to find out what they say about creating jobs and what they would do with that sort of money.

472. It seems that no one disputes that the proposal has valuable benefits; the only point at issue is how it should be funded. We are aware that there is some unease among a relatively small number of large stores that will be affected. However, it is important to highlight some key facts: it is a short-term measure; it is intended to deliver immediate relief to a vital and immensely stressed part of the private sector for a time-bound period. I take your point that a sunset clause may not be appropriate or applicable. However, if we look at it over the next three years, the proposal could be introduced quickly and deliver benefits that will be felt throughout all constituencies. It is a downturn measure, not a rates reform. We still want the revaluation to be conducted.

473. I am aware of pejorative attempts to malign the beneficiaries of the relief: "banks, bookies and boozers". That sort of alliteration may create a cheap headline; however, it ignores the fact that many betting shops and pubs are small independent businesses that employ people and which play an important role as social hubs in communities.

474. By way of clear illustration of how the rates levy will fit into the business tax environment over the next three years, we could look at Dunnes Stores. I will unpack it for a moment. Notwithstanding the corporation tax measures that are being discussed in the Assembly — and there seems to be a strong appetite to pursue that option — throughout the UK, the corporation tax rate is falling from 28% at the start of the current Parliament to 23% by the end of it. Dunnes Stores in Bangor made a pre-tax profit of almost £28 million in the year ending 30 January 2010; it paid about £8·4 million in tax. Dunnes Stores has four stores in Northern Ireland. According to the consultation paper, the

rates levy would trigger its paying an increased tax bill of about £340,000. However, assuming that its profitability will remain fairly constant over the next few years, its tax bill will fall from £8·4 million to £7 million in 2012 and to £6·4 million in 2014. In other words, although the proposal introduces new local taxes, its corporate tax bill will decline because of measures taken at Westminster. Therefore it seems that there is a need to look at the overall tax position rather than to focus on what the specific extra increase that is applied locally will do.

475. A large retail levy will not have significant adverse impact on the sector, nor on potential investors, and the benefits to small businesses, both financially and in confidence levels, will be good value for money. We commend it to you.

476. **The Chairperson**: We heard the phrase “banks, boozers and bookies” before. Members were not as exercised about the boozers and the bookies as they were about the banks, given that they benefited from this. I do not think that it struck as much of a chord here.

477. I want Roger to address this point. There was a sense in the previous discussion that some small properties that are not necessarily small businesses will benefit from the scheme and that larger properties may not be required to contribute to it. Have you a view on that?

478. **Mr Pollen**: We are all more or less on the same side of the fence; we are all trying to do something that will assist small businesses rapidly and manageably. The Asda representative referred to how it has been done in Scotland. However, the private sector is very much smaller here, so although a 0·7p increase across Scottish businesses will deliver a certain result, we do not have the critical mass of small businesses here to do it as evenly as that. It has been called a blunt instrument, and it probably is. That is why going back to the revaluation would probably be much more effective.

479. We are looking at how to deliver immediate, or almost immediate, benefits to small businesses, because 99% of businesses in the private sector in Northern Ireland are small to medium-sized enterprises. If we can do something that will assist the most vulnerable of those businesses, we should do it. There may be unintended beneficiaries for big businesses that operate from small premises, and that is not ideal. However, we need to keep the focus on the overall objective of trying to deliver relief to those who need it.

480. **Mr McQuillan**: Nigel and Chris both said that they did not know what differences rate relief would make to small business. Last week, we heard from the Pubs of Ulster that it could mean the difference between someone getting a wage and not getting a wage. That is very important, especially in rural areas, as Roger touched on. Chris said that car parks should be rated. Will you expand on that a wee bit?

481. **Mr Kenton**: We have raised that in discussions before. It has been put to us that there is difficulty in separating car parks from the larger retail stores as that is inherent in the rate that they already pay and a condition of the planning permission. However, we believe that that issue should be examined and researched further, because there is potential to increase the rate take.

482. **Mr McQuillan**: I want to thank Roger for bringing a wee bit of reality to the whole thing; what you said this morning is probably the most reality that we have heard in the whole process. Thank you very much.

483. **Mr D Bradley**: You said that it is a bit of a blunt instrument. I think that you were here for the previous session when Ms Bevis from the Northern Ireland Retail Consortium said that a model in England worked on a sliding scale and made it possible to sift out unintended beneficiaries. Could we modify the scheme to achieve that here?

484. **Mr Pollen**: The challenge is the very short timescale in which to deliver a benefit. The other point about the proposals that I understood Ms Bevis to be making is that you would need regular and detailed information from Revenue and Customs to make that judgement. I am not aware that that is within the Department's access. You can always find solutions and a means of achieving what you want to do. The question is whether it is the best approach and whether it will deliver what you want in the timescale that you want, if that answers your question.

485. **Mr D Bradley**: Partially. You say that there is urgency with the scheme. Is there not a danger that, in that urgency, we rush into something that is not the best and most targeted scheme?

486. **Mr Pollen**: The Assembly gave long consideration to previous calls for small business rates relief that were eventually enacted in April 2010, so there has been a great deal of consideration of how to deliver benefit to small businesses. This is an extension of that, which aims to catch more businesses and give them assistance. Bear in mind that we are talking about giving assistance, despite comments made this morning about giving a subsidy. We are not subsidising anything; we are calling for less money to be taken out of those businesses so that they can sustain current activity. I do not think that the rush to introduce the relief is of concern, but we all question how best to deliver it.

487. At the moment, there is a clear proposal before us. Suggestions were put forward by the British Retail Consortium, which were discussed with the Department and were rejected for a number of reasons; for example, the idea of including the utility companies probably runs in conflict with fuel poverty issues. Other proposals that would include manufacturing companies would run in conflict with policies that are determined to see exports and manufacturing activity rise, so although it is easier for them as an organisation to suggest ways of raising funds, it needs to take on board all the other priorities as have been clearly stated. That is why we are supportive.

488. If there were a less painful way of raising the money or if, as the gentleman from Asda suggested, the collection of rates improves further and more money was to come in from that source, it might well be applied by the Assembly to deliver the same benefits without putting the levy on larger stores or without putting it on the same rate. However, delivering the relief is the objective that we need to keep in sharp focus, and the timescale for that is urgent.

489. **Mr Smyth**: It is important that we keep this administratively simple. Although we accept that it is a blunt instrument and that there are question marks over the outcomes, we need to be very careful that we do not create a complex system with a massive administrative cost for companies and businesses on one side and for the Department and Land and Property Services on the other.

490. **The Chairperson**: Nigel, David Paterson from Asda suggested that perhaps there should be a fallback position. Some of the arguments from the Department have been around not being able to introduce a more refined system. Your argument is also that neither should it be too complex, but part of the argument against having a more refined and targeted system was the timeframe. David suggested that perhaps if the proposal has to be introduced in its current form in April, that the next year should be spent refining that process further and including others in it, perhaps in the following year. That would lessen the burden on some of them. As an umbrella organisation, is that something that your membership could subscribe to? He may just have been flying a kite for Asda or that proposal may just be off the top of his head, but I wonder what your views are on that graduated approach to including more people in the scheme.

491. **Mr Smyth**: Stability and certainty in rating are extremely important when encouraging investment; businesses do not like uncertainty or shocks. In

this case, a bit of a shock has been introduced on the back of that. The Executive have proposed that retail rates overall should not go up. We have questioned that; no one wants rates to go up any more than they have to, particularly at this time. As I stressed, we believe that a rating system should be used to encourage rather than undermine economic development. Those are the broad principles that we would look at.

492. Nobody wants to pay more; that is why everybody who sees a rating discount will welcome it. However, the real challenge to policy making is what this will actually deliver. For those who have to face it, a 20% increase is very substantive levy. Previous speakers suggested that the levies in England are much more modest; they are of 1% or 2%, and businesses can plan and work around that. However, this is a pretty harsh levy. The CBI's concern is not just coming from the retail sector; it is a much broader worry coming from the business community and various sectors: investors will ask if this is the attitude taken here because a sector is perceived to be doing well, and there are serious questions about that, what will the impact be on other potential sectors down the line. It has already created uncertainty.

493. **Mr Humphrey**: Adrian touched on the dichotomy that the Committee, MLAs and the Minister face on this issue. Chris mentioned the £700, and Adrian is quite right: we had representatives of small business here last week telling us that £700, although a miniscule amount to the people we heard from earlier, is important to them.

494. **Mr Kenton**: I am sure that it is.

495. **Mr Humphrey**: If they are making normal profit, with the shopkeeper not getting a wage, that £700 means that perhaps he will get some income in that particular month. There is a huge dichotomy between those people who we heard from earlier and the small businesses that we heard from last week, and, indeed, Roger today.

496. You mentioned car parking. When I talked to the chamber of commerce in Belfast, one of the complaints that it has is that car parking in Belfast is too expensive. If you add rates to those who own the car parks, they will pass that on to the people using the car parks. Therefore car park costs will increase, and there would be a disincentive for people to go into car parks in the city centre. That will not help city centres in the current climate.

497. Can you compare Scotland with Northern Ireland or parts of England with Northern Ireland and get a similar picture? I do not believe that you can. The Asda representative said that distribution costs for getting a product onto the shelf are more expensive here than elsewhere in the UK. I know for a fact that thousands of products are agreed prices across the United Kingdom. Therefore I do not buy into that argument; I do not accept it at all. One of the ways around that was to buy more local produce, and the distribution costs, if that is an issue, will be reduced significantly. That will help local food production as well.

498. Can you compare Northern Ireland with Scotland or parts of England in the way that happened this morning? Do you accept that there has been a freeze in the regional rates and that will continue for the duration of this Assembly? There is much criticism of the Minister and Executive, but there has been a freeze in the regional rate, and compliance by many local councils in holding the local rate to inflation or below or in some cases no increase. There is an acceptance in local government that it is difficult out there as well.

499. **Mr Kenton**: It is recognised that increasing the cost of car parking may disadvantage town centres. However, the car park in town centres serves a number of occupiers and different businesses. If you applied a rating to the car park serving an out-of-town store, the impact is directed at that one store. Therefore it has a balancing effect in that respect. However, it is still just a proposal that requires further research.

500. You mentioned the costs of operating in Northern Ireland. Although we are not retailers, we are aware that many large retailers have national price agreements. That exacerbates the problem because the normal response when costs go up is to increase prices to recover the cost. If you cannot increase prices, our fear is that the only variable available to the large retailers is to cut labour costs, and that may affect employment, which is perhaps one of the more important benefits of trying to support local businesses.

501. On your point about the comparison with towns and places in the UK, every area is different from every other area. Take, for example, Newry and Derry, which are of similar size but which have different characters: one is a market town and the other is an historic walled town. You could argue that there is no comparison of one with the other, yet comparisons are drawn. It is justifiable to make a comparison with Scotland, Wales and England, in so far as there may be ideas and policies in place that we could examine and take the best bits of to apply to suit local needs. That is what RICS recommends. This is a blunt instrument. To achieve what needs to be achieved in the longer term and in a more stable and sustainable way, business improvement districts are perhaps the better weapon.

502. **Mr Humphrey**: The Executive and the Department for Social Development are looking at business improvement districts. You made the point about the area around Donegall Arcade and Castle Junction and you said that the city centre in Belfast has moved towards Victoria Square rather than along Royal Avenue. I accept that point entirely. However, I have been in contact with traders recently — in fact, in the past 24 hours — about this issue. The Minister has been clear that this will be a temporary measure for three years. It is a genuine attempt to provide the stability and confidence for small businesses while, at the same time, trying to spread the burden.

503. I find it hard to believe that a huge supermarket organisation has profit margins of 3% to 5%. Many people would ask why, as you suggested, you would look to reduce employment rather than reducing your profits.

504. **Mr Kenton**: As I said, we are not a trade organisation; therefore I cannot comment on what retailers might do. Although I have no information one way or the other, it is our fear that that is an option that may present itself to retailers.

505. RICS does not doubt the genuine nature of the proposal and the genuine need that is out there, nor does it doubt that this is an attempt to address that need. We would not argue with that in principle; our only argument is whether the proposed levy is the best way of doing it. If it is decided that it is to go forward, our secondary recommendation is that the cost of carrying out this rates relief should be spread more widely to avoid negative impacts on the larger retailers, which are just as important to the future of Northern Ireland’s economy.

506. **Mr Humphrey**: I think that it was Iain from IKEA who suggested that we progress as has been proposed in year 1 and use year 2 and year 3 of the three-year process to refine the scheme. Would that make sense?

507. **Mr Kenton**: RICS would support any refinement that would spread the burden and minimise any detriment as well as providing benefits.

508. **Mr Cree**: Nigel, in your submission you made an interesting comment about the interpretation of EU state aid rules. Will you develop that a little? I found that particularly interesting.

509. **Mr Smyth**: I will have to remind myself.

510. **Mr Cree**: It is on page 8.

511. **Mr Smyth**: Sorry. That came up in our various consultations. Questions were asked about whether there would be a risk that government was trying to target one sector with an incentive and then putting the burden on another sector

in one marketplace with the effect of distorting the market, and whether it would meet European rules.

512. I assume that the officials will have taken a view or will have checked on that.

513. **Mr Cree**: I thought from what you said that you were taking an alternative view. Your submission states:

“This consultation seems like a clear misinterpretation of that framework.”

514. **Mr Smyth**: We have suggested that it could be a misinterpretation; that will be open to legal judgement. I hope that officials will have taken good legal advice that this is a fair and reasonable measure. It was raised as an issue when we were consulting our members.

515. **Mr Cree**: It looked interesting. Thank you.

516. **The Chairperson**: Thank you for giving evidence, which has been helpful. We will take into consideration the evidence from you and others, and, in the next number of weeks, we will be working towards our report on the matter.

29 November 2011

Members present for all or part of the proceedings:
Mr Conor Murphy (Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr William Humphrey
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Paul Maskey

Witnesses:

Dr Veronica Holland	*Department of Finance*
Mr Brian McClure	*and Personnel*

The Chairperson: I welcome Mr Brian McClure, who is head of the rating policy division of central finance group in the Department of Finance and Personnel (DFP), and Dr Veronica Holland, who is also from the rating policy division. I invite both of you, or either of you, to make an opening statement, and then we will get down to some questions.

Mr Brian McClure (Department of Finance and Personnel): Thank you, Chairperson, for allowing the Department a further opportunity to advise the Committee on the interrelated policy proposals for the large retail levy and the expansion of the small business rate relief scheme.

I will address briefly some of the issues that were raised in previous evidence sessions, before going on to deal with the specific points that the Committee is interested in, as well as the gaps that you referred to, Chairperson. The recent evidence sessions were very interesting, with both sides of the arguments being put forward. The Minister and the Department are considering in their deliberation the views expressed. Although the Minister considers some of the arguments to be almost alarmist, he has noted the wider concerns that were expressed about the potential impact of the levy. It is his intention to consider the concerns very carefully and to make improvements to the measures that will be introduced.

The Minister wishes to consider the Committee's views before making any recommendations to the Executive. He also continues to meet retailers. Last week, he met representatives from IKEA. This afternoon, he will be meeting Mr Moore of S S Moore Sports and Joe Jordan from the Belfast Chamber of Trade and Commerce. The Minister is very keen to hear what the Committee has to say, taking account of the consultation outcomes. Ultimately, it is the Minister's intention to ensure additional funding for small business rate relief, provided in a way that those who pay can most afford it, and that support is provided to those small businesses most in need. He sees no point in helping to protect jobs in small businesses if that leads to job losses in the largest shops.

Many issues were addressed in the papers that we provided, including some that came in yesterday. However, a number of issues remain outstanding, and I will attempt to deal with those today. Should I not have the detail to hand, I will ensure that we follow up any Committee members' queries as quickly as possible after the session. We will set to work on it immediately.

The Committee asked about the impact of the levy where different thresholds and sectors are targeted. As members will be aware, around 260 properties have a net annual value (NAV) or assessed rental value of £500,000 or above. The basis on which their bills are determined is rateable value. Although that will generally be the same as the net annual value of a property, the rateable value will be lower where an exemption is applied or where the property is derated. I will explain the different figures.

Using rateable value, around 220 properties have a value of £500,000 or above. Although the proportions of property types change slightly between the two, the majority of the properties comprise public bodies or publicly supported bodies, followed by retail.

The Department looked at the various options for the levy percentages and thresholds that the Committee asked about. Indicative figures were provided to the Committee this morning. Owing to the short notice, unfortunately, it has not been possible to finalise those figures fully and obtain all the necessary information. I will follow that up either today or tomorrow.

Although the Committee asked the Department about the impact of including manufacturing properties under the levy, the Minister considers that to apply the levy to that sector would run contrary to established Executive policy on industrial derating that was established in the previous and current mandates. For that reason, he would not be keen to include the manufacturing sector in the scope of the levy, but, of course, he wants to hear what the Committee has to say on the issue.

Incidentally, members will wish to note that small business rate relief is awarded after the award of all other reliefs, such as sport and recreation relief and industrial derating. That is just a technical but important detail, particularly for ratepayers.

The Committee asked whether a sunset clause will be included in the legislation. Although the Minister has made it quite clear that the measures will apply for only three years, the legislation will certainly be time-bound and stipulate an end date of 31 March 2015 for the expansion of the small business rate relief scheme and the levy that will be used to fund it. As a result, new primary legislation will be required for either measure to continue, including the necessary research, consultation and impact assessments. It is the Department's view that it will be written into the legislation that the measures will fall after 31 March 2015.

However, that is quite clearly a downturn measure. Following the next revaluation, which will take place in April 2015, the rating burden will be redistributed so that sectors and locations that have fared better than others will pay more and those that have fared not so well will pay less. The Department expects that those additional measures will not be necessary when we get to that point.

The Department will take steps to prepare small businesses for the potential withdrawal of small business rate relief after three years by continuing to make the time frame clear in all communications so that businesses have time to budget for it.

Members also asked why the small business rate relief expansion cannot be targeted simply at retail — shops. There are two reasons for that. First, it is important that, outside of retailers, there was no real support for that approach during the consultation. By and large, respondents wanted the help provided to all small businesses, regardless of use. There is also the evidence that the Department presented in the consultation paper indicating that non-retail small businesses were struggling as badly as small shops, if not more so.

As to why the levy can be targeted at retail, but the small business rate relief scheme is —. Sorry, Veronica, what is the point there?

Dr Veronica Holland (Department of Finance and Personnel): It is largely down to the numbers that are involved.

Mr McClure: Yes; sorry. Fewer than 100 premises would be involved in the levy, and targeting relief at small retailers could, depending on the threshold chosen, involve up to 6,000 premises. Therefore, if we just went for retail, it would be 6,000.

In addition, a retail scheme would have to be application-based, because there is no way that Land and Property Services (LPS) can distinguish between what is retail and what is not. I am sure that the Committee will find that surprising, but the reason for that is that LPS categorises properties on how they are valued. Therefore, a building society in a row of shops will be described in the valuation list as a shop, and so on. There would be difficulties, and LPS has assured us that the only way in which it can operate a retail-only small business rate relief scheme is through an application-based process. The Minister is keen to preserve the automatic nature of the small business rate relief scheme.

If 20% relief were to be provided to retail premises with a NAV of between £5,000 and £10,000, that would cost in the region of £3 million, and it would apply to around 4,000 premises. That is in answer to question 6 from the Committee.

In question 7, the Committee asked about the difficulties in restricting a levy to out-of-town properties and why Department of the Environment (DOE) area plans could not be used. That issue was considered by the Department, in conjunction with DOE, in the early stages of policy development. I understand that DOE does not have a legislative definition of "in town", "out of town" or "edge of town".

In addition, we have been advised that there would be some difficulties with relying on the area plans. Some of the plans date back to the 1980s, while others are in draft form and have not been adopted. Although that is not a problem for DOE planning purposes, it would not be appropriate to use the plans as a basis for differentiating on taxation. DOE town centre boundaries may also not conform to what the public would consider to be town centres. I have mentioned Craigavon in the past, and there are other examples in Northern Ireland.

The Committee also asked about excluding businesses with multiple premises from the small business rate relief scheme. It is an issue that the Department and the Minister are actively and seriously considering. If any changes are to be adopted, it is likely that they will apply to the existing and the expanded schemes. The revenue savings would depend on what is excluded and how that is decided. For example, decisions would need to be taken about whether relief would not be awarded on more than one premises or whether ratepayers could receive relief if the cumulative value of their properties was below a certain threshold. Therefore, it really depends on what we do. If it were to be decided that, for example, ratepayers with two premises would not qualify and that a small business would be allowed relief on only one set of premises, that could save £2 million. However, the Minister takes the view that there are many small businesses that would have perhaps one or two premises, so that is not something that he would favour. The Department estimates that the savings from any change could be upwards of £500,000.

In question 9, the Committee asked what scope there is for excluding properties. Committee members will wish to note that the small business rate relief scheme is not awarded on properties that are occupied by government or public bodies. It also excludes rateable properties that cannot be occupied by small businesses, such as car parks, advertising hoardings and telecommunications masts. The existing scheme excludes those categories of properties.

In question 10, the Committee raised concerns over whether the benefits of small business rate relief are passed on to tenants. The legislation that we hope to put through will provide that, where rates are paid by the landlord rather than the occupier, the relief will be conditional on the benefit being passed on. The evidence that was given last week by the representative from the Royal Institution of Chartered Surveyors (RICS) drew attention to the 2008 study by the Economic Research Institute of Northern Ireland (ERINI) of the small business rate relief scheme and the institution's concern that the relief would simply translate into higher rents. I do not think that that would happen, for two reasons. First, ERINI thought that there would be a longer-term effect. The measures will be applied for only three years, and I do not think that there would be enough time for landlords to be able to increase rents.

Secondly, the property market is very fragile at the moment. To paraphrase the recent Lisney report on the state of the property market in September 2011, tenants hold all the cards. The market is weak at the moment, and the argument is that small business rate relief would simply lead to higher rents. However, I do not think that that could happen at the moment. I would not disagree with what ERINI said in 2008, but we are in completely different times as regards the state of the property market.

Finally, the Committee asked about the cancellation of the 2011 general revaluation and why it is not possible to proceed with that, particularly when it comes to international valuation standards. The paper provided to the Committee sets out why a revaluation could not proceed, and that is primarily as a result of the continued economic downturn and instability in the property market. The market evidence to allow LPS to construct a reliable tax base is inadequate and inconsistent. For basic international valuation standards, the International Association of Assessing Officers (IAAO) has a set of data standards for revaluations that are internationally recognised. The standards include the number of relevant sales or the amount of rental evidence on which a new valuation list is assessed and complied. LPS took the view that the amount of such evidence — the evidence base — was well short of those standards. The steep decline in the number of transactions between 2008 and 2010 had a significant impact.

The Committee also queried whether similar issues arose in the rest of the UK from the 2010 revaluation. Members will wish to note that revaluations were carried out in the rest of the UK during 2010. However, the legislation governing revaluations and local government finance is significantly different in GB. Furthermore, maintaining stability in the tax base for local government is, because of uniform business rates, not as directly related to the valuation list as it is here. If you were to produce a valuation list, and ratepayers could successfully appeal against those valuations, and the list started to shrink, that would have a direct and immediate impact on local government. That is not the case in GB, where a series of grants is paid to local authorities, and, therefore, they are cushioned from that. We have quite a different set of circumstances in Northern Ireland.

The Committee asked what will happen if there is still instability in the commercial property market in 2015. LPS is already collecting market evidence in the course of its normal duties, with a view to having as substantial a body of evidence as possible. As well as that, the legislative change to do with the circumstances to be taken into account at a revaluation, which is to be part of the proposed Bill, will provide more stability to a new list and will be more easily understood by ratepayers. The Department thinks that the 2015 revaluation should therefore proceed. I think that that is terribly important. As a policy division, we receive an awful lot of correspondence about the absence of a revaluation. Therefore, we really have to have one in 2015 and use whatever evidence we can. That will also harmonise with the revaluations that are to occur in England, Wales and Scotland.

That covers all the issues that the Committee Clerk raised with the Department. I am, of course, happy to address any other queries or elaborate on any of the points that I made. Thank you.

The Chairperson: I remind members that there is likely to be a vote in the House at around 10.40 am, so we will probably have to break the evidence session for that.

Can you take us through the table that you sent us? Unfortunately, the heads have been lopped from each column, so will you remind us of the headings for each column and take us through that. We will then move on to questions.

Dr Holland: I will remind members what the headings to the table should be. I apologise that they ended up being deleted. The first column relates to the target sector; the second relates to the threshold that would apply; the third is the number of properties that would be affected; the fourth is the average levy that would apply; and the fifth is the average level that would apply for absolute sums as opposed to a percentage.

We previously provided the Committee with information on the first three rows. You can see from that that the more properties that are brought within the scope of the levy, the lower the levy percentage becomes and the lower the average amount of the levy is that is given up, and it is spread across a wider number of properties.

The Committee had asked for information on all large retail and all large properties, and some further information on public bodies and what would happen were manufacturing to be excluded. As Brian indicated previously, there are around 260 properties if you look at net annual value and just under 220 if you use rateable value. The number shrinks, taking out a significant number of manufacturing properties, when you move from one basis to the other, simply because they are derated. For the Committee’s information, using rateable value, you are left with three manufacturing properties.

You can see from the table that the amount of the levy varies from 20% when it is all large retail to around 5·5% or 6% when it is all large properties. The average sum of the threshold reduces from around £85,000 to £30,000 to £40,000.

The Chairperson: Fair enough. You said at the outset, Brian, that the Minister is minded to make some improvements. Can you tell us what he is considering? That could obviously have an impact. If there are areas that we think are going to change, there is no point in our going over the questions on them. Can you at least tell us the areas that he is considering?

Mr McClure: It is a little bit of chicken and egg, because the Minister genuinely wants to hear from the Committee first. However, to give you an idea of some thoughts that he has, he is thinking of doing something about long-term empty properties. He is also looking at the whole vexed issue of what the press have called “banks, boozers and bookies”, and for LPS to exclude ratepayers who have multiple premises. That is what I was referring to earlier. The Minister is actively pursuing that with LPS, and we had meetings as early as yesterday. Those meetings will continue in order to find some way of getting a better small business rate relief scheme.

The Chairperson: We are obviously in a very compressed time frame here, and, in some sense, there is a wee bit of a gun against the Committee's head, because if the Assembly does not agree to accelerated passage for the legislation, the scheme obviously falls. Flawed as it is, there is a broad view that people support the principle of it, but there are a lot of questions around the practicalities and implementation for those who are obliged to pay and those who benefit. There are questions around both.

Is there any commitment from the Department? A strong case was made by the small business sector about the need for something to come to it at the end of this financial year to try and sustain people in a very difficult couple of months post-Christman, and I think that there was a degree of sympathy on the Committee for that. If we give, and the Assembly gives, support to something that is rushed and has some flaws and gaps in it, is there any commitment from the Department to revisit the legislation beyond the financial year, and perhaps through the course of next year, to try to improve the scheme, even for the limited period that it applies to?

Mr McClure: Yes, I think so. However, there is also a balance to be struck between being flexible on policy and creating uncertainty for the business community. We are very conscious of that; it is one of the big messages that we got from the business community. It does not like uncertainty. I think that, as a Department, we can give a commitment that we will review it. The Minister actually talked about that yesterday, particularly about the small business rate relief scheme, and said that we could review that. I see no reason why we could not also review the impact of the large retail levy at the same time. If you depart too fundamentally from what you have gone out to public consultation on, it does raise the question of whether you have to go back out to public consultation if you want to make radical changes. However, as a broad principle, we will give a commitment to review this in-year.

The Chairperson: One final question. You talked about the multiple premises, and that is an area of interest. It is interesting that the Minister has turned his attention to that. You talked about what savings that would bring in. Is there no intention, if multiples are taken out of it, to use whatever benefits might have accrued to spread across the rest of the people so that the rate relief would be higher and there would be a more targeted effect on small businesses?

Mr McClure: Again, the Minister mentioned that yesterday. The commitment that he gave was that the amount of money for the small business rate relief scheme would be doubled. It follows that, if you take a group out of the scheme, there will be more for others, and that is something that we could look at.

The Chairperson: You referred to it as savings. Is that savings for the Department or savings to be passed on to small businesses?

Mr McClure: One of the fixed points in our plan is to double the amount of small business rate relief. If we take that to its logical conclusion, that would be spread among those who are entitled. There is another argument about whether that should be used to moderate the levy.

The Chairperson: I understand that.

Mr McClure: The Minister has not made up his mind on that, but he is certainly very alive to the consequences of taking out a group of properties, whether that saves half a million pounds or £2 million, or something in between. That money will either be available to apply to the small business rate relief or to moderate the levy.

Mr McLaughlin: Brian, thanks very much for that comprehensive response to the questions. There is a lot that I want to focus on, but other members will probably pick up on some of those aspects. I want to discuss the issue of non-domestic revaluation. It seems to me that the position that you are mapping out is that, notwithstanding the reasons that you are not proceeding now, you intend to proceed in 2015. Bringing the revaluation forward is an issue that keeps coming up, and the large retail group indicated that it could, in fact, be a self-financing initiative. Although I am sympathetic to the objectives of that proposition, I recognise a certain logic in that argument. I do not understand why, if you can proceed in 2015 notwithstanding, you cannot proceed now, especially when the revaluations are overdue.

Mr McClure: It is a matter of transactions and consistency of rental levels, and we do not have that at the moment. We expect this to settle down. There is evidence that it has settled down in the rest of the UK. The Lisney market report from September that I referred to makes —

Mr McLaughlin: You did tell us that, Brian, and I am not disputing it. However, is it the case that if rental levels still have not settled down in 2015, you are going ahead?

Mr McClure: If we are still in the very difficult position that we are in at the moment, you are right: I do not think that that will happen. The expectation is that the market will have settled and the activities of the National Asset Management Agency (NAMA), which have a major impact on the property market, will have somehow worked through by then, and there will be a better economic outlook. At the moment, rents are all over the place.

Mr McLaughlin: England, Scotland and Wales are obviously having similar problems, and their revaluations appear to be going ahead as programmed.

Mr McClure: They have different legislation, and that is one of the changes that we want to put forward in this Bill, in order to get greater certainty on revaluation. Their legislation is better suited to undertaking a revaluation during a downturn, and we want to make those changes in the Bill, to give greater certainty for a revaluation in 2015.

Mr McLaughlin: Sorry, can you explain that a bit more? I did not quite understand it.

Mr McClure: In the Bill, there are revaluation provisions that we wish to take forward and on which we consulted. They are to do with changes that occur between the valuation date — usually two years before billing — and the actual bills going out, and to what extent you can take that into account. The provisions that we want to take forward will define that. At the moment, it is not defined, which means that it is wide open to challenge in the courts.

Had we proceeded with the revaluation, we would have expected an abnormally high number of challenges to it. Therefore, the tax base would not have been a stable enough basis on which to raise local taxation. The changes that we are making will mean that it is very clear what can and what cannot be taken into account in a revaluation, and that will help ensure that the revaluation goes ahead in 2015. However, as you have pointed out, there is the more important issue of market activity. Market activity is very low at the moment, and the market activity that does take place is very erratic and inconsistent.

Mr McLaughlin: We will have to look at the written record, but it seems to me that market instability does not prevent other places from conducting the revaluation exercise. Our problem is in our system and our approach. I accept the assurance that we are going to do something about it, but that, it would seem, is the real reason that we are not proceeding.

Mr McClure: Can I try to explain —

The Chairperson: We are going to have to break for a vote. We will come back to that question when we return.

Committee suspended for a Division in the House.

On resuming —

The Chairperson: We will pick up where we left off.

Mr McClure: Mr McLaughlin wanted to know why the revaluation could be carried out in the rest of the UK but not in Northern Ireland.

Mr McLaughlin: Thank you for reminding me. I could not remember what I had asked.

Mr McClure: The answer is one of consequences. They did proceed with a revaluation in Scotland, Wales and England, but that has resulted in a very high volume of appeals. I do not have the figures to hand, but I can get them to the Committee fairly quickly. However, there was a very high volume of appeals, which means that the tax base is likely to shrink in England. England can cope with that because it has a uniform business rates system, whereby the money to councils is distributed using a grant formula. Here, however, councils are heavily dependent on rates and, therefore, any shrinking of the tax base will directly impact on council funding. That is one of the main reasons why we did not proceed and how they were able to proceed in the rest of the UK. It is a question of consequences. They have a system whereby they can cushion local authorities from the impact of shrinkages in the tax base, whereas we have a system where councils are much more independent than in the rest of the UK.

Mr McLaughlin: I asked whether there are defects in our system that we are taking the opportunity to correct as part of the drafting process.

Mr McClure: The system of rating in Northern Ireland, and, indeed, in Ireland, has evolved separately over the past 150 years. It has served us well until now, but we were faced with a sudden economic downturn. Our legislation has certain shortcomings that are not helpful in allowing a revaluation to proceed, and we are correcting those. They are not completely fatal, but they do help to ensure that a revaluation will proceed in 2015, provided that we have a better number of transactions and more consistency in the property market, which we fully expect to be the case. The property market has recovered to an extent in the rest of the UK. That was evident from the Northern Ireland property market report that was undertaken by Lisney in September, which expects the Northern Ireland property market to begin to stabilise after a couple of years. We also expect that that will be the case, and, in those circumstances, a revaluation will proceed. We are very keen to have that revaluation, because we are starting to get more and more correspondence on the effects of delaying it.

Mr McLaughlin: Finally on that topic, there is an expectation in the Programme for Government that the review of public administration process will be restarted. That will have implications for the councils, not just in their numbers but also in the powers that they will have, particularly in the area of economic development. Will that result or does that not argue for a closer alignment with the approach that is being taken elsewhere?

Mr McClure: That is one model that could be looked at. I am not competent to comment on that, but that will be in the mix in deciding what policy emerges from the review of public administration.

Mrs Cochrane: Thank you for the figures that you provided. One of the reasons why I asked for them was that I thought that they would help us. I have a couple of points. First, I welcome what you said about the Minister looking at those businesses with multiple sites and the money that could potentially be saved there. My opinion is that that money should not be used to moderate the levy, but that it should be passed on. People have said that £700 really does not make that much of a difference. Apart from that, has the Minister indicated whether he would consider broadening the base for the levy in line with one of those options?

Mr McClure: He has not yet finally made up his mind. Of course, it will not be a decision for him to make; he will make a recommendation to the Executive. In the foreword to the consultation report, he indicated his thinking and the reasons why broadening the levy to certain sectors would not work terribly well. For example, if it were to be broadened to the utilities, the cost would pass immediately through to customers' bills; if it were to be broadened to manufacturing, that would run contrary to policy on — well, I went through them all the last time.

Mrs Cochrane: I disagree that the cost of the levy would be passed on only by the utilities. The retailers could also pass it on.

Mr McClure: The large retail market is highly competitive and retailers operate national pricing policies, so we doubt that that would happen. We suggested that in the consultation paper, but it was not something that came back in the consultation itself. Not one of the large retailers said that they would need to put their prices up.

Dr Holland: They raised some issues but the issue of price increases was not one of them.

Mr McClure: To give you an example, during the last revaluation, B&Q's rate bill went up by 20%. However, it did not change its prices in Northern Ireland and it maintained its national pricing policy.

Mrs Cochrane: Apart from its loft insulation.

Mr McClure: Yes; exactly. The Minister will be writing to the Minister of Enterprise, Trade and Investment on that issue.

Mrs Cochrane: Just one final point: we talked previously about it being a blunt tool and being easier to administer if it was just a simple "over £500,000". The options were on two levels: one for over £400,000 and one for over £500,000. Would that be particularly difficult to administer?

Mr McClure: No, it would make very little difference. Our assessment is that, once you start going below £500,000, you bring in what many people regard as medium-sized businesses. The decision to propose a level of £500,000 was based almost on the character of the businesses that would be brought in at that level. Once you dip below that, you start bringing in medium-sized businesses that are not of the same scale.

Mrs Cochrane: Looking at the list of premises in Belfast city centre that have been included over the £500,000, there are certainly a number of premises not on that list — beneath that — whose percentage profits, I imagine, are similar to those who are over the £500,000. There are still large retailers involved. For me, it is very much about making this fairer and splitting the burden.

Mr McClure: To answer your question, it would not be significantly more onerous from an administrative standpoint than applying it at £500,000.

Mr Cree: I have two points. Throughout this, you have used the rational argument that you cannot use the figures from 2007-08 because things have changed so much. There are many examples over the past few weeks where that has happened. However, we then have a situation where the opposite is the case: the reasons for not doing things or not considering things are that the times are different now. However, you have just quoted the 2003 example of the rates going up and not being passed on. Surely that is illogical? You cannot say of everything after 2007-08 that things are all different now and it is a new world, and then quote things that happened in 2003.

Mr McClure: I was quoting that to illustrate that there is evidence that it did not happen in the past, in terms of a sudden increase in rates leading to consumer price rises. I was quoting that only as an example of what did or did not happen in the past.

Mr Cree: You take my point, though?

Mr McClure: The broader economic commentary is based on whatever we have had available to us. I do take your point, but —

Mr Cree: It is hard to reconcile. You are not the only one; Mr Irwin makes the very same point to us. He is basing it on what actually happened in 2003, when the price of goods sold was not passed on. This is a different world now; I accept that particular premise.

The other issue that exercises my concern at the moment is the downtown shopping centre scenario. I certainly have no sympathy for the banks. They should be paying. They certainly should not be deriving a benefit from it; that would be a step too far. However, is there not an argument for protecting the footfall in the town centres, which are under threat? I am not lobbying a particular case, but take someone like Boots, which has a lot of small shops downtown. That helps the mix. Those town centres are a special case.

Mr McClure: It is a fair point. Once you get into looking at special cases, you have to have a highly targeted scheme, and once you have a highly targeted scheme you are very vulnerable to challenge. There are legal issues there as well. The advice that we have is that we really have to apply this across the board or we will be vulnerable to challenge, either locally or in Europe. That is one of the reasons why we think it has to apply across the board. There are also issues of definition. How would you define that? I explained, using some of the DOE planning definitions, that they are not sufficiently reliable for us to be able to apply a taxation measure to them.

Mr Cree: So a broad brush is really a safer —

Mr McClure: Yes, that is beautifully put. That is exactly the case.

The Chairperson: OK. Did you want —

Mr McClure: There is just one point that Mrs Cochrane made about what is done with the money that is saved from the multiples. That has to be decided. However, the Minister has addressed the Assembly and said that he wishes to double the amount of small business rate relief. As a natural outworking of that, I think that we would look at ways of giving small business more rather than reducing the levy. However, that decision has still to be made.

Mrs Cochrane: I agree with that.

Mr P Maskey: Yesterday, the Minister of the Environment talked about the issues with regard to collecting the plastic bag levy. I know that they are two different Departments and have different ways of working, and the LPS already collects rates. If it is able to be done, could it be done by 1 April?

Mr McClure: In relation to our taxation measures?

Mr P Maskey: There is nothing to stop the Department or LPS from saying that they can take that money?

Mr McClure: No, there is not. We believe that it can be done. We believe that it will be very challenging, but it can just about be done.

The Chairperson: When you talk about bringing utilities into this, the constant refrain is that that would be passed on directly to customers. If that argument is sustained, you would not increase the rates at all. You would not touch utility companies. There is almost an argument for not charging them at all because it goes straight to the consumer, even though we have the Utility Regulator who is supposed to keep an eye on those things.

We had previously asked for some data on the rates as a proportion of the outgoings of utility companies and banks. You said that they were not able to provide that or even give estimates. Why is that the case?

Dr Holland: We do not have that specific information available. We are able to get information on the turnover and profit of large retailers through a Mintel retail report.

The Chairperson: You had data for rates as a percentage of their turnover.

Dr Holland: For the retailers?

The Chairperson: I think that it was in relation to banks and utility companies.

Mr McClure: Not in relation to banks.

The Chairperson: That was for the retailers; I beg your pardon. But you do not have any similar data for utility companies or banks?

Dr Holland: Unfortunately, we do not have similar data for the utilities. It was more generic information that we had in relation to rates liability as a percentage of turnover and profit for large companies per se. Unfortunately, we do not have anything in relation to those specific sectors.

Mr McClure: We can try to get that for you. We have tried to get a bit more information. However, we will go back again and try to get that. We are still left with the situation where, if there is a sudden increase in a local taxation bill for a utility company, the regulator will allow it to pass that through to bills. That is inescapable. I think that the profit levels of utility companies would be significantly higher than those of retailers. However, the consequence of that is that it is passed on to consumers. It adds cost to business, and it does not help fuel poverty issues in Northern Ireland.

The Chairperson: I always have a sense of disquiet about the utility companies and the large financial institutions getting off with this. You may be able to get figures at a later date, but that will not impact on the policy that you are proposing. It is an obvious gap in this area, but it is a bigger issue in terms of regulation if nothing can be done to raise more revenue from those organisations without them passing it on to the customers.

Mr McClure: That is the main stumbling block to doing anything with utilities at this time. The regulator will allow that as an allowable cost that can be passed on to consumers.

Mr McQuillan: I sort of understand why we cannot charge the banks, but is there any way that we can stop them benefiting, or do they fall into the same category?

Mr McClure: Yes, and this goes back to the issue of removing ratepayers with multiple premises from entitlement to small business rate relief. We are actively pursuing and seriously considering that at the moment. Yes; we want to do something, and we are looking at how to do it.

The Chairperson: On industrial derating, you said that the benefit comes at the tail end. That actually means that small industrial units could get both industrial derating benefit and the small business rate relief.

Mr McClure: That is correct. That was a policy decision made when Peter Robinson was Finance Minister, and it was endorsed by the Executive.

The Chairperson: OK. Are there any other questions? William had questions but, unfortunately, he has not been able to make it back since the Division. On that basis, we will let you go. Thank you very much.

Northern Ireland Assembly

Appendix 3

Memoranda and Papers from DFP

DFP Non-domestic Rating Bill Briefing Paper

Department of
Finance and Personnel
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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

1 June 2011

Dear Shane

Consultation on Expansion of the Small Business Rate Relief Scheme and Large Retail Levy

Members will be aware from the Minister's budget statement on 4 March that, reflecting the wish of the Budget Review Group, he wishes to expand the small business rate relief scheme and introduce a large retail levy (subject to consultation). The aim of this would be to rebalance the system of non-domestic rating so that during the continuing economic downturn and through to recovery smaller businesses get help, while the very largest retailers would pay more.

This would be achieved through proposals to expand the small business rate relief (SBRR) scheme, funding this through applying a levy to the largest/highest value retail properties. It is the intention that both measures would apply for three years, commencing 1 April 2012 and ending on 31 March 2015.

Members will wish to note that the existing small business rate relief scheme provides assistance to small businesses on the basis of the net annual (rental value) value (NAV) of the property. Those properties with an NAV of up to £2,000 receive 50% relief on their rates bill while those with an NAV of £2,001 - £5,000 receive 25% relief. A number of properties types are excluded including car parks, ATMs, telecommunication masts, buildings occupied by public bodies, advertising stations and unoccupied properties.

In terms of the proposals, that are being presented soon for public consultation, there are a number of underlying considerations that have shaped the proposals:

- The measures are a response to the downturn and would apply for the remainder of the Spending Review Period, from 1 April 2012 to 31 March 2015;
- The legislation would be likely to require accelerated passage to achieve this;
- The two main measures would be inter-dependent, to avoid cost to public expenditure;
- District rates would be unaffected;
- The small business rate relief would double in cost (revenue forgone) terms, which would amount to around a further £6.5m a year (at 2011/12 levels);

- The intention would be to increase the reach of the scheme, not to enhance relief to those who are already entitled; and
- The large shops levy would therefore need to raise around £6.5m each year.
- A briefing paper, setting out the key issues and what will be covered in the consultation paper, is attached. It is hoped that, subject to Executive agreement on 16 June, consultation could begin in late June (ending in late October). These are the issues that will be contained in the forthcoming non domestic rating bill.

Members will wish to note that state aid issues will also play a part in shaping the final proposals. The Department considers that it is important that the Committee is fully briefed on this particular issue. However, officials may be less candid on this issue when giving evidence in open session, given the distinct possibility that the matter may be subject to legal challenge. The Department can assure the Committee that it will follow up in writing on any issues that are not satisfactorily answered at the time.

Members will also wish to note the Minister's preferred approach would be:

(i) a general expansion of the SBRR scheme, providing 20% relief to premises with an NAV of £5,001 - £10,000. No additional relief would be provided to current recipients;

(ii) a flat rate levy to apply to large retail premises with a value of £500,000 or more (which would have to amount to a 20% average increase in business rates for 77 retail properties in Northern Ireland); and

(iii) to provide that the restricted use of empty shop fronts for community, artistic and other non commercial purposes should be permitted without incurring occupied rates liability (50% vacant rates would be charged).

The Department would have preferred to involve the Committee in initial scoping of the options. Unfortunately, due to the need to get Executive clearance during the second half of June, this has not been feasible. It is important to note, however, that this does not preclude the Committee from playing an active role in formulating the policies in question; before, during and after the public consultation.

Officials are due to brief Members on the proposals on 8 June.

Yours sincerely,

NORMAN IRWIN

Committee Briefing Paper: Large Retail Levy and Small Business Rate Relief (Non-Domestic Rating Bill)

Background

1. In his Budget statement to the Assembly on 4 March the Minister set out the wish of the Budget Review Group to rebalance the system of non domestic rating so that during this continuing economic downturn (and through to recovery) more smaller businesses get help, while the very largest retailers pay more.

2. For reasons set out later it is considered that the levy on the highest value shops should not be applied simply to out of town developments, nor confined to particular types of shop.

3. The circumstances in which these measures are required is one where local communities and the businesses within them are struggling to survive. The economic downturn has affected most areas of business but to varying degrees. There is evidence to suggest that large retailers are better placed to cope with the current economic conditions than the small business sector. For this reason it is proposed to double the amount of relief provided through the small business sector and to fund this through charging a levy on the largest shops and retail outlets.

4. Analysis undertaken by the NI Economic Research Institute, as well as in other parts of the UK, would suggest that rates form a larger proportion of small businesses' profit or turnover, compared with larger business, and place a greater burden on them. It can also be argued that a tax based on property bears more heavily on small firms, often located in rural or other areas where local communities rely on small businesses for services and cohesion.

5. Preliminary analysis is attached at **Appendix A**, which provides some context for these proposals. This suggests that in more recent years large businesses (including retailers) have fared better than small businesses. Furthermore, it also suggests that the large retail sector is performing reasonably well in the face of the downturn, particularly in terms of the resilience of the large supermarkets.

Small Business Rate Relief Scheme expansion

6. The existing SBRR scheme already helps around 16,000 small businesses (excluding post offices) at a cost of just under £6.3m a year. While small business activity is similar to the rest of the UK, locally this sector makes a greater contribution towards employment and turnover. In terms of the main SBRR scheme it is hoped to double the overall relief currently provided (roughly a further £6.5m) and increase the number who receive extra help by over 50%. Over the three years (2012/13 to 2014/15) the cost is likely to be £6.7m, £7m and £7.2m (on current business numbers and assuming an average rates increase of around 3.5%). This should be balanced by similar average rate increases in rate bills for large retailers.

7. The options for extending small business rate relief are very wide (in terms of different percentages and valuation thresholds). However, the Minister thinks it is important to focus on extending the reach of the existing scheme in as straightforward a way as possible. It is not a practicable proposition to introduce business related criteria, such as turnover, profit or employees, nor is it possible to apply it only to new ventures or those that export.

8. The options that the Minister proposes consulting on are as follows:

New higher NAV relief category

9. Assuming £6.5m funding per year (in today's money) 20% relief could be provided to just under 9,000 businesses that do not currently receive relief. This would cover eligible businesses with an net annual value (NAV) of £5,001 - £10,000, the average award being around £730 per year. The total relief provided under the scheme would increase to just under £13m a year helping up to 25,000 business ratepayers. Around a third of all non-domestic business ratepayers would receive some relief.

10. Variations around this core option will also be presented with different thresholds and percentages but all working within the cost envelope of around £6.5m a year.

11. An alternative approach, which the Minister does not favour, is to target the relief at small retail premises. A retail option would cover premises where the primary purpose is the retail sale of goods to the public, rather than the provision of a service. This would have the merit of keeping funding all within the retail sector, in terms of the money from the large shops levy. For example, if 25% relief were provided around 6,000 extra retail premises could be brought into the scheme within a cost envelope of £6.5m. This would apply to properties with an NAV of £5,001 to around £13,000.

12. There are, however, serious issues with the shops option, from both an operational and policy perspective. Advice from Land and Property Services (LPS), which administers the relief, is that their data is not suitable to allow automatic award of the relief, which is a key feature of the existing scheme. Furthermore, this option is likely to require 'case by case' assessments to establish eligibility.

13. The Minister's preferred approach would be for a general uplift in the SBRR scheme.

Large Retail Levy

14. As with the Small Business Rate Relief scheme it is not practicable to apply business criteria (such as turnover, profit or employment) to establish what the largest retail businesses are and where they are situated. Instead, it is necessary to adopt a rateable value threshold.

15. In determining the threshold at which the levy should apply the aim has been to balance sharing the burden amongst a broad range of 'household names' and keeping the levy proportionate. The Minister proposes that retail properties with a rateable value of £500,000 or above should be subject to the levy (**Appendix B**).

16. The levy will cover chains of large retailers (with one or two exceptions for local firms) that either have a UK wide presence, are part of a global group or both. It is likely to affect 77 retail premises, the majority of which (just over three fifths) are located outside of town centres. 19 are in Belfast city centre. Preliminary analysis on the position of those companies likely to be affected by the levy is set out at **Appendix A**. This shows that three quarters of the properties affected are occupied by companies in the top 20 UK retailers (ranked by UK retail sales).

17. **Flat rate levy**: If around £6.5m is needed this could be raised through a 20% levy (on average, on the overall rates bill; an increase in the regional rate of around 11p at present). This will vary somewhat (as a proportion of the bill) between district council areas, given that it will only apply to the regional rate element. Final figures will also vary slightly to reflect changes in district rates in the coming years (revenue figures estimated at £6.7m, £7m and £7.2m for 2012/13 through to 2014/15, assuming an average regional and district rate increase of 3.5%) and any valuation changes that occur (a number of the 77 properties are subject to appeal).

18. Looking at the individual stores affected preliminary analysis would suggest that the current rates bill for these large stores is around 1.2% of individual store sales turnover (using derived net store sales turnover figures), with the levy under 0.25%, a relatively small amount.

19. The levy is likely, on average, to cost around £85,000 per store per year (2011/12 levels). The lowest levy would be around £55,000 (Marks and Spencer, Abbey Centre) and the highest around £320,000 (Ikea, Holywood Exchange). The company with the most affected properties (18) is Tesco, with a potential levy of around £1.5m a year, though this compares to UK operating profits of £2.4bn in 2009/10. Overall, where profit figures are available, a £6.5m levy would be raised from companies that had a combined UK sales turnover of around £115bn in 2009/10.

20. **Other options**: The Minister would also intend to seek views on some form of banding under which the levy would increase as the property value increases. This would reduce the burden somewhat for those close to the £500,000 threshold. However, it would also make this temporary measure more complex.

21. Consideration will also be given to sharing the burden of the levy across all sectors of the economy. Possible options would range from the levy being imposed on all business ratepayers not in receipt of small business rate relief (an average rate bill increase of around 1.3%) to all high value properties regardless of sector (an average rates bill increase of around 5%). However, these (and a banded levy) will not be presented as favoured approaches.

22. Applying the levy to all high value premises (260 properties, with a property value of £500,000 and above) has been considered. As approximately half are occupied by public bodies or receive public funding/relief this would involve circular money and reduce overall resources available to the Executive. Around 10% involve electricity or gas undertakings (where increased rates could indirectly raise fuel prices). 30% are retail properties while a final 10% are miscellaneous (covering banks, call centres, hotels, etc).

23. In terms of a levy on all those not in receipt of SBRR the Minister would have concerns about the impact on medium sized firms who, similar to small businesses, have been more adversely affected by the recession than large businesses. Nevertheless, this issue can be covered in the consultation document.

State aid

24. It is the Department's assessment that any expansion of the SBRR scheme would continue, as at present, to operate on a de minimis state aid basis. The Department already has in place administrative procedures to inform recipients about the level of permissible aid and the need to notify the Department where this may be breached.

25. The Department, having liaised with DETI, considers that the proposed large retail levy does not breach state aid rules by conferring a competitive advantage on businesses that are not subject to the levy. The Department will be seeking the views of the European Commission on the matter (in parallel with policy consultation).

26. The Department, with advice from DETI, considers that the main issue is how others are affected and whether those who are not paying the levy (not necessarily those who get small business rate relief) are beneficiaries, or at least to the extent that this distorts competition between Member States. For a measure to be seen as not being state aid it must also be clearly demonstrated that the intention of the levy is not to benefit those that are not subject to it. The Department is reasonably satisfied that this can be demonstrated.

27. It is the Department's assessment that any levy should apply across the retail sector and not be confined to a particular use, class or location (for example supermarkets or out of town retailers). It is considered that targeting large shops on the basis of the latter could run a

much greater risk of the measure being classified as state aid. In any case, a more selective measure could create wider policy difficulties in that it is likely to require a significantly higher levy (between 30% and 50%).

Financial impact

28. The levy and SBRR expansion are intended to be broadly revenue neutral for the Executive and district councils.

Impact assessments

29. Initial work on an integrated impact assessment of the changes has been carried out. Some preliminary information in relation to this is set out at **Appendix C**.

Other matters

30. As part of the consultation the Minister will also be consulting on a less contentious matter. It is an issue that is important to many traders and shopkeepers in our towns and city centres who are concerned about the appearance of empty shops during the downturn. Well intentioned attempts to brighten up shopping streets with colourful displays in shop windows can trigger liability of the whole shop at the full occupied rate. The Minister therefore intends to consult on ways of allowing this to happen without incurring the full rate, providing it is for worthy community and artistic purposes only and not commercial in nature. This is expected to have a negligible revenue impact, indeed, as its purpose is to preserve the attractiveness of our town and city centres, it should help protect the rate revenue paid by surrounding traders.

31. The consultation will also set out proposals to clarify the legislation relating to the state and circumstances of non-domestic property, for revaluation purposes. This is intended to simply reflect operational practice and the fact that operationally the assessment of state and circumstances is restricted to physical changes that may have occurred in respect of a property.

Preferred approach

32. The Minister’s preferred policy approach would be:

    (iv) a general expansion of the SBRR scheme, providing 20% relief to premises with an NAV of £5,001 - £10,000. No additional relief would be provided to current recipients;

    (v) a flat rate levy to apply to large retail premises (including car showrooms) with a rateable value of £500,000 or more (an average 20% increase); and

    (vi) to provide that the restricted use of empty shop fronts for community, artistic and other non commercial purposes should be permitted without incurring occupied rates liability (vacant rates would be charged).

33. The consultation paper will also consider variations on this such as increased SBRR for small retailers, a banded levy (levy increasing as the property value increases) and other ways in which the necessary revenue could be raised instead of charging a rates levy on large retailers.

Consultation and timing

34. It is planned to publish detailed policy proposals for consultation during the second half of June, to ensure that (subject to Executive and Assembly agreement) the changes can be in place for 1 April 2012.

Legislative Implications

35. Changes to the SBRR scheme can be made through subordinate legislation, unless the consultation leads to a more novel approach than the governing legislation allows. The other changes will require new primary legislation. Subject to satisfactory consultation outcomes and Executive approval, the Minister wishes to bring the necessary legislation forward in the autumn for Assembly approval. Accelerated passage is likely to be necessary if the changes are to be given effect from 1 April 2012.

Appendix A: Position of Small Versus Large Businesses

Small business

There are 120,000 - 125,000 small businesses in Northern Ireland, providing just over half of Northern Ireland's turnover (£29bn) and just under three fifths of employment. In addition, small businesses contribute around 55% of total GVA locally.

The NI Annual Business Inquiry (ABI) shows that, between 2008 and 2009 (2007 data cannot be compared due to changes in methodology), the number of small businesses decreased by around 10,000, employee numbers fell by over 22,000 (7.5%) and turnover reduced by £1.7bn (5.6%) while GVA contribution declined by 1.2%.

Large businesses

Locally large businesses account for less than 0.1% of businesses, yet provided just over a fifth of Northern Ireland's turnover and GVA in 2009 (around 7% of which comes from large retail).

Across Northern Ireland turnover, GVA and employees numbers for all sectors declined by 4.5%, 1.3% and 7.6% between 2008 and 2009. For large businesses and large retailers both turnover and GVA increased. While employment levels declined this was at a lower level than Northern Ireland as a whole. This, along with data from the Department for Business Innovation and Skills (BIS) covering 2007 - 2009, would suggest that large businesses (including retailers) have, comparatively, fared better than small businesses over that period.

In terms of the retail sector consumer spending power has undoubtedly reduced. However, a number of retail reports suggest that despite this retail sales remain surprisingly strong and that the resilience of the four large supermarkets is clear (three operating in Northern Ireland). All the major supermarkets continue to make substantial profits, while outside of this trade for the UK's top companies has borne up.

In terms of the retail sector growth in GVA over the last 10 years has outpaced growth for the Northern Ireland economy as a whole and has been greater than in the UK. Recent data shows the retail sector to have fewer businesses with turnover under £100,000 and more businesses with a turnover over £1m compared to Northern Ireland as a whole.

In terms of future prospects the Northern Bank is predicting retail growth of 1.9 % in 2011, around the average for Northern Ireland. Over the longer term (2010-2020) Ernst and Young are suggesting that the Distribution and Retail sector will grow by 2.9% locally, higher than the Northern Ireland average. Also retail and distribution is anticipated to be one of the fastest growth sectors in both the UK and Northern Ireland.

Position of companies affected by the large retail levy

At present 77 properties (27 companies) would be subject to the new levy. Of those that have reported (21) all have shown UK operational profit (2009/10), with a small number moving back into profit from the previous year. The majority have also seen an increase in their profit (albeit with significant variations) between 2008/09 and 2009/10. Two experienced a slight decrease.

Mintel UK retail ranking (based on UK retail sales) shows all the major supermarkets making substantial profits – the big three in Northern Ireland occupy just under half of the £500,000 plus retail properties. Outside of the major supermarkets, trade would appear to have largely borne up for those affected. Value clothing retailers such as Primark have increased profits while mid market operators such as Next and M&S continue to show profits. B & Q and Homebase also continued to increase their profits between 2008/09 and 2009/10.

The largest single store affected will be IKEA. Its range of affordable goods has allowed it to capitalise on consumer shifts to cheaper alternatives. While it did not publish profit figures for the year ending 2010 it recorded a sales rise of 7.7%, and indications are that it had a net profit increase of 11.3%.

The combined UK sales turnover of those properties that would be affected by the levy is around £115bn (09/10) (where figures are available). Two thirds of the properties affected (51 properties) are occupied by six companies (Asda, Sainsburys, Tesco, B & Q, Homebase and Marks and Spencer). These companies had a combined UK sales turnover in 2009/10 of £92bn. If a levy of 20% were applied, these six companies would see an increased rates liability of around £4.3m a year on these 51 properties – 0.005% of their UK turnover.

Of the properties likely to be affected, just over half are occupied by companies who rank in the top 10 of UK retailers; around three quarters are occupied by companies in the top 20. The combined UK operational profit of these companies (11 in total) was around £6.4bn for 2009/10 (around £4bn if Tesco is excluded). Their part of the levy (around £4.9m a year) would *on average* constitute around 0.08% of their UK operational profits (profits), or 0.005% of their UK sales turnover.

For all 27 companies affected by the levy, *on average*, their current rates bill should constitute no more than 0.03% of their UK sales turnover and 0.45% of their UK operational profit. A 20% levy would be approximately 0.005% of sales turnover or 0.08% of profit. There will of course be variations within this.

Appendix B: Properties Likely To Be Affected By The Large Retail Levy

Arcadia – British Home Stores	13 Castle Lane, Belfast, BT1 1GB
Arcadia – Burton group properties	UNIT 9/10 Forestside shopping centre, Belfast, BT8 6FX
Arcadia – Top Shop	Msu 2, 1 Victoria Square, Belfast, BT1 4QG
Asda	Asda Railway Road, 43 Railway Street, Strabane, BT82 8EQ
Asda	Unit D1, Ards Shopping Centre, Circular Road, Newtownards, BT23 4EU
Asda	2 Ring Road, Coleraine, BT52 1QN
Asda	31 Dromore Road, Omagh, BT78 1QZ
Asda	8 Derrychara Road, Enniskillen, County Fermanagh, BT74 6TG
Asda	85 Park Street, Ballyclare, County Antrim, BT39 9DQ
Asda	150 Junction One Outlet Centre, Antrim, County Antrim, BT41 4LL
B &Q	2 Balmoral Road, Belfast, BT12 6QA
B & Q	1 Marlborough Retail Park, Craigavon, County Armagh, BT64 1AG
B & Q	15 Braidwater Retail Park, Ballymena, County Antrim, BT42 3ES
B & Q	300 Airport Road West, Belfast
B & Q	1 Faustina Retail Park, Londonderry, BT48 8QN
B & Q	1 Sprucefield Park
B & Q	5 Damolly Retail Park, Newry, Armagh, BT35 6PR
B & Q	Unit 4, 4 Abbey Retail Park, Church Road, Newtownabbey, County Antrim, BT36 7GU
B & Q	20 Riverside Regional Centre, Coleraine, BT513QQ
Boots	35 Donegall Place, Belfast, BT1 5AW
Charles Hurst Ltd	60 Boucher Road, Belfast, BT12 6HR
Debenhams Plc	Unit 34, Castle Court, Belfast, BT1 1DD
Dunnes Stores Ltd	1 High Street, Belfast, BT1 2AA
Dunnes Stores Ltd	Fairgreen Shopping Centre, 1 Forthill Street, Enniskillen, County Fermanagh, BT74 6AJ
Dunnes Stores Ltd	Riverside Centre, 2 Irishtown Road, Omagh, BT78 1EF
Dunnes Stores Ltd	1 Bannside Wharf, Coleraine, Londonderry, BT52 1BW
Eason & Son (NI) Ltd	20 Donegall Place, Belfast, BT1 5BA
H & M	Queens Buildings, 8-10 Royal Avenue, Belfast, BT1 8DE
H & M	Unit Ug 17, 1 Victoria Square, Belfast, BT1 4QG
Harvey Norman leasing (NI) Ltd	Units A-D, 304 Airport Road West, Belfast

Homebase Ltd	1 Crescent Link Retail Park, Londonderry, BT47 6SA
Homebase Ltd	Units 1-3, Balloo Retail Park, Balloo Link, Bangor, County Down, BT19 7QY
Homebase Ltd	Unit 1 Shane Retail Park, 105 Boucher Road, Belfast, BT12 6RH
House Of Fraser	House Of Fraser, 1 Victoria Square, Belfast, BT1 4QG
Ikea	306 Airport Road West, Belfast, BT3 9EJ
Indulge Retail Ltd T/A Head	Unit Msu 03, 1 Victoria Square, Belfast, BT1 4QG
Marks & Spencer	No 1 Abbey Centre, Old Glenmount Road, Newtownabbey, BT37
Marks & Spencer	48 Donegall Place, Belfast, BT1 5BB
Marks & Spencer	1 Sprucefield Shopping Centre, Lisburn, BT27 5UJ
Marks & Spencer	Unit 1B, Store 2 Forestside Shopping Centre, Upper Galwally, Belfast, BT8 6FX
Marks & Spencer	Unit 29, Bloomfield Shopping Centre, South Circular Road, Bangor, BT19 7HB
New Look	Fountain House, 19-21 Donegall Place, Belfast, BT1 5AB
Next	40 Donegall Place, Belfast, BT1 5BB
Peacocks	49 Donegall Place, Belfast, BT1 5AG
Primark Stores	33 Castle Place, Belfast, BT1 1GA
River Island	Unit Ug 19, 1 Victoria Square, Belfast, BT1 4QG
Sainsburys	14A Forestside Shopping Centre, Belfast, BT8 6FX
Sainsburys	5 Sprucefield Park, Lisburn, BT27 5UQ
Sainsburys	10 Riverside Regional Centre, Coleraine, BT51 3AW
Sainsburys	1 Braidwater Retail Park, Ballymena, County Antrim, BT42 3AG
Sainsburys	18 Rushmere Centre, Craigavon, County Armagh, BT64 1AA
Sainsburys	Holywood Exchange, 302 Airport Road West, Belfast, BT3 9ED
Sainsburys	4 The Quays, Newry, Down, BT35 8QS
Sainsburys	150 Strand Road, Londonderry, BT48 7PB
Sainsburys	Supermarket (Unit 28), Kennedy Centre, 580 Falls Road, Belfast, BT11 9AE
Tesco	4 Marlborough Retail Park, Balteagh, Craigavon, BT64 1AG
Tesco	29 Knocknagoney Road, Belfast, Down, BT4 2PW
Tesco	Unit 1, Abbey Retail Park, Church Road, Newtownabbey, BT36 7GU
Tesco	28 Castle Way, Antrim, BT41 4BU
Tesco	47 Orritor Road, Cookstown, BT80 8BH
Tesco	1 Minorca Place, Carrickfergus, BT38 8AU

Tesco	170 Newtownbreda Road, Belfast, BT48 4PZ
Tesco	45 Millenium Way, Lurgan, BT66 8DH
Tesco	90 Larne Link Road, Ballymena, Antrim, BT42 3HB
Tesco	11 Dublin Road, Enniskillen
Tesco	Unit 1, Springhill Retail Park, Killeen Avenue, Bangor, Down, BBT19 1N
Tesco	Unit 1, Bloomfield Shopping Centre, South Circular Road, Bangor, BT19 7HB
Tesco	Unit 25, Connswater Shopping Centre, 115-117 Bloomfield Avenue, Belfast, BT5 5LP
Tesco	Unit 1, 1 Lisnagelvin Shopping Centre, Londonderry, BT47 6DF
Tesco	1 Beechvalley, Dungannon, County Tyrone, BT71 7BN
Tesco	Bentrim Centre, 2 Bentrim Road, Lisburn, BT28 2GB
Tesco	27 Castlewellan Road, Banbridge, BT32 4BW
Tesco	M 13, The Meadors Centre, Portadown, Craigavon, BT62 3TN
TK MAXX	32-40 Rosemary Street, Belfast
Toys R Us	1A Sprucefield Park, Lisburn, BT27 5UQ
WH Smith	44 Donegall Place, Belfast, BT1 5BB
Zara	3 Donegall Place, Belfast, BT1 5AA

Appendix C: Impact Assessment

SBRR expansion

An Equality Impact Assessment (EQIA) is being carried out on the proposed SBRR expansion. Initial analysis would suggest that for all Section 75 sub-groups there should be no significantly disproportionate impact for them if the proposed relief was implemented (20% relief for those with an NAV of £5,001 - £10,000).

Initial analysis of the impact on deprived areas would suggest that the proposed expansion should be neutral in its impact on areas of high deprivation. Rural proofing analysis indicates that while there would be likely to be a greater impact on urban areas than rural areas, the difference should not be significant.

Large Retail Levy

Initial EQIA analysis on the proposed large retail levy suggests that for the majority of Section 75 sub-groups, there should be no significantly disproportionate impact to any of these groups if the proposed levy was implemented. Only for the non-whites sub-group (of the Ethnic Background Section 75 category) would a differential impact be found, being over-represented in the areas most affected.

Preliminary analysis found that the proposed levy should have a relatively neutral impact on areas of high deprivation.

Rural proofing analysis indicates that the policy impact would be predominantly urban, with rural areas largely unaffected; the policy could therefore be considered to have a positive outcome for rural areas.

Consultation responses - Interim Response

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

Our Ref: CFP31/11-15
22 September 2011

Dear Shane,

Thank you for your letter of 22nd September 2011.

Your request refers to those who have responded on the Large Retail Levy, however, the consultation is also dealing with the corresponding proposals for enlarging the small business rate relief scheme, which is to be funded through the levy. It is difficult to disentangle the two issues, therefore the following refers to responses to the paper.

The Department has received eight responses to date, as below.

- Bang Olufsen
- Banbridge Council
- Head – music store
- Meanwhile Space Limited
- McFarland Graham McCombe Solicitors
- NI Judicial appointments Commission
- Portstewart Vision
- Sandy Row/Donegall Road Business Association

As with most consultation exercises we anticipate that the bulk of the responses will come in shortly before consultation closes and if experience is anything to go by for a few days after the closing date. The Minister, however, has indicated that he can only allow a short period of grace given the need to press ahead with decisions and legislation to ensure the enlarged small business rate relief scheme can be up and running for next rating year.

The Department will provide the Committee with a list of respondents once consultation closes and in the meantime we can provide a further update in early October if that would be helpful. Late responses will be forwarded as they come in.

Please let know if there is anything else we can assist with in relation to this matter.

Yours sincerely,

NORMAN IRWIN

DFP News Release - Finance Minister refutes NIRC Claims on Small Business Rate Relief Scheme

Department of Finance and Personnel

3 October 2011

Finance Minister refutes NIRC claims on small business rate relief scheme

Finance Minister Sammy Wilson MP MLA has responded to inaccurate claims by the NI Retail Consortium (NIRC) that much of the money from the expanded large retail levy will benefit banks, bookies and pubs.

The Minister advised: "Both the current small business rate relief scheme and the proposed expansion would help a wide range of businesses in all sectors."

Although around half of the £6.5million annual relief would go to retail premises the preferred scheme is not restricted to small shops as the difficulties facing the small business sector go well beyond that sector. A further 30% of the premises comprise small offices and workshops and it applies to a wide variety of premises, reflecting the diversity of small business.

The Minister confirmed:

> *"My focus is on helping as many small businesses as I can through these tough economic times. I have seen for myself how many small firms all across NI are struggling to make ends meet as the downturn continues to hit them hard.*
>
> *"I cannot deliver an automatic scheme without applying it across the board. The alternative is to get businesses to apply and this adds costs – to the businesses themselves and to government. They have tried this before elsewhere in the UK and it doesn't work. This scheme will have a three year life and it needs to be kept simple.*
>
> *"In any case, small pubs are closing at an alarming rate and are a key component of our tourism product. Banks in small local towns provide a vital function and it is important to help their survival. All small business premises provide employment and result in increased economic activity.*
>
> *"I am keen not to get drawn into a debate around what are deemed to be 'worthy' businesses and I am disappointed that the Northern Ireland Retail Consortium has decided to do so. They have chosen to misinterpret figurework provided by my Department. I expected better of the local arm of the British Retail Consortium, particularly when I, and my Department, have been so open and accessible about both the proposals and the figurework."*

The Minister continued:

> *"I am hopeful that we can still have a mature debate about this important issue and I will be considering very carefully all the submissions I receive from the business community, including the Consortium. The Executive and Assembly will decide the matter over the coming months and will not be swayed by misleading headlines and attempts to discredit the proposals.*
>
> *"Rebuilding and rebalancing the Northern Ireland economy is the Executive's top priority. To date this has included a range of measures to help all organisations. By 2014/15 the regional rate will have been frozen, in real terms, for seven years. A small business rate relief scheme has, to date, provided approximately £14million to around 16,000 businesses. In*

addition, empty property relief continues to be held at 50% and manufacturing rates have been frozen at 30%."

Notes to editors:

1. Further detail on the non-domestic rating proposals can be found at http://www.dfpni.gov.uk/consultation-zone.htm.

2. The preferred approach for the large retail levy would involve an average levy on rate bills of around 20%. This would be applied to large retail premises with a rateable value of £500,000 or more. It would take the form of a regional rate supplement. In terms of the small business rate relief scheme the preferred approach would be for 20% relief to be provided to eligible premises with an NAV of £5,001 - £10,000. This would double the amount of relief provided under the main scheme. No additional relief would be provided to those currently receiving small business rate relief (NAV of £5,000 or below).

3. Media enquiries should be addressed to the Department of Finance and Personnel Communications Office on Tel: 028 9016 3388 or 028 9016 3389. Out of Office hours please contact the Duty Press Officer via pager number 07699 715 440 and your call will be returned.

This is an automated distribution service - please do not reply to this email address.

Summary of Report on Outcome of Consultation

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Department of
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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

4 November 2011

Dear Shane

Consultation Outcomes Report – Expansion of the Small Business Rate Relief Scheme and Large Retail Levy

Members are aware that the Minister consulted on proposals to rebalance the non-domestic rating system so that during the continuing economic downturn and through to recovery additional smaller businesses would get help, while the very largest retailers would pay more. It was proposed to achieve this through expanding the small business rate relief scheme, funded by applying a levy to the largest/highest value retail properties. It was also proposed that both measures would apply for three years, from 1 April 2012 through to 31 March 2015. The legislation would require accelerated passage for any changes to be in place by 1 April 2012.

The preferred approach, as set out in the June consultation paper (**Appendix A**), was:

(i) a general expansion of the small business rate relief scheme, providing 20% relief to premises with an NAV of £5,001 - £10,000. No additional relief would be provided to current recipients;

(ii) a 20% levy on average to apply to large retail premises with a rateable value of £500,000 or more;

(iii) to provide that the restricted use of empty shop fronts for community, artistic and other non-commercial purposes should be permitted without incurring occupied rates liability (50% vacant rates would continue to be charged); and

(iv) clarifying the valuation assumptions for the purpose of non-domestic revaluations.

Consultation finished on 18 October with a total of 70 responses. This consisted of 22 businesses, 23 organisations, 16 district councils, six political representative/parties, two public bodies and one ratepayer. A summary of the consultation responses is provided at **Appendix B**. The full consultation report, which includes a Ministerial foreword, is also attached at **Appendix C**.

The report summarises the views expressed by those who responded to the consultation exercise. The Minister has also outlined, in very broad terms, his current thinking in the foreword to the consultation report. However, he will not be making recommendations to the Executive until he has considered the views of the Committee.

By way of summary the foreword to the consultation report sets out the Minister's concerns about, and his view on the limitations of, alternatives to the large retail levy. It also touches on the issue of a levy on free car parks in out of town shopping centres.

On the small business rate relief scheme expansion the Minister has noted the strong support for extending the scheme and indicates that any expansion would not be needed beyond 2015 given that the next revaluation will redistribute the rating burden so that sectors and locations that have fared better than others will pay more and those that have not fared as well will pay less. Given concerns expressed during consultation the Minister also wishes to examine if there are ways of excluding businesses with multiple premises.

On the issue of empty shops the Minister welcomes the support for the window display proposals and would share the concerns about the impact that empty shops can have on town centres and shopping areas. As well as taking forward the proposal for allowing non-commercial window displays, while retaining unoccupied rates relief, he would wish to examine the feasibility of providing a rates concession for new businesses setting up in empty retail premises.

Next Steps

The consultation report provides a more detailed overview of the issues raised during consultation. The report will be published on the Rating Policy website (www.dfpni.gov.uk/rating-review) once the Committee has been briefed. The consultation responses are also available on that website.

The Minister will be carefully reflecting on what has been said and considering the evidence gathered through the consultation process. He will also take into account the views of the Committee. Following this the Executive will be advised on the way forward and asked to agree both the final policy position and the necessary legislation to give effect to this. Final decisions will be set out in a paper to be published after the Executive has agreed the way forward. That paper will also include the final integrated impact assessment and will be made available on the Rating Policy website. All those that responded to the consultation exercise will also be advised of its publication.

The Minister would intend to seek Executive agreement, and then announce final decisions on the way forward, by mid December at the latest (subject to Executive consideration). Following this legislation will be brought forward for Assembly consideration and agreement to the changes being implemented by 1 April 2012. Members' will wish to note that their consent to accelerated passage would be sought in due course.

Yours sincerely,

NORMAN IRWIN

Appendix A: Consultation Paper June 2011

[http:www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf]

Appendix B: Summary of Consultation Responses

Large retail levy

Position on large retail levy (funding SBRR expansion	Total	Business	District Councils	Organ-isations	Pol Rep	Rate payer
Support/agreed	31	3	13	10	4	1
Against	22	13	1	8	-	-
Comments/concerns	7	-	2	4	1	-
Total	**60**	**16**	**16**	**22**	**5**	**1**

The vast majority of consultation responses (60 out of 70) commented on the large retail levy generally, as well as using it as a mechanism for funding expansion of the small business rate relief scheme. This comprised 16 businesses (11 of which would be affected by the levy), 16 district councils, 22 organisations, five political representatives and one ratepayer.

Support for/agreement to the preferred approach: 31 of the responses fully supported the large retail levy as a means of funding expansion of the small business rate relief scheme or, while expressing some reservations, generally agreed that on balance this was the most appropriate mechanism taking account of the issues set out in the consultation paper. This consisted of three businesses, 13 district councils, 10 organisations, four political representatives and one ratepayer.

Of these around half made additional suggestions in relation to the proposals, while agreeing to the introduction of a large retail levy. In supporting the large retail levy a number were also attracted to a levy on out of town car parks or out of town stores more generally.

Opposition: 22 responses were opposed to the large retail levy, half of which were large retailers. The 22 respondents consisted of 13 businesses, one district council and eight organisations.

Comments/concerns: Seven responses commented on the large retail levy either raising concerns or not taking a definitive position. This consisted of two district councils, four organisations and one political representative.

Small Business Rate Relief

Position on SBRR extension	Total	Business	District Councils	Organ-isations	Pol Rep	Rate Payer
Support	40	6	14	14	5	1
Against /Concerns	14	6	2	5	1	-
Total	**54**	**12**	**16**	**19**	**6**	**1**

Similar to the large retail levy the majority of responses (54) commented on expansion of the small business rate relief scheme. This comprised 12 businesses (7 affected by the levy), 16 district councils, 19 organisations, six political representatives and one ratepayer.

Support for/agreement to the preferred approach: 40 of the responses fully supported or agreed with expansion of the small business rate relief scheme. This consisted of six businesses, 14 district councils, 14 organisations, five political representatives and one ratepayer.

Against/Concerns: 14 responses had some concerns about the extension of the small business rate relief scheme (or the scheme more generally). This consisted of six businesses, two district councils, five organisations and one political representative.

While no one opposed support for small businesses per se concerns related to the effectiveness of the measure (in terms of targeting and the difference that small amounts of relief could make), the need for evaluation and also the provision of relief on multiple premises (where these form part of a chain). Suggestions were also made about how additional support could be funded.

Not all of the 40 responses commented specifically on the three year 'downturn' period. Of those that did 14 were in favour of the measure applying for three years. An additional eight supported the measure but asked that consideration be given to extending it beyond three years (subject to evaluation in some cases). 9 responses also expressed concern that the Executive would find it politically difficult to remove the relief after three years.

Window Displays In Empty Shops – Disregarding Non-Commercial Use:

Position on preferred approach	Total	Business	District Councils	Organ-isations	Pol Rep	Public Body
For	26	3	9	10	3	1
Supports broad direction but favours extension	11	1	5	4	1	-
Comment	1	-	-	1	-	-
Total	**38**	**4**	**14**	**15**	**4**	**1**

38 responses referred to the window display proposals, either specifically or more generally in terms of the overall preferred approach set out in the consultation paper.

Support for preferred approach: 26 responses fully supported the preferred approach to allow the limited use of window displays in empty shops, where used for (non-political) community, artistic or other non-commercial purposes, without incurring full occupied rates. This comprised three businesses, nine district councils, 10 organisations, three political representatives and one public body.

Supports broad direction but favours extension: 11 responses supported the broad direction of the proposals but felt that more needed to be done by way of the permitted activities. This consisted of one business, five district councils, four organisations and one political representative.

Clarifying Assumptions for Future Non-Domestic Revaluations:

Position on preferred approach	Total	Business	District Councils	Organ-isations	Political Repres-entative
For	17	3	6	7	1
Against	2	1	-	1	-
Comment	2	1	-	1	-
Total	**21**	**5**	**6**	**9**	**1**

21 responses commented on the proposal to clarify the valuation assumptions or indicated a position on the policy proposals more generally. This comprised nine organisations, six district councils, five businesses and one political representative. A small number of

responses simply commented on either the general revaluation assumption or the valuation by reference to the volume of trade proposal.

Support for preferred approach: 17 responses indicated support for the preferred approach more generally or specifically in terms of clarifying the valuation assumptions for future non-domestic revaluations.

Opposed/comments: Two responses opposed the proposal relating to properties valued by reference to their volume of trade. A further two responses suggested that account should be taken of ‘material change of circumstances.

There was some confusion over the fact that any changes would apply only at a generation revaluation and not for the purpose of revising a valuation list in force between revaluations.

Appendix C: Consultation Outcomes Report November 2011

Report on Outcome of Consultation

Index

Ministerial Foreword

Background

During my Budget announcement on 4 March this year I announced the Executive's intention to rebalance the non-domestic rating system so that during this continuing downturn additional smaller businesses would get help, while the very largest retailers would pay more. I published proposals for 16 weeks consultation on 28 June. A diverse range of views has been expressed during this consultation, which is hardly surprising given that the proposals involve some paying more in rates and others getting more relief.

In considering the consultation responses I think that it is fair to say that some have misinterpreted the aim of the proposals. They were not brought forward to arrest the growing trend for out of town retailing but to raise money to support small businesses. On balance, however, the measures would be expected to do more for town centres than edge of town and out of town developments.

I have noted the concerns that have been expressed by those representing large retail that a levy would do damage to that sector, particularly with worsening retail sales in Northern Ireland. A lively public debate has been played out in the media on the issue in recent weeks. Some of it has been useful but it is a pity that a lot of it has been ill informed. Now is the time for me to look at this important issue dispassionately and in the light of the responses received and the available evidence.

Broadening the levy

One of the suggested alternatives put forward was to raise the regional rate. This is something that the Executive could consider but it would be contrary to its agreed freeze in the regional rate through to 2015 and would add cost to our most vulnerable businesses, during the worst economic downturn in living memory. Others have suggested charging all large business premises the levy. This would, however, run contrary to established policy in a number of areas. For instance, the Assembly has already agreed to hold manufacturing rates at their current level for the spending review period. Charging a rates levy on our utility companies would only be passed onto customers through higher bills, adding cost to businesses and increasing fuel poverty for households. Applying the levy to airports would run contrary to policy on air passenger duty. It is not possible to identify specific large office users (such as financial institutions and banks) through the rates system, because rates are simply a tax on the occupation of premises and liability is based on property value, without reference to the occupying business.

Some have suggested that car parks in out of town shopping centres should pay a separate rate. This is a difficult thing to do within the rating system because the value of individual shops already reflects the advantages of free car parking and other common facilities such as the covered mall. If this is to be taken further I think it needs to be considered as a separate charge and is something that would need more consultation and research.

Enlarging the small business rate relief scheme

There was strong support for enlarging the small business rate relief scheme. While some would wish any such change to last longer than three years it is important to recognise that the proposals were put forward as a response to the downturn and that it will take us up until the next revaluation; which will redistribute the rating burden so that sectors and locations that have fared better than others will pay more and those that have not fared as well will pay less.

While there were few that were against providing additional support to small businesses it has been argued by some that the scheme should be more effective and more targeted. This is more difficult to administer than it might seem and I want to keep the scheme an automatic one. Views expressed by some were fairly clear, however, that banks and chains of bookmakers should not be entitled to relief. While these represent a very small proportion of the businesses that would get help I will examine if there are ways of excluding businesses with multiple premises. There may not be sufficient time to do this for rate bills for the forthcoming rating year but it may be possible for the two subsequent years.

Empty shops

On the issue of empty shops I would share concerns about the impact that these can have on our town centres and shopping areas. This is a growing problem and one that appears worse in Northern Ireland than other parts of the UK. For some years now we have experienced a transformation in the way the retail economy behaves and it seems likely that we are facing a long term and structural oversupply of shops in all of our towns and cities. Nevertheless, it is important, for a whole variety of reasons, that we protect the core of our urban centres from this growing blight and keep them alive.

I have listened carefully to suggestions for getting empty shops back into business. As well as taking forward the proposal for allowing window displays, while retaining unoccupied rates relief, I would like to do more and will be examining the feasibility of providing a rates concession for new businesses setting up in empty retail premises.

Revaluation

Finally, it is very clear that a general revaluation has to happen in 2015, at the same time as the rest of the UK. To ensure this happens I would like to make the necessary changes to provide clarity around the production of a new valuation list in changing economic circumstances. Some have suggested that we go further and amend the material change in circumstances provision in line with the rest of the UK, so that the valuation list is a more flexible one between general revaluations. While the points on equity and fairness are well made it is not a feature of the GB business rates system that we can readily import to Northern Ireland. Flexibility for ratepayers means instability for government finances, particularly local councils. Unlike local authorities in the rest of the UK, which are largely grant funded, councils here receive most of their financing directly from rates.

Consultation and decisions

As part of the consultation process I met with a range of businesses and their representative organisations. I will be reflecting on these discussions and all the views I have received from the public consultation. While my mind has not been made up yet on the levy it has to be said that the consultation did not stimulate any new thinking on how the extra money could be raised to help small businesses through these extremely difficult times, beyond suggestions of a general increase in the regional rate or applying the levy to other large non-domestic properties.

What is certain is that paying for it out of public expenditure is a thing of the past; businesses know that, households know that and the Assembly knows that. The funding for the extension of the small business rate relief scheme has to come from somewhere else.

I would like to thank everyone who responded to the consultation for their valuable contribution. In total there were 70 responses to the consultation exercise, which are available on the Rating Review website. This report provides a summary of what has been said by those who responded.

I will be carefully reflecting on what has been said and considering the evidence gathered through this process. I will also be taking into account the views of the Finance and Personnel Committee. Only then will I present recommendations to my Ministerial colleagues in the Executive. I intend to announce final decisions on the way forward by mid December, subject to Executive consideration. Following this legislation will be brought forward for Assembly consideration and agreement to the changes being implemented by 1 April 2012.

Section 1: Overview of Consultation Process

1. A consultation paper on the rating of commercial properties was published for consultation on 28 June 2011, allowing 16 weeks for the public to respond. The paper set out a range of proposals aimed at rebalancing the rating system during a period of economic downturn through to recovery. The preferred approach was as below:

Preferred approach (as consulted on)

(i) Extending the reach of the small business rate relief scheme;

(ii) Paying for this by introducing a levy on retail properties with a rateable value of £500,000 and above;

(iii) Allowing the use of window displays in empty shops for non-commercial purposes, preserving 50% empty property relief (or any exclusion); and

(iv) Clarifying the legislation relating to valuation assumptions for the next general revaluation in 2015.

2. The consultation paper was issued to a wide range of interested parties, placed on the Department's website and its publication was advertised in the local press. The issues have stimulated extensive coverage in both the local and regional press over recent months.

3. During the consultation period the Finance Minister, Sammy Wilson, held a series of meetings with both large and small businesses and their representative organisations. This included meetings with *Asda, B&Q, the Belfast Chamber of Trade and Commerce, the Coleraine Chamber of Trade and Commerce, the CBI, the NI Independent Retail Trade Association, Sainsbury's and Tesco* as well as attendance at a range of business meetings. Officials also met representatives from the business community.

4. Consultation finished on Tuesday 18 October, with 70 written responses. Of these 23 were from representative organisations and professional bodies, 22 from businesses, 16 from district councils and six from political representatives (including political parties). There were also responses from two public bodies and one ratepayer. The responses focused on the proposed expansion of the small business rate relief scheme and its funding through a large retail levy.

5. A full list of respondents is included at **Annex A**. Copies of the consultation responses are also available on the Review of Rating policy website (www.dfpni.gov.uk/rating-review).

6. This report summarises the views expressed by those who responded to the consultation exercise. Although the Minister has outlined in very broad terms his current thinking in the foreword to this report, he will not be making recommendations to the Executive until he has considered the views of the Finance and Personnel Committee. Final decisions will be set out in a paper to be published after the Executive has decided on the way forward. That paper will also include the final integrated impact assessment.

7. The report is structured into sections dealing with the four main policy proposals and other issues. **Section 2** sets out updated research and analysis. **Section 3** provides a summary of the consultation responses. **Section 4** sets out the views expressed on the large retail levy, while **Section 5** deals with the proposed expansion of the small business rate relief scheme. **Sections 6 and 7** provide an overview of the responses on the proposals relating to window displays in empty shops and clarifying the valuation assumptions for future non-domestic revaluations. **Section 8** considers other issues raised during consultation. **Section 9** sets out the next steps in terms of Executive and Assembly consideration of the final policy position.

Section 2: The Wider Context

8. Since the publication of the consultation paper in June further relevant information has emerged about the wider context for these changes.

Economic outlook

9. Serious concerns were raised during the consultation about the recent downturn in the retail sector, with evidence of reduced consumer confidence and spending.

10. The Northern Ireland Index of Services for Quarter 2, 2011, reported that output for the wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities sector had fallen by 9.6%. It is not possible, however, to break this down by sector but it would appear that consumer spending and confidence have declined.

11. Recent publications also point to a significant decline in small business confidence. The most recent small business confidence index[1] shows a slump in confidence due to the pressure of weak demand and rising costs. Revenue expectations have also become negative while a growing number of small firms have been laying off workers, or are looking to cut staff over the coming three months.

12. The October report also highlights that it is the first time since the Index started that more business people believe that they are going to lay off staff rather than take them on, while it is also the first time that confidence and the outlook across regions of the UK has been negative.

Empty shops

13. The Department has also noted concerns about the growing number of empty shops in local towns and city centres and the adverse impact this is having economically and socially.

14. The commercial property estate agents Lisney[2] undertook research on vacancy levels across Northern Ireland, looking at the retail market in 17 local towns and cities. This suggested that vacancy levels range from 3.6% in Craigavon to 20% in Portadown and are 14.4% on average. Vacancy levels were considered to be 18.1% in Belfast (a figure which the Department can confirm from its own analysis).

15. The Lisney research noted that large variances were reflective of overdevelopment of retail units and schemes in some locations. The report also indicated that Cookstown, for example, with a well established high street and a small quality retail park has a vacancy level of 6%, whereas Portadown with three shopping centres, all within the town centre boundaries, has a 20% vacancy level.

16. This is a phenomena experienced in the rest of the UK. The economic downturn is one reason, the increasing concentration of retailing is another but some experts are putting it down to a retail revolution that is taking place, with fierce competition emerging from within the 'multi channel' retailing industry (selling via website, catalogues, call centres etc.) making it increasingly hard for shops on our high streets and main thoroughfares.

17. In this context a number of consultation responses commented on the need for measures to encourage empty retail properties back into use. Further detail on this is set out in Section 8.

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1 The FSB 'Voice of Small Business' Index was published on 17 October 2011. It is a quarterly macro-economic report analysing the trends of small businesses in the UK market. This report was produced by the centre for economic and business research (cebr) and is based on 1,673 responses from the September 2011 FSB 'Voice of Small Business' Survey Panel of FSB members.

2 Lisney report, September 2011, High level of retail vacancy will continue to suppress rents.

Comparison with rate bills in GB

18. As part of its analysis the Department asked a number of large UK based retailers to produce 'like with like' comparisons of rate costs between Northern Ireland and the rest of the UK. Aside from information from Ikea no evidence was forthcoming during consultation. The Department has undertaken its own analysis.

19. The use of national averages is likely to be misleading because rating assessments vary so much between one area of the country and another. For example it is not appropriate to compare the likes of Belfast with the major urban conurbations found in the South East, the Midlands and in the North West of England as these are expected to have higher rates liability.

20. Instead it is considered more reliable and helpful to examine the rates paid by large stores in a comparable medium sized city in the rest of the UK. Analysis undertaken by CACI (a UK market leader in location planning), indicates that Hull presents the closest comparison with Belfast in terms of household mix, demographics and other socio economic data.

21. The Valuation Office Agency in England publishes its rating valuations on the internet and also their associated guidance notes which explain the approach taken and what properties are covered by it. This is called a valuation scheme. The relevant valuation scheme for the Hull area (which applies to superstores in South Yorkshire and includes the billing authority areas of East Riding, Kingston upon Hull and North Lincolnshire) states that the most commonly adopted value per square metre or unit within this valuation scheme is £235.00. The Department's detailed analysis shows, however, that the figures for Hull and the surrounding area are slightly lower than their valuation scheme suggests, as the table below indicates.

22. The last revaluation in England took place in April 2010 with a valuation date of 2008. Northern Ireland was supposed to have followed suit but this was postponed due to the volatility in the property market, which meant that there was insufficient rental evidence here to establish a new valuation list reliable enough to raise revenue from ratepayers. Non-domestic properties were last revalued in Northern Ireland in April 2003, based on 2001 values.

23. A valuation comparison is therefore meaningless. However, **it does allow a valid comparison to be made between the rates paid per square metre in the Belfast area (as well as Northern Ireland) with the rates paid per square metre in Hull.**

Our analysis reveals the following:

Value and rate liability per sqm

Supermarkets only (4,600 – 11,000 square metres)	No. of properties	Average value per sqm	Average rate liability per sqm
Hull	10	229	99
Belfast	6	113	62
Wider area around Hull	60	220	95
Northern Ireland	34	105	58

24. The average rate liability is based on a 2011/12 non-domestic rate of 55.6p in Northern Ireland, and a unified business rate of 43.3p in England.

25. **The conclusion is that rate liability per square metre for larger purpose built supermarkets in Belfast is approximately 60% that of Hull.**

26. Notwithstanding reservations about adopting national averages, the valuation levels found in Hull apply throughout the North East of England area, including cities like Newcastle and therefore the above figures can be considered as fairly typical for that whole region

27. Furthermore, values for the supermarkets in Hull increased by 35% on average at the 2010 revaluation, compared to a 19% overall average. So, following the revaluation the supermarkets in Hull ended up paying 16% more in rates (ignoring any transitional relief that may have applied). This provides some comparative evidence that had there been a revaluation in Northern Ireland in 2010, this would have led to significant increases in liability.

28. Some respondents have rejected this assertion because of more competition amongst larger retailers since 2003 but this argument is only considered valid in exceptional cases for particular stores. The more important and broader consideration is the increasing share of the retail market secured by larger retail outlets since the last Northern Ireland revaluation in 2003.

29. The above analysis is particularly relevant for all the food based large retailers, who would end up paying around 40%[3] of the proposed levy and have been the most vocal opponents of it.

30. It is not so relevant to other large retailers. Ikea is a case in point (the one company that presented comparative figures) who pointed out that their Scottish stores pay slightly less than their Northern Ireland store. City centre department stores present a variable picture and it is difficult to establish clear comparability. Some are higher in Northern Ireland, some are lower.

31. Likewise, the same analysis does not work for more traditional (i.e. smaller) shops. These are much more variable, within towns and cities. Some will increase in the same town at revaluation and others will decrease. It is worth noting though, that the 407,700 shops in England decreased in liability by an average of 1% following the 2010 revaluation.[4]

32. This analysis is presented as a contextual point not as direct justification for a levy or the amount of the levy. The policy justification remains one of charging the large retail sector more and charging small business less (as they are less able to survive through this downturn, given that rates represent a higher proportion of outgoings than for larger businesses). The levy, therefore, is not intended as some sort of technical adjustment to rate bills because of the absence of a revaluation.

Scottish Public Health Levy

33. It is noted that the Scottish Executive recently announced its intention to introduce a public health levy. This is intended to tackle the cost of problems associated with alcohol and tobacco through a business rates supplement paid by large retailers selling both goods from April 2012. It is estimated that the levy will raise £30m in 2012-13, equivalent to just over 0.1% of retail turnover in Scotland. The supplement is intended to apply at a standard rate across all retail properties with a rateable value of over £300,000 with the revenue to be used towards preventative spend measures. The policy is currently out for consultation as part of the Scottish Executive's draft budget.

34. The aims and potential impact of this policy are quite different to the large shops levy proposals here. Although it is something that could be considered before final decisions are made on the large shops levy, it would not be possible to have it in place for April 2012 because of the need to fully research and consult on the matter.

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3 Around 50% if Marks and Spencer is counted as a food based retailer.

4 Department of Communities and Local Government, Business Rates Information Letter, 10/09

35. The directly related issue of funding the expansion of the small business rate relief scheme would remain and it is inevitable that this would cause delay, which would not be desirable given that the overriding intention is to provide support as soon as possible to the small business community during the current downturn.

36. Furthermore, if the Executive and Assembly approve a levy on the largest shops, it will run for three years and therefore it would not be realistic to consider the imposition of an alternative, or supplementary, public health levy.

Section 3: Summary of Consultation Responses

37. This section provides a brief tabular overview of the headline consultation responses set out in the **Sections 4 – 7**. More detail on the issues raised on each of the policy proposals is set out in the relevant sections. In total there were 70 consultation responses as follows:

- Businesses 22
- Organisations 23
- District Councils 16
- Political representative/parties 6
- Public bodies 2
- Ratepayers 1

Large retail levy

Overview of Consultation Responses

- **Support for/agreement to the preferred approach**: 31 of the responses fully supported the large retail levy as a means of funding expansion of the small business rate relief scheme or, while expressing some reservations, generally agreed that on balance this was the most appropriate mechanism taking account of the issues set out in the consultation paper. This consisted of three businesses, 13 district councils, 10 organisations, four political representatives and one ratepayer.

  Of these around half made additional suggestions in relation to the proposals, while agreeing to the introduction of a large retail levy. In supporting the large retail levy a number were also attracted to a levy on out of town car parks or out of town stores more generally.

- **Opposition**: 22 responses were opposed to the large retail levy, half of which were large retailers. The 22 respondents consisted of 13 businesses, one district council and eight organisations.
- **Comments/concerns**: Seven responses commented on the large retail levy either raising concerns or not taking a definitive position. This consisted of two district councils, four organisations and one political representative.

Position on large retail levy (funding SBRR expansion	Total	Business	District Councils	Organ-isations	Pol Rep	Rate payer
Support/agreed	31	3	13	10	4	1
Against	22	13	1	8	-	-
Comments/concerns	7	-	2	4	1	-
Total	**60**	**16**	**16**	**22**	**5**	**1**

Small business rate relief scheme

Overview of Consultation Responses

- **Support for/agreement to the preferred approach**: 40 of the responses fully supported or agreed, on balance, with expansion of the small business rate relief scheme. This consisted of six businesses, 14 district councils, 14 organisations, five political representatives and one ratepayer.
- **Against/Concerns**: 14 responses had some concerns about the extension of the small business rate relief scheme (or the scheme more generally). This consisted of six businesses, two district councils, five organisations and one political representative.

  While no one opposed support for small businesses per se concerns related to the effectiveness of the measure (in terms of targeting and the difference that small amounts of relief could make), the need for evaluation and also the provision of relief on multiple premises (where these form part of a chain). Suggestions were also made about how additional support could be funded.

*Position on extension of SBR***R**	**Total**	**Business**	**District Councils**	**Organ-isations**	**Pol Rep**	**Rate Payer**
Support	40	6	14	14	5	1
Against /Concerns	14	6	2	5	1	-
Total	**54**	**12**	**16**	**19**	**6**	**1**

Window displays in empty shops – Disregarding non-commercial use

Overview of Consultation Responses

- **Support for preferred approach**: 26 responses fully supported the preferred approach to allow the limited use of window displays in empty shops without incurring full occupied rates. This comprised three businesses, nine district councils, 10 organisations, three political representatives and one public body.
- **Supports broad direction but favours extension**: 11 responses supported the broad direction of the proposals but felt that more is needed to be done by way of the permitted activities. This consisted of one business, five district councils, four organisations and one political representative.

Position on preferred approach	**Total**	**Business**	**District Councils**	**Organ-isations**	**Pol Rep**	**Public Body**
For	26	3	9	10	3	1
Supports broad direction but favours extension	11	1	5	4	1	-
Comment	1	-	-	1	-	-
Total	**38**	**4**	**14**	**15**	**4**	**1**

Clarifying assumptions for future non-domestic revaluations

Overview of Consultation Responses

- **Support for preferred approach**: 17 responses indicated support for the preferred approach more generally or specifically in terms of clarifying the valuation assumptions for future non-domestic revaluations.
- **Opposed/comments**: Two responses opposed the proposal relating to properties valued by reference to their volume of trade. A further two responses suggested that account should be taken of 'material change of circumstances.
- There was some confusion over the fact that any changes would apply only at a generation revaluation and not for the purpose of revising a valuation list in force between revaluations

Position on preferred approach	Total	Business	Organ-isations	District Councils	Political Repres-entative
For	17	3	7	6	1
Against	2	1	1	-	-
Comment	2	1	1	-	-
Total	**21**	**5**	**9**	**6**	**1**

Section 4: Large Retail Levy

Consultation background and preferred approach

Original consultation proposal

- Average 20% levy on large retail properties with a rateable value of £500,000 or more.
- Extension of the small business rate relief scheme would be funded through this.
- Intended to rebalance the non-domestic rating system so that during the economic downturn additional smaller businesses would get help, while the very largest retailers would pay more.
- Around £6.5m would be raised (at 2011/12 levels).
- Average levy of around £85,000.
- Time limited to three years, applying through to the 2015 non-domestic revaluation.

38. The consultation paper's preferred approach was chosen on the basis that the economic performance of large retailers has generally been more positive in recent years than that of small businesses. Although the economic downturn has adversely affected most businesses larger retail is considered to have fared better than small business during these difficult times, with rates also representing a higher proportion of outgoings for small businesses.

39. A number of policy issues were considered in the consultation paper including:

(i) why large retailers;

(ii) alternatives to a levy on large retail premises;

(iii) alternatives to a fixed percentage levy

(iv) the rateable value threshold; and

(v) the impact on consumers, investment and prices.

40. The assessment in the consultation paper was that the temporary nature of the proposed levy, and the competition that exists within the retail sector, was important. Also it noted that there was no noticeable impact of a 30% increase in rates liability for large retail warehouses at the last revaluation in Northern Ireland.

Overview of Consultation responses

41. The vast majority of consultation responses (60 out of 70) commented on the large retail levy generally, as well as using it as a mechanism for funding expansion of the small business rate relief scheme. This comprised 16 businesses (11 of which would be affected by the proposed levy), 16 district councils, 22 organisations, five political representatives and one ratepayer. An overview of the responses is set out in the text and table below.

Position on large retail levy (including funding of SBRR expansion	Total	Business	District Councils	Organ-isations	Pol Rep	Rate payer
Support/agreed	31	3	13	10	4	1
Against	22	13	1	8	-	-

Position on large retail levy (including funding of SBRR expansion	Total	Business	District Councils	Organ-isations	Pol Rep	Rate payer
Comments/concerns	7	-	2	4	1	-
Total	**60**	**16**	**16**	**22**	**5**	**1**

42. **Support for/agreement to the preferred approach**: 31 of the responses fully supported the large retail levy as a means of funding expansion of the small business rate relief scheme or, while expressing some reservations, generally agreed that on balance, this was the most appropriate mechanism taking account of the issues set out in the consultation paper. The majority of the 31 responses were from representative organisations, district councils and political representatives.

43. Of these around half made additional suggestions in relation to the proposals, while agreeing to the introduction of a large retail levy. While supporting the large retail levy a number were also attracted to a levy on out of town car parks or out of town stores more generally.

44. **Opposition**: 22 responses were opposed to the large retail levy, around half of which were large retailers that would be affected by the levy, the remainder comprising representative organisations. A number of these responses suggested alternative ways to fund expansion of the small business rate relief scheme.

45. **Comments/concerns**: Seven responses commented on the large retail levy, either raising concerns or not taking a definitive position on the levy. This comprised four organisations (including the *Land Value Taxation Campaign, RICS* and the *Union of Shop, Distributive* and *Allied Workers*), two district councils and one political representative.

Issues raised in consultation responses

46. Given the range of issues raised an overview of the consultation responses is provided (with reference to the consultee type) by subject matter, rather than simply looking at organisational, local government and business responses etc. as a whole. This is in order to avoid duplication.

Large retail levy to fund SBBR expansion

47. The 31 that fully supported, or agreed on balance with the introduction of, the levy as a means to fund small business rate relief expansion included three businesses, 13 district councils, 10 organisations and four political representatives. Among these were *Derry City Council, the Federation of Small Businesses, the Institute of Revenues, Rating and Valuation, Lisburn City Centre Management, the NI Independent Retail Trade Association and the NI Local Government Association*. These responses broadly focused on the benefit of the small business rate relief scheme, the impact of the levy and alternative funding mechanisms.

48. **Position of large retailers**: Of those agreeing with the levy there was support for the arguments that relatively large retailers have fared better than smaller businesses in recent years, that there is limited public funding to help small businesses and that there are limitations of a levy on all high value properties (including among others *Ards* and *Limavady Borough Councils, Larne Traders Forum, the NI Local Government Association, Pubs of Ulster and the Green party*). A number of respondents also felt that the levy was not severe enough to adversely impact on investment and employment, while others felt that the profits of small businesses would be reinvested or spent in the local economy (*Strabane District Council and Pubs of Ulster*).

49. To avoid duplication the detail relating to the need for an expanded small business rate relief scheme, and the associated support for the large retail levy, is set out in **Section 5** which deals with comments on the small business rate relief scheme more generally.

50. The 22 respondents opposed to the large retail levy included 13 businesses (11 would be affected by the levy), one district council and eight organisations covering *Asda, B&Q, Next* and *Tesco* as well as the *Belfast Chamber of Trade and Commerce, Belfast City Council, the CBI, the Londonderry Chamber of Trade and Commerce, the NI Retail Consortium and Savills*. The reasons cited for their opposition, as well as the comments from those with concerns, are set out at paragraphs 51 – 58.

51. **Investment and jobs**: The most cited reason from the 22 respondents opposed to the levy was the potential to adversely impact on investment (around three quarters of those opposed). Slightly over half stated that the retail levy would affect store development/ expansion and employment levels. These reasons were stated by most of the large retailers that responded as well as the *Belfast Chamber of Trade and Commerce, Belfast City Centre Management, Belfast City Council, the CBI, the NI Retail Consortium and Savills.*

52. The *NI Retail Consortium* claimed that the levy would equate to around 400 retail jobs a year, while *Tesco* contended that it would be around 1500 over three years.

53. **Corporation tax**: Those opposed to the levy such as *Arcadia, Tesco, B&Q* and *NI Food and Drink* expressed concerns abut the interaction with corporation tax and the mixed signals that it sends out to those wishing to invest in Northern Ireland.

54. **Penalising the retail sector**: Concern was expressed by *Arcadia, Asda,* the *CBI*, the *NI Retail Consortium* and *Tesco* that the levy would penalise companies for being successful. A number of respondents also stated that it was unfair to single out the retail sector over other industries such as the utilities (gas and electricity) and the banking sector (including *Arcadia, Asda, the Belfast Chamber of Trade and Commerce, the British Property Federation, the CBI, Ikea, Next, the NI Retail Consortium and Tesco*).

55. **Cost of doing business in Northern Ireland**: It was contended that the cost of doing business in Northern Ireland is higher than the rest of the UK and that the retail sector is already facing significant pressures. Those raising this included many of the large retailers such as *Arcadia, Asda,* and *Next* along with the *CBI, the NI Retail Consortium and Savills*.

56. **Profit**: A number of those opposed to the levy advised that the retail sector operates on a high turnover, low margin basis. The *CBI* listed net profit margins of over 5% for grocery/DIY stores and up to 12% for fashion retailers. Comments were also made by some that not all large retailers are the same and operate on different profit margins and business models (including *B&Q*, the *CBI*, *Ikea* and *Toys R Us*).

57. **Three year time frame**: Other concerns raised about the levy were that it would not simply last for three years, although the time frame was made clear in the consultation paper. The need for a large retail levy beyond this would also be negated by the general revaluation scheduled for 2015. Five large retailers as well as the *Belfast Chamber of Trade and Commerce, the CBI, the NI Retail Consortium and the Royal Institution of Chartered Surveyors* felt that the Executive would find it politically difficult to remove the relief after three years.

58. **Individual profit/loss centre**: A point made by a number of those opposed to the levy, including most of the large retailers was that each large retail store operates as an individual profit/loss centre for companies, regardless of overall UK/international profits. The contrary approach was often adopted when suggesting that revenue could be realised from limiting small business rate relief on multiple premises, the rationale being that some businesses are part of successful chains, disregarding the individual profit/loss basis.

59. **Prices**: Of those agreeing with the levy or expressing some concern five responses commented on potential price increases. Those opposed to the levy did not suggest that

it would directly impact on consumer prices. In addition, both the *Londonderry Chamber of Commerce* and *RICS* considered that the levy would not be passed on in higher prices due to national pricing structures.

60. A number of responses did not have a clear or definitive position on whether the levy should be introduced or commented with concerns. The *Land Value Taxation* campaign was of the view that business rates generally should be replaced with land value tax, while the *Union of Shop, Distributive and Allied Workers* indicated that employment levels and the number of hours worked should be monitored for the duration of the policy. *Antrim Borough Council* cited arguments, from within the council area, from those both in favour of and opposed to the levy. *Ballymena Borough Council*, while indicating that there was little scope in terms of alternative funding mechanisms, stated that further economic appraisal was needed before a comprehensive approval of the preferred approach could be fully supported. The *SDLP* had some concerns around investment, jobs and prices but indicated that if these were addressed that it would consider supporting any associated legislation.

61. **Rebalancing through revaluation**: The Institute of Revenues, Rating and Valuation agreed with the proposals, acknowledging that the cancellation of the revaluation had led to a perceived need to rebalance the rating system during the pronounced downturn. In addition, some of those opposed to the levy (the *Belfast Chamber of Trade and Commerce, the CBI, Easons, McFarland, Graham and McCombe Solicitors*) suggested that a general revaluation should have been the means of rebalancing the rating system.

20% levy

62. While the majority of responses commented on the large retail levy there was less specific comment on its level (20%). Of those that commented 16 were in favour of a 20% levy while 12 were opposed to both the levy and its level. Both groups were fairly evenly split between organisations and businesses. One business suggested that the levy should be 25%.

63. In addition, it could reasonably be assumed that the majority of those opposed to the levy would also be opposed to its level.

Alternatives to a large retail levy

64. The majority of the comments on alternative funding suggestions came from those opposed to the levy, stating that there were fairer ways to raise funding to expand the small business rate relief scheme. It was also claimed that the retail sector already accounts for around 25% of all business rates (*Asda, Boots, Next, Tesco* and the *NI Retail Consortium*).

65. A number of those that agreed with the preferred approach of the large retail levy also indicated additional support for an out of town levy or levy on out of town car parks. This is a difficult thing to do within the rating system because the value of individual shops already reflects the advantages of free car parking and other common facilities such as the covered mall.

66. A small number of consultation responses while indicating that on balance the levy was the most appropriate funding mechanism or should be tried, also expressed some reservations. This included Ulster Unionist Councillors on Lisburn City Council.

- **Levy on all large properties with an NAV of £500,000**: This was suggested by *Belfast City Council and the Belfast Chamber of Trade and Commerce as well as Arcadia, Asda, Next and Tesco.*
- **Levy at a range of lower thresholds or all above SBRR threshold**: This was put forward by *Arcadia, Asda, Boots, Next, Tesco and noted by RICS.*

- **Levy on out of town stores**: 12 responses, mainly those that agreed with the preferred approach, indicated that they would also support a levy on out of town stores or a levy on out of town car parking. This was supported as a means of redressing the perceived imbalance towards/impact of out of town shopping. This included *Belfast City Centre Management, Coleraine Town Partnership, the NI Independent Retail Trade Association, Sinn Fein and SDLP representatives and three councils. Asda, B&Q, the CBI and Tesco* suggested that the appropriate place for this concern to be dealt with was through the planning process.
- **Levy on supermarkets**: Very responses commented on the notion of a supermarket levy. Of those that did the preference was generally for a wider levy to apply to high value retail premises or additionally for a levy on out of town stores. A few responses indicated support for a public health levy, which would tend to affect supermarkets (see below)
- **Banded levy**: This was supported by one large retailer, *TK Maxx*, and opposed by *Tesco*, while others including *Belfast City Council* stated that it would be complex.
- **Public health levy (alcohol and tobacco related):** This was put forward as a possible alternative by *B&Q, Belfast City Council, Londonderry Chamber of Commerce and Toys R Us.*
- **Regional Rate increase**: *Asda, the CBI and Savills* suggested that a regional rate increase could fund expansion of the small business rate relief scheme.

67. Other alternative funding suggestions from one or two responses included a land value tax (*Land Value Tax Campaign*), the removal of industrial derating or vacant rating relief (*Fermanagh District Council*) to partly fund expansion of the small business rate relief scheme and a tax based on turnover (*Ulster Unionist Councillors on Lisburn City Council*).

68. Seven of those that supported the preferred approach specifically expressed concerns about the viability of all or some of the alternative funding mechanisms considered in the consultation paper. This included four district councils, the *Federation of Small Businesses, Larne Traders Forum* and the *NI Local Government Association*.

In town/out of town

69. A number of responses commented on the issue of out of town versus town centres. Concerns were raised by some about the advantage that they perceived out of town retailers to have over town centres, given free parking and location. It was also suggested that out of town retailers have lower rates per square foot. Responses raising these issues included Newry Chamber of Trade and Commerce, Newry and Mourne District Council, the NI Independent Retail Trade Association and a few small businesses. As noted above 12 responses, mainly those that agreed with the preferred approach, indicated that they would also support a levy on out of town stores or a levy on out of town car parking.

70. Some responses also raised concern that the proposals, which were not put forward as out of town measures, would also hit town centres. This included, among others, *Asda, the Belfast Chamber of Trade and Commerce, Belfast City Council, the CBI, the Londonderry Chamber of Commerce, the NI Retail Consortium and Tesco*.

Ministerial meetings with business and representative organisations

71. As part of the consultation process the Minister and departmental officials held a number of meetings with businesses and their representative organisations. Similar views to those set out in this section were expressed at those meetings. Concerns were raised about why the retail sector was chosen, whether the levy would be limited to three years, the higher costs of doing business in Northern Ireland and the health of the retail sector more generally.

72. The wider regulatory regime in Northern Ireland was also perceived as a worry, given the potential impact on the retail sector, as well as the conflicting messages from the Executive regarding working with the private sector (on the large retail levy and corporation tax).

73. During these meetings the Finance Minister was also advised that on the issue of using UK wide turnover each store has to stand on its own in terms of profitability, with retail being a low margin business. The view was also expressed that expansion of the small business rate relief scheme should be funded by a levy on all of those not in receipt of small business rate relief.

74. During the course of the meetings concern was expressed about the cancelled revaluation as well as the impact that high numbers of empty shops can have. The issue of a levy on free out of town car parks was also touched on, while support was expressed for progressing Business Improvement Districts.

Section 5: Expansion of the Small Business Rate Relief Scheme

Consultation background and preferred approach

Original consultation proposal

- 20% relief for eligible properties with an NAV of £5,001 to £10,000.
- Would be funded through a large retail levy.
- Approximately £6.5m (2011/12 levels) a year would be provided to around 9,000 businesses with an average award of around £730 a year.
- Time limited to three years (through to 31 March 2015).
- Along with the current scheme around 25,000 businesses in total would receive help with their rates, with a total relief of up to £14m a year.

75. As part of the rebalancing of the non-domestic rating system the consultation paper proposed that the large retail levy would fund expansion of the small business rate relief scheme. The key objectives were to increase the number of premises receiving relief (rather than enhance help for those already getting relief), for this to be time limited to three years and to be as revenue neutral as possible to the Executive. As a result it was proposed that the amount of relief would be broadly in line with the amount raised through the levy.

76. A key factor in terms of the preferred approach was the desire to keep the scheme as simple as possible, retaining an automated system. To do otherwise would simply add to administration costs; for businesses who then have to apply for it and for government who administer it.

77. In conclusion the consultation paper noted that final decisions on expansion of the small business rate relief scheme would depend on decisions taken on the proposed large retail levy.

Overview of Consultation responses

78. Similar to the large retail levy the majority of responses (54) commented on expansion of the small business rate relief scheme. This comprised 12 businesses (seven affected by the levy), 16 district councils, 19 organisations, six political representatives and one ratepayer. An overview of the responses is set out in the text and table below.

Position on extension of SBRR	Total	Business	District Councils	Organ-isations	Pol Rep	Rate Payer
Support	40	6	14	14	5	1
Against /Concerns	14	6	2	5	1	-
Total	**54**	**12**	**16**	**19**	**6**	**1**

79. Support for/agreement to the preferred approach: 40 of the responses fully supported or agreed with expansion of the small business rate relief.

80. Against/Concerns: 14 responses had some concerns about the extension of the small business rate relief scheme (or the scheme more generally). While no one opposed support for small businesses per se concerns related to the effectiveness of the measure (in terms of targeting and doubts about the difference that small amounts of relief could make), the need for evaluation and also the provision of relief on multiple premises (where these form part of a chain). Suggestions were also made about how additional support could be funded.

81. Not all of 40 responses commented specifically on the three year ‘downturn’ period. Of those that did 14 were in favour of the measure applying for three years. An additional eight supported the measure but asked that consideration be given to extending it beyond three years (subject to evaluation in some cases). 9 responses also expressed concern that the Executive would find it politically difficult to remove the relief after three years.

Issues raised in consultation responses

82. Some of the issues raised during consultation are set out below.

Expansion of the Small Business Rate Relief

83. Of the 54 responses that commented on expansion of the small business rate relief scheme, 40 fully supported or agreed with extending the small business rate relief scheme, including six businesses, 14 district councils, 14 organisations, five political representatives and one ratepayer. This included *Craigavon Borough Council, Castlereagh Borough Council, the Federation of Small Businesses, the Federation of Small Businesses, the Institute of Revenues, Rating and Valuation, the NI Local Government Association, the NI Independent Retail Trade Association and Portstewart Vision*. The responses broadly focused on the benefit of the scheme and the need for support during the continuing downturn. Of those who commented on the proposals, the issues raised were as follows.

84. **Survival of small businesses**: A range of reasons were given for supporting extension of the small business rate relief scheme, and therefore the large retail levy, including providing help to small businesses during a period of economic downturn through to recovery. While the role of larger retailers was acknowledged by many small businesses were viewed as critical to the survival of local communities, social cohesion and community life. Large retailers were also viewed as most able to afford providing additional support to those in need of support (*Cookstown District Council, Derry City Council, Federation of Small Businesses, Larne Borough Council, Larne Traders Forum, Newry Chamber of Trade and Commerce, the NI Independent Retail Trade Association, the NI Local Government Association and a Sinn Fein representative*).

85. **Reduced overheads reinvested**: The NI Independent Retail Trade Association supported the proposals on the basis that it would enable more small businesses to reduce overheads, which could make the difference between staying open or closing. It also listed 28 other organisations supporting the position, including 18 Chambers of Commerce. The relief was also viewed as providing an opportunity to invest in employment and people by allowing funds to be redirected (*Cookstown District Council, the Green Party, Lisburn City Centre Management and the Way Photographic*).

86. **Rates burden**: A number of responses noted that rates are a significant outgoing for small businesses (including *Derry City Council, the Federation of Small Businesses, Newry and Mourne District Council, the NI Independent Retail Trade Association and the Way Photographic*) advising that it can be more than a third. The FSB annual (2010) survey also found that a cut in business rates was viewed as the most important option for improving businesses’ economic prospects.

87. **Additional benefit to shops on the high street**: *Cookstown District Council, Londonderry Chamber of Commerce and McConnell Shoes* felt that more benefit should be provided to shops on the high street that have been affected by out of town retailers. This is issue is also dealt with in the part of Section 4 headed ‘In town/Out of town’.

88. **Relief on multiple premises**: Of those that raised concerns about the scheme a key issue was relief being awarded on multiple premises, where small premises qualify for relief yet were part of a chain. The most cited example was the award of relief on multiple small premises such as banks, off licences and bookmakers. Those that raised this as an issue

included *Arcadia, Asda, Next, the NI Retail Consortium and Tesco. Boots* felt that the relief should not be limited in these cases, as each store will operate on an independent cost/profit basis.

89. **Scheme effectiveness**: 14 responses had some concerns about the extension of the small business rate relief scheme. This consisted of six businesses, two district councils, five organisations and one political representative. Varying degrees of concern were expressed about the effectiveness of the small business rate relief scheme (in the context of whether the award of small sums would make much difference to businesses) the need for evaluation or the award of relief on multiple premises. There were also those that felt that the scheme could be more effectively targeted than at present (either by need or on the basis of the eligible premises). Issues such as these were raised by a number of the large retailers as well as *Armagh City* and *District Council, Ballymena District Council, the Belfast Chamber of Trade and Commerce, the CBI, the Royal Institution of Chartered Surveyors and the NI Retail Consortium.*

SBRR extension as a three year downturn measure

Three year downturn measure	**Total**	**Business**	**District Councils**	**Organ-isations**	**Pol Rep**
Support	14	3	7	2	2
Consider extending	8	-	6	2	-
Concerns	10	5	1	4	-
Total	**32**	**8**	**14**	**4**	**2**

90. 32 responses commented specifically on the three year timeframe for the ‘downturn’ proposals. 14 responses agreed with this or indicated support for the overall proposals. Around 25% asked that the three year time frame either be extended, or be kept under review with a view to extending it at a later date (subject to evaluation). This included the *NI Local Government Association* as well as *Derry City, Larne Borough, Limavady Borough and Omagh District Councils* among others. *Armagh City and District Council* expressed some concern about the impact of the removal of the relief at the end of the three year period.

91. While the consultation paper made clear that the proposals were three year downturn measures, a number of responses raised concerns that the Executive would find it politically difficult to remove the relief after three years. This included five large retailers, the *Belfast Chamber of Trade and Commerce, the CBI, the NI Retail Consortium and the Royal Institution of Chartered Surveyors.*

Large retail levy to fund expansion of the small business rate relief scheme

92. This issue is dealt with in the part of **Section 4** headed ‘Large retail levy to fund SBBR expansion’.

Alternative funding of small business rate relief expansion

93. This issue is dealt with in the part of **Section 4** headed ‘Alternatives to a large retail levy’.

Extending the reach of the current scheme versus additional help for current recipients

Extend reach not additional help	**Total**	**Business**	**District Councils**	**Organ-isations**	**Pol Rep**
Support	31	3	14	11	3
Comment Against	4	-	2	2	-
Total	**35**	**3**	**16**	**13**	**3**

94. 35 responses commented on the issue of extending relief to properties with a NAV of £5,001 – £10,000, rather than providing additional help to current recipients, or indicated a position on the overall preferred approach. Of these 31 supported extending the reach of the current scheme versus giving additional help for those already receiving help. This position covered three businesses, 14 district councils, 11 organisations and three political representatives. The *Belfast Chamber of Commerce* and *Belfast City Council* were of the view that this issue needed to be informed by research but that there may be merit in raising the existing relief rather than extending relief to a greater number of businesses. While Limavady Council welcomed the measure generally it felt that there was room for some improvement.

20% relief for NAV of £5,001 - £10,000

***20% relief* £5,001 - £10,000**	**Total**	**Business**	**District Councils**	**Organ-isations**	**Pol Rep**
Support	24	2	10	10	2
Against	1	1	-	-	-
Comment	5	-	3	1	1
Total	**30**	**3**	**13**	**11**	**3**

95. While the majority of consultation responses provided some comment on the small business rate relief expansion less than half commented on the level of relief and the threshold that should apply. 24 responses agreed that the level of relief should be set at 20% (two businesses, 10 district councils, 10 organisations and two political representatives). A number of responses, while agreeing with the preferred approach felt that 20% relief should e the minimum provided. This included *Carnoisseur (Car Leasing)* and the *Sandy Row Traders Association. McConnell Shoes* felt that more should be done to help those with higher rental values, while a couple of district councils felt that further analysis was needed before determining the level of relief.

96. *Armagh City and District Council* raised some concerns on the banding, feeling that there may be a competitiveness issue between those above and below the £10,000 threshold and how this may impact on trading. The council also expressed concern that it may prevent business development in order not to exceed the £10,000 NAV threshold. The *Belfast Chamber of Trade and Commerce* and *Belfast City Council* indicated that they had no strong views on the level of relief. *Ballymena Borough Council* advised that the relief of relief that provides the greatest economic benefit should be adopted.

Relief for all non-domestic use versus retail relief

Relief for all non-domestic use	Total	Business	District Councils	Organ-isations	Pol Rep	Rate payer
Support	25	2	14	9	-	1
Against	7	2	1	2	1	-
Comment	3	3	-	-	-	-
Total	**35**	**7**	**15**	**11**	**1**	**1**

97. The consultation paper sought views on whether expansion of the small business rate relief scheme should be applied to all non-domestic premises (with some limited exclusions) regardless of use. 35 responses commented on this issue specifically or indicated a position on the preferred approach set out in the consultation paper more generally. Of these 25 agreed with the preferred approach in the consultation paper that additional relief should apply to all non-domestic premises irrespective of use. Only seven responses indicated support for targeting small business rate relief towards retail premises. This included *Armagh City and District Council, Boots, the CBI, the Green Party, the NI Retail Consortium, Tesco and a ratepayer.*

98. There was also a mistaken perception among a small number of respondents that the small business rate relief scheme, and its expansion, relate to a retail relief scheme. This is not the case, albeit that around half of the additional help could go to retail premises.

Ministerial meetings with business and representative organisations

99. During the consultation process the Minister and departmental officials held a number of meetings with businesses and their representative organisations. During the course of these meetings concern was raised about the effectiveness of the small business rate relief scheme more generally and also the award of small business rate relief on properties occupied by chains simply because they occupy smaller premises within the NAV thresholds. More general issues that were raised, relating to funding expansion of the small business rate relief scheme, are set out in **Section 4** of this report.

Section 6: Window Displays In Empty Shops – Disregarding Non-Commercial Use

Consultation background and preferred approach

Original consultation proposal

- Allow the use of window displays in empty shops without incurring full occupied rates.
- Would enable 50% empty property relief (or exclusion) to be retained.
- Use would be for non-political community, artistic or other non-commercial purposes.
- Use of a window display for advertising goods or services, storage or any form of business activity would be excluded.
- Time limited to three years (through to 31 March 2015).

100. Having taken account of the view of the business community about the impact that empty properties can have on town centres, making them feel and look run down, the consultation paper proposed a temporary change so that steps could be taken to improve the appearance of shopping areas without ratepayers being penalised. While empty shops are normally entitled to 50% empty property relief any use of a shop triggers full commercial rates at 100%.

101. The principal aim of the proposal was to ensure that the rating system does not discourage shop owners from working with their local communities to improve the appearance of shopping areas. This was put forward as a three year downturn measure.

Overview of Consultation responses

102. 38 responses referred to the window display proposals, either specifically or more generally in terms of the overall preferred approach set out in the consultation paper. Of these 26 responses fully supported the preferred approach that window displays should be permitted without incurring full occupied rates where used for (non-political) community, artistic or other non-commercial purposes. 11 responses supported the direction of the proposals but stated that more needs to be done by way of the permitted activities and uses.

Position on preferred approach	Total	Business	District Councils	Organ-isations	Pol Rep	Public Body
For	26	3	9	10	3	1
Supports broad direction but favours extension	11	1	5	4	1	-
Comments	1	-	-	1	-	-
Total	**38**	**4**	**14**	**15**	**4**	**1**

103. Some responses indicated that commercial window displays, or use for community or artistic occupation, should also be permitted. A couple of responses also stated that the measure should be reviewed in 2015 and possibly extended.

104. The 26 fully supporting the preferred approach consisted of three businesses, nine district councils, 10 organisations, three political representatives and one public body. This covered *Belfast City Council, the Belfast Chamber of Trade and Commerce, the CBI, the NI Local Government Association, the NI Independent Retail Trade Association and the Northern Ireland Tourist Board* among others. The 11 responses that supported the broad direction of the measure, but felt that it should go further, covered one business, five district councils, four organisations and one political representative. This included *Belfast and Lisburn City Centre Management* as well as the *Federation of Small Businesses*.

105. Generally consultees supported the proposal as a means of encouraging footfall, detracting from the poor appearance of boarded up shops and animating city centres. It was felt that the measure could attract investment and business to town centres, ensuring vibrancy and promoting local events. The proposal was also viewed as a means of complementing various initiatives to regenerate and sustain communities and also enhance the visual appearance of high streets.

Issues raised in consultation responses

106. *Meanwhile Space CIC* and the *NI Independent Retail Trade Association* highlighted towns that are currently trialling projects to brighten up and revitalise town centres and their shopping areas, including Craigavon and Dungannon.

107. A number of responses were of the view that window displays could promote community, arts, cultural and creative organisations which should not be considered as either advertising or commercial use. Comments supporting this view were received from *Derry City Council, Larne Traders Forum and the Northern Ireland Tourism Board.*

108. A number of consultation responses, while supporting the broad direction of the preferred approach considered that the scope of the measure should be expanded so that the following uses would be permitted:

- commercial use (including advertising and use where no money changes hands);
- the display of small business logos, where community activities are being sponsored; or
- physical occupation/use of ground floors in shops for charitable, artistic and community purposes as well as exhibitions.

109. Those that raised issues such as this included *Belfast and Lisburn City Centre Management, Coleraine Town Partnership Ltd, Derry City Council and Ulster Unionist councillors on Lisburn City Council.*

110. A number of responses, including the *Belfast Chamber of Trade and Commerce, Belfast City Centre Management and Belfast City Council*, stated that the operating criteria should not impede attainment of the objective. Some other responses suggested that there needed to be flexibility in implementation. *Ards Borough Council* indicated that account needed to be taken of the relative floor space used.

111. *Limavady Borough Council*, while indicating that the proposal was a good idea, considered that landlords should be encouraged to develop properties to their full potential. *Fermanagh District Council* indicated that it would welcome a cross departmental approach to stimulating property turnover. The council also suggested that there should be a cap on the number of retail properties that would qualify for the window display measure.

112. There were varying views on the time frame for the window display proposal. *Omagh and Strabane District Councils*, while supporting the preferred approach, asked that the scheme be evaluated in 2015 with a view to possibly extending it. *Cookstown District Council* felt that the measure should not be a long term solution while *Armagh City and District Council* and the *NI Local Government Association* advised that there should be fixed terms reviews or monitoring of the scheme. *The NI Tourist Board* wanted the measure introduced before April 2012.

Ministerial meetings with business and representative organisations

113. During the consultation process the Minister and departmental officials held a number of meetings with businesses and their representative organisations. During the course of these meetings concerns were raised about the impact that high levels of empty shops can have on town centres, with support given for measures that would address this.

Section 7: Clarifying Assumptions for Future Non-Domestic Revaluations

Consultation background and preferred approach

114. The consultation paper set out proposals which would result in some similar valuation provisions to those operating in the rest of the UK being adopted locally.

Original consultation proposal

- Clarifying the valuation assumptions for future non-domestic revaluations.
- The legislation would be made more explicit to reflect the practicalities of revaluation.
- Proposed to adopt broadly similar provisions to those operating in GB.
- Consideration was given to allowing changes due to:
  - matters affecting the physical state/enjoyment of the property;
  - the mode and category of occupation of the property;
  - matters affecting the physical state of the locality in which the property is situated; and
  - the use or occupation of other premises in the property's locality.
- Intention would be to provide clarification with no real change to the operational practice.
- Repeal of provisions applied to some properties valued by reference to their volume of trade, which would standardise valuations.

115. The changes that were proposed concerned one of the assumptions underlying the compiling of a new valuation list. This would make more explicit what can be taken into account in the two years between the valuation date and the billing date.

116. In the intervening two year period, between a valuation date and a new valuation list coming into effect, it is not practical to reflect wide economic and social changes that occur over time. However, what is important is maintaining the relativity between localities/properties.

117. The consultation paper proposed that the change would only apply in relation to the preparation of a new valuation list, that is at a general revaluation. There would be no wider change in the context of the general revision of a valuation list already in force.

118. The consultation paper also proposed the repeal of legislation applied to some properties valued by reference to their volume of trade, for example public houses, which would standardise valuations. There would be no change for properties valued having regard to the quantity of minerals or other substances extracted from it.

Overview of Consultation responses

119. 21 responses commented on the proposal to clarify the valuation assumptions and standardise valuations for some properties valued by reference to their volume of trade, or indicated a position on the policy proposals more generally. This comprised five businesses, nine organisations, six district councils and one political representative. A small number of responses simply commented on either the general revaluation assumption or the valuation by reference to the volume of trade proposal.

120. In broad terms the vast majority who responded were in support of the preferred approach on this issue. There was however some confusion over the fact that any changes would

apply only at a general revaluation and not for the purpose of revising a valuation list in force between revaluations.

Position on preferred approach	**Total**	**Business**	**Organ-isations**	**District Councils**	**Political Repres-entative**
For	17	3	7	6	1
Against	2	1	1	-	-
Comment	2	1	1	-	-
Total	**21**	**5**	**9**	**6**	**1**

Issues raised in consultation responses

121. In terms of clarification of the general revaluation assumption those in favour of the proposal included *Belfast City Council, the Federation of Small Businesses, the Institute of Revenues, Rating and Valuation, the NI Hotels Federation, the NI Local Government Association and the Royal Institution of Chartered Surveyors*. The key reasons were that this would provide greater clarification and standardisation and would also result in increasing alignment (and consistency) with the rest of the UK. The *CBI* and *RHM Commercial* raised the issue of ‘material change of circumstances’, stating that this should be introduced as grounds for a reduction in rates assessments.

122. *Limavady Borough Council* asked that social factors were taken into account. *Armagh City and District Council* and the *NI Local Government Association* suggested that there was a need for, respectively, consultation on wider issues associated with revaluation and the 2015 revaluation.

123. Two responses also asked for clarification that there would be no real change to the current operational practice, which the Department can confirm.

124. Similar to the general clarification measure there was broad support for the repeal of measures to value certain properties by reference to their volume of trade, for example public houses. In terms of the preferred approach the Department would still be able to take into account any trading evidence to help it ascertain the value of a property at the valuation date. In addition, the proposal would ensure that ‘turnover’ properties would have the same valuation date as all other properties.

125. In terms of consultation responses *Pubs of Ulster* had no comment on the volume of trade proposal. Of those that provided views, or indicated a general position on the preferred approach, the majority supported the proposals.

126. Two respondents, *Maxol* and the *NI Hotels Federation*, were opposed to the proposal to repeal the measures to value certain properties by reference to their volume of trade. The Federation felt that this would penalise properties in Northern Ireland compared to the rest of the UK and would result in job losses or potential closures. *Maxol* expressed concern about changes between revaluations that would affect ability to obtain a valuation revision where a new petrol station opens in the locality. However, the proposals relate only to changes at a general revaluation.

Section 8: Other Issues

Overview of other issues raised in consultation responses

127. While the consultation responses generally focused on 'other issues' related to the key proposals, and are dealt with in previous sections, other miscellaneous matters were raised.

128. **Cancelled revaluation**: 16 responses expressed concern that the 2011 revaluation (postponed from 2010) did not proceed. This covered four businesses, three district councils and nine organisations, including the *CBI, Newry and the Belfast Chamber of Trade and Commerce, RHM Commercial and the Royal Institution of Chartered Surveyors*. A number also stated that the revaluation should happen sooner than 2015. The reasons for the delay until 2015 have previously been set out by the Finance Minister.

129. **BIDs**: 14 responses welcomed the introduction of Business Improvement Districts (BIDs) in Northern Ireland, with a number asking that this be brought forward as soon as possible. These consisted of four large retailers, one political representative and nine organisations, including *Boots, the CBI, the Federation of Small Businesses, the Londonderry Chamber of Commerce, the NI Retail Consortium, the Royal Institution of Chartered Surveyors and Tesco*. The introduction of BIDs has the support of the Finance Minister and is being taken forward by the Social Development Minister.

130. **Extension of 50% empty property relief for new ventures**: Around fourteen consultation responses raised the issue of support for new ventures (three district councils, one political representative, one business and nine organisations), where they occupy empty premises. It was suggested this should take the form of an extension of empty property relief, for six or 12 months, for new businesses. While the majority of responses referred to this in the context of empty shops a small number of responses applied it more generally. It was felt that this would encourage properties to be used, brighten up and revitalise town centres and also provide help to new businesses during their vulnerable start up period.

131. This measure was supported by a range of business organisations, Chambers of Commerce and district councils as well as the Green party, the *NI Independent Retail Trade Association, RHM commercial, the Royal Institution of Chartered Surveyors and Savills*. A couple of responses also suggested that consideration should be given to a rates holiday for the first year of trading.

132. **Alternatives to business rates**: The response from the *Land Value Taxation Campaign* focused on replacing business rates with a system of land value taxation. The response from the *Ulster Unionists Councillors* on *Lisburn City Council* suggested that consideration should also be given to a tax system based on turnover.

133. **Linkage between rent and rates**: A small number of responses commented on the relationship between rent and rates, with mixed messages emerging. Some responses claimed that rates were as significant a burden as rent, if not more so, (including *Deramore Property Group*) while others stated that rent is the biggest drain for a company.

134. A number of responses also commented that the benefit from the small business rate relief scheme may be limited where any rates reduction is offset by rent increases. The current legislation makes provision that the rates reduction, where the property is owned by a landlord, is conditional on the owner passing the reduction onto the tenant.

135. **Charitable shops**: Concern was expressed by *Fermanagh District Council* and the *Sandy Row Traders Association* about the impact on town centres and business from charitable shops, suggesting that a review be undertaken.

136. **Impact assessments**: 12 responses commented specifically on the initial impact assessments. This comprised one business, two political representatives, three organisations

and six district councils. 10 of these responses noted, agreed with or had no comment on the impact assessments. The response from *Belfast Chamber of Trade and Commerce* stated that it disagreed with the impact assessment on the large retail levy due to concerns about investment decisions. *Derry City Council* agreed with the findings on the small business rate relief proposals, while wanting to ensure that the large retail levy would not have an adverse impact on Section 75 groups.

137. A number of responses, while not referring specifically to the impact assessments, commented on the impact of the policy proposals. The views expressed will be considered in finalising the integrated impact assessment.

Section 9: Next Steps

This consultation report delivers on the commitment to provide a paper setting out the main issues raised during consultation. The consultation responses are available on the Rating Policy website (www.dfpni.gov.uk/rating-review).

Both the Finance Minister and the Northern Ireland Assembly's Committee for Finance and Personnel have been advised on the consultation outcomes. The Finance and Personnel Committee will consider this consultation report and will also undertake evidence sessions prior to reaching a position on the policy proposals. The Minister will then take into account the views of the Finance and Personnel Committee.

Following this the Executive will be advised on the way forward and asked to agree both the final policy position and the necessary legislation to give effect to this. A report, setting out final decisions on the way forward, will be published shortly afterwards. This will be made available on the Rating Policy website. All those that responded to the consultation exercise will be advised of its publication in due course.

The relevant primary and subordinate legislation to give effect to final decisions will be brought forward early next year, with the intention of the measures being operational from 1 April 2012. The changes would then apply for three years through to 31 March 2015.

Any queries in relation to this consultation report should be addressed to:

Rating Policy Division
Department of Finance and Personnel
3rd Floor
Longbridge House
20 – 24 Waring Street
BELFAST
BT1 2EB

Comments may also be faxed to: 028 90347435

Should you wish to contact us by e-mail, any queries should be sent to ratingpolicy.cfg@dfpni.gov.uk. Alternatively you can contact us on 028 9127 7606.

Annex A: List of Respondents

Business

- Arcadia (GL Hearn)
- Asda
- B&Q
- Bang Olufsen
- Boots
- Carnoisseur (Car Leasing)
- Deramore Property Group
- Early years/Rascals NI Ltd
- Eason's
- HEAD Music Store
- IKEA
- Maxol
- McConnell Shoes
- McFarland, Graham & McCombe Solicitors
- Meanwhile Space CIC
- Next
- RHM Commercial
- Tesco
- The Way Photographic
- TK Maxx
- Tom Jebb
- Toys R Us

District Councils

- Antrim Borough Council
- Ards Borough Council
- Armagh City and District Council
- Ballymena Borough Council
- Banbridge District Council
- Belfast City Council
- Castlereagh Borough Council
- Cookstown District Council
- Craigavon Borough Council
- Derry City Council
- Fermanagh District Council
- Larne Borough Council
- Limavady Borough Council
- Newry and Mourne District Council
- Omagh District Council
- Strabane District Council

Organisations

- Belfast Chamber of Trade and Commerce (BCTC)
- Belfast City Centre Management
- British Property Federation
- Coleraine Town Partnership Ltd
- Confederation of British Industry (CBI)
- Federation of Small Businesses (FSB)
- Institute of Revenues, Rating and Valuation (IRRV)
- Land Value Taxation
- Larne Traders Forum
- Lisburn City Centre Management
- Londonderry Chamber of Commerce
- Newry Chamber of Commerce and Trade
- Northern Ireland Food and Drink
- Northern Ireland Hotels Federation
- Northern Ireland Independent Retail Trade Association (NIIRTA)
- Northern Ireland Local Government Association (NILGA)
- Northern Ireland Retail Consortium (NIRC)
- Portstewart Vision
- Pubs of Ulster
- Royal Institution of Chartered Surveyors (RICS)
- Sandy Row/Donegall Rd Business Association

- Savills
- Union of Shop, Distributive and Allied Workers (USDAW)

Political Party/Political Representatives

- Green Party
- Sinn Fein Councillor, Belfast City Council,
- Sinn Fein, West Tyrone
- Social Democratic and Labour Party (SDLP)
- Social Democratic and Labour Party councillor, Belfast City Council
- Ulster Unionist councillors, Lisburn City Council

Public Body

- Northern Ireland Judicial Appointments Commission
- Northern Ireland Tourist Board (NITB)

One ratepayer

Follow up to evidence session on 9 November

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Department of
Finance and
Personnel
www.dfpni.gov.uk

Mr Shane McAteer
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

22nd November 2011

Dear Shane

Further to the meeting between departmental officials and the Committee on Wednesday 9 November, please find attached a supplementary paper addressing queries from the Committee on the proposed large retail levy and expansion of the small business rate relief scheme **(Annex A)**.

I have also included some information about supplementary policies being considered by the Minister and officials, which have arisen as a result of (and had support from) the consultation. This relates to measures designed to encourage the occupation of long term empty shop premises **(Annex B)** and ways of excluding businesses, with multiple premises, from receiving small business rate relief **(covered in Annex A).** Both of these issues were referred to in the consultation report previously provided to Members.

Yours sincerely,

Norman

NORMAN IRWIN

Annex A: Supplementary Committee Paper: Large Retail Levy

This paper addresses issues raised by the Committee at the evidence session on Wednesday 9 November 2011.

1. Alternatives to the Large Retail Levy

A number of alternatives to the preferred approach were detailed in the consultation paper or suggested by respondents during the consultation period. The Department considers that there are drawbacks with some of these alternatives as summarised below.

A. Levy all non-domestic properties with a rateable value of £500,000 or more

In relation to this option there are 260 non domestic properties with a net annual value (NAV) for rating purposes of £500,000 or above 30% of which are retail[1]. Around 50% of the properties in the general 'large' group are publically funded/supported undertakings, such as healthcare and education properties. Applying a general levy to them would be inefficient and raise issues around the recirculation of public funding.

A wider application to other sectors may work reasonably well in the rest of the UK but in Northern Ireland, apart from retail, there is not the same scale of big business to support it. It would also run contrary to established Executive policy in a number of areas:

- large manufacturing premises – industrial derating is retained for the spending review period.
- utility companies – would be passed onto customers through higher bills, increasing cost for businesses and increasing fuel poverty for households.
- major airports – would run contrary to policy on air passenger duty.

Further detail on why the retail sector was chosen, and not other sectors, is set out in **Section 4** of this paper.

B. Levy at a range of lower thresholds or applying to all those not receiving small business rate relief

Graduating the levy and introducing it at a lower threshold would complicate the scheme. It is important that the scheme is both easily understood and easily applied given its short lifespan of three years and the need to provide additional funding as soon as possible. It would also run the risk of increasing rates liability for smaller independent retailers in large premises.

Applying the levy to all those not in receipt of small business rate relief (i.e. to those above a £10,000 threshold) would undermine the overriding policy objective of helping small businesses, as there are many such businesses operating out of premises above the threshold. So, small businesses would be contributing to the relief for the very smallest businesses.

C. Banded large retail levy for properties over £500,000 NAV

The following banded levy was suggested as an alternative in the consultation paper, with the level of the levy increasing as the rateable value of a property increases:-

- £500,000 - £599,000 10%
- £600,000 - £799,000 17.5%
- £800,000 or above 27%·

1 If rateable value is used the number is around 215. The composition for this is around 40% for properties that have public funding, 35% retail, 12% utilities and 13% miscellaneous.

Such a system would reduce the burden for those close to the £500,000 threshold. However, this or any other similar banded combination would significantly increase the burden on the very largest retail premises. It would also make what would be a temporary measure more complex to administer and understand. There was no real support for this proposal as part of the consultation exercise, with greater support for the preferred approach of a large retail levy as set out in the consultation paper.

D. Levy on out-of-town stores

As part of the consultation process there was some support for a levy on out of town stores or a levy on out of town car parking.

In relation to a levy on out-of-town stores, there is a major issue of definition, for example, when does out of town become edge of town, and also when does edge of town become in town? There is also the issue of large stores in places like Craigavon, which may be considered a town centre but is not a traditional high street location. For example of two Craigavon stores that would be subject to the levy one is on edge of town centre, the other would be town centre but within the curtilage of Rushmere. A more fundamental issue, however, would be applying a levy that could potentially give a competitive advantage to one major retailer versus another major retailer.

It is also important to note that the proposals set out in the consultation paper were not brought forward to arrest the growing trend for out of town retailing but to raise money to support small businesses. On balance, however, the measures would be expected to do more for town centres than edge of town and out of town developments.

E. Levy on supermarkets only/public health levy

During consultation views were sought on a supermarket levy. There was no real support for such a measure. Furthermore, the result would be to concentrate the levy on a smaller number of retailers, thus making it a greater imposition on those required to pay. Assuming a rateable value threshold of £500,000, to raise the same amount of money the levy would have to increase to around 50% if it were to be targeted at only supermarkets. This is considered to be a disproportionate burden.

A few respondents supported the public health levy recently announced in Scotland, which would primarily target large supermarkets selling both tobacco and alcohol. The aims and potential impact of this policy are quite different to the large retail levy proposals here. The Scottish plans are predicated on funding preventative health measures. Furthermore, it is the Department's assessment that this would affect behaviour in a number of ways. It is likely that many large supermarkets will stop selling alcohol and tobacco in their major stores and find other outlets for this trade. Alternatively, companies like Asda are likely to scale back their investment plans because they regard the sale of alcoholic drink as an integral part of their retail package throughout the UK and this is the reason they decided to withdraw from the Crumlin Road development.

Although the public heath levy is something that could be considered before final decisions are made on the large shops levy, it would not be possible to have it in place for April 2012 because of the need to fully research and consult on the matter.

The directly related issue of funding expansion of the small business rate relief scheme would remain, which would not be desirable given that the overriding intention is to provide support as soon as possible to the small business community during the current downturn.

If the Executive and Assembly approve a levy on the largest shops, it will run for three years. In this context, it is considered unrealistic to consider the imposition of an alternative, or supplementary, public health levy.

F. Funding through a general regional rate increase

One of the suggested alternatives put forward during consultation was to increase the regional rate. This is something that the Executive could consider but it would be contrary to its agreed freeze (in real terms) in the regional rate through to 2015 and would also add cost to the most vulnerable businesses, during the worst economic downturn in living memory.

2. Revaluation

A. Why not undertake a revaluation now as a means of rebalancing the rating system?

The next non-domestic general revaluation has been scheduled for 2015, which will bring Northern Ireland into line with the rest of the UK. The 2010 revaluation was postponed, and then cancelled in 2011, in light of the continued economic downturn and instability in the property market. The market evidence for a new Valuation List was both inadequate and inconsistent. If the general revaluation had proceeded (or was taken forward at this stage) it would not have met basic international valuation standards and therefore would have been unreliable and inconsistent as a basis for calculating individual rate bills. There was and is an overriding need to maintain stability for the tax base, for both the Executive and district councils. For these reason a rebalancing of the rating system, using a general revaluation, is not currently possible.

B. Why not wait until 2015 when the next revaluation will rebalance the rating system?

As the purpose of the levy is to raise funds to help small businesses during the current economic downturn additional support is needed as soon as possible. Waiting for three years would further increase the difficulties for small businesses.

3. The Threshold

Why was £500,000 rateable value adopted as the threshold?

It was not practical to apply business criteria (such as sales turnover, profitability or employment) to establish what the largest retail businesses are and where they are situated. The rating system is a simple property tax and generally speaking it is assessed on occupation alone, taking into account the characteristics of individual properties. LPS does not hold the necessary data for a sophisticated targeted scheme. Rateable value thresholds therefore have to be used.

In terms of the level of the threshold a balance had to be struck between sharing the rates burden amongst a broad range of retail businesses and also keeping it proportionate. Restricting the levy to properties valued at £500,000 or more ensures that only the largest retail businesses operating in Northern Ireland are subject to it. Below that level it also starts to include what most would regard as medium sized businesses.

4. Why Retail?

As stated in Part 1 above there are strong policy and economic grounds for taking a different approach to the rest of the UK and placing the levy on large retailers only, rather than all high value properties.

Large retailers have to locate their premises here if they are to sell their wares to the general public. These businesses are not as mobile, for example, as manufacturing. The retail sector is also considered less likely to pass on increased costs to customers, due to intense competition (particularly among supermarkets) and national pricing policies which makes it difficult to change pricing structures within Northern Ireland.[2] It is worth noting that, during the public consultation none of the large retailers indicated that a consequence of

2 Experience suggests that rates increases do not tend to be passed on to customers. During the last general revaluation in 2003, rates bills for large retail premises increased significantly, on average around 30%, yet there was no discernable impact on the prices of goods sold

the levy would be increased prices. The key point, however, is that the largest retailers are better equipped to deal with the recession than small businesses and therefore can afford a temporary levy.

5. Banks

Why not charge large bank premises the levy?

Some members of the Committee enquired about a levy on large banks. Members will wish to note that a number of the large bank premises (rateable value of £500,000 or above) are located in Northern Ireland as Invest NI inward investment projects (Citibank as well as Lloyds banking and Santander call centres). For these three institutions around £55m has been provided in Invest NI assistance (further detail provided at Appendix A). This sector is a priority for inward investment and significant numbers of new jobs have been created to date (unlike retail, which includes a significant proportion of displaced old jobs).

In light of this to place a levy on the largest bank premises would be at odds with wider Executive investment programmes. Indeed, it would act in an arbitrary fashion, falling most on those banks that either had centralised regional HQ buildings or happened to be involved in call centre operations for the whole of the UK. It is worth noting that extending the £500,000 levy to banks would not cover all the large banks operating in Northern Ireland (for example, HSBC and Barclays)

The remaining banks with a rateable value of £500,000 or above are the four 'local' banks, that is: the Bank of Ireland, First Trust, Northern Bank and Ulster Bank. The Department understands that in the more recent past banks have not been profitable and that impairment charges continue to pose a significant issue on the profitability of banks in Northern Ireland, with charges locally much higher than in the rest of the UK. The Department understands that for the first six months of this year Ulster Bank had a loss of £566 million, the Northern Bank had an overall loss of £90 million, Bank of Ireland had a loss of €723 million for the six months to end June 2011. Data for the First Trust is not yet released.

Why not charge all bank premises?

Regardless of the reasons for the current global financial downturn the wider economy here needs a competitive banking sector that meets the need of all sectors of businesses and consumers. Evidence, including recent data from the British Bankers Association, indicates that UK lending is constrained at this time and this would appear to be particularly so in Northern Ireland.

A levy on all bank premises would also bring into question how building societies, mutuals and credit unions should be treated. Imposing a levy on one and not the other does create a difficulty in terms of an unfair competitive advantage for the mutuals and this would be vulnerable to legal challenge.

Why should banks benefit from small business rate relief (small business rate relief on multiple premises)?

During consultation there was overwhelming support for providing additional support to small businesses. However, a number of the consultation responses argued that the small business rate relief scheme should be more effective and more targeted. The views expressed by some were fairly clear, that banks, chains of bookmakers and other multiple premises should not be entitled to relief. While these represent a very small proportion of the businesses that would get help the Minister has indicated that he will examine if there are ways of excluding businesses with multiple premises from the small business rate relief scheme.

The Department considers that such an approach is more difficult to administer than it might seem. In addition, the Minister is also keen to keep the scheme an automatic one.

The Minister has also indicated that were such an approach feasible that there may not be sufficient time to do this for rate bills for the forthcoming rating year but that it may be possible for the two subsequent years.

The Committee will be provided with further policy detail on this matter in due course. Members' views on this would of course be welcome.

Appendix A

The NI Financial Services Sector

The financial services industry (including financial technology) employs around 28,000 people in Northern Ireland and accounts for 4.2% of total employment in the region. In addition to being a significant employer it is a high productivity sector, contributing around 6.3% of GVA / wages and profits - approximately 80% higher than the economy private sector average (and twice the economy average) with median full time gross earnings approximately 20% above the private sector median of around £19,650 per annum [Source: Oxford Economics Nov. 2010].

In Northern Ireland FDI from financial services has accounted for close to 11,000 of these jobs since the early 1990's and collectively they generate over £200 million in salaries per annum for the region's economy. For these reasons, financial services is designated as a priority sector for inward investment and Northern Ireland is in the early stages of growing new high value clusters around banking and capital markets, financial technology, fund administration, risk analytics and legal and compliance services.

For financial services, key drivers in the investment decision making process include not only skills availability and proximity to customers, but also the pro-business climate of the region (including favourable taxation with stability and predictability of the tax and regulatory regime) and overall cost competitiveness. These factors are central to the ongoing attractiveness of Northern Ireland as a destination for financial services investment.

Invest NI has supported a number of financial institutions in NI, including the following banks: Lloyds Banking Group Plc (previously HBoS); Santander UK (previously Abbey National); and Citigroup.

Lloyds Banking Group

Lloyds TSB Group plc was renamed Lloyds Banking Group plc on 19 January 2009, following the acquisition of HBOS plc. HBOS is one of the top three mortgage lenders in Northern Ireland, with a network of over thirty branches and estate agencies (operating under the Halifax name), in addition to its customer service centre in Belfast. The customer service centre was established in 1999 and is an Invest NI client company. It was one of the first major financial institutions to establish in Northern Ireland and its continued presence here is extremely important to the Northern Ireland economy.

There are currently c1,800 employees in the centre in Belfast providing a high level of quality customer service in the following areas:

- Bank accounts/savings
- Credit cards
- Mortgage sales / service
- Personal loans / sales

The centre provides a mix of inbound and outbound support to customers throughout the UK. It is recognised as a high performing centre within the Lloyds group with access to a good supply of well qualified individuals.

Total Invest NI Assistance Offered: £16.6m

Santander UK

Santander UK is a wholly owned subsidiary of the Santander Group (Santander), which is headquartered in Spain. Santander is the fourth largest bank in the world, by profit and the eighth by stock market capitalisation.

Santander acquired Abbey National in November 2004. In September 2008, it acquired Bradford & Bingley's savings and branch network and in October 2008, it acquired Alliance & Leicester, to form Santander UK. Santander UK **is now the third largest deposit taker and second largest mortgage lender in the UK. Its five key business units comprise** retail distribution, corporate and commercial banking, private banking, global banking & markets and intermediaries.

Santander UK, previously Abbey, established its Belfast contact centre operation in 1996 with support from Invest NI. The main services provided at the centre include:

- Telephony Distribution, including mortgages, unsecured personal loans, customer support, and savings.
- General Sales.
- Manufacturing
- Premium Banking, personal banking service aimed at retention of high net worth customers.

The company currently employs circa 690 employees at its Belfast Centre, based at Mays Meadow. This centre is an Invest NI Client company. The company also employs a number of people in its branch network throughout Northern Ireland.

Total Invest NI Assistance Offered: £5.7m

Citigroup

In 2004 Citi Markets and Banking established a Technology centre of excellence at the Northern Ireland Science Park in Belfast. Initially it was expected to create 375 jobs by 2010 however this target was achieved relatively quickly and the company agreed to create an additional 185 jobs bringing total employment in the centre to 560. This project introduced new investment banking technology to Northern Ireland.

Following the success of the Technology centre, in 2006 Citi established a Securities Processing Centre (Operations) in Belfast creating 400 jobs. The team in Belfast work with clients across the Europe, Middle East and Africa (EMEA) region to ensure the efficient, effective and market leading, clearance, settlement and execution of more than a trillion dollars worth of trades and the movement of billions of dollars in dozens of currencies every day.

In 2007 Citi created a Legal and Compliance Division employing 39 staff. The Legal and Compliance team play a critical role within Citi, supporting and advising many business groups in areas such as transaction negotiation, document execution and compliance and regulatory requirements. In early 2010, Citi created an additional 61 jobs in the Legal and Compliance Division bringing in up to 100 staff.

Citi is the key investor in the FS sector in NI and it remains the only investor to locate additional functions here. Its continued presence here is vital in attracting new inward investment to the region. The Belfast centre is recognised as one of Citi's Global Centres of Excellence. It currently employs circa 1,100 people (including contractors) and in November 2010, the company announced its plans to increase the number employed here to 1,500 over the next three years.

Total Invest NI Assistance Offered: £32.9m

Annex B: Extension of Empty Property Relief for Empty Shops and Small Business Rate Relief on Multiple Premises

Empty property relief

During the consultation exercise conducted on the rating of commercial properties, around fourteen consultation responses raised the issue of support for new ventures (three district councils, one political representative, one business and nine organisations) where they occupy empty premises.

It was suggested this should take the form of an extension of empty property relief, for six or 12 months, for new businesses. While the majority of responses referred to this in the context of empty shops a small number of responses applied it more generally. It was felt that this would encourage properties to be used, brighten up and revitalise town centres and also provide help to new businesses during their vulnerable start up period.

This measure was supported by a range of business organisations, Chambers of Commerce and district councils as well as the Green party, the NI Independent Retail Trade Association, RHM commercial, the Royal Institution of Chartered Surveyors and Savills. A couple of responses also suggested that consideration should be given to a rates holiday for the first year of trading.

On this issue the Minister has stated that he would share concerns about the impact that empty shops can have on town centres and shopping areas. The area is a growing problem and one that appears worse in Northern Ireland than other parts of the UK. For some years now Northern Ireland has experienced a transformation in the way the retail economy behaves and it seems likely that there could be a long term and structural oversupply of shops in all of our towns and cities. Nevertheless, it is important, for a whole variety of reasons, to protect the core of our urban centres from this growing blight and keep them alive.

The Minister has listened carefully to suggestions for getting empty shops back into business. As well as taking forward the proposal for allowing window displays, while retaining unoccupied rates relief, the Minister has asked for an examination of the feasibility of providing a rates concession to help get long term empty shops back in business.

The Committee will be provided with further policy detail on this matter in due course. Members’ views on this would of course be welcome.

Response on Issues raised in NIIRTA and NILGA Papers

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Mr Shane McAteer~
Committee for Finance and Personnel
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24 November 2011

Dear Shane

Following the evidence session on 16 November you forwarded papers from the Northern Ireland Independent Retail Trade Association (NIIRTA) and the NI Local Government Association (NILGA). The NIIRTA material included a five point rates plan, which covered:

(i) support for the expansion of the small business rate relief scheme;

(ii) support for an alternative funding mechanism of an additional rates levy on all large out of town stores with free parking and that DFP should also look at ways to ensure parity in business rates between town centre and out of town retail units;

(iii) asking the Department to examine ways of getting empty shops back into business;

(iv) support for rates reduction to small business that commits to green new deal;

(v) early rates revaluation.

The Department advised the Committee on the issue of getting empty shops back into use and the rates revaluation in its response to CFP44/11-15 on 22nd November. The Department also commented on alternatives to the large retail levy (part of (ii) above) in that paper.

The NIIRTA plan also makes reference to parity of rates between town centre and out of town retail units. Members will wish to note that the rateable values of all retail properties in Northern Ireland are based on their net annual value (NAV) which is an estimate of their rental value at a common valuation date. For the purpose of the current valuation list this is 1 April 2001. This common valuation date is used to ensure fairness and uniformity within the valuation list, so that when new properties are entered into the list that they are also assessed at 2001 levels, to put them on a par with other properties already in the valuation list.

As a result there is no difference in the treatment of out of town shopping centres as opposed to retail premises in city and town centres as their rating assessments are all based on 2001 rental levels. Members will also wish to note that valuers 'follow the market' therefore, in carrying out assessments at the time of a revaluation, they will ensure that the relationships that already exist between 'out of town' and 'in town' market rents are 'mirrored' in the respective NAV assessments. Any shifts in rental values between locations, sectors etc which have occurred since 2001 can only be accounted for at the next non-domestic revaluation which is due to come in to effect in 2015. This will bring Northern Ireland back into line with revaluation timing in the rest of the UK.

On the issue of the Green New Deal Members will be aware that as part of the budget there was a commitment to engage in the Green New Deal, with funds set aside for this purpose. Last year the Minister took the decision that savings from 'green' domestic rate rebate schemes could be used to supplement the Executive's funding of that programme, following the closure of the energy efficiency and low carbon homes schemes.

The NILGA consultation response touched a number of similar issues, including concerns about the level of shops vacancies in town centres and the possibility of extending the scope of the levy (including a public health levy). As noted above this issue is referred to in the earlier response to CFP44/11-15. The NILGA response also touched on the issue of the impact of the levy on consumers and suppliers. As noted in the response to CFP44/11-15 the retail sector is considered less likely to pass on increased costs to consumers, due to intense competition (particularly among supermarkets) and national pricing policies which makes it difficult to change pricing structures within Northern Ireland.

Experience suggests that rates increases do not tend to be passed on to consumers. During the last general revaluation in 2003, rates bills for large retail premises increased significantly, on average around 30%, yet there was no discernable impact on the prices of goods sold. It is also worth noting that, during the public consultation none of the large retailers indicated that a consequence of the levy would be increased prices. The Department considers that even small price increases are likely to be avoided and that passing the increase onto suppliers could also be difficult.

Finally, the Committee had previously asked about information on rates as a proportion of the outgoings of utility companies and banks. Unfortunately the Department does not have detailed information available on this. However, the Committee may wish to note that analysis undertaken as part of the 2008 report by the Economic Research Institute Northern Ireland (ERINI), as well as in other parts of the UK (GB green paper on local government finance (2000)), would suggest that rates form a larger proportion of small businesses' profit or turnover, compared with larger businesses, and place a greater burden on them.[1] The GB green paper highlighted that rates as a percentage of turnover, overheads and profits are lower as the turnover of a company increases (based on notional rates costs). For companies with a turnover of less than £50,000 rates were 7.7% of turnover, 13.7% of overheads and 35.9% of profit. This reduced to 0.7%, 3% and 3.3% for those with a turnover of £1bn or more.

Yours sincerely,

Norman

NORMAN IRWIN

1 Economic Research Institute Northern Ireland, 2008, Investigation into a Small Business Rate Relief Scheme in Northern Ireland; GB Green Paper on Local Government Finance (2000).

Impact of Adjustments to Rateable Value Thresholds

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Mr Shane McAteer
Clerk

Committee for Finance and Personnel
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Parliament Buildings
Stormont

CFP49/11-15
25 November 2011

Dear Shane,

Following its meeting on 16 November the Committee asked for some further analysis on the large retail levy. The Department understands that the Committee is looking for figures to demonstrate how an adjustment to the rateable value threshold and the level of the levy would impact, as set out below:

- Levy to apply to retail properties with a rateable value of £400,000 or more
- 10% levy on retail properties with a rateable value of £400,000 - £499,999
- 15% levy on retail properties with a rateable value of £500,000 and above.

The Committee has also asked whether this would raise the same amount of revenue as the proposed threshold of "£500,000 and over" with a 20% levy and what percentage the levy would be if it were applied to all businesses above the £500,000 threshold.

Members will wish to note that the Department has rerun its analysis using the property data from the time the consultation paper was published (officials are currently awaiting more up to date data from LPS). Although this may have changed slightly since then it will give Members a good sense of the amounts involved.

77 retail properties have a rateable value of £500,000 and above. 23 retail properties have a rateable value of between £400,000 and £499,999. The 23 properties would be occupied by a number of those already covered by the £500,000 levy as well as 4 other retail properties.

Applying a levy on the basis of the above would result in around £560,000 being raised from the 10% levy on properties with a rateable value of £400,000 - £499,999 (average levy of around £24,000). Around £4.9 million would be raised from a 15% levy on properties with a rateable value of £500,000 and above (average levy of around £63,000). In total in the region of £5.4m would be raised, just over £1m less than under a 20% levy applied to properties with a rateable value of £500,000 or more.

To raise around £6.5m on this alternative basis would require levies of around 15% (£400,000 - £499,999) and 17.5% (£500,000 and above). Alternatively the levels could set at 13% and 18%, or any other combination to distribute £6.5m.

Were a levy applied to all large retail properties with a rateable value of £500,000 and above the levy would be around 5.5%. This would affect around 215 properties, with an average levy of around £30,000. If a levy were applied to all 'large' properties those occupied by public bodies may have to be excluded given that they are not profit making (they are not in the same legal and factual position). If this approach were adopted the levy would be around 9% (an average levy of around £40,000).

The figures above are based at 2011/12 levels.

Yours sincerely,

NORMAN IRWIN

Large Retail Levy and Small Business Rates Relief: Gaps/Issues arising from Evidence to Committee to Date: By Email

1. To assist the Committee in considering the options for broadening the base for the levy, please complete the table below:

Impact of Changes to Target Sector (raising the £6.5m required)

The Committee will wish to note that the below are provisional figures. Due to the timescales involved it has not been possible to finalise these. The final version will be provided by close of play Tuesday 29 or Wednesday 30 November.

a) All large retail (current proposal)	£500,000 +	77	20%		£ 85,000	
b) All large retail (2 thresholds)	£400,000 to £499,000 £500,000+	100	13% 18%	15% 17.5%	£65,000 overall	
c) All large properties	£500,000+ (RV)	219	5.5%		£30,000	
d) All large properties except public bodies	£500,000+ (RV)	137	9.5%		£47,500 (correction from earlier paper)	
e) All large properties except public bodies (2 thresholds)	£400,000 to £499,000 £500,000+	54 137	6% 8.5%		£34,000 overall	
f) All large properties except public bodies and manufacturing	£500,000+	134	9.7%		£48,500	
g) All large properties except public bodies and manufacturing (2 thresholds)	£400,000 to £499,000 £500,000+	46 134	6% 9%		£36,000 overall	

2. Is there a breakdown available of the "publically funded/supported undertakings" which make up 50% of the properties with an NAV of £500,000 or over?

The properties that have a rateable value of £500,000 or above are as below. When net annual value is used a further 40 or so properties are covered, largely in the manufacturing sector. The application of industrial derating brings the rateable value of most of these under the £500,000 threshold.

- Agri Food & Bio Sciences Institute
- Altnagelvin Hospital HSS Trust
- Belfast City Council
- Belfast City Council
- Belfast City Council
- Belfast Health & Social Care Trust (City)
- Belfast Health & Social Care Trust (Greenpark)
- Belfast Health & Social Care Trust (Mater)

- Belfast Health & Social Care Trust (N&W)
- Belfast Health & Social Care Trust (Royal)
- Belfast Health & Social Care Trust (S&E)
- Department Of Culture, Arts And Leisure
- DHSS <Plaza Building>
- Dsd Child Support Agency
- Ehssb Headquarters
- Inland Revenue NI
- Lisburn City Council
- Ministry Of Defence
- Ministry Of Defence
- Ministry Of Defence
- Mod 3C Army (GOC NI) (Non-Domestic)
- Mod 3C Army (GOC NI) (Non-Domestic)
- Mod 3C Army (GOC NI) (Non-Domestic)
- Mod 3C Army (GOC NI) (Non-Domestic)
- Mod 3C Army (GOC NI) (Non-Domestic)
- Mod 3C Army (GOC NI) (Non-Domestic)
- Ni Assembly
- Ni Prison Service
- Ni Prison Service
- Ni Prison Service
- Ni Water Service Eastern Division
- Ni Water Service Eastern Division
- Ni Water Service Eastern Division
- Ni Water Service Eastern Division
- Ni Water Service Eastern Division
- Ni Water Service Eastern Division
- Ni Water Service Eastern Division
- Ni Water Service Southern
- Ni Water Service Western Division
- NICCEA
- NIHE
- Nihe No Allowance Code
- Northern Health And Social Care Trust
- Northern Health And Social Care Trust
- Northern Ireland Courts And Tribunals Service
- Northern Ireland Library Authority
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Office Estates & Building Standards
- Police Service of Northern Ireland
- Police Service of Northern Ireland
- Police Service of Northern Ireland
- Police Service of Northern Ireland (Ballymena)
- Police Service Of Northern Ireland (E District - Lurgan)
- Police Service Of Northern Ireland (Enniskillen)
- Police Service Of Northern Ireland (G District - L/Derry)
- Police Service Of Northern Ireland (G District - L/Derry)
- S E Health & Social Care Trust
- S E Health & Social Care Trust
- S E Health & Social Care Trust
- S E Health & Social Care Trust
- Shsct Craigavon Area Hospital
- Shsct Newry & Mourne
- Southern Health And Social Care Trust
- Sperrin Lakeland H & SC Trust FAO Mr Paul Quigley, Assistant Director Finance MDEC
- Stranmillis University College
- The Queens University of Belfast
- The Queens University of Belfast
- The Queens University of Belfast

- The Queens University of Belfast
- University of Ulster
- University of Ulster
- University of Ulster
- Western Health & Social Care Trust (Foyle)

3. **What would be the impact on the 30% rates liability of large manufacturers if they were included in the levy, under approaches d) and e) above? Also, is there any overlap/ duplication of relief in terms of manufacturing businesses benefiting from the existing/ proposed SBRR and from the industrial derating scheme?**

This will be provided in due course. Members will wish to note that SBRR is awarded after the application of industrial derating.

Follow up on Levy Targeting and Thresholds

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Mr Shane McAteer
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Stormont

30 November 2011

Dear Shane

Committee Queries:
Expansion of the Small Business Rate Relief Scheme and Large Retail Levy

At the evidence session on Tuesday 29 November the Department indicated that there were a number of issues (relating to options on the levy targeting and thresholds) that the Department would follow up on. The information relating to that is set out at **Annex A**. In addition, the Committee has asked the Department to address additional issues following that evidence session. The relevant information is attached at **Annex B**.

Should there be anything further that would assist the Committee with their deliberations officials would be happy to assist, either in writing or verbally with you.

Yours sincerely,

Norman

NORMAN IRWIN

Annex A: Large Retail Levy and Small Business Rates Relief – Gaps/Issues arising from Evidence to Committee to date

1. To assist the Committee in considering the options for broadening the base for the levy, please complete the table below:

Impact of Changes to Target Sector (raising the £6.5m required)

a) All large retail (current proposal)	£500,000 +	77	20%		£ 85,000	
b) All large retail (2 thresholds)	£400,000 to 499,000	100	13%	15%	£65,000 overall	
	£500,000+		18%	17.5%		
c) All large properties	£500,000+ (RV)	219	5.5%		£30,000	
d) All large properties except public bodies	£500,000+ (RV)	137	9.3%		£47,500 (correction from earlier paper)	
e) All large properties except public bodies (2 thresholds)	£400,000 to 499,000	54	7%		£17,000	
	£500,000+	137	8%		£41,000	
f) All large properties except public bodies and manufacturing	£500,000+	134	9.4%		£36,000	
g) All large properties except public bodies and manufacturing (2 thresholds)	£400,000 to 499,000	46	6%		£15,000	
	£500,000+	134	8.5%		£44,000	

3. What would be the impact on the 30% rates liability of large manufacturers if they were included in the levy, under approaches d) and e) above? Also, is there any overlap/ duplication of relief in terms of manufacturing businesses benefiting from the existing/ proposed SBRR and from the industrial derating scheme?

Under approach (d) (All properties over £500,000 excluding public) three manufacturing properties would be included in the levy after derating. Their average liability would increase from £628,767 to £661,236. The three manufacturing properties are occupied by Bombardier, Invista Textiles and Quinn Building products.

Under approach (e) - all properties excluding public, with two thresholds, £400,000 - £499,999, and £500,000+ - eleven manufacturing properties would be included in the levy after derating. The occupiers for these properties would be Charndlers Ltd, Coca Cola HBC NI Ltd, F G Wilson (Engineering) Ltd, Invista Textiles, Michelin Tyres Ltd, Montupet UK Ltd, Sanmina Sci UK Ltd, Bombardier, Tyco Health Care, Quinn Building Products Ltd.

Their average liability before and after the levy would be as below:

	Before	After
£400,000 - £499,999	£441,430	£458,610
£500,000	£628,767	£656,734

Annex B: Additional Issus to be addressed By DFP following Committee Meeting 29 November

Revaluation:

1. **Will the revaluation take effect in April 2015 or is it planned just to commence the necessary preparatory work at that point? Is there any risk of a gap between the SBRR scheme and proposed Large Retail Levy ending and the revaluation being fully operational?**

The firm intention is that the revaluation will take effect in April 2015 and the necessary preparatory work will begin next year. The proposal is that the SBRR scheme and the proposed large retail levy will be terminated on 31 March 2015, the day before the revaluation takes effect and bills issue for the 2015/16 rating year.

2. **Has the Department considered the possibility of delays in the revaluation taking effect given the potential for appeals? Is it possible for ratepayers to receive an estimate in advance so that any queries can be dealt with and to avoid any delay in the revaluation process?**

As part of the normal revaluation process the new valuation list will be published at least three months in advance of billing, allowing a period for LPS to undertake some informal review of the new valuations. Appeal handling is part of the normal revaluation mechanism and LPS will put in place processes for dealing with a high volume of appeals.

It is worth noting, however, that previous revaluations undertaken in Northern Ireland led to a relatively small number of appeals, which contrasts with the situation in the rest of the UK. For example, the revaluation undertaken in England in 2010 resulted in a 29% appeal rate.

More generally Members will wish to note that all rate bills remain due and payable, notwithstanding that an appeal is ongoing, so it will not affect billing and collection.

3. **Were there any lessons learned as regards the appeals process following previous revaluations that can be applied this time?**

The Department is already engaged with LPS regarding the appeal process and lessons are being learned which will result in changes being introduced for the next revaluation. This may include extending the remit of the valuation tribunal to include simple non-domestic properties and also the introduction of programming for appeals. These issues have still to be put to the Minister and considered along with LPS. However, these changes can be made well in advance of the revaluation in 2015.

4. **Would it be possible to fast track the revaluation once the proposed legislation on the extended SBRR and Levy (which will also improve the existing revaluation arrangements in NI) is enacted?**

It will not be possible to bring forward the date for the next revaluation once the proposed legislation on the extended small business rate relief scheme and the associated levy are introduced. Although the forthcoming legislation will include valuation provisions which will assist LPS in undertaking the revaluation and increase the certainty of it happening in 2015, this will not allow it to take place any sooner.

5. **Could the sunset clause in the proposed legislation iro the Levy be linked to the revaluation taking effect?**

The sunset clause in the proposed legislation will ensure that the levy will not be in place after 31 March 2015, one day before the proposed revaluation takes effect on 1 April 2015. As Members were advised, beyond this date new primary legislation would be required, along with the necessary research, consultation and impact assessments.

6. Might the revaluation offer an opportunity to establish arrangements for more easily identifying out of town/in town premises?

The revaluation exercise is a massive task involving a lot of data gathering on individual properties. The Department will ask LPS if they would consider this issue which may enable out of town premises to be more easily identified. Having said that the policy difficulties in differentiating between locations, as outlined at the Committee evidence session, remain.

Relief for Chains/Multiple Premises

7. Departmental officials indicated during today's evidence session that the Minister is considering the option of excluding businesses with multiple premises from Small Business Rates Relief. Can the Department give any indication of how multiples would be defined within the legislation?

Options have still not been fully identified yet. Much will depend on what LPS is capable of doing at reasonable cost within the short timeframe available. If a range of options is possible the Department will be engaging with business organizations representing the small business sector to help identify the optimum solution, in terms of one that will not inadvertently rule out genuinely small undertakings. Preliminary thinking within the Department is that any ratepayer with more than three premises (whether large or small) would be ineligible for small business rate relief on any of those premises with a rateable value of £10,000 or below and this can be easily defined in the legislation; but we could easily end up with a different model.

This will not rule out smaller independent pubs and bookies but the Minister is already on record as saying he will not get involved in deciding what is a worthy business. The policy intention of any such change would be to ensure that larger businesses, that operate out of a number of small premises, are excluded from small business rate relief.

Members will wish to note that if this change were to be introduced that the Department can always relax or tighten the conditions in the light of experience , with a view to these taking effect in 2013/14 and 2014/15.

Utility Companies

8. Departmental officials indicated during today's evidence session that utility companies were likely to pass on the cost of any additional rates levy to the consumer and that this would be permitted by the Utility Regulator as rates are an "allowable cost". Does the Department have any evidence to indicate that the Utility Regulator would have no flexibility or discretion in this regard?

The Department understands that utility companies could pass on the cost of any additional rates to the consumer. This is being checked with the utility regulator and Members will be advised as soon as possible.

Levy Figures Table

9. Option E - can the Department confirm that only three manufacturers would be included within Option E of all large properties within the £500,000 and above threshold? Can the details be provided?

Yes. The manufacturers are Invista Textiles, Quinn Building products and Bombardier.

10. Option F – other than the 77 large retailers – which businesses make up the additional 57 captured within this group? How many of the 57 are utility companies?

The following companies occupy premises that have a rateable value of £500,000 or over, which are not occupied by public bodies or bodies that are public funded.

There are six companies that could be deemed to be a utility; AES Kilroot Power Ltd, Coolkeeragh ESB Ltd, Moyle interconnector Ltd, Power NI (NIE), Phoenix Natural Gas Ltd and Premier power Ltd. This would cover slightly over 20 properties.

Abbey National plc	Hastings hotels group Ltd
AES Kilroot Power Ltd	Henderson Wholesale Ltd
Allstate northern Ireland Ltd	Heron Property Ltd
Bank of Ireland	Liberty information technology - 1496269
Bar library services - 1170818	Makro
Belfast City Airport Ltd	Moyle interconnector Ltd
Belfast Hilton Ltd	Musgrave Retail Partners NI
Belfast international airport Ltd	Power NI (16 properties)
BP Oil Ltd	Northern Bank
BT	Odyssey Trust company Ltd
Capita business services Ltd	Phoenix Natural Gas Ltd
Capita life & pensions regulated services	Premier power Ltd
CDC (NI) Ltd	Price Waterhouse Coopers
Cib properties Ltd	Ulster Bank Ltd
Coolkeeragh ESB Ltd	Ulster Bank Ltd
First Trust Bank	Virgin media Ltd
Halifax Building Society	Wilmslow Ltd partnership

11. Options F and G - Can the Department show the impact on Options F and G if utility companies were also excluded?

If utility companies were excluded, the impact on options F and G would be as follows:

	Threshold	No. of properties affected	levy	Average amount paid in levy
h) All large properties except public bodies, manufacturing and utilites	£500,000+	110	13.8%	£59,090
i) All large properties except public bodies, manufacturing and utilities (2 thresholds)	£400,000 to £499,000	41	9%	£22,199
	£500,000+	110	12%	£51,377

12. Can the Department include an additional column in the table to show the number of businesses within town or city centres which would be included within each option?

The Department determined the earlier 'in town'/'out of town' categorization for retail properties with the assistance of planning service in DOE. Unfortunately it is not able to replicate this for the various scenarios more widely within the timescales required

Changes to the SBRR and/or Large retail Levy

13. Would there be a statutory requirement to consult if:

- the SBRR were further defined, for example, to provide rates relief to retail premises only?; or
- if the large retail levy were broadened to also apply to other large properties?

As Members will be aware consultation has already been undertaken on the retail only option for expanding the scheme, and there was no significant support for this.

Any significant changes to the small business rate relief scheme, which would exclude business ratepayers who were previously eligible, would have to be subject to further consultation. The same broad principles would apply to any enlargement of the large retail levy, in terms of applying it to other sectors who had no reasonable expectation of being covered; though it is a matter of degree and if the levy were to be spread thinly across all large business ratepayers this may not need further consultation.

The Committee has asked that consideration be given to an in year review of the levy, presumably with a view to extending the scope of the levy in years two and three. The Department is prepared to undertake such a review, if the Executive agrees, though we have concerns that this may create uncertainty within the wider business community. This is something that business organisations are particularly keen to avoid and therefore in announcing any such commitment, reassurances will need to be given at the outset about the possible extent of any future widening of the levy.

Utilities

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Department of
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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

1 December 2011

Dear Shane

Committee Queries:
Expansion of the Small Business Rate Relief Scheme and Large Retail Levy

Further to my correspondence of 30 November 2011 please see the information below in relation to utility companies.

We have been advised that for water, prices are regulated; NIW must ask the regulator if they can pass on costs, and the regulator may ask them to make efficiency savings instead.

We understand that for the utilities, costs are still tightly regulated as the utility companies must make a bid for rates in their business plans which the Regulator will determine upon for reasonableness. However, we have been advsied that in general no efficiency challenge is applied and these costs are then passed through to electricity and gas prices. We also understand that historically this has been the process.

Finally the Regulator has recently published a Networks Price Control consultation paper covering these sorts of issues (http://www.uregni.gov.uk/uploads/publications/Proposals_for_a_cross_utility_approach_to_network_price_controls.pdf).

Yours sincerely,

Norman

NORMAN IRWIN

Northern Ireland Assembly

Appendix 4

Written Submissions

CBI Large Retail Levy

CBI
THE VOICE OF BUSINESS
NORTHERN IRELAND

Proposed rating levy on Large Retail properties in Northern Ireland – Pre-consultation

NI 14 11

Connor Powell| Project Assistant| CBI Northern Ireland
Email: connor.powell@cbi.org.uk

Summary

The Northern Ireland economy faces a challenging time. Consumer and business confidence are low. Creating jobs through increased investment must remain a top Executive priority. All policy measures must be judged against this outcome.

It is a concern that this proposed policy (a rating levy on large retail properties) will add a significant burden to a key segment of the economy, which has a successful track record of investment and employment creation, while the proceeds will be used to support a rating rebate for all firms located in small properties, with no evidence that the policy will have any significant economic impact.

Introduction

The Finance Minister announced to the Assembly on 4 March 2011 “........ *in relation to rates I want to make one further new announcement. I want to rebalance the system of business rates, and my Department will be bringing forward proposals to significantly extend the small business rate relief scheme – effectively doubling the current position of reliefs.*

I will be looking to cross subsidise this by applying a levy to large retail properties, including major out of town shopping developments which have not fared too badly during this downturn compared to our smaller businesses'.

My department will of course need to assess the impact of this and consult on it before final decisions are made and the details worked out - but when this is done I would wish the legislation to be quickly passed by the next Assembly - to allow these changes to occur for the following rating year, from April 2012.”

Why is the wider business community concerned?

The announcement by the Finance Minister that he is considering a rating levy on large retail properties is a major concern for the business community. This immediately creates uncertainty (and not just for retailers) and undermines confidence in the rating system (particularly as it appears to be based on an assumption that the sector has ‘*not fared too badly during this downturn*’). Large retailers already pay some of the highest rates in Northern Ireland, and the proposed levy could add an estimated 20-30% to their rating liability.

Such a levy will make Northern Ireland a more expensive place to do business and make it more difficult to attract large retail investment. Planned investments are likely to be reviewed or reconsidered under a different business environment.

A similar levy was proposed in Scotland in 2010. Following consultation and analysis the majority of the political parties concluded that the levy would damage the competitiveness of the sector and have a negative impact on future investment decisions.

Retail investment has been an important economic driver, helped town and city regeneration and brought competition from which consumers across Northern Ireland have benefited over the last 15 years. The sector has seen a large increase in employment over the last decade.

The sector has also brought wider economic benefits:

- The supply chain to the main food multiples operating in Northern Ireland is now worth several hundred million pounds, and provides a key route into the UK market for many of our SMEs. The agri-food sector has seen considerable benefit from investment and continued partnership with large retailers.
- Large retail stores support a large number of local services while local construction companies are involved in most store developments and expansions.
- Large retailers make considerable investments in workforce training and development, smaller businesses are unlikely to invest in the same way in their workforce
- The larger retailers have a wide range of corporate social responsibility activities ranging from charity fundraising to work with postgraduates at local universities; they are heavily involved in their local communities.

The large retail properties impacted by the proposed rating levy are estimated to directly employ over 18,000 people. The CBI believes a policy which could undermine further investment and employment creation needs to be rigorously assessed, and the implications and consequences fully understood. With consumer expenditure under significant pressure the timings of these proposals add to our members' concerns.

Undermining the competitiveness of Northern Ireland's retail sector

There are a number of areas of concern which the emerging proposals have created:

- **Such a levy creates uncertainty and makes NI less attractive for investment** - To support growth, the business rates system must attract investment. Investors need predictability and certainty, and this is especially important at a time when we need private sector investment to deliver growth and create new jobs. The announcement that this levy is being considered sends out the wrong message to potential investors. The proposal fails to understand that with retail chains every store investment stands on its own merit and increasing the rating burden will simply make Northern Ireland a less attractive place to invest - there are plenty of other

3 CBI NI Briefing Paper on the Large Retail Levy

investment options for retailers within the UK and elsewhere to consider. The proposal will also create a new threshold and act as a disincentive to growing a retail business beyond a certain level.

- **Could this happen to other sectors** – the proposal to introduce a levy on the basis that a sector is 'not faring too badly' undermines the confidence of investors from all sectors, not just those in the retail sector. Setting a precedent here makes Northern Ireland a less stable tax environment and undermines the Executive's commitment to putting the economy as the number one priority.

- **Controlling 'out of town' retail** – there is clearly a view that this proposal specifically targets out of town stores – based on a NIIRTA press release which followed the Finance Minister's statement. This is incorrect: providing a clear definition of what constitutes an 'out of town' retail property was one of the challenges that the Scottish Government was unable to overcome. The proposed levy is almost certain to apply to all large retail premises, the majority of which are in town or city centres or at the edge of towns. Managing 'out of town' development should be controlled through effective planning policy.

- **Retailers already pay some of the highest rates** – large retailers already contribute to the regional economy through some of the highest rating bills in Northern Ireland. After labour costs rates are the largest cost facing the retail sector; these costs may be passed onto consumers at a period in which we are seeing considerable inflation on both the RPI and CPI indices, or if absorbed by retailers this will reduce their investment returns, hence undermining future investment.

- **Retail investment over the last 10-15 years has brought significant benefit** - in terms of investment, employment and competition which in turn directly benefit Northern Ireland consumers through better choice and more competitive prices. Major retailers are also essential to town and city centre regeneration by acting as key anchor tenants, attracting footfall to smaller shops – this policy will make such investment less attractive.

- **Such a levy could undermine the development of Business Improvement Districts** – these have still to be developed in Northern Ireland but these voluntary levies on business have significant potential to fund improvements which increase civic distinction, pride and excellence, often sparking regeneration within areas. Experience in other regions indicates that they can help create a clean, safe and attractive urban environment over and above that already provided by public agencies to enhance footfall, sales and profits, while they encourage closer collaboration and understanding between local authorities and other public agencies. Imposing an additional levy on large retailers will make them less likely to be able to contribute to BIDs.

- **The legality of the measure** – the Minister has stated that he '*will be looking to cross subsidise this by applying a levy to large retail properties........'.* Is this anti-competitive?

- **The impact on the property market** – the Department of Finance's consultation paper should include an assessment of the impact of this measure on the retail property market. With a very fragile property market across Northern Ireland any measure which could reduce demand will have a negative effect.

The proposed levy on large retail properties is being used to 'cross-subsidise' the small business sector. The CBI is strongly supportive of measures to help develop and improve the competitiveness of small businesses. However we have a major concern that the proposed policy approach will be ineffective.

How effective is the Small Firms Rate Relief Scheme?

The CBI understands that the primary reason for introducing a rating levy on large retail properties is to assist smaller firms as part of a 'downturn measure'.

We are not aware of any evidence to indicate that such a measure would have a positive economic impact, particularly in terms of investment and jobs. The measure is a blunt instrument which while providing a modest cost reduction is unlikely to have any strategic impact.

The Economic Research Institute of Northern Ireland's research into the impact and effectiveness of a small business rate relief (published in April 2008) concluded that:

- **small business rate relief schemes are ineffective from an economic perspective**
- **a substantial proportion of the relief ends up benefiting landlords through higher rents rather than small businesses**
- **even with expensive schemes the amount of savings to small businesses is too modest to have any significant impact on their viability**
- **these schemes are a blunt instrument for developing small businesses since they offer relief to all small businesses instead of focusing assistance on those who really need it**

If this policy is to be extended it is important that there is an impact assessment which can provide some confidence that the intended outcomes will be achieved. The forthcoming consultation document should set out the key outcomes expected from the change in policy and outline the evidence base to substantiate this.

An alternative approach

The current policy proposal has little merit and risks damaging a key part of the retail sector. It fails to deliver any leverage and it does little to support an export-led economy, as set out in the Executive's emerging Economic Strategy.

The CBI, together with seven other business organisations (Construction Employers Federation, Centre for Competitiveness, NI Chamber of

Commerce, Institute of Directors, Momentum, NI Food and Drink Association and NI Independent Retail Association) published 'The Jobs Plan' in February 2011. In this document we recommended that rating system should be used to help change behaviour and reward sustainable businesses, for example through introducing incentives for environmental improvement and investment in low carbon technologies. Such a policy would incentivise investment and lower business costs through a more sustainable approach.

CBI Northern Ireland
7 June 2011

Appendix

At present we understand that just under £7m is paid out under the Small Business Rate Relief Scheme - the Finance Minister has indicated that he wants to double this, funded by a levy on large retail properties.

It is unclear what number of retail premises will be impacted by the proposed rating levy, though various assessments have suggested around 70 retail properties with NAV of around £450,000 or more will be affected (though we await the detail in the forthcoming consultation)

- Over 60% of the retail properties will be town or city centre, or edge of town , with less than 40% 'out-of-town developments'
- It is estimated that around 40% of these properties are supermarkets, 30% are department stores and fashion stores, and 20% are retail warehouses
- Properties which will be impacted in the following Council areas: Antrim, Ards, Ballymena, Banbridge, Belfast, Carrickfergus, Castlereagh, Coleraine, Cookstown, Craigavon, Derry, Dungannon South Tyrone, Fermanagh, Lisburn, Newry & Mourne, Newtownabbey, North Down, Omagh, and Strabane

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CBI

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Our members benefit from our influence, a wealth of expertise, business services and events.

www.cbi.org.uk/ni

June 2011

B&Q

Mr Conor Murphy MP
House of Commons
London
SW1A 0AA

COMMITTEE FOR
04 OCT 2011
F & P

15 September 2011

Dear Mr Murphy,

I am writing regarding the Department of Finance and Personnel's (DFPNI) plans to introduce a Large Retailer Levy to further supplement smaller retailers through a 20% increase in rate bills for premises with a rateable value of £500,000 or more.

Given the current economic situation, we understand that helping small business is high on the political agenda. Our concern is that the Levy will negatively impact on businesses that continue to drive growth and employment. Alongside rising operational costs, such as fuel and raw materials, the Levy will further restrict our ability to trade and invest in Northern Ireland given the tight profit margins that already exist.

The Levy structure burdens retailers that have a large trading space. B&Q has 9 stores that would qualify for the Levy, employing over 1000 people. However, trade for us is based on turnover (around £10m per store in Northern Ireland) and profit (margins typically around 3-6% of turnover) - not trading space. Our total additional rate liability over three years will be £ 2.6m (872k pa on top of our current £4.94m annual rate liability) which is more than the total annual profits of over half of our stores in Northern Ireland. In addition, our turnover per square foot is far from comparable to supermarkets. We find the DFPNI assumption that the Levy cannot differentiate between the trading profiles of the 77 qualifying stores, when they are all household names, difficult to justify.

We wish to continue our excellent record of employment and training. In our Northern Ireland stores, 21% of our staff are aged 16-25 and nearly a third of our staff are over 50. Our stores support small business and traders by providing competitively priced goods and local services. A blunt increase in tax will restrict our ability to invest in these areas.

There are alternative ways to support small business not included in the DFPNI consultation including the introduction of Business Improvement Districts (BIDS), as already operate successfully elsewhere in the UK or by placing a charge on plastic carrier bags and retaining the revenue. These options would generate much more for small business than the Levy, without irrecoverable damage to growth and employment.

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"HELPING PEOPLE CREATE HOMES TO BE PROUD OF"

Please raise these concerns with the Minister Sammy Wilson, DFPNI officials and encourage the Executive to look at options to support small businesses that do not risk the trading presence of vital parts of the Northern Ireland economy.

Yours sincerely

D F Walsh
Divisional Director – North Division
B&Q

B&Q you can do it

Mr C Murphy MLA
Northern Ireland Assembly
Parliament Buildings
Ballymiscaw
Belfast
BT4 3XX

7th October 2011

Dear Mr Murphy

I am writing regarding the Department of Finance and Personnel's (DFPNI) plans to introduce a Large Retailer Levy and the negative impacts this will have on my store and the local community.

I accept that small business needs support at this time due to the state of the economy but I urge you and other members of the Assembly to press the Executive for a different solution that does not unfairly target businesses that are key to employing young people and providing investment in the community. The Levy, along with rising operational costs and inflation in food and raw materials will further restrict our ability to invest.

In Northern Ireland, 21% of our staff are aged 16-25 and nearly a third of our staff are over 50 – both groups that are finding the current employment market difficult. My store also supports small business and traders through low priced materials and trading links in addition to supporting local community campaigns and initiatives. A blunt increase in tax via the Levy will halt any expansion of our community and employment programmes in Northern Ireland

There are alternative ways to support small business such as the introduction of Business Improvement Districts (BIDS) or by placing a charge on plastic carrier bags and recycling the revenue.

I urge you to make the case to the Minister Sammy Wilson and DPF officials that alternatives must be part of any Levy consultation. As you are our local MP I would greatly appreciate if you could organise to meet me In store to discuss this issue you can contact me on 028 30 257722 to arrange a suitable date and time.

Yours sincerely

Mr Declan O'Malley

B&Q Newry -Unit Manager.

Working together to protect the environment: Contains 100% recycled fibre, totally chlorine free.

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teamGB B&Q Official partner

Belfast Chamber of Trade and Commerce 09.11.2011

Consultation on:

'Rating of Commercial Properties: small businesses, large retail properties and empty shops'

Belfast Chamber of Trade & Commerce Response

1

Introduction

This document comprises a ***discussion*** of the issues raised by the Public Consultation Paper *'Rating of Commercial Properties: small businesses, large retail properties and empty shops'* issued in June 2011 by the Northern Ireland Department of Finance and Personnel, and ***responses*** to the questions posed by the Consultation Paper.

The most controversial proposal is to levy a supplementary 20% regional rate on the 77 largest retail premises in Northern Ireland in order to fund a 20% reduction in rates for some 9,000 premises that are at the moment larger than the eligibility band for small business rate relief.

Part I: Discussion

In this section, we discuss relevant principles of taxation, outline the main proposal for a 'large retail' levy, describe the stores affected by the proposed levy, and finally, comment on the other proposals advanced in the consultation paper.

Taxation principles

The general principles of taxation in market economies are widely agreed and understood, whatever controversies attend the details. Recent documents reflecting this shared approach include the comprehensive Mirrlees[1] Review (2011) published by the Institute of Fiscal Studies, the HM Treasury paper 'Tax Policy Making: a new approach' (2010), and, on business taxation specifically, CBI (2010) evidence to the Treasury Select Committee.

The principles are often summarised as '*adequacy, equity, exportability, neutrality, and simplicity*'. Adequacy means that the tax system should be adequate to raise the revenue needed to meet government objectives. This principle will not concern us in this note because the proposed tax change is expressly intended to be revenue-neutral. Equity means that it should be fair as between one tax-payer and another. Exportability means that overseas residents, such as tourists, benefiting from tax-funded expenditure should in principle be subject to taxation in respect of those services; again, this principle need not concern us here. Neutrality means that business and consumer decisions should as far as practicable not be changed by the tax system. Finally, the system should be simple.

There are two important qualifications to the principles just mentioned. The qualifications do not violate the principles but are important for their interpretation. First, current tax systems have grown over time by accretion and include anomalies that nobody, starting from scratch, would defend. But removing the anomalies would create windfall gains for some taxpayers and windfall losses for others: a move towards *neutrality*, for instance, might offend *equity*. HM Treasury translate this into a wish for stability in the tax system, meaning that changes to correct violations of the principles should be gradual.

The second qualification is that market mechanisms are poor at taking externalities into account, and the tax system may be used to correct this failure. For instance, a heavy tax on alcohol but not on cinema tickets may seem to offend against *neutrality* because,

[1] Nobel Prize winner, Sir James Mirrlees is, arguably, the world's leading authority on taxation.

compared with unrestricted markets, it promotes the latter pleasure at the expense of the former. But this is because the tax-free market price of alcohol would not take into account the externalities – health damage, public disorder, disruption of family life etc – associated with alcohol consumption. Taxes on alcohol are claimed to restore the balance. And so with taxes on tobacco and petrol, and with subsidies (negative taxes) on goods like education.

The proposal

The proposal is to extend the small business rate relief scheme by providing 20% relief to eligible premises with an NAV of £5,001 - £10,000. No additional relief would be provided to those currently receiving small business rate relief (NAV of £5,000 or below); and to apply an average levy on rate bills of around 20% to retail premises with a rateable value of £500,000 or more, in the form of a regional rate supplement. The changes would apply for three years from 1 April 2012 until 31 March 2015.

The proposal is intended to be revenue neutral. Seventy-seven large retail premises would be caught by the increase and would pay an additional £6.5m, or £85,000 on average. Some 9,000 smaller businesses would benefit by the same total figure of £6.5m, or by an estimated £730 each. The large-retail levy would thus be hypothecated to the extension of small business relief proposed.

The consultation paper stresses the modest nature of the proposal. £730, the average amount of relief that small businesses would receive, though doubtless helpful, is likely to rescue few if any businesses from insolvency or encourage businesses to start that would not, otherwise, have done so. And, whilst £85,000, the average large-retail levy payment, is a much more substantial sum, it will, by definition, be levied on much larger entities and is unlikely to affect the overall operations of, for instance, Tesco (the firm with the greatest number of the affected premises) very substantially.

The stores affected

Twenty-nine of the 77 large retail stores are in Belfast and a further 16 in the Greater Belfast conurbation, including Bangor, Lisburn and Newtownabbey; the remaining 32 stores are elsewhere in the province. We understand that six of the 77 are not currently trading but we do not know which six, so the analysis below relates to the publicly-available information on the 77.

The geographical description above gives a misleading impression. The 77 comprise mainly multiple chain stores such as Tesco, but also a substantial number of 'High Street' stores, located in almost all cases in Belfast city centre. The stores are tabulated below and an annex gives a full list of every store.

Smaller retail outlets, restaurants, and chain supermarkets are very important, but it is the High Street stores that define Belfast as a major retail centre within the UK.

Geographical analysis of the 77 stores affected				
	Belfast	Greater Belfast[2]	Elsewhere	NI Total
Boots	1			1
Charles Hurst	1			1
Debenhams	1			1
Eason & Son (NI)	1			1
Harvey Norman Leasing (NI)	1			1
House Of Fraser	1			1
IKEA	1			1
Republic[3]	1			1
New Look	1			1
Next	1			1
Peacocks	1			1
Primark Stores	1			1
River Island	1			1
TK MAXX	1			1
Toys R Us		1		1
WH Smith	1			1
Zara	1			1
H & M	2			2
Arcadia (BHS; Top Shop; Wallis)	2	1		3
Homebase	1	1	1	3
Dunnes Stores	1		3	4
Marks & Spencer	1	4		5
Asda			7	7
B & Q	2	2	5	9
Sainsbury's	2	2	5	9
Tesco	2	5	11	18
Total	29	16	32	77

[2] Bangor, Lisburn and Newtownabbey
[3] This is listed in the Consultation Document as 'Indulge Retail T/A Head', but that business is no longer operating and the premises are occupied by Republic

Part II: Business consultations

As part of the preparation of this response to the consultation we sought views from the 29 retailers in Belfast covered by the proposed levy. We have had discussions with 10 of these firms and we are confident that their views provide a correct indication of the views from the wider 29 firms involved.

After consulting with various persons in managerial/director positions within the large retail organisations that would be subject to the proposed levy, several distinct concerns have been highlighted. These focus primarily on the negative impact on store profitability, with knock-on impacts which include store closure, redundancies and reduced levels of investment. In addition retailers pointed to the in-equitability of the large retail levy and the supposed associated benefits of the rates relief provided for small firms, funded by the levy.

There appears to be a misconception in the consultation document that larger profit margins are available to stores simply because they are part of multinational organisations with strong brand credentials. In reality, actual margins are already very slim, and in several cases the additional cost from the proposed levy would render a particular store unprofitable and therefore unsustainable.

In such cases, where one store – even one that is part of a chain – is no longer profitable it runs the risk of being closed. In general, with so many flagship stores targeted in the City Centre and with profits so marginal, it is stressed that retailers in Belfast are ill-equipped to manage further rate burdens.

Furthermore, as large retailers are targeted by the levy, this gives the appearance that 'downsizing' of large retail operations is being encouraged. As such, many stores suggested that they would consider or had already considered relocating their current store to smaller premises, if it became clear that the levy was premised on the area or floorspace of the store and that larger premises were no longer viable after the increase. This would seriously affect the retail offer of Belfast City Centre and reduce the revenues gained from the levy – surely not the intended result.

As staff are the biggest cost to a business, there will be inevitable negative human resource implications as a result of the levy. Examples range from no longer hiring Christmas temporary staff to redundancies throughout branches in Northern Ireland.

If the levy goes ahead, not only will stores potentially close but future investment will also be discouraged. It is argued that the additional strain placed on larger stores within a chain will mean areas with smaller marginal profits will see fewer stores opened – affecting Northern Ireland as a whole.

For Belfast to be defined as a major retail destination throughout Ireland and beyond, it is necessary to maintain the standard flagship stores. Low sales as a result of economic pressures have already caused relatively high vacancies within the City Centre. Many responses stressed how the proposed large retail levy will cause businesses to view Belfast as unwelcoming and will impact negatively on strategic business decision making. This will deter prospective large retailers looking to open in the City Centre and cause standard stores that the Belfast economy relies upon to be tempted away from the City Centre.

Another view repeatedly raised was how inequitable the proposed levy will be. The cancelled General Revaluation, originally proposed for April 2010, and now postponed until 2015 means that retailers are rooted in rate values and rate shares from April 2001. It is argued that these rate values are out of date and disproportionate across sectors, with some, like retail, carrying the brunt of the business rate share. Rate increases as seen with the levy are also grossly over estimated if using the 2001 values. There is a lot of support for a Revaluation to be implemented in order to fairly rebalance the non-domestic rates system, as opposed to the straight retail levy increase.

As well as the apparent targeting of the retail sector, there is a lot of upset about the arbitrary cut off point. Many believe it to be unfair that a business just over the rateable value limit will suffer while those businesses just below the threshold will experience no such penalty. These arguments show how the levy increase goes against one of the main principles of tax: equity, as large retailers appear unfairly targeted.

Finally, a growing concern amongst large retailers is the questionable benefits of the proposed levy to smaller firms through the rates relief scheme. It is estimated that an eligible small business will benefit from £730 p.a. or roughly £60/week from the 20% business rate abatement. This amount, as argued by many, is hardly substantial enough to ensure the survival of a small business or even encourage new enterprises. Many believe that this money will be lost as it is believed so many small businesses will still fold regardless of the 20% abatement.

When these figures are compared to the relevant costs facing large retailers estimated at £85,000 p.a. on average, this amount could quite easily mean the difference between a shop remaining open or being forced to close. With such high risks of negatively impacting large retailers while the potential benefits are unsupported, many are arguing that the levy is fundamentally disproportionate. In addition, if even one large retailer closes as a result of the increased levy, there will be a substantial reduction in revenue recovered by Land & Property Services.

In terms of alternatives to the proposed levy increase, a broader, fairer approach is widely supported, ideally through a General Revaluation to rebalance the non domestic rate share.

Part III: Draft Responses to Questions

Question 1

1. Do you have any general comments on the preferred approach presented in this paper? (specific questions are posed later in this paper)

Response

The preferred approach is wrong in principle. It violates the principles that taxation should be (a) equitable and (b) neutral in its impact on business decisions.

The argument that the levy is not considered severe enough to affect investment and employment is not supported by our research.

The levy sets a dangerous precedent: might it be continued beyond the three years proposed? or increased from 20%? or might other industries face levies? Possibilities like these may lead businesses of many kinds to perceive Northern Ireland as unwelcoming to business and contrast sharply with the Republic of Ireland's doughty defence of its corporation tax regime.

The authoritative Mirrlees Review (2011) says '*The business rate is not a good tax. It discriminates between different sorts of businesses—agriculture is exempt, for example.*[4]' The proposed levy will make the discrimination worse.

Although not the subject of this consultation, we are aware of the separate consultation on corporation tax in Northern Ireland. The possible changes to corporation tax regime have the potential to improve, very substantially, the competitiveness of Northern Ireland businesses. The proposals that are the subject of this consultation risk being a distraction from the more important corporation tax proposals and also risk a lessening of the advantages that changes to corporation tax might offer.

Question 2

2. Do you agree that the proposed large retail levy should be used to provide additional help to small businesses?

Response

Introduction

We are strongly opposed to the proposed large retail levy, on four inter-related grounds: we object in principle; we object on the grounds that the levy poses a significant risk to the economy of Northern Ireland; we object on the grounds that the levy will distort business decision-making in specific, undesirable ways; and we object on the grounds that the levy will have an especially deleterious effect on Belfast where most of the non-supermarket stores to be caught by the levy are located.

[4] http://www.ifs.org.uk/mirrleesreview/design/ch16.pdf, p376

We review the four grounds in more detail below.

We understand the case for assistance to small businesses and express no view as to whether they may be assisted most effectively through the proposed extension of the small business rate relief scheme or otherwise. Our objection is to the hypothecation of a tax on part of one industry for the assistance of small businesses. The Northern Ireland Government should reject this approach and consider the question of assistance to small businesses entirely separately from the question of the levy.

Objection in principle

Our objection in principle flows from basic criteria for systems of taxation such as those set out in the *Mirrlees*[5] *Review* (2011) published by the Institute of Fiscal Studies, the HM Treasury paper '*Tax Policy Making: a new approach*' (2010), and, on business taxation specifically, CBI (2010) evidence to the Treasury Select Committee. Amongst the criteria are equity and neutrality, neutrality meaning that taxation should not distort business decisions other than to correct externalities (as for instance with the taxation of alcohol).

The levy is inequitable in that it is a property tax that bears on particular firms, rather than on firms generally: for instance it affects only retailers, rather than say banks and utilities; and affects only very large premises as distinct from premises slightly below whatever threshold is set. Correspondingly it violates neutrality by creating incentives in favour of properties below the threshold and will distort the property market by raising the price of smaller stores and depressing the price of larger stores.

A risk to the economy of Northern Ireland

We have identified risks to the economy of Northern Ireland flowing from the levy as proposed and from the adverse effect of the levy on business confidence and therefore on investment generally.

A risk from the levy as proposed

The consultation paper refers to the comparatively small amount of the levy per store when compared with the worldwide turnover or profits of companies such as Tesco, arguing in effect that the affected retailers can afford to pay and would not change their employment or activity levels.

This demonstrates a misunderstanding of the business model of large store chains, as described to us by the principal chains affected. Under this model, each store is a cost and profit centre and stands or falls by the contribution it makes to the group as a whole: a store pushed into loss by a levy averaging around £85,000 per store would not be retained by the group on the grounds that the chain could 'afford' to pay the £85,000. In that context, we consider the table at Paragraph 62 of the consultation paper to be gravely misleading

The main effects identified to us by those stores are that some existing stores may be pushed to reduce in size so as to escape the levy, that one or more stores may close entirely, and that not all further stores currently planned will necessarily open.

It is true that most stores would continue to operate under the levy and would be affected

[5] Nobel Prize winner, Sir James Mirrlees is, arguably, the world's leading authority on taxation.

only in the sense that their profitability would be reduced by the amount of the levy. We have, however, examined the list of stores affected carefully and reached conclusions that, though they are difficult to report without seeming to breach commercial confidentiality, can, in general, easily be verified through publicly available documentation. The parent companies of several of the stores are in significant financial difficulty; and one chain at least has a recent record of closing stores in marginal locations in Great Britain. In our judgment it is not improbable that the levy (especially given the points in the next section) will be sufficient to tip one or more of the weaker stores into closure.

The Northern Ireland economy is structurally weak. It is over-dependent on the public sector and retailing is one of its few relatively large private industries. Each of these large stores is a substantial entity and the closure of even one would be a hammer-blow, whether to Belfast or to one of the smaller communities with (say) just one store of this kind.

The levy may also impede investment. The shopping centre of Belfast offers a service to the whole of Northern Ireland, and to visitors from elsewhere. It has a good selection of the British and Irish chain stores, and of course of smaller and specialist shops of all kinds. But it has, for instance, no branch of John Lewis[6], still less of Selfridges or Harvey Nicholls. It is clearly desirable for Belfast to step-up its retail offer and the levy will impede efforts to do this.

A wider risk

There is also a wider risk to confidence. The levy is proposed for three years. But however firm the commitment of the Northern Ireland government to removing the levy in three years, there will be a concern amongst businesses that, like the UK income tax introduced as temporary measure in 1797, circumstances will not permit the levy's removal. A business taking this view will see the levy as being in effect a lump sum tax on capital values: viewed as a perpetuity an £85,000 levy discounted at a real rate of 5% (or equivalently, an inflation-linked £85,000 discounted at a higher nominal rate) equates to a lump sum tax of £1.7m.

Moreover, this levy demonstrates a willingness on the part of government to countenance levies on firms simply because (it is claimed) they can afford it or can't easily move. This will suggest to outside investors of all kinds that Northern Ireland is a place where the tax regime is liable to change, to the detriment of business, unpredictably and without clear justification. It contrasts markedly with the defence by the Irish Republic of low corporation tax rates in the face of intense economic and political pressure to raise those rates.

Distortion of business decision-making

Properly functioning free markets are commonly held to be welfare maximising. Markets do not always function properly, in particular they cope poorly with public goods and externalities, but these (important) qualifications aside, market outcomes are generally the ones that best satisfy people's preferences. One objective of a system of taxation is to raise the revenue deemed necessary by government whilst altering ('distorting') business and consumer decision-making as little as possible. An example of a distortion is the current practice of despatching CDs and DVDs to the UK from the Channel Islands because the

[6] There have been long negotiations intended to secuire a John Lewis store for Belfast or for the Belfast area. At the time of writing, no decision had been announced, and we do not know what affect if any the proposed large-retail levy would have on the possible plans of the John lewis Partnership.

VAT system makes this profitable.

The proposed levy would also have distortionary effects chiefly by discouraging retail businesses from using large premises and correspondingly encouraging the use of smaller premises.

A threat to Belfast

Belfast has a special role as the capital of Northern Ireland and as a focus for tourism and investment. Its vibrant city centre is one of the most obvious outcomes from the Peace Process, and the major retail stores 'anchor' the city centre economy as a whole.

It is only a slight simplification to say that the 77 stores to be affected by the proposed retail levy comprise supermarkets (and B&Q) on the one hand and the large city centre stores of Belfast on the other hand. The city centre stores operate with varying degrees of commercial success. It would be inappropriate to identify specific stores by name, but some have experienced financial difficulty. It may well be true that the impact of the levy on supermarkets would be limited, but this is by no means so obviously true of the Belfast stores.

If the levy tipped even one major Belfast store over the edge into closure, this would have a major impact on the part of the city affected, and would we suggest have a greater adverse impact on the economy than any benefits from the business relief. We have already noted, as well, the need of Belfast to step up the collective league table of British and Irish retail centres by attracting retailers beyond the mainstream chains. This endeavour will be rendered markedly more difficult by the imposition of a levy.

Question 3

3. What are your views on the preferred approach of an average 20% levy (against the overall rates bill) on high value retail premises?

Response

We have summarised above our objections to the levy. The objections of principle are the same whether the levy is 20% or any other rate. The lower the rate, however, the weaker are the immediate practical objections. We would call for the levy not to be implemented, but if it has to be implemented, it should be implemented at the lowest possible rate. We would reiterate that this view has no implications for the support that ought to be extended to small businesses, which should be considered separately from the question of the levy.

Question 4

4. Do you have any views on the alternatives to a fixed percentage retail levy?

Response

Scope of the proposed levy

A levy on all large properties would be less offensive to the principles of taxation than the proposed retail-only levy. We note that there are 260 properties with a net annual value exceeding £500,000, of which 77 are 'large retail'. On a pro rata basis, we suppose that the required levy would be 6% rather than 20% if levied on all 260 premises rather than on large retail only.

The consultation paper notes that a further 20% of properties are electricity or gas company premises or banks, hotels and call centres etc. The only argument in the paper against their being subject to the levy is that of mobility. It seems doubtful to us that the occupiers of many of these premises are truly mobile or that of those that may be mobile, many would actually move. The central argument for their inclusion is, however, equity: it is inequitable to reason that large-retail should be taxed and others exempted on the grounds that large retailers are captive milch cows.

The occupiers of the remaining 50% of premises are described, rather opaquely, as '*public bodies, receive public funding etc*'. The argument against their inclusion amounts to a claim that their inclusion would simply recycle public money. Even if this claim is true, there is a case for including these premises: their inclusion would articulate what is in a sense the real cost of providing the relevant services, including an appropriate contribution to the goals of the small business rate relief. But it is unclear from the description what types of entity fall within the description. Many bodies in receipt of public funds are at arm's length from the core of the public sector and may receive a substantial amount or even the majority of their funding other than through the public sector (eg through fees or user charges).

Banding

We agree with your suggestion that banding the levy so that the largest premises paid more would lead to undue complication. You also seek views on whether a cap at say £1m of NAV should be applied so that the levy would apply only to the first £1m of value. This would be a regressive element to the tax that we could not support.

Question 5

5. What are your views on a levy being applied selectively, for example confined to supermarkets or properties outside of town centres?

Response

The *Mirrlees Review* has advanced a principled case against business rates. We take no position on this point, but would argue that any property tax should be applied as uniformly as practicable. If, on market failure grounds, it is felt right to relieve small businesses of part of their liability, this should be done (as at present in all four UK nations) by a discount from the standard rate, not by the hypothecation for that purpose of an arbitrary levy on particular industries. It does not matter, of course, whether the small business concession is expressed as a discount to a standard rate or through large businesses paying a premium to the small business rate: the crucial point is that such systems operate uniformly with concessions for small businesses, and do not favour one type of business over another on grounds other than size.

The more selective this levy is proposed to be, the greater its rate in the £1 will need to be (given hypothecation), and the greater will be the corresponding market distortion. We oppose greater selectivity on these grounds as well as on the grounds of definitional and other complexities mentioned in the consultation paper, even though the methods of selection mentioned would be on the whole beneficial to Belfast city centre.

Question 6

6. Have you any other views on the issues covered in this section?

Response

No

Question 7

7. Would you agree with the proposal to extend the small business rate relief scheme for three years, as a temporary downturn measure?

Response

We appreciate the need to support small businesses. We note that the businesses to be assisted by the proposed new tranche of relief are not the very smallest: they may perhaps be described as the smaller medium-sized businesses. The relief of some £700 that they will each receive on average would, doubtless, be welcome, but seems unlikely to have substantial economic effects: it is unlikely to be sufficient to encourage businesses to expand or to start up, or to rescue struggling businesses from closure. In the economic jargon we would expect near 100% deadweight from this measure. Referring to the expectation mentioned in Paragraph 70 of the consultation paper that the relief will help create growth in the small business sector, we wonder whether the Department has examples or survey evidence to that effect.

We suggest that a better approach would be research on the market failures that face small businesses in Northern Ireland and a targeted approach that aims, by ameliorating market failure, to achieve genuine economic impact. It is not, however, any purpose of our response to suggest specific measures, and it may be that small business rate relief is indeed the right approach.

Question 8

8. Would you agree with the proposal to fund this through the imposition of a rates levy on the highest value retail properties?

Response

No

Question 9

9. If not, how should this be funded?

Response

We reject the implication of this question that respondents should either accept the levy or propose an alternative means of funding. The Departmental Expenditure Limit (DEL) of the Northern Ireland Government is currently some £10bn a year and this forms only part of public sector spending. In contrast, just £6m or so is at issue here: the £6m could doubtless be found, if a sufficiently high priority, without recourse to a levy. Government should decide how best to overcome the market failure, recession-induced, and other difficulties faced by small businesses and should then seek funding accordingly, but without - as with the proposed levy - violating fundamental principles of taxation.

Without resiling from the principle that help for small businesses should be considered separately from the large-retail levy, we would note that more efficient collection of rate revenue already due across Northern Ireland could raise substantially more than the £6m at issue here.

We believe that if the department is determined to fund the extension of the SBRRS through additional taxation then the flowing alternatives would have fewer unintended consequences.

Car Parks Rates

Another alternative may be to bring all car parking spaces in Northern Ireland into the rates system.

Business Improvement District

We are aware that the Northern Ireland Government is considering legislation to allow for BIDs to operate in local areas. We are also aware that this more transparent approach, allowing target businesses the opportunity to vote on the idea and influence an on-going BID with specific objectives, is more attractive to the businesses that we have consulted with.

Question 10

10. What are your views on the proposal to extend the reach of the existing scheme rather than provide additional relief to current recipients of small business rate relief?

Response

A view on this matter needs to be informed by research. We would suggest that there is some risk in a scheme that provides, by way of relief, small sums to a large number of businesses, rather than a more targeted programme, and this consideration would point towards raising the existing relief rather than extending relief to a greater number of businesses, but we would reiterate that the approach should be based on research evidence.

Question 11

11. Do you agree that 20% relief should be provided to eligible premises with an NAV of £5,001 - £10,000?

Response

Again we have no strong view. Given the general approach, we have no reason to suggest, say, that the relief should be 15%, but provided to a wider NAV range, or 25% but provided to a narrower range.

Question 12

12. Do you agree that the relief should be applied to all non-domestic premises (with some limited exclusions) regardless of use?

Response

Yes. Uniformity is to be preferred unless there are strong countervailing reasons

Question 13

13. What are your views on the small business retail relief option, taking account of the issues associated with this option?

Response

On the whole, we consider that a restriction of the proposed relief to a particular industry is inappropriate. But whatever the argument from first principles, the arguments relating to the complexities of definition and implementation summarised in the Consultation Paper seem decisive against this restriction.

Question 14

14. Do you have any views on the general issues raised in this section?

Response

No.

Question 15

15. Are there any other matters that you think should be considered?

Response

No

Question 16

16. Do you agree with the proposal and the suggested approach?

Response

Yes. We believe strongly that where it is not, for the moment, possible to use retail premises for business purposes, it should at least be possible to make them attractive without losing rate relief

Question 17

17. Do you have any views on the issues raised in this section?

Response

None apart from than those in responses to other questions

Question 18

18. Is the scope of the suggested categories of use sufficient to meet the policy objectives?

Response

We believe so; however, there is scope for clarification. We have been impressed by displays such as those in central Sheffield by art students exhibiting their work in vacant shop premises. The crucial point is 'animation' of city centres, bringing them back to life by allowing the widest possible range of displays in empty shops whilst maintaining the principle of 'no commercial use'.

Question 19

19. Have you any views on how this should operate?

Response

The consultation document makes clear that this question relates to the physical depth of permitted displays or similar criteria. We would comment simply that the operating criteria should not impede attainment of the objective. In case of doubt, the criteria should be generously drawn.

Question 20

20. Have you any views on the type of activities that should be excluded?

Response

The exclusions suggested in the consultation document seem appropriate

Question 21

21. Do you have any views on the issues raised in this section?

Response

We agree with the general approach of clarifying and standardizing practice in Northern Ireland. We note that the consultation document says that there will be '*…no real change to the operational practice that is already in place.*' We should appreciate confirmation that this is indeed the case and that the process described in the consultation document will not, perhaps inadvertently, lead to substantial changes in the relative rate burdens faced by businesses of different types or in different areas.

Question 22

22. Do you have any views on the financial impact of the measures contained in this section?

Response

We have expressed strong views on the propriety of the large-retail levy, but have few further comments to make on Section 7, which expounds the financial consequences of the measures proposed.

Questions 23-35 (there appears to be no Question 36)

Response

These questions relate to the differing impact on various groups and types of area of the measures proposed. To take a single instance, people in wards with above average proportions of small businesses are fractionally more likely to be non-white and fractionally more likely to have a disability, and those groups might thus, to a tiny extent, benefit disproportionately from the small business rate relief scheme. With one exception we do not consider any of the differences reported to be significant.

The exception is that the large retail levy will have its impact primarily in urban wards, and few of the affected retailers are located in rural wards. We mention this because the differences are striking, but feel that it simply makes rather an obvious point about where the large retailers are located.

Questions 37-38

Response

These questions relate to the regulatory impact assessment of the large retail levy. We do not agree with the conclusions of the initial impact assessment, which are inconsistent with our own research. In particular, Paragraphs 189 and 190 of the consultation document describe as 'low' the risk of various adverse events, such as store closures or the cancellation of planned store openings. The reasoning advanced is that the levy is too small to affect retailers' decisions.

Our consultations with retailers and background research indicate, however, that events of this kind are indeed possible. We have explained our reasoning in earlier responses, but, to repeat, more than one of the major UK chains have indicated to us that their decisions would indeed change as a result of the levy. Their investment decisions are based on sophisticated modeling of income and expenditure at the individual store level and it is irrelevant that a chain overall is able to meet the cost of the levy: what counts is its impact on the individual store. Our background research has also indicated that several stores are on the margin of viability and may be pushed into closure by the levy.

Annex: Full list of stores affected

(Taken from the Consultation Document with one modification (see footnote))

Arcadia – British Home Stores	13 Castle Lane, Belfast, BT1 1GB
Arcadia – Wallis	Unit 9/10 Forestside Shopping Centre, Belfast, BT8 6FX
Arcadia – Top Shop	Msu 2, 1 Victoria Square, Belfast, BT1 4QG
Asda	43 Asda Railway Road, 43 Railway Street, Strabane, BT82 8EQ
Asda	Unit D1, Ards Shopping Centre, Circular Road, Newtownards, BT23 4EU
Asda	2 Ring Road, Coleraine, BT52 1QN
Asda	31 Dromore Road, Omagh, BT78 1QZ
Asda	8 Derrychara Road, Enniskillen, County Fermanagh, BT74 6TG
Asda	85 Park Street, Ballyclare, County Antrim, BT39 9DQ
Asda	150 Junction One Outlet Centre, Antrim, County Antrim, BT414LL
B &Q	2 Balmoral Road, Belfast, BT12 6QA
B & Q	1 Marlborough Retail Park, Craigavon, County Armagh, BT641AG
B & Q	15 Braidwater Retail Park, Ballymena, County Antrim, BT42 3ES
B & Q	300 Airport Road West, Belfast
B & Q	1 Faustina Retail Park, Londonderry, BT48 8QN
B & Q	Unit 1 Sprucefield Park, Lisburn, BT27 5UJ
B & Q	5 Damolly Retail Park, Newry, Armagh, BT35 6PR
B & Q	Unit 4, Abbey Retail Park, Church Road, Newtownabbey, County Antrim, BT36 7GU
B & Q	20 Riverside Regional Centre, Coleraine, BT51 3QQ
Boots	35 Donegall Place, Belfast, BT1 5AW
Charles Hurst Ltd	60 Boucher Road, Belfast, BT12 6HR
Debenhams Plc	Unit 34, Castle Court, Belfast, BT1 1DD
Dunnes Stores	1 High Street, Belfast, BT1 2AA
Dunnes Stores Ltd	Fairgreen Shopping Centre, 1 Forthill Street, Enniskillen, County Fermanagh, BT74 6AJ
Dunnes Stores Ltd	Riverside Centre, 2 Irishtown Road, Omagh, BT78 1EF
Dunnes Stores Ltd	1 Bannside Wharf, Coleraine, Londonderry, BT52 1BW
Eason & Son (NI) Ltd	20 Donegall Place, Belfast, BT1 5BA
H & M	Queens Buildings, 8-10 Royal Avenue, Belfast, BT1 8DE
H & M	Unit Ug 17, 1 Victoria Square, Belfast, BT1 4QG
Harvey Norman Leasing (NI) Ltd	Units A-D, 304 Airport Road West, Belfast
Homebase Ltd	1 Crescent Link Retail Park, Londonderry, BT47 6SA
Homebase Ltd	Units 1-3, Balloo Retail Park, Balloo Link, Bangor, County Down, BT19 7QY
Homebase Ltd	Unit 1 Shane Retail Park, 105 Boucher Road, Belfast, BT12 6RH
House Of Fraser	1 Victoria Square, Belfast, BT1 4QG
Ikea	306 Airport Road West, Belfast, BT3 9EJ
Republic[7]	Unit Msu 03, 1 Victoria Square, Belfast, BT1 4QG
Marks & Spencer	No 1 Abbey Centre, Old Glenmount Road, Newtownabbey, BT36 7DN

[7] This is listed in the Consultation Document as 'Indulge Retail T/A Head', but that business is no longer operating and the premises are occupied by Republic

Marks & Spencer	48 Donegall Place, Belfast, BT1 5BB
Marks & Spencer	1 Sprucefield Shopping Centre, Lisburn, BT27 5UJ
Marks & Spencer	Unit 1B, Store 2 Forestside Shopping Centre, Upper Galwally, Belfast, BT8 6FX
Marks & Spencer	Unit 29, Bloomfield Shopping Centre, South Circular Road, Bangor, BT19 7HB
New Look	Fountain House, 19-21 Donegall Place, Belfast, BT1 5AB
Next	40 Donegall Place, Belfast, BT1 5BB
Peacocks	49 Donegall Place, Belfast, BT1 5AG
Primark Stores	33 Castle Place, Belfast, BT1 1GA
River Island	Unit Ug 19, 1 Victoria Square, Belfast, BT1 4QG
Sainsbury's	14A Forestside Shopping Centre, Belfast, BT8 6FX
Sainsbury's	5 Sprucefield Park, Lisburn, BT27 5UQ
Sainsbury's	10 Riverside Regional Centre, Coleraine, BT51 3AW
Sainsbury's	1 Braidwater Retail Park, Ballymena, County Antrim, BT42 3AG
Sainsbury's	18 Rushmere Centre, Craigavon, County Armagh, BT64 1AA
Sainsbury's	Holywood Exchange, 302 Airport Road West, Belfast, BT3 9ED
Sainsbury's	4 The Quays, Newry, County Down, BT35 8QS
Sainsbury's	150 Strand Road, Londonderry, BT48 7PB
Sainsbury's	(Unit 28), Kennedy Centre, 580 Falls Road, Belfast, BT11 9AE
Tesco	4 Marlborough Retail Park, Balteagh, Craigavon, BT64 1AG
Tesco	29 Knocknagoney Road, Belfast, BT4 2PW
Tesco	Unit 1, Abbey Retail Park, Church Road, Newtownabbey, BT367GU
Tesco	28 Castle Way, Antrim, BT41 4BU
Tesco	47 Orritor Road, Cookstown, BT80 8BH
Tesco	1 Minorca Place, Carrickfergus, BT38 8AU
Tesco	170 Newtownbreda Road, Belfast, BT48 4PZ
Tesco	45 Millenium Way, Lurgan, BT66 8DH
Tesco	90 Larne Link Road, Ballymena, Antrim, BT42 3HB
Tesco	11 Dublin Road, Enniskillen
Tesco	Unit 1, Springhill Retail Park, Killeen Avenue, Bangor, County Down, BT19 1ND
Tesco	Unit 1, Bloomfield Shopping Centre, South Circular Road, Bangor, BT19 7HB
Tesco	Unit 25, Connswater Shopping Centre, 115-117 Bloomfield Avenue, Belfast, BT5 5LP
Tesco	Unit 1, 1 Lisnagelvin Shopping Centre, Londonderry, BT47 6DF
Tesco	1 Beechvalley, Dungannon, County Tyrone, BT71 7BN
Tesco	Bentrim Centre, 2 Bentrim Road, Lisburn, BT28 2GB
Tesco	27 Castlewellan Road, Banbridge, BT32 4BW
Tesco	M 13 The Meadows Centre, Portadown, Craigavon, BT62 3TN
TK MAXX	32-40 Rosemary Street, Belfast, BT1 1GA
Toys R Us	1A Sprucefield Park, Lisburn, BT27 5UQ
WH Smith	44 Donegall Place, Belfast, BT1 5BB
Zara	3 Donegall Place, Belfast, BT1 5AA

Boots - 09.11.2011

Response to the Department of Finance and Personnel Consultation on the Rating of Commercial Properties

October 2011

A submission by Boots UK

Background

1.1 Boots has been operating in Northern Ireland for 45 years employing over 2000 people of which 650 are fully trained health specialists. Of the 87 Boots stores currently trading, almost all of them are located in urban communities or district centres.

1.2 High Streets play a vital role at the heart of our communities. They provide a unique breadth of retail, leisure, community and culture and are treasured and valued by the community that they serve. If town centre vitality and viability is to be strengthened we need to develop a broad cross departmental policy response, focused on investment, strategic planning and effective management of our urban centres. Sustainable, focused and strategic management of town centres has to become the norm rather than the exception. Retailers, large and small need to be encouraged to contribute and operate within them so as to strengthen their attractiveness, and deliver what communities require.

1.3 We are responding to the Department of Finance and Personnel consultation on the Rating of Commercial Properties, having particular concerns about the potential negative impact of the Large Retail Levy on the future health and viability of town and city centres in Northern Ireland.

Boots Position

2.1 Approximately 40% of the Large Retailer Levy will be paid by stores in the city/town centres with a disproportionate number of affected stores located in Belfast. At a time when high streets are under immense pressure and with town centre vacancy rates in Northern Ireland at the highest level in the UK (17.1%, against a UK average of 11.2%), we believe additional operating costs will further weaken their economic competitiveness and vitality.

In 2007, the NI Assembly's Committee for Social Development commissioned an Inquiry into Town Centre Regeneration. The 2009 report from the Inquiry strongly advocated the importance of town centres for local communities and the need for an overarching inter-departmental strategic framework for their regeneration in Northern Ireland. It also advocated the development of a Town Centre Regeneration Fund, and Business Improvement Districts. We remain hopeful that recommendations within the report will be progressed, however we have grave concerns that the introduction of a Retail Levy, targeting city centre stores, will contribute to a further weakening in the economic competitiveness of high streets.

2.2 Boots UK is part of a global organisation, constantly monitoring its existing investments whilst exploring new worldwide opportunities. The cost of doing business is a key driver in the decision-making process, and a key factor influencing future investment and job creation. Set against significant competition from other worldwide locations, any additional costs such as the proposed levy will reduce Northern Ireland's attractiveness as a place in which to do business.

2.3 The proposed Large Retail Levy will impact Boots flagship store in Donegall Place. Following a recent £3million investment this store plays an even bigger part in attracting footfall to Belfast city centre, which benefits all neighbouring retailers, large and small. With the levy estimated at £100k per year for this single store, to illustrate the size of this new challenge to Donegall Place, it would equate to 10% of its annual salary costs. Flagship stores normally operate from more than one sales floor, however the vast majority of turnover and profit is generated from the ground floor. These stores form the core of any town or city centre and the footfall they generate contributes to the overall economic sustainability and vibrancy of the High Streets. A competitive range of Flagship stores provide, together with the breadth of independent leisure and retail operators, the USP and incentive to visit the town centre.

2.4 Town and city centres are not just about retail – they are also hubs for leisure, culture, learning and civic affairs. To create successful local economies all stakeholders need to take an active part. This collaborative approach is already working well across the rest of the UK through the successful implementation of Business Improvement Districts (BIDs). Whilst judging each BID initiative on its own merits, town centre business communities have broadly supported the growth of BIDs, and voted 'yes' in more than 80% of cases. Boots has led retailer engagement in BIDs, launching its own guidance and criteria to be used by store managers, a tool which has been built on by other companies and business sector organisations. Boots also Chairs, Heart of London Business Improvement District, one of the largest UK BIDs operating around Leicester Square and Piccadilly Circus in central London. BIDs are business led and business funded and as a result everyone paying benefits. BIDs are slowly working their way towards implementation in Northern Ireland, whilst developing at pace across the remainder of the UK, and our fear is retailers, including Boots, will question the merits of contributing to two separate additional rates (Retail Levy and BIDs). Unfortunately this will certainly be the case for Boots. BIDs bring stakeholders together, with all the funds generated being re-invested in the area that contributed. By comparison, the Retail Levy is not targeted at town centres and high streets, and money raised not ultimately benefits them.

2.5 Retailing is property intensive and is therefore already disproportionately impacted by business rates, accounting for a quarter of all business rates, whilst generating only 8% of GDP.

2.6 With regard to doing business in Northern Ireland, Boots will also be impacted by pharmacy cuts implemented in April 2011 by the DHSSPSNI of up to 30% per year. These cuts already have the potential to significantly impact with the loss of vital pharmacy services and the closure of some community pharmacies.

2.7 We are also concerned that whilst the intention is to implement the Large Retail Levy until 2015 there is no guarantee of this and once established there will be a reluctance to withdraw it.

Alternative Solutions

3.1 We support the extension of SBRR for small retailers situated in town centres, recognising that these centres are currently facing particular economic challenges. However, Boots believes there are many potential ways of generating the money necessary to fund the scheme, either by broadening the base of those paying, or by reducing the number of businesses benefiting. The chosen approach should under no circumstances further weaken town and city centre vitality and viability.

3.2 It has been suggested that national retailers, with multiple units, should not qualify for SBRR. However, it should be noted that large retailers like Boots regard each store within their portfolio as an independent cost centre. Each store has to be viable and sustainable on its own merits and generate a contribution to profits. In this regard the ownership of the unit does not alter its viability, and the differentiation between 'independent' and 'national chain' is irrelevant.

3.3 Boots firmly believes the payment of a modest 'subsidy' to small businesses, many of whom do not even operate in a high street location, is not addressing the core issue impacting on town and city centres – that of footfall. Investment and jobs are drifting away from our urban centres because the cost of operating in them is not attractive when compared to alternative retail formats. Nor can it be argued that large town centre retailers have 'had it easy'. Between April 2008 and November 2009 more than 7500 shops closed owned by 53 national retailers. These closures were largely town centre operators, including retailers, which had previously sought large city centre sites, including Woolworth, Zavvi, Madhouse and Blacks Leisure. To suggest National City centre retailers are 'having it good' by disregarding those who have gone out of business is both misleading and disingenuous?

3.4 If city centre vitality is to be addressed, the desired outcomes will not be achieved by penalising further those businesses committed to investing in our town and city centres. We would urge a cross-departmental strategic response supporting many of the recommendations identified by the Social Development Committee in 2009 following its Inquiry Into Town Centre Regeneration. The issues of 'crime', 'access and car parking', 'marketing', 'planning', and the management of public realm will need to be addressed rather than the potentially negative effect and costly implementation of introducing new taxes.

3.6 Whilst the large Retail Levy and SBRR are proposed as short-term measures it is essential that we plan beyond the recession and provide the foundations to strengthen city/town centres for the future. Additional taxes in N.Ireland today will only weaken city/town centres, resulting in retailers withdrawing, reducing in size, or investing elsewhere.

And Finally –

4.1 Before introducing any of the policies described above a robust measurement and evaluation process is required to monitor the relative strength of N.Ireland's town centres, and to identify the relative impact of different policy initiatives?

4.2 How will we know which policies are having a positive or negative effect if we do not measure their impact?

Contact for further information :

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Londonderry Chamber - 09.11.2011

LONDONDERRY CHAMBER
CONNECTING BUSINESS NORTHWEST

18th October 2011

Londonderry Chamber of Commerce response to consultation on rating of commercial properties: small businesses, large retail properties and empty shops.

1. The Londonderry Chamber welcomes the opportunity to comment and respond to the Department of Finance and Personnel consultation document seeking views on proposed changes to the business rate system.

2. The Londonderry Chamber understands that the purpose of the changes are to seek a method of rating that would rebalance the business rates system and ultimately support smaller business. The Londonderry Chamber seeks to respond to the preferred approach by the Finance Minister, as outlined in the consultation document, which offers an expansion of the small business rate relief scheme (SBRR), which would be funded through applying a levy to the largest/highest value retail properties.

3. The Londonderry Chamber is the largest business representation organization in the North West region of Northern Ireland. We represent 500 companies in the region and play a leading role in the furtherance of the economic and social life in the North West. As the ultimate business network and the voice of local business, we are committed to the enhancement of economic prosperity and quality of life throughout the city and surrounding environs.

4. The Londonderry Chamber has not undertaken any independent research into the rating system in Northern Ireland but we have researched other rating supports delivered by other devolved administrations as well as national business bodies. The Londonderry Chamber has consulted with its members and we have engaged with other Business Alliances throughout NI prior to forming our response.

5. Whilst the Londonderry Chamber welcomes action by the Minister to address and reduce the rising operational costs facing small local businesses and applauds his efforts to double the coverage of small business rates relief, the Chamber disagrees with the Ministers preferred option as outlined in the consultation document.

6. Whilst the measures proposed in the consultation are well intentioned the chamber takes the view that imposing 20% extra costs on retail premises with a rateable value of £500,00 or more in the form of a regional rate supplement is using a very blunt rating mechanism.

7. Although framed as a levy on "out of town retailers" the Chamber takes the view that the levy will affect and impose increased costs on many high street retailers. In fact, published figures clearly demonstrate that 60 % of the premises that will be affected by the levy are near to or located in town and city centres.

8. Larger retail operators located in High Street locations within Northern Ireland, (predominately Belfast based at present) are unable to pass these costs on to their customers and the Chamber fears that these increased costs might impact negatively on retail jobs and cause familiar high street stores to seek alternative more business friendly locations from which to trade.

9. We believe that the suggested rating system will ultimately make attracting large retail investors into Derry City Centre more difficult and could have an adverse effect on the City's position as the North West's premier shopping destination. We believe that it will curb our ambitions to grow our retail offering.

10. Larger retail premises which are currently operating within the High Street are also currently facing extremely challenging trading conditions and operating on slim margins. We have seen a number of visible high street brands going into administration in recent months. We believe that the supplementary rate as suggested is unfair, discriminatory and has the potential to threaten their future viability.

11. Northern Ireland is already a more expensive place to do business than other UK regions because of its peripheral location and given that it is separated from the mainland UK and key centres of population and distribution. The Chamber takes the view that the proposed levy will make Northern Ireland a less attractive and more expensive place to do business and as a consequence, planned or proposed investments initially destined for Northern Ireland may be postponed or shelved or more worryingly located to other UK regions with lower cost bases that offer larger retailers more favourable trading conditions and a statutory regime which positively attracts and encourages new investment and actively stimulates new job creation.

12. The proposed levy does not send out a clear signal that Northern Ireland is open for business. In fact, such additional costs may deter new stores from setting up here altogether thereby representing a missed opportunity to create much needed new jobs and opportunities to create and enhance the development of a balanced and diverse city centre retail offering.

13. The proposed rates relief for the smaller business is however welcome and we would ask government to consider alternative funding mechanisms for what is clearly a short term measure. Based on recent findings the Londonderry Chamber would ask DFP to consider an extra rating levy on large retailers (NAV £500,000) that sell alcohol might be a more targeted “Out of Town Levy”.

14. The Chamber takes the view that business improvement districts involving collaborative partnerships between a range of city stakeholders is another effective and appropriate way of tackling some of the long term challenges facing businesses and retailers within this city and would help address pressing issues like reduced footfall levels and reduced sales.

15. The chamber would recommend that additional more targeted supports are developed to help small retailers - like lack of access to finance, countering the threats that rising online sales pose to the retail sector and positive initiatives which address declining retail sales and rising product and transportation costs.

16. The Chamber would like to take the opportunity to remind the Minister/Executive that similar proposals were recently rejected by the Scottish Parliament once closer consideration had been given to the adverse consequences which were likely to arise if a similar levy was introduced.

17. Finally the the Chamber recognises the problem of vacant units in our town and city centres and the need to incentivise small business start-ups. We would like the Minister to examine rate concessions for new business start-ups locating in town and city centres.

The Londonderry Chamber hopes that DFP finds these comments helpful and that account will be taken of the views expressed by this organisation.

Newry Chamber of Commerce and Trade - 09.11.2011

FOUNDED 1892
NEWRY CHAMBER of COMMERCE & TRADE

14 October 2011

Rating Policy Division
Department of Finance & Personnel
3rd Floor
Longbridge House
20-24 Waring Street
Belfast
BT1 2EB

Dear Sir

Rating of Commercial Properties: Small Businesses, Large Retail Properties and Empty Shops

On behalf of Newry Chamber of Commerce & Trade, I would like to submit this response to the Consultation Paper on the 'Rating of Commercial Properties: Small Businesses, Large Retail Properties and Empty Shops'.

Newry Chamber of Commerce supports the 'Fair Rates for Small Traders - Five Point Plan'.

The 'Fair Rates for Small Traders' is a coalition of Business Organisations, Local Chambers of Commerce and Traders Groups dedicated to addressing the burden of high business rates on small businesses and our independent retail sector in Northern Ireland.

Fair Rates for Small Traders - Five Point Plan

1. Newry Chamber of Commerce & Trade broadly welcomes the Department of Finance & Personnel's proposals to extend the Small Business Rate Relief Scheme toward an NAV of £10,000 to be paid by the large retailers. Three fifths of this will be met by large out of town multiple superstores many of which already pay less per square ft in rates than many town centre independent traders.

2. Newry Chamber of Commerce would also support serious consideration for the Small Business Rate Relief Scheme to be funded by an alternative funding mechanism of an additional Rate Levy on all large out of town stores which currently have large free car parks. This would address the concerns of the stores in City/Town Centre's that are liable for the additional rate levy.

3. Newry Chamber recognises the problem of vacant units in many of our town and city centres and the need to incentivise new business start ups. Therefore we call upon DFP to examine ways of getting empty shops back into business.

This would apply to large and small retailers. We appreciate that there are issues subsidising new businesses to compete with established ones and that there are difficulties in deciding what is a genuinely new business, but all we are proposing is a modest rate concession involving newly occupied premises retaining their 50% empty property relief for that vulnerable first year of trading. In the long run this will help stimulate business not stifle it and full rates will be payable when these businesses become established.

4. Newry Chamber supports the Green New Deal and support investment in Green technology and energy efficiency. To incentivise this sustainable investment DFP should give a rates reduction to any small business which makes such a commitment. This is a sure way to support a radical extension of the Green New Deal and address the challenge of climate change.

5. Newry Chamber supports an early Rates Revaluation for Northern Ireland.

Newry Chamber believes that the above proposals will have a measurable impact on assisting some of those businesses most in need of additional help and support in surviving this difficult economic period. The above proposals will assist new business start ups along with providing a much needed lifeline into revitalising our towns and city centres. They are 'fair' in that those most able to afford an additional levy will help those most in need of support.

The membership of Newry Chamber consists primarily of small businesses. The extension of the Small Business Rates Relief Scheme will assist a number of our members from the heavy rates burden which can be crippling for cash strapped small businesses.

I trust that these views will be taken into considered.

Yours sincerely

Dr Conor Patterson
President
Newry Chamber of Commerce & Trade

NI Independent Retail Trade Association Submission

NORTHERN IRELAND INDEPENDENT RETAIL TRADE ASSOCIATION

Rating of Commercial Properties: Small Businesses, Large Retail Properties and Empty Shops - Consultation by DFP

NIIRTA Submission

Introduction

The Northern Ireland Independent Retail Trade Association has over 1300 members from the independent retail sector in Northern Ireland who generate in excess of £3 billion turnover every year and employ over 30,000 staff.

NIIRTA welcomes the opportunity to contribute to this review, as it will have a direct impact on the majority of its members, and consequently suppliers and those employed.

Northern Ireland is a small business economy with 98% of all business classified as 'small'. The independent retail sector is the biggest sub-sector of that economy and plays a crucial role as the backbone of the private sector.

The independent retail sector and our small business sector are central to our town and city centres and our economy as a whole.

The Context

It is vital that the NI Assembly provides a sound business environment that encourages small trader start-ups, which creates more jobs, widens the tax base and increases local economic development.

Northern Ireland now has the worst town centre shop vacancy rate in the United Kingdom and we urgently need to address this growing problem.

The NI Executive is rightly putting a strong focus on attracting inward investment and strongly supports the campaign for a competitive rate of corporation tax to help achieve this. We also need to ensure that more support is given to local small traders, our independent retail sector and our town centres.

Independent traders and small businesses in every part of Northern Ireland are expressing concern that the burden of high business rates is crippling them. This is putting at risk local jobs and businesses.

We believe that this consultation should be the start of a much-needed debate as to how we use the non-domestic rating system to support small business growth and the wider regeneration of our town centres.

1

Our submission is based upon our Five Point Plan for Rates, which is shortly to be launched.

The Extension to the Small Business Rate Relief Scheme

We support the current proposals outlined by the Finance Minister for extending the Small Business Rate Relief Scheme towards an NAV of £10,000 to be paid by the large retailers. Three fifths of this will be met by large out of town multiple superstores many of which already pay less per square foot in rates than many town centre independent traders.

This will ensure savings of between £650-£1000 for qualifying small businesses and independent retailers in every village, town and city in Northern Ireland.

It will assist struggling small businesses and hopefully encourage others to reinvest in their business and/or employ more staff.

Northern Ireland has nearly 90,000 small businesses and if even half of them employed just one more member of staff then this would have a dramatic impact on our growing unemployment figures.

Many of the large out of town retail stores pay less per square foot than many town centre stores and indeed pay no rates on their free car parks. These out of town stores also have an unfair competitive advantage over town centre traders with their free car parking and location.

We would also support serious consideration for the Small Business Rate Relief Scheme to be funded by an alternative funding mechanism of an additional Rate Levy on all large out of town stores which currently have large free car parks. This would address the concerns of the stores in Belfast City Centre that are liable for the additional rate levy.

A survey of 100 business premises was carried out in the provincial town of Larne.

Findings; out of 100 business units surveyed;

- 15 units currently avail of the 50% Rates Relief benefit.
- 13 units currently avail of the 25% Rates Relief benefit.
- Average saving to each small business £370.
- Total NAV available from 100 units surveyed £1,353,380.
- Cost to DFPNI off NAV to provide benefit to 28 businesses £18,915.
- Proposed increase threshold to £10,000 NAV will see a further 27 small businesses benefitting

Larne, like many other towns throughout Northern Ireland, is continuing to try to overcome the very severe impact of the world economic downturn. At a more local level, latest statistics would suggest that within the UK context, Northern Ireland's retailers are suffering a greater decline in turnover than any other sub-region.

2

With many empty units throughout our towns and cities, in order to
protect existing business and encourage new activity, overheads clearly need to be controlled and monitored.

Rates are a very important element within any small business's running costs. As our survey indicates, extending the threshold for Rates Relief provides more small businesses with the ability to reduce overheads, which may make the difference between staying open or closing.

If the proposal to raise the threshold is introduced in this instance, 55%
of businesses surveyed will receive a reduction in their rates bill. The proposals are to be welcomed as a means to provide benefit to existing retailers and go some way in terms of "stopping the rot" in our town and city centres.

Furthermore the proposed extension to the Small Business Rate Relief Scheme has been supported by the following organisations:

Pubs of Ulster
Banbridge Chamber of Commerce
Warrenpoint Chamber of Commerce
Lurgan Chamber of Commerce
Down Business Forum
Derry/Londonderry City Centre Traders' Forum
Carrickfergus Chamber of Commerce
Larne Traders' Forum
Ballymoney Chamber of Commerce
Ards Chamber of Commerce
Omagh Chamber of Commerce
Lisburn Road Business Association
Cookstown Chamber of Commerce
Ballymena Chamber of Commerce
Ballycastle Chamber of Commerce
Enniskillen Business Partnership
Belmont Road Traders' Association
Dungannon Traders' Association
Bangor Chamber of Commerce
Strabane Chamber of Commerce
Newry Chamber of Commerce
Magherafelt Chamber of Commerce
Ballyclare Chamber of Commerce
Ballyhackamore Business Association
Ulster Chemists' Association
Causeway Chamber of Commerce
Roe Valley Chamber of Commerce

3

Portadown Chamber of Commerce

The Federation of Small Business in Northern Ireland also supports Small Business Rate Relief. In their 2011 Assembly Election Manifesto, they stated:

"The FSB would like to see the scope and extent of Small Business Rates Relief expanded to aid many more businesses. Recognising that the Executive has limited room to maneuver in this respect, the cost of such relief could be provided by increasing the rates charged to large out-of-town developments that benefit from infrastructure for which we all pay but which often cause damage to our traditional town centres."

Better Use of the Vacant Property Rate

We recognise the problem of vacant units in many of our town and city centres and the need to incentivise business start-ups. Therefore we call upon DFP to examine ways of getting empty shops back into business. This would apply to both large and small retailers.

We appreciate that there are issues subsidising new businesses to compete with established ones and that there are difficulties in deciding what is a genuinely new business, but all we are proposing is a modest rate concession involving newly occupied premises retaining their 50% empty property relief for that vulnerable first year of trading. In the long run this will help stimulate business not stifle it and full rates will be payable when these businesses become established.

Green Rates

We support the Green New Deal and support investment in Green technology and energy efficiency. To incentivise this sustainable investment, DFP should give a rates reduction to any small business, which makes such a commitment. This is a sure way to support a radical extension of the Green New Deal and address the challenge of climate change.

Window Displays in Empty Shops

We support the 50% rate to be maintained for empty shops for non-commercial display purposes. A very successful example of this is Perry Street in Dungannon.

Perry Street in Dungannon has been transformed from a run down terrace of derelict and boarded up properties into a living street, complete with new and inviting "interiors" seen through the refurbished shop windows. The Virtual Window Scheme involved the painting and tidying up of derelict properties and the installation of pictorial scenes into boarded-up window openings to create a "living" appearance and street scene.

The pilot project was developed and funded by Dungannon and South Tyrone Borough Council in partnership with Dungannon Regeneration Partnership (DRP), Dungannon

Enterprise Centre and the Department for Social Development (DSD) in response to the problem of dereliction and under-investment in this area of Dungannon town centre.

Thirteen individual, run-down properties were transformed into colourful book shops, gift shops, galleries, cosy houses and restaurants through a variety of virtual window graphics - the aim being to transform the visual appearance of the properties and to generate private sector interest in the site.

The images disguise parts of the street, giving the impression the units are occupied and present an impression of what Perry Street could look like if fully redeveloped and occupied. Only on closer inspection do passers by realise the fronts are fake and there is a storyboard about the project.

Perry Street is situated on the one of the main thoroughfares into the town and within the Town Conservation Area and therefore the graphics were carefully selected in keeping with traditional design.

The project has generated plenty of interest at a local regional and national level, benefitting existing businesses in Perry Street by attracting more visitors and shoppers while reducing vandalism. Such schemes contribute to the overall regeneration and development of Dungannon town.

Conclusion

While we agree that the proposed Small Business Rate Relief Scheme extension could be more focused, it is nevertheless something, which has widespread support from all of the main organisations, which represent small businesses in Northern Ireland.

However it cannot be seen in isolation from a much broader growth strategy and indeed a comprehensive Programme for Government. It is nevertheless an important step forward and the very least the NI Executive can do to support our small business sector.

Glyn Roberts
NIIRTA Chief Executive

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5

NIIRTA Submission

Fair Rates for Small Traders

A Five Point Plan

Fair Rates for Small Traders is a coalition of Business Organisations, local Chambers of Commerce and Traders Groups dedicated to addressing the burden of high business rates on small businesses and our independent retail sector in Northern Ireland. The independent retail sector and our small business sector are central to our town and city centres and our economy as a whole.

It is vital that the NI Assembly provides a sound business environment that encourages small trader start-ups which creates more jobs, widens the tax base and increases local economic development.

Northern Ireland now has the worst town centre shop vacancy rate in the United Kingdom and we urgently need to address this growing problem.

The NI Executive is rightly putting a strong focus on attracting inward investment and strongly supports the campaign for a competitive rate of corporation tax to help achieve this. We also need to ensure that more support is given to local small traders, our independent retail sector and our town centres.

Independent traders and small businesses in every part of Northern Ireland are expressing concern that the burden of high business rates is crippling them. This is putting at risk local jobs and businesses.

Fair Rates for Small Traders is therefore vital to develop our local small business sector and we would urge all local political parties to support our campaign.

What are we calling for?

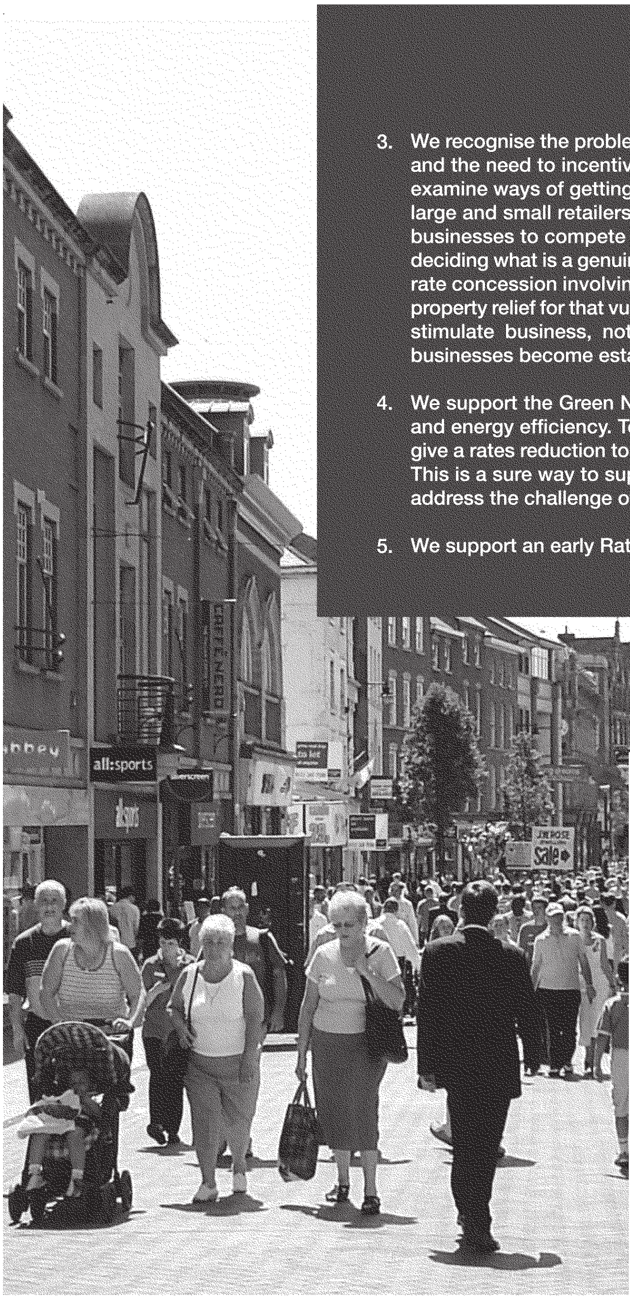
1. We support the current proposals outlined by the Finance Minister to extend the Small Business Rate Relief Scheme towards an NAV of £10,000 to be paid by the large retailers. Three fifths of this will be met by large out of town multiple superstores, many of which already pay less per square foot in rates than many town centre independent traders.

2. We would also support serious consideration for the Small Business Rate Relief Scheme to be funded by an alternative funding mechanism of an additional Rate Levy on all large out of town stores which currently have large free car parks. This would address the concerns of the stores in Belfast City Centre which are liable for the additional rate levy. Also DFP should look at ways to ensure parity in business rates between town centre and out of town retail units.

3. We recognise the problem of vacant units in many of our town and city centres and the need to incentivise business start-ups. Therefore we call upon DFP to examine ways of getting empty shops back into business. This would apply to large and small retailers. We appreciate that there are issues subsidising new businesses to compete with established ones and that there are difficulties in deciding what is a genuinely new business, but all we are proposing is a modest rate concession involving newly occupied premises retaining their 50% empty property relief for that vulnerable first year of trading. In the long run this will help stimulate business, not stifle it and full rates will be payable when these businesses become established.

4. We support the Green New Deal and support investment in Green technology and energy efficiency. To incentivise this sustainable investment, DFP should give a rates reduction to any small business which makes such a commitment. This is a sure way to support a radical extension of the Green New Deal and address the challenge of climate change.

5. We support an early Rates Revaluation for Northern Ireland.



The following support the Fair Rates for Small Traders

N.Ireland Independent Retail Trade Association
Pubs of Ulster
Banbridge Chamber of Commerce
Warrenpoint Chamber of Commerce
Lurgan Chamber of Commerce
Down Business Forum
Derry/Londonderry City Centre Traders' Forum
Carrickfergus Chamber of Commerce
Larne Traders' Forum
Ballymoney Chamber of Commerce
Ards Chamber of Commerce
Omagh Chamber of Commerce
Lisburn Road Business Association
Cookstown Chamber of Commerce
Ballymena Chamber of Commerce
Ballycastle Chamber of Commerce
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Strabane Chamber of Commerce
Newry Chamber of Commerce
Magherafelt Chamber of Commerce
Ballyclare Chamber of Commerce
Roe Valley Chamber of Commerce
Causeway Chamber of Commerce
Portadown Chamber of Commerce
Lisburn Chamber of Commerce
Newcastle Chamber of Commerce
Ulster Chemists' Association

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Larne Traders Forum Submission

RATING OF COMMERCIAL PROPERTIES: SMALL BUSINESSES, LARGE RETAIL PROPERTIES AND EMPTY SHOPS
Department of Finance and Personnel
Response to Public Consultation Paper – June 2011

Section 1: Summary
Larne Traders Forum welcomes the recognition that due to poor economic conditions, it is important to give assistance, particularly to small businesses, to help sustain them through to recovery and allow them to grow.

Section 3: Large Retail Levy
Larne Traders Forum considers that it is appropriate for the larger retailers to make additional payment to fund the costs of extending the small business rates relief scheme. It is noted that it is envisaged as a temporary three year levy for all large retail premises with a rateable value of £500,000 or more. The Forum considers it important that the vitality of Belfast city centre as well as regional town centres, is critical for the Northern Ireland economy. It is acknowledged that the selective application of the levy to supermarkets and properties outside city and town centres would not provide the revenue required to fund the proposed extension of the SBRRS; however, consideration could be given to including out of town retail car parking as part of the levy calculation.

Section 4: Expansion of the small business rate relief scheme (SBRRS)
The Forum agrees with the proposal to extend the SBRRS for at least three years and that this should be funded through a rates levy on the largest retailers.
The Forum agrees with the proposal to extend the reach of the existing scheme so that a greater number of businesses is provided with support during the economic downturn. Within Larne Town Centre Commercial Core it is estimated that this could benefit over 60 additional businesses, in addition to over 150 premises which could already be included in the scheme. This would represent over 65% of non-domestic properties in the commercial core, many of which are independent businesses which add to the retail and business mix within the town.
The Forum agrees that the relief should be applied to all non-domestic uses; town centres are changing and evolving to meets consumers needs and the range of businesses which provide employment, attract town centre footfall and add to the vitality of the town centre should all be supported to ensure occupancy rates are sustained and increased.

Section 5: Window displays in empty shops – disregarding non-commercial use
The Forum supports the proposal to allow limited use of window displays in empty shops, without incurring full occupied rates. It is noted that "advertising goods and services" is proposed to be excluded; the Forum suggests that promoting community and charity events and activities should

not be considered as such advertising and that this should be clearly supported as a non-commercial purpose.

Empty Property Charge

The Forum wishes to express its concern at the impact of the 50% empty property charge; it is considered that this was introduced when there was a more buoyant economy and sought to encourage owners to ensure that vacant properties were brought into use. The context has now changed and the 50% empty property charge has seen some owners making properties unfit for occupation or demolishing the buildings so that the charge no longer applies. This has a negative impact in town centres creating poorly maintained property and occasional gap sites. The overall removal of the empty property charge or its reduction to less than 50% should also be considered with the current proposed temporary measures.

Summary

Larne Traders Forum welcomes the proposed support for small businesses and agrees that there should be an additional levy placed on the largest retailers.

Consideration should be given to levying the out of town retail car parking areas, or ensuring that these areas make some financial contribution to the regional rate.

The SBRRS should be extended to all non-domestic properties with an NAV of £5,001 to £10,000 with 20% relief given for at least three years.

The use of window displays in vacant non-domestic properties for (non-political) community, artistic and non-commercial purposes should be encouraged by qualifying these uses as 'empty' for rating purposes.

The overall removal of the empty property charge or its reduction to less than 50% should also be considered with the current proposed temporary measures.

Pubs of Ulster Submission

Pubs of Ulster

Hospitality | Leisure | Tourism

Rates Consultation Response

www.pubsofulster.org 1

Pubs of Ulster is the trading name of the Federation of the Retail Licensed Trade NI

Rates Consultation

Section 1: Summary

1. Do you have any general comments on the preferred approach presented in this paper?

We believe the proposed method outlined in the consultation provides the best option to support small business within Northern Ireland.

Section 3: Large retail levy

2. Do you agree that the proposed large retail levy should be used to provide additional help to small businesses?

We believe that the proposed large store levy is appropriate as they are better placed to prosper in the current economic climate.

3. What are your views on the preferred approach of an average 20% levy (against the overall rates bill) on high value retail premises?

We believe that the proposed 20% levy appropriate and will not have a serious impact on the overall profits of the large stores which in the majority is money that is taken out of the Northern Ireland economy, unlike small business where the profits are retained and reinvested or spent in the local economy.

4. Do you have any views on the alternatives to a fixed percentage retail levy?

It would appear that the other options would be difficult to implement and therefore the fixed levy is the best option.

5. What are your views on a levy being applied selectively, for example confined to supermarkets or properties outside of town centres?

We believe the complexity of this method would make this option difficult to implement.

6. Have you any other views on the issues covered in this section?

No

Section 4: Expansion of the small business rate relief scheme

7. Would you agree with the proposal to extend the small business rate relief scheme for three years, as a temporary downturn measure?

Whilst we agree this should be a temporary measure we would suggest that the legislation allows for an extension after the three year period should the need arise

8. Would you agree with the proposal to fund this through the imposition of a rates levy on the highest value retail properties?

Yes we support this proposal as the majority of large stores have not felt the full impact of the recession

9. If not, how should this be funded?

N/A

10. What are your views on the proposal to extend the reach of the existing scheme rather than provide additional relief to current recipients of small business rate relief?

We support the proposal to extend the reach scheme to include a larger section of the small business sector

11. Do you agree that 20% relief should be provided to eligible premises with an NAV of £5,001 - £10,000?

Yes

12. Do you agree that the relief should be applied to all non-domestic premises (with some limited exclusions) regardless of use?

Yes; small business in Northern Ireland provide employment and pay taxes regardless of use. This is a difficult time for all businesses, but especially small businesses and in particular small Pubs. Pubs are legitimate small businesses that already pay proportionally higher rates than supermarkets with the industry employing over 35,000 people and generating £1 billion pounds for the local economy each year.

13. What are your views on the small business retail relief option, taking account of the issues associated with this option?

Whilst no one wants to increase taxes this option reinvest the money in an important sector of the Northern Ireland economy

14. Do you have any views on the general issues raised in this section?

No

15. Are there any other matters that you think should be considered?

NO

Section 5: Window displays in empty shops – disregarding non-commercial use

16. Do you agree with the proposal and the suggested approach?

Yes

17. Do you have any views on the issues raised in this section?

No

18. Is the scope of the suggested categories of use sufficient to meet the policy objectives?

Yes

19. Have you any views on how this should operate?

No

20. Have you any views on the type of activities that should be excluded?

No

Section 6: Clarifying assumptions for future non-domestic revaluations

21. Do you have any views on the issues raised in this section?

No

Section 7: Financial impact

22. Do you have any views on the financial impact of the measures contained in this paper?

No

Section 8: Summary of initial impact assessments SBRR expansion

23. Do you have any views on the estimated impact on Section 75 groups?

No

24. Do you have any additional evidence that could be used to inform the final impact assessment?

No

25. Do you have any views on the estimated impact on deprived areas?

No

26. Do you have any additional evidence that could be used to inform the final impact assessment?

No

27. Do you have any views on the estimated impact on rural areas?

No

28. Do you have any additional evidence that could be used to inform the final impact assessment?

No

29. Do you have any views on the outcome of the Regulatory Impact Assessment?

No

30. Do you have any additional evidence that could be used to inform the final impact assessment?

No

Large retail levy

31. Do you have any views on the estimated impact on Section 75 groups?

No

32. Do you have any additional evidence that could be used to inform the final impact assessment?

No

33. Is there any further evidence of how the proposal would impact on disadvantaged areas?

No

34. Do you have any additional evidence that could be used to inform the final impact assessment?

No

35. Is there any further evidence of the impact of the proposal on rural areas?

No

36. Do you have any additional evidence that could be used to inform the final impact assessment?

No

37. Do you have any views on the outcome of the Regulatory Impact Assessment?

No

38. Do you have any additional evidence that could be used to inform the final impact assessment?

No

Large Retail levy and Extension of the Small Business Rates Relief Scheme – submission prior to oral evidence to the Committee for Finance and Personnel -16th November 2011

NILGA / Local Government delegation: Mr Derek McCallan, Chief Executive, NILGA, Mrs Karine McGuckin, EU Officer, NILGA, Ms Shirley McCay, Chair, NI LED Forum.

Committee for Finance and Personnel Membership:

Alliance	Judith Cochrane
Democratic Unionist Party	David Hilditch Paul Girvan William Humphrey Adrian McQuillan
Sinn Féin	Conor Murphy (Chairperson) Paul Maskey Mitchel McLaughlin
Social Democratic and Labour Party	Dominic Bradley (Deputy Chairperson)
Ulster Unionist Party	Leslie Cree Ross Hussey

NILGA's formal response on behalf of its membership - mindful that individual councils and other council stakeholder bodies were responding also – broadly supported the principles underlying the proposals to maintain the Small Business Rates Relief scheme until 2015 and to use a non public sector levy to fund the scheme in the short term in order to alleviate any pressure on eligible small businesses.

On the issue of the Small Business Rates Relief, overall, it is felt that the application of the scheme should benefit all eligible non-domestic premises and not only retail premises. Small businesses represent the majority of our economy and promote social cohesion in Northern Ireland's small towns and villages. With only two large urban conurbations, as classified, most of Northern Ireland's small business properties are situated in more rural or semi-urban areas where the footfall is obviously lower than in urban areas. It is therefore (for a variety of reasons including footfall, public transport routes, brand awareness beyond a local catchment area, and similar) arguably more difficult for such businesses to determine significant profit. It is clearly highlighted through concrete examples in the consultation paper that the percentage of commercial rates paid by a commercial entity is higher for a small business.

The Small Business Rates Relief can be perceived therefore to be a lifeline for businesses struggling to survive in recessionary times.

In addition, it was announced on 10th November 2011 that the growth forecast for the European Union countries had been revised from 1.8% down to 0.5% and that the European Union could potentially find itself at the beginning of another recession triggered by the political and fiscal crises. This could affect the purchasing confidence of customers and have a negative impact on consumption in Northern Ireland, with people being ever more prudent with their spending and postponing purchases which are not of first necessity.

This attitude would have a much more proportionately significant impact on small businesses than it would on larger ones such as Tesco or B&Q. The forecasts relating to the growth of the retail sector in the UK in general may, therefore, not be realistic at this moment in time. With the closure of many businesses over the past three years and unemployment figures being the highest since 1997 (60,000 unemployed in NI), **this proposal to double the amount of relief currently provided through the main SBRR scheme is welcome and could prevent further loss of employment and social hardship.** At least, it would enable a higher degree of confidence amongst hard pressed businesses, many of which "bind" local high streets and communities together.

It should also be highlighted that it is in recessionary times that creative individuals, who may have found themselves unemployed, do take the opportunity and the challenge to develop new projects. The Small Business Rates Relief Scheme favours indeed new entrants on the market and allows for diversification of the business base.

In terms of larger businesses, NILGA agrees broadly with the proposal to levy a higher percentage on premises with a rateable value exceeding £500,000. Not surprisingly, this consultation has brought forth more evidence and knowledge which should be factored into final decisions. The reason for this acceptance is that precedents exist elsewhere which are economically and socially justified.

As demonstrated in the consultation document, the impact of the levy in large businesses such as Tesco, ASDA or IKEA, represents a small proportion of their turnover. It is a current practice in England and Scotland to impose a Rates Supplement to larger companies and this has not seemed to be a deterrent to large companies continuing to expand in the UK. WHO pays the supplement and WHY is critical. Levels of profit are in many cases increasing at present for larger companies with the exception – for example – in key product sectors. This is amplified, for example with TESCO, which, for the first time since its move to Northern Ireland, has experienced a change of pattern in its profit levels. The company said "weak" sales in the UK were not helped by slowing demand for non-food items, particularly in electronics and entertainment, two of its largest product groups (in floor space terms). It also highlighted the high price of petrol and its impact on general consumer spending. Despite the fall in like-for-like sales, trading profits in the UK rose by 4.5% to £1.3bn.Tesco makes about two-thirds of its sales and profits in the UK. This indicates indeed that, despite a **potential** 20% levy, companies such as Tesco are not likely to relocate elsewhere as feared by some.

It is noted that in the city of Belfast, 29 out of the 77 large retail stores are based there. For this reason, **a high degree of scrutiny needs to be applied to the final formula,** so that economic displacement does not occur in employment and consumer product terms.

The impact of such a levy could be passed onto either the suppliers or the customers.

As far as the customers are concerned, although a multiple has already reduced prices on 3000 products in order to respond competitors, the company is recovering the money elsewhere. Indeed, it has reduced the bonus system associated with its loyalty points, cutting the discount from about 2% to 1%. This effectively has given the company an extra £350 million to help reduce prices. This practice can be further amended in order to counterbalance the effects of the levy, leaving customers at a loss.

Extrapolating this point, knowing that most very large retail stores have loyalty cards, it is likely that the levy will, to some extent, be passed on to customers.

Perhaps more of concern is the contention that there is also a possibility that very large stores may squeeze further the profit margins of their suppliers. Multiples may amend contracts or delay payments to their suppliers. Some suppliers are paid on a 6 monthly basis and any issues or query found in the suppliers claim can lead to payments being delayed and postpone until the next claim deadline. Small suppliers cannot survive without regular and consistent cash flow. This situation may lead to some suppliers not being able to continue trading.

Another issue to consider is whether or not the levy will slow down further investment in Northern Ireland from large retail groups over the next three years, and possibly further down the line with the looming revaluation of commercial properties. However, in the current economic climate, large consortia may wish to consolidate their current position to avoid over provision of goods and services and dispersion of spending in a province which has only a limited spending power given the size of its population. NILGA would argue that the increase in visitor populations due to emerging events such as Titanic and 2012 /2013 world sporting initiatives cannot be viewed as long term development factors, vital as they are in the short and medium term.

Having considered the possible repercussions, it is still felt that a levy should proceed so that in the short term provision exists to fund the Small Business Rates Relief Scheme.

However, the legislation may want to include other categories of large commercial operations selling alcohol and tobacco (as is proposed for Scotland). In addition, given the fact that some larger companies are currently experiencing some financial difficulties in Belfast and their closure would have a significant impact in terms of employment, **it may be advisable to make no distinction between large retail premises and all other commercial properties above £500,000. We believe that this would affect not 77 retail properties but over 200 retail and non retail premises, with a proportionate reduction in the %levy.**

NILGA would as a Corporate body, seek to review and comment on the FINAL determination made by the Committee, if indeed this formula is to change.

In terms of the window display in empty shops, it is accepted by the Association that the measure will benefit greatly the visual aspect of the settlements where the properties are situated, be it rural or urban. All Northern Ireland's towns and villages have been affected by commercial premises closures and the derelict or abandoned aspect of these premises have a detrimental effect on both residents and visitors. Indeed, tourism is in some respects (particularly in regard to shopping habits) driven by perception and the very fact of dressing up shop windows or using them to display local art, craft, products, community projects or any other visual support promoting Northern Ireland as a creative and visually appealing place can only promote civic pride, heighten community spirit and – at least subliminally – trigger spend in the High Streets / communities concerned.

Information provided (by NILGA officials represented) during w/c 7/11/11 to supplement submission by NILGA prior to Consultation deadline of previous month.

NILGA, 11th November 2011.

NILGA Response to Departmental Consultation

NILGA Response to the Consultation on Rating of Commercial Properties; Small Businesses, Large Retail Properties and Empty Shops

The Department of Finance and Personnel issued a consultation paper during June 2011 on the above issue, with responses required by 18th October 2011.

The full consultation paper can be found at: http://www.dfpni.gov.uk/index/about-dfp/consultation-zone.htm

This consultation seeks views on proposed changes to the business rates system. The main purpose of the changes would be to rebalance the business rates system so that smaller businesses get help while the largest retailers pay more. The small business rate relief scheme would effectively be expanded and funded through the application of a levy on the largest/highest value retail properties. The Department's preferred approach is shown below.

- Expand the small business rate relief scheme; 20% relief would be provided to eligible premises with an NAV of £5,001 - £10,000. No additional relief would be provided to those currently receiving small business rate relief (NAV of £5,000 or below).
- An average levy on rate bills of around 20% to be applied to those retail premises with a rateable value of £500,000 or more, in the form of a regional rate supplement.
- Allowing the use of shop fronts or shop window displays for (non-political) community, artistic or other non-commercial purposes so that the full occupied rate is not charged on otherwise empty properties. Entitlement to 50% empty property relief (or exclusion if applicable) would be preserved.
- These changes would apply for three years from 1 April 2012 until 31 March 2015.
- A further change would be to clarify the legislation relating to the valuation assumptions used at non-domestic revaluation, by being more specific about the state and circumstances to be taken into account in compiling a new valuation list. This would take effect at the next general revaluation planned for 2015.

Introduction

The Northern Ireland Local Government Association (NILGA) welcomes the opportunity to respond to the Department of Finance and Personnel consultation, 'Rating of Commercial Properties: small businesses, large retail properties and empty shops'.

NILGA is the representative body for district and borough councils in Northern Ireland. NILGA represents and promotes the interests of local authorities, and is supported by all the main Northern Ireland political parties.

Local Government feels that it is immensely important that as a region we balance our rates relief support for local small businesses and the acknowledgement of the contribution larger retailers make to our economy. Primacy has to be given to the stimulation of economic growth and sustainable employment.

1

The Association welcomes the small business rates relief (SBRR) scheme and its benefits to small businesses in helping to reduce rates liability, which can assist those redirecting resources towards employment, product creation and investment.

Section 2 – Rebalancing the business rates system through to economic recovery. Do you agree that the proposed large retail levy should be used to provide additional help to small business?

Yes. The Association notes the important role of larger businesses and retailers to Northern Ireland economy, and in particular as a significant employer. We also note from the consultation paper, that in general, large businesses in the region have fared better in relative terms than smaller businesses in recent years. We acknowledge the critical role of small businesses to local communities, and would welcome the temporary extension of the small business rate relief (SBRR) scheme to 31 March 2015.

The Association would also welcome provision to extend the SBRR scheme after 31 March 2015, based on business need and with future consultation.

3. What are your views on the preferred approach of an average 20% levy against the overall rates bill on high value retail premises?

The Association supports the temporary approach of the 20% levy on high value retail premises to 31 March 2015. However, it notes that a reduced, time limited levy consideration should be given to support future large retail developments.

4. Do you have any views on the alternatives to a fixed percentage retail levy?

The Association believes that it is not practical to apply business criteria to such a levy on the grounds that it would make this temporary measure more complex to administer and understand.

The application of any additional rate levy to public bodies would have a negative impact on the critical services they deliver in an already challenging economic climate. Applying a general rate on to such bodies with a high proportion of value attributable to publicly funded or supported undertaking, may be inefficient, and raise issues around the recirculation of public money.

5. What are your views on a levy being applied selectively, for example confined to supermarkets or properties outside of town centres?

The Association is in agreement with the figures provided, showing that, generally, large scale retailers who are able to offer greater discounts to their customers have fared better than small retailers through the recession. It is also noted in the consultation document that the proposed temporary 20% rate levy is not considered severe enough to adversely impact on consumer prices, investment and employment.

Section 4: Expansion of the Small Business Rate Relief Scheme

7. Would you agree with the proposal to extend the small business rate relief scheme for three years, as a temporary downturn measure?

The Association believes that small local businesses are the backbone of the region's economy and a key stimulant for future economic growth, including the sustainable regeneration of local communities. Our local businesses play a critical role in maintaining social cohesion in our small towns and villages.

We would welcome the provision to extend the SBRR scheme after 31 March 2015, based on business need and with future consultation - ensuring that business owners are in a position to maximise their rates relief, and that the cost to the taxpayer is negligible.

8. Would you agree with the proposal to fund this through the imposition of a rates levy on the highest value retail properties? If not, how should this be funded?

The Association agrees with this proposal.

10. What are your views on the proposal to extend the reach of the existing scheme rather than provide additional relief to current recipients of small business rate relief?

The Association welcomes the temporary extension and wider reach of the SBRR scheme and its aim to rebalance the rating system, in order that more small businesses get support during the economic recovery.

11. Do you agree that 20% relief should be provided to eligible premises with an NAV of £5001 - £10,000?

The Association agrees with this.

12. Do you agree that the relief scheme should be provided to all non-domestic premises (with some limited exclusions) regardless of use?

The Association agrees with this proposal.

13. What are your views on the small business rate relief option, taking account of the issues associated with this option?

The Association welcomes the small business rates relief (SBRR) scheme and its benefits to small businesses in helping to reduce rates liability, which can assist those redirecting resources towards employment, product creation and investment.

Additionally, we would welcome the consideration of an introduction of an additional time-limited, rates relief for new start-up businesses (non retail chain) to encourage economic growth in their first few years of trading. Equally, a reduced rates provision may be given to support future large retail developments in the first years of business.

Section 5: Window Displays in Empty Shops – Disregarding Non Commercial Use

16, 17, 18, 19, 20 – General Response

Town centres have suffered from the economic impact of the recession. The decrease in local level economic activity has resulted in an increase of empty commercial property that has given to the appearance of shopping areas looking run down.

The Association welcomes the use of window displays in empty shops, and the proposal to amend the current rates scheme to allow their use for non-commercial, non-political purposes in order to support local community regeneration.

We believe that suitable empty town centre property should be made available temporarily to community and artistic groups in order to promote civic pride and shared community wellbeing.

This should be viewed only as a temporary measure, and not a solution to the issue of dealing with the look of derelict properties. Likewise, any rates relief should not be viewed by property owners as a reason to discourage working with local communities to improve the appearance of shopping areas. As such, fixed term review periods should be introduced to discourage the misuse of the scheme and non-maintenance of empty property.

An extension of a temporary rates relief scheme for small (non-corporate owned) empty properties to allow for a time limited period of refurbishment should be considered by the Department in order to encourage the development and the return of properties commercial use as quickly as possible.

The Association agrees with the proposed ideas regarding displays in this document.

Section 6: Clarifying Assumptions for Future Non-Domestic Revaluations

21: Do you have any views on the issues raised in this section?

The Association welcomes the discussion around the purposed amendments outlined in the document, and would seek a direct consultation on the next non-domestic revaluation planned for 2015 with the Department in light of the forthcoming function transfer of planning service provisions from DoE to Northern Ireland local government.

Section 7: Financial Impact

The Association is content with the financial impact of the proposal on the basis that the cost impact on councils is neutral.

Section 8: Summary of Initial Impact Assessments

The Association accepts the initial impact assessment findings.

Further information:

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ASDA Submission

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Consultation Response: Rating of Commercial Properties: small businesses, large retail properties and empty shops

Asda strongly rejects the case made by the Northern Ireland Executive for the introduction of a Large Retail Levy to subsidise the cost of providing additional rates relief to small businesses. The Levy will mean a 20% increase in business rate bills for the 77 retail properties affected in order to raise £6.5m to return an average of £730 per annum to around 9,000 small business properties (across all sectors) with an NAV of between £5,001 and £10,000. This consultation response sets out our key concerns and suggested alternatives. We have focussed our comments on Section 3 of the consultation paper, however this response covers questions 1-9.

It makes Northern Ireland a less competitive place to do business than the rest of the UK and undermines business confidence

- The tax sends the wrong message to businesses who want to invest in Northern Ireland and introduces an additional penalty for operating in NI. The clear message is that the Executive is happy to penalise some successful businesses but not others.
- Doing business in Northern Ireland is already more expensive than the rest of the UK. Transportation costs in particular make it difficult to keep prices down for NI consumers. Securing planning consents and licences such as alcohol are also more time consuming and costly.
- Northern Ireland is already an expensive market to operate within. For example our distribution costs are higher; as are utility prices. This is compounded by a planning process which is slower than Scotland, Wales or England; a pharmacy market which is extremely challenging for new providers to enter into, despite it being a key service our customers ask us to provide in our stores. Forthcoming regulatory regimes also add cost to our operations including a carrier bag charge, a potential ban on alcohol promotions and the introduction of minimum pricing and a tobacco display ban. An antiquated Beers Wines and Sprits licensing system also adds significant cost and risk to our developments in NI.
- The introduction of the retail levy in introducing a higher tax on businesses investing in NI runs counter to proposals to devolve and reduce corporation tax to encourage businesses to invest in NI.

The Northern Ireland Executive should be encouraging growth and supporting job creators not penalising them

- One of the areas set to benefit from our growth plans is Northern Ireland. We have already invested substantially in new stores and want to bring more supermarket choice to the NI consumer. The Executive is penalising one of the few sectors that continues to grow and create jobs during the economic downturn.

- We are concerned about the wider viability of new stores. The Large Retail Levy is not a tax on our bottom line but rather of each individual store. The tax will make NI less attractive to invest in. Our parent company, Wal Mart, can choose from over 14 countries to invest in. Any additional retail taxation will make NI less attractive to invest in, not only within a UK context, but also across our international chain. NI stores typically score relatively low in our return on investment calculations. Business rates in Northern Ireland are already at a level higher than local property taxes in most other EU countries and this proposed levy will exacerbate that position.

This is the wrong time to be adding a new tax burden to retailers

- The Levy has been presented as a 'downturn measure'. Increased fuel costs, commodity price rises, falling consumer disposable income and increased taxation costs make this the most challenging trading environment we have seen in many years – this is a challenge for all retailers including large businesses. Penalising large businesses during these tough times is perverse and a disincentive to invest and thereby puts at risk the creation of new jobs.
- Customers in Northern Ireland have the lowest level of discretionary household income than any other part of the UK. Our Asda Income Tracker shows that family spending power in Northern Ireland continues to suffer. In fact in Q2 of this year it dropped to just £80 per week from £87 in Q1. That compares to the UK average of more than £150 per week and the Scottish figure of just over £100 per week.
- We find it highly unlikely that the NI Executive will find it politically acceptable to withdraw small business rates relief after three years. The experience in other parts of the UK is that this support will be sustained, if not increased over time.

It is a tax on individual stores and communities

- It has been suggested that because supermarkets are successful, high turnover businesses, the tax can simply be absorbed. This fails to recognise that we operate on very low margins. Indeed for every pound that comes off our bottom line, we need to sell twenty pounds of goods through our tills. For Asda in Northern Ireland that would mean an additional £10 million a year – at a time when sales are under real pressure.
- We do not accept the argument that UK wide turnover generated by more than 400 stores and our online business justifies introducing a new tax in NI. The tax affects 7 Asda stores in NI – each of which operates on a clear assessment of its individual cost to operate, turnover and individual store profitability. Decisions on creating more jobs in stores, investing in extensions and undertaking refurbishments are made on a clear assessment of the individual store profitability.

It is an unfair tax which singles out the retail sector over other industries

- The retail sector already pays approximately a quarter of all business rates across NI, the highest proportion of any sector and there is no justification for selecting the retail sector to pay more over other industries
- It is unfair to ask retailers to subsidise reductions in business rates for small businesses across all sectors
    - Asda is already a significant business rates payer in Northern Ireland. Our annual business rates bill is £4.1m
    - We estimate that the tax will cost Asda an additional £0.5m in 2012-13 – a 10% uplift in our business rate costs across NI
    - The increase for those stores affected is 20%

- While there is no question that businesses are operating in an extremely challenging economic climate, we strongly question why banks, betting shops and other chains are set to benefit from the Small Business Rate Relief, simply because they occupy smaller premises. We do not believe it is the role of retailers to subsidise these already successful businesses.
- By penalising the retail sector the new tax creates some major anomalies. There are many large and successful businesses operating in NI which will not be asked to contribute more. The consultation paper shows that retail makes up only 30% of the properties valued above £500,000. Yet the Executive does not propose to introduce a levy on the Electricity or Gas Companies that make up 10% or the additional 10% which includes the banking sector.

The Northern Ireland Executive could have chosen other fairer ways to raise the £6.5m

- Based on the Executive's overall commitment to extending the existing Small Business Rates Relief scheme (SBRR), we have looked at the data available to develop some alternatives to a Large Retail Levy to fund the Relief.
- We do not believe that the retail sector should be used to subsidise other sectors of the economy. If the Executive wishes to support small retailers then it should reform the proposal to apply only to small retail class properties (but excluding larger retail businesses occupying multiple premises). Limiting the recipients to Class A1 properties would be simple to administer.
- If the Executive remains committed to extending small business rates relief to all sectors then we believe it must be made fairer. We therefore suggest a number of options for improving the fairness of the proposal:

  The data that we have seen suggests that a number of banks, building societies and betting shop chains, for example, would be set to benefit from the SBRR. We do not believe it is the Executive's intention for such businesses to receive subsidies. Therefore, we would like to see the SBRR aligned to similar schemes which are administered in Scotland and England by ensuring that larger businesses which occupy multiple premises which would otherwise benefit from the relief are unable to do so. This would ensure that small businesses that are the intended recipients for this Relief are the actual beneficiaries.
- Similar schemes in Scotland and England are funded by ratepayers of all larger properties and do not rely upon retail-only support. It is unclear why the levy, which would represent an unprecedented rise in rates bills and transfer funds to all sectors, is specifically being targeted at retailers. We believe the Executive should seek an equitable funding scheme for the SBRR whereby all ratepayers of all larger properties share the burden of funding the Relief, as is the case in Scotland and England.
- Here are just 4 examples of how this could have been shared more equitably:
  - Divide among all businesses not eligible for small business rates relief would result in a levy of less than 1p (0.63p which is similar to the large business levy in Scotland)
  - Divide among all properties with NAV in excess of £100,000 would result in a 1.13p levy
  - Divide among all properties with NAV in excess of £250,000 would result in a 1.74p levy
  - Divide among all large RV payers at the level of NAV £500,000 would result in a 2.77p levy

- These alternative schemes are not only fairer, ensuring that other large businesses pay their way and that the retail sector is not used to subsidise other successful industries including utility companies and banks, they would not present a barrier to new investment.
- Given that the Executive expects inflationary increases of 2.2%, 2.7% & 2.7% over the next three years to all business rate payers, the £6.5m could also be raised by adding a further 1% increase above inflation – so less than half of the inflationary increase.
- At these alternative rate levels, retailers such as Asda would continue to welcome discussions with the Northern Ireland Executive on how we can work together on regeneration including through the use of Business Improvement Districts. We urge the Executive to give due consideration to these proposals which would deliver a more equitable system.
- We call on the Executive to provide assurances that if business rate buoyancy means that business rates raise more than expected, any surplus is used to provide a rebate to those paying the large retailer levy. In Scotland the Finance Secretary John Swinney MSP had stated that the £30m proposed levy was vital to public spending, however a review of business rate income meant that the money was no longer required and an additional £70m of funding was available to the Scottish Government from business rate income.
- It has been suggested that the accelerated passage process may be used. We believe that this is wrong and that the Assembly should be given time for full and detailed consideration of the issues and evidence.

The tax should not be used as a way to penalise large developments

- The tax has attracted some support from those who oppose out of town developments. However, the consultation states that the aim is "not intended to deliberately target premises that are outside of town centres". In fact it is a blunt instrument impacting on town centre, edge of centre and suburban centre stores as well as out of town stores.
- The tax will be paid by all large retailers irrespective of where they are located – there is no differentiation between town centre, edge of town or out of town or between types of retailer.
- The Planning framework is the appropriate way to guide where new store developments should be not the tax system

It is a tax on a sector that is delivering for Northern Ireland and a tax on jobs and investment

- Retail has the potential to help drive Northern Ireland's economy forward and is one of the few sectors still investing in capital infrastructure and creating new jobs
    - Asda has 16 stores in Northern Ireland employing 4,500 colleagues – our stores provide around 0.5 per cent of the entire workforce of NI
    - Since coming to NI, we have invested £92 million in our properties. We are committed to developing new stores in NI and growing our business, creating more jobs in construction and longer term in communities across NI.
    - As we grow our business, we are investing in local businesses – in 2010 we invested over £60 million a year on 'Island of Ireland' products. Currently 20% of all food sold in our NI stores is supplied by NI/RoI food companies i.e. approx £1 in every £5 spent in ASDA in Northern Ireland is on 'Island of Ireland' sourced products.
    - Asda's commitment to NI industry has a major positive benefit by supporting a supplier wage bill of approximately £16 million and more than 600 jobs (as at

end 2008). Cebr has calculated that Asda supports an estimated 4,200 jobs through its suppliers and knock-on impacts in NI.

- Therefore Cebr calculates that the total number of jobs directly and indirectly supported by Asda in NI is around 8,700 – 1% of all workforce jobs in Northern Ireland.
- Asda in Northern Ireland contributed £138 million to government spending in 2008/09 in tax – enough to build 10 new primary schools. Asda's total GDP impact in NI is estimated at £185 million.

- We are ambitious for Northern Ireland. To mark our ten year anniversary in Northern Ireland in 2010 we announced plans to invest £100 million in NI, creating a further 3,000 jobs.
- The average capital cost of a new store is £12.5m and can sustain 200 construction industry jobs for the period of the build.
- We provide jobs for a range of people across Northern Ireland, often in some of the more deprived communities providing much needed employment for local people.
- Since 2005, Asda has created 2,000 jobs in Northern Ireland.
- Asda is committed to providing job opportunities for those who find the labour market challenging, such as lone parents, people with disabilities, those with long-term health conditions and the lowest qualified.

Asda is delivering on skills and investing in communities across NI

- Earlier this year we made a series of commitments to **improving the skills of young people** and our colleagues across the UK:
  - 15,000 work experience placements for 14-16 year olds.
  - Each store will adopt two local schools or colleges and help their students prepare for working life.
  - 15,000 opportunities for colleagues to earn a Level 2 Apprenticeship in Retail Skills.
  - Every one of the 28,000 new starters this year will receive a City & Guilds qualification after their initial in-house 12-week training.
  - We are the first company to trial Work Clubs with the Department for Work & Pensions – a local partnership between Asda, community groups and JobcentrePlus to help people back in to work.
- The Asda Foundation has donated almost £100,000 to community and charitable projects in Northern Ireland in the past 18 months including:
  - Ballyclare - War Memorial Garden - £10,000
  - Cookstown - Humpty Dumpty Playgroup - 9,000
  - Cookstown - Soup Kitchen - £1,000
  - Omagh - Youth Sport Omagh - £25,000
  - Strabane - Community Football Project - £7,000
  - Kilkeel - Sea Shell Project - Outdoor area - £10,000
  - Newtonards - Crossroads care for carers - £35,000
- Unlike other retailers, our prices are the same across the country, no matter if you live in Belfast or Birmingham. ASDA recently won the Grocer 33 award for lowest priced supermarket for the fourteenth year in a row, demonstrating our commitment to saving

ASDA SAVING YOU MONEY EVERY DAY

our customers money. Our Asda Price Guarantee means that our customers will always save money with us or we refund the difference. By keeping prices and therefore inflation of everyday household purchase low, we have helped families across Northern Ireland who have struggled with significant cuts in discretionary spending power over the past year and our national pricing policy has led to lower prices through competition across the country.

- Our low prices and national pricing policy means that motorists in NI benefit from our low fuel prices too. Although fuel prices fluctuate frequently, Asda's aim remains the same. We always want to be the first retailer in each part of the country to drop prices and the last to put them up. And when we do drop prices, we drop them everywhere, setting a maximum national price cap for our customers across the UK, which mean they all benefit from our low prices, regardless of where they live. There is plenty of research that demonstrates the positive impact of our low prices. The AA estimates towns with an Asda pay on average 2p less a litre for fuel than those without.

18th October 2011

B&Q Submission

Rating Policy Division
Department of Finance and Personnel
3rd Floor
Longbridge House
20 – 24 Waring Street
BELFAST
BT1 2EB

17th October 2011

Dear Rating Policy Team

Re: Rating of Commercial Properties: small businesses, large retail properties and empty shops-Public Consultation June 2011

B&Q UK, part of Kingfisher plc, is the largest home improvement and garden centre retailer in the UK with 348 stores in the UK including 9 stores in Northern Ireland, employing over 33,000 people.

We welcome the opportunity to respond to the Rating of Commercial Properties Consultation. In this submission we set out our views on the proposal to introduce a Large Retailer Levy in Northern Ireland and would be pleased to meet with the consultation team to provide any further information and assistance.

Consultation response

Q1. Rebalancing the Rating of Non-Domestic Properties – Preferred Approach

B&Q agrees with the general principle of providing support for small business during the economic recovery. However, any additional support should not be to the detriment of the wider retail sector. Such an approach would run contrary to the Department's push for economic recovery. Both small and large business are vital to restoring growth, one supports the other and economic benefits come from their co-existence - not through hiking taxes for one party.

Outside of the Large Retailer Levy, we agree with proposals to offer incentives through the rating system for using empty shop fronts for community purposes as this could give our high streets a real lift.

Q2. Do you agree that the proposed large retail levy should be used to provide additional help to small businesses?

We do not agree with the introduction of a Large Retailer Levy in the form suggested by the consultation. It runs contrary to proposals elsewhere to boost growth and investment (e.g. potential cuts in corporation tax)

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1

Large retailers already offer substantial support for small business through the SBRR and the Department should be looking to alternative ways to increase support through the scheme or alternative revenue raising measures that exist elsewhere in the UK.

Q3. What are your views on the preferred approach of an average 20% levy (against the overall rates bill) on high value retail premises?

A Levy of 20% on the highest value retail premises is a blunt measure that risks undermining the crucial investment and employment created by Northern Ireland's retail sector.

A blunt Levy on rateable value punishes traders of large goods or with goods that require customer car parks for vehicles transport them from store to home or a small business premise. Our trading profile does not lend itself to smaller outlets and therefore this Levy would punish our simple presence in Northern Ireland's retail centres.

B&Q has 9 stores that would qualify for the Levy, employing over 1000 people. However, trade for us is based on turnover (around £10m per store in Northern Ireland) and profit (margins typically around 3-6% of turnover) not trading space. Our total additional rate liability over three years will be £ 2.6m (£872k pa on top of our current £4.494m annual rate liability) which is more than the total annual profits of over half of our stores in Northern Ireland (and of course annual rates bills will rise as usual from 1/4/12).

The consultation suggests that large retailers are well placed to cope with the current economic conditions. This assumption is, however, based upon information from 2009's Mintel Report – in the past two years the economy has continued to stall and in North Ireland in particular, margins are extremely tight. At present, the predicted growth in Northern Ireland (paragraph 61) of 2% in 2011 and 2.7% in 2012 looks very optimistic. Alongside rising operational costs, such as fuel and raw materials, the Levy will further restrict our ability to trade and invest in Northern and would make some stores unprofitable. It is naive to think that large retailers will foot the bill in Northern Ireland, using profits from the rest of the UK. Retail does not work in this way and profits elsewhere will be re-invested in the locality, not transferred to support unprofitable stores in Northern Ireland. It remains a very real possibility that we cannot continue to trade in Northern Ireland. Furthermore, our annual sales have seen a year on year decline over the last few years.

As the consultation notes that the creation of new retail floor space in Northen Ireland has declined in recent years, a new Levy will do nothing to arrest this trend. If anything, the three year Levy may have the unexpected consequence of encouraging businesses to delay the development of large stores in Northern Ireland until the end of the Levy period (2015- 2016), to the detriment of Northern Ireland's economic recovery.

Q4. Do you have any views on the alternatives to a fixed percentage retail levy?

There are alternative ways to support small business not included in the DFPNI consultation including the introduction of Business Improvement Districts (BIDS), as already operate successfully elsewhere in the UK or by placing a charge on plastic carrier bags and retaining the revenue. A third option is the one being considered by the Scottish Executive at present to place an additional Levy on large retailers that sell both alcohol and tobacco products. This would generate much more for small business than the proposed Large Retailer Levy, without irrecoverable damage to growth and employment and without including retailers less well placed to pay.

Given the successful model for BIDS which could be easily replicated, there is no reason to delay their introduction and instead it should be given priority to be introduced in this session of the Assembly, rather than taking the two years predicted in the consultation.

B&Q has before suggested that a scheme that seeks to reduce the use of single-use carrier bags could have environmental benefits and, if the revenue is retained by the Department, could be recycled to help other businesses. The Welsh Assembly has begun a charging process this month (October) with proceeds to go towards good causes. Such a model could be replicated in order to ensure proceeds are passed on to small businesses for example. This would be a general taxation measure rather than through the rating system.

The Scottish Executive is currently proposing a new £110 m Levy from 1 April 2012 on large retailers that retail tobacco and alcohol products in properties with a rateable value of over £300,000. Whilst pitched as a one-off health tax, it is intended to be a general revenue raising measure in order to help to balance the budget for 2012-2013. Whilst such a move will be unpopular with supermarkets, it is targeted at retailers that tend to generate the highest level of sales per square foot of floor space and therefore avoids the blanket approach of the proposed Large Retailer Levy in Northern Ireland.

Whilst these ideas could be perceived as targeting certain retailers, it underlines that fact that this consultation has done little to give serious consideration to alternative ways to increase the SBRR. The proposed alternatives all revolve around a Large Retail Levy of some kind, rather than alternative fund raising measures.

Q5. What are your views on a levy being applied selectively, for example confined to supermarkets or properties outside of town centres?

Our view is that the Levy gives out the wrong signal to retailers trading from large properties in Northern Ireland. The Levy is already selective, given that it applies to properties with a rateable value of over £500,000.

The third alternative option above concerning a tax on large stores that retail both alcohol and tobacco would be the simplest to bring in for April 2012.

We find the DFPNI assumption that the Levy cannot differentiate between the trading profiles of the 77 qualifying stores, when they are all household names, difficult to justify. Our turnover per square foot is far from comparable to supermarkets for example. The consultation states that 'it is not considered practical...to apply business criteria' to a property tax system. However as a three year scheme, with a start and end point and with a defined number of participating stores, it should be a simple process.

We urge the Department to examine the alternative models that already exist and bring forward the BID model without delay.

Q6. Have you any other views on the issues covered in this section?

We wish to continue our excellent record of employment and training. In our Northern Ireland stores, 21% of our staff are aged 16-25 and nearly a third of our staff are over 50. Our stores support small business and traders by providing competitively priced goods and local services. A blunt increase in tax will restrict our ability to invest in these areas.

Q7 – 15. Expansion of the Small Business Rate Relief Scheme

The Department makes a strong case for some additional support for small business. The economic statistics do not suggest that any support should come from elsewhere in the retail sector. An increase in large retailer turnover should not be seen as a reason to raise a Levy – more a reason to further encourage any growth in these areas to help the economy. Stunting the growth of those sectors that are making progress will affect the overall economy, large and small business alike.

Regarding State aid considerations, the department's assertion that the Large Retail Levy would be unlikely to confer a competitive advantage to those outside the scheme is illogical. The redistribution of rates in this way (through the SBRR) is well established in order to help reduce costs for small business that can only help competitiveness. Indeed the regulatory Impact Assessment itself states at paragraph 174 that:

"The scheme is most likely to have a positive effect on competition through assisting small businesses with their running costs, thus adding to the diversity and range of suppliers of goods and services available within a particular market."

Q16-20-Window displays

B&Q would support the preferred approach set out in paragraph 130 of the Consultation

Q21 Clarifying assumptions for future Non –Domestic revaluations

Again we would support the proposed approach which would bring the matter in line with that in the rest of the UK

Q22 Financial Impact

As stated above the financial impact on our business in Northern Ireland will be significant, threatening to turn profitable stores into unprofitable stores over the three year period and threatening our continued existence as part of the retail mix in the province. It is not the case that profits from elsewhere in the UK will be used to simply pay the Levy. The UK is suffering flat growth overall and any profits made will be reinvested across the estate. Any store closures in Northern Ireland will increase proportionate costs for the remaining stores e.g. in logistics, threatening the viability of even profit making stores.

Q23-38 Regulatory Impact Assessment

The Regulatory Impact Assessment mentions the impact on suppliers – certainly suppliers to large retailers may be impacted where retailers cease operations or have to cut costs to ensure individual store profitability. More work needs to be done on impacts across the economy and knock-on effect of targeting stores that are helping to drive growth.

Finally, the proposal for the Levy is that it runs over a three year period, however, the consultation does not explicitly rule out the Levy continuing beyond this time. We urge the Department to make it clear that it is a one-off process so that we can make long term business and investment decisions without sudden announcements such as this happening again.

Yours faithfully

D Walsh

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4

IKEA Submission

17th October 2011

<u>IKEA Belfast – Response to the Proposed Retail Levy</u>

Our Contribution to the Northern Ireland Economy:

- IKEA Belfast opened in December 2007 and currently employs almost 300 co-workers drawn from Belfast and outside the city.

- A further 60 people are employed through a range of maintenance and service contracts.

- IKEA Belfast's restaurant and bistro serve over 20,000 meals per week and source all fresh produce locally thereby contributing to the local food sector.

- Through its sustainability and environmental programmes which dovetail with primary and secondary school IKEA curricula, IKEA Belfast has to date welcomed over 9000 pupils to the store or through in school visits.

- Since opening IKEA Belfast has generated over £80K for local charities. and has also supported and continues to support over 40 charity groups, schools and voluntary organisations throughout Northern Ireland through a range of in kind contributions and community initiatives.

- IKEA Belfast supports a number of local organisations including RSPB, WWF, Woodland Trust, Save the Children and Business in the Community making practical contributions and helping to support a range of programmes throughout NI.

- Sustainability remains at the top of IKEA's agenda and the Belfast store currently recycles 100% of its waste with nothing going to landfill.

Current Situation:

- IKEA has invested substantially in its Belfast store - it plans for the long term and does not expect or demand short-term profits. We are committed to providing local people with jobs and customers with affordable, good quality furniture and accessories.

- IKEA always strives to recruit new co-workers from within our store or the local market. In the past 2 years we have recruited only one of our 29 managers from outside NI.

- IKEA Belfast, like many other retailers is experiencing the most challenging period since the downturn in the economy and trading conditions are very difficult. From IKEA's perspective there are significant differences between NI and other UK regions and in the past fiscal year, the NI market has been more challenging than in the Republic of Ireland.

- As already stated IKEA Belfast is committed long term to the NI market, however the company's market research predictions for trading following the opening of its Dublin store have not been met and the current trading pattern is well below what we would expect from a market of this size. With further cuts anticipated in the public sector IKEA Belfast does not expect any substantial improvements for a number of years.

Impact of the Proposed Retail Levy on IKEA Belfast:

- IKEA is a very unique retailer and our business model relies on the operation of large single units in regions where other businesses operate several smaller units. This operational strategy allows us to operate at much lower margins than comparable businesses and ultimately means we can offer customers excellent value for money.

- Currently rates are IKEA's **second** largest cost after staff costs. IKEA Belfast's rent is currently lower than our rates even without the proposed levy applied.

- The Minister has outlined that NI rates are currently more favourable than in other UK regions as there has been no assessment since 2003. As IKEA Belfast opened in December 2007 our rates would have been assessed at that stage.

- IKEA's Glasgow store is exactly the same size as our Belfast store and rates are currently 9% less than in NI. Our Gateshead and Milton Keynes stores are also the same size as Belfast and their rates are 17.5% and 10% less respectively.

- If the levy is implemented, IKEA Belfast will be penalised for operating one large unit and will potentially be subsidising a book-maker who manages hundreds of units throughout NI.

- The proposed increased levy rate for IKEA Belfast of £320k which is 1.1% of our projected 2012 sales. The DFP has projected that the levy increase would amount to only 0.25% of turnover in large stores.

- The current level of rates applied to IKEA Belfast equates to 12.3% of total costs and with the levy applied would amount to 15% of costs. Such an increase would undoubtedly put pressure on other costs within our business including co-worker costs.

- Other UK regions support retailers with rate relief where the company can prove that business is not performing at the expected planned level. For example IKEA's store at Ashton in Manchester pays rates at 56% less than Belfast.

- It's clear therefore that Northern Ireland cannot be described as 'competitive' even with the current rating system. We believe an additional rate increase may prevent any businesses expanding into Northern Ireland.

Conclusion:

- In today's challenging climate the only growth companies such as IKEA are experiencing is through global expansion. However IKEA cannot be expected to absorb additional costs into their balance sheets because of the success of international regions.

- In IKEA each region is expected to deliver its goals and each store to deliver its targets. All IKEA managers operate their store independently and any increased costs must be sourced from IKEA Belfast's budget. Redundancies will always be a last resort but if we need to meet an additional retail levy cost, we may have no choice but to reduce co-worker levels.

- If implemented the Retail Levy would place a huge burden on IKEA Belfast's already strained balance sheet. In addition to potential staff cut-backs, our contributions to community and charity projects would be reviewed and potentially cut.

- IKEA Belfast believes it is in all our interests to see an improvement in the current economic situation, however we do not believe the Retail Levy will have any real impact on supporting the local economy as increased costs will be at the expense of potential job cuts not just with ourselves but with all affected retailers in Northern Ireland.

IKEA Belfast contacts:

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NI Retail Consortium Submission

NORTHERN IRELAND **RETAIL** CONSORTIUM

for successful and responsible retailing

Northern Ireland Retail Consortium's Response to the Department of Finance and Personnel Consultation on the Rating of Commercial Properties: Small Businesses, Large Retail Properties and Empty Shops

Overview

The Small Business Rate Relief needs greater focus

The Northern Ireland Retail Consortium (NIRC) welcomes the opportunity to respond to the 'Rating of Commercial Properties in Northern Ireland Consultation. We are commenting with particular reference to the proposed Large Retail Levy and the mechanism for extending the Small Business Rate Relief (SBRR).

The NIRC represents multiple retailers operating in Northern Ireland, including large supermarkets, department stores, DIY, furniture and homeware, electricals, jewellery, pharmacy/health and beauty, fashion and shoe retailers, stationers and bookstores, fast food outlets and the Post Office. We also represent small retailers in Northern Ireland who are members of our constituent specialist retail trade associations.

Section 1- Introduction and NIRC Position

The NIRC believes it is incorrect to describe the proposed scheme as 'small business rates relief'. It does not, as presented, distinguish genuinely small businesses from larger businesses who occupy small premises. More accurately, it is a small premises or small hereditament relief scheme. NIRC supports the principle of Small Business Rate Relief but does not support the mechanism for funding this relief. We also believe the relief could be more targeted in delivering the intended benefits.

Section 2 – Alternative solutions

The NIRC is very concerned that larger businesses, such as banks and betting shops will benefit significantly from the scheme. We question whether this was the intention of the NI Executive. The NIRC supports the expansion of SBRR for SME retailers. Restricting its coverage by property Use Class would ensure that small high street and neighborhood store retailers would be the chief beneficiaries.

The NIRC believes it is essential that the revenue base is expanded beyond large retailers if it is not to be discriminatory. There are two options within this approach.

Part 3- Background and consultation response

Business requires long term predictability and certainty to invest and create jobs. Any moves to rebalance the economy must inspire confidence that shifts in policy will be proportionate and balanced, and that fiscal policy will not be based on a windfall mentality.

Section 1

Introduction and NIRC position

Our members' source from a wide range of suppliers in Northern Ireland, many of them SME manufacturers, food processors and other agri-food business, both for sale in Northern Ireland and throughout their stores in Great Britain.

The retail sector is the largest private sector employer in the Northern Ireland accounting for 10% of the workforce. Given the right conditions retail can help Northern Ireland to a stable and prosperous economic future. The stated aim of the Northern Ireland Executive is to increase private sector job growth, productivity, competiveness and encourage investment. This levy will do little to achieve these goals. Indeed, it will undermine them. This levy will penalise those large retailers who have been contributing towards these objectives.

Uncertain global growth and a historic contraction in public spending will make the task of realising these aims all the more challenging. Northern Ireland is already lagging the other 11 UK regions in terms of recovery, growth and employment[1]. The NIRC calls on the Northern Ireland Executive to support the whole retail sector with targeted, equitable and sustainable policy solutions.

NIRC position

The NIRC supports the extension of the Small Business Rate Relief but does not support the mechanism for funding this relief. By limiting the funding the burden of the scheme to large retailers, while not limiting the relief to genuinely small businesses, the impact of the levy is disproportionate and unduly onerous. By comparison, the supplement payable by larger ratepayers in England and Scotland is currently 0.7p per pound. The levy proposed by the Department for Finance and Personnel (DFP) is 11p – nearly sixteen times higher. We also believe the relief could be more targeted in delivering the intended benefits.

We recognise the Small Business Rate Relief Scheme will provide some assistance to struggling small retailers. However, the approach currently proposed by the DFP means much of the relief will be claimed by non retail business away from the high street such as banks and betting shops in addition to larger business that happen to operate from small business properties.

SBRR is a blunt instrument

The Economic Research Institute of Northern Ireland (ERINI), in a report commissioned by the DFPNI in 2008, stated that Small Business Rate Relief schemes were economically ineffective, often benefiting landlords rather than businesses and with a financial benefit which did not justify their cost. It also described the schemes as a "blunt instrument," relieving all small businesses and not just those in need of help[2]. In addition around 40% of the proposed levy would be paid by stores in city and town centres and a further [20%] from edge of town stores, both of which support their neighbouring small retailers by attracting footfall. This is even more illogical when we consider over 17% of town centre shop units are vacant in Northern Ireland, which is 5% more that the average in the UK[3].

[1] PWC NI Outlook August 2011
[2] ERINI, Investigation into a Small Business Rate Relief scheme in Northern Ireland (March 2008)
[3] BRC/ Springboard/ ATCM footfall and vacancies monitor may July 2011

Only 38% of properties affected by the Large Retailer Levy are genuinely 'out of town' stores. Decisions on location of stores are a matter for planning policy. All existing stores have been subject to planning decisions and should not have retrospective penalties applied should policies change.

Northern Ireland as a business location

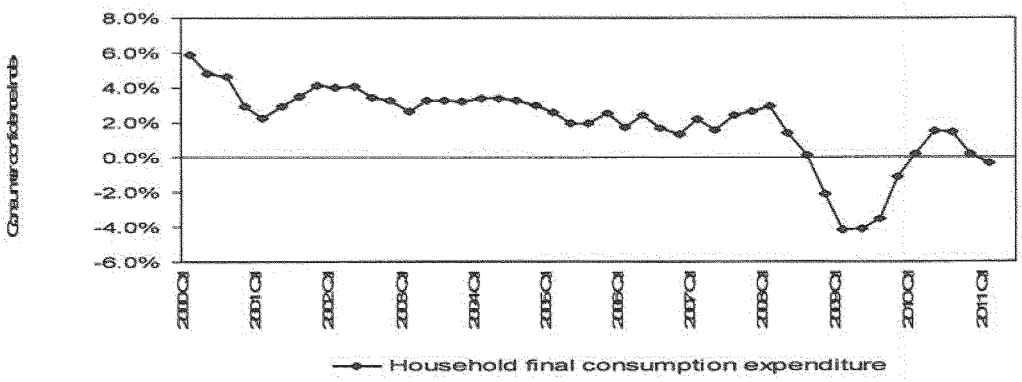
The decision to target individual sectors of the economy inevitably sends out worrying signals to existing and potential investors. Undermining investor confidence is particularly unwelcome in the current economic conditions. This proposal is completely at odds with the desire to make Northern Ireland an attractive international business location, given the 'justification' largely depends on argumentation about the number of new jobs created by the retailers in question over the last three years.

The DFPs preferred option identifies large retailers as the single contributing class financing the SBRR which would benefit all qualifying small business premises. We believe this is discriminatory and that were any such levy to be adopted it should apply to all non-domestic properties with rateable values above the threshold.

The true cost of the Levy – Jobs and investment

Retailing is a low margin business and any new cost burden requires substantial additional sales volumes to generate the additional margin to cover the costs. Since margins of 3% of turnover are not untypical at present, an annual levy of £6.5 million would require £217 million per annum in additional revenues. In the current market conditions it is unlikely that consumer spending in Northern Ireland will expand to this degree, indeed it is currently contracting, [true?] so these additional revenues could only be achieved by increasing market share, at the expense of other retailers. This is a tax on individual stores which will affect their viability at a time of significant economic pressure and puts future retail investment at risk.

UK Consumer spending is weak



Retailing is also a property-intensive sector and consequently already bears a disproportionate share of the Business Rates burden that is around 28% of the total despite representing just 12% of total GDP. Since this is an input tax it bears no relation to profitability. The most likely short-term response will be to manage down other input costs, the largest of which is labour. Whilst we do not think there will be widespread redundancies as a direct result of the introduction of the Levy, it will undoubtedly affect large retailers capacity to recruit additional staff, and, perhaps, to fill vacancies.

Section 2

NIRC Alternatives- Target support and expand the revenue base

We believe that one or a combination of the following options would enable the aims of the scheme to be delivered without placing additional burdens on large format stores with attendant costs for the Northern Ireland economy. It should be noted that qualification is on size of premises and has no relationship with profitability.

Targeted support for small retailers

The NIRC supports the expansion of SBBR for SME retailers but as the scheme is currently designed very little of the actual SBRR will be received by small retailers and will do little to support Northern Irelands' high streets and town centers.

SBRR benefits the wrong business

A breakdown of the new SBRR category of £5000-10,000NAV reveals that less than 50% of the money raised would reach shops and showrooms in town centers. Approximately 18% will be claimed by offices with 273 pubs, off licenses and 48 bank branches claiming the relief. The relief will also be claimed by 45 bookmakers and amusement arcades.

Up to 1417 offices' including banks and bookmakers will claim £1.124m of the £6.5m available[4]. For the SBRR to achieve more equitable and effective outcomes greater focus is needed.

The NIRC propose the relief should restrict its coverage by property Use Class ensuring that small high street and neighbourhood store retailers would be the chief beneficiaries.

1. The NIRC propose that qualifying recipients should be restricted to Class A1 of the Use Classes Order. This would significantly reduce the costs of the scheme to larger rate payers and would not increase the administrative burden on local councils of maintaining the scheme.

2. Large businesses with numerous properties should also be excluded. The NIE should limit the relief to businesses with second properties with a rateable value of less than £2,600 and where the total of each occupied property's rateable values does not exceed £17,999. In this instance relief should only be given on the main property. This is the approach taken in similar schemes elsewhere. By ensuring the relief is targeted on qualifying small business it will reduce or even eliminate the need for a levy given that a large proportion of the 9000 properties identified will then not qualify for the Relief. Although qualifying SME ratepayers would have to apply for the relief, creating a certain amount of cost and complexity, this would be more than offset by the greater targeting and would ensure more effective support.

[4] See Annex

Expand the revenue base ensuring a more equitable funding mechanism

As the levy is currently proposed the large retail sector subsidies a range of sectors, both large and small. The NIRC believes it is essential that the revenue base is expanded beyond large retailers if it is not to be discriminatory.

There are two options within this approach:

1. All non-domestic properties including public sector with rateable values above £500,000, 260 properties in all, reducing the burden on large retail properties by £ 4.55 million per annum. 70% reduction.

2. All private sector non-domestic properties with rateable values above £500,000, 130 properties in all, reducing the burden on large retail properties by £1.3 million per annum. 20% reduction.

Other means of delivering support to town centers

Business Improvement Districts

The Department for Social Development plans to have primary legislation for Business Improvement Districts (BIDs) in place by 2012 followed by the necessary secondary legislation. This legislation should be brought forward more rapidly, drawing on the considerable experience across Scotland, England and the Republic of Ireland. Unlike Business Rate relief BIDs deliver sustainable solutions because they focus on the chief barriers to trade and growth affecting the town centre in question. Funds are targeted on specific initiatives which will benefit local businesses as well as the wider community. Effective local partnerships between local authorities and retailers initiated through a BID or independently can help deliver more attractive and successful retail locations, with local money invested, providing tangible local benefits.

Accelerated passage should be used for BIDs

The NI Executive has made it clear that they intend to introduce BIDs within three years, when the levy should have expired. The NIRC would urge the NI Executive to rethink the damaging levy proposals and use Accelerated Passage to pass any BIDs legislation. BIDs are a recognised and proven method of high street regeneration and could easily skip a lengthy Committee Stage. The Accelerated Passage process requires cross-community support, something which is possible for BIDs but not a larger retail levy.

Part 3- Background and consultation response

Consultation response

The Larger Retailer Levy is an inequitable cross subsidy between sectors

The NIE proposed levy represents a "cross-subsidy" between sectors with large retailers subsidising other types of business such as accountants and solicitors which occupy offices above shops and also banks and betting shops who we do not believe the NIE intends to be recipients. It will do little to support Northern Ireland's distressed high streets and town centres.

The NIRC also questions whether large business operating out of small premises should benefit from such a cross subsidy at the expense of retailers operating out of a larger premises.

EU state aid rules are designed to prevent national or sub national legislators showing fiscal or regulatory favour to one sector or location over others. The consultation document and the policy itself appear to contravene these principles.

What are your views on the preferred approach of an average 20% levy against the overall rates bill on high value retail premises?

A 20% average uplift in rates liability is a significant additional burden for all retailers who already pay more business rates than any other sector. Along with employment, property costs are the most significant burden on retailers and a 20% hike will do little to encourage growth and investment. Additional burdens placed on an already disadvantaged sector are inequitable and distorting and will ultimately be a drag on vital jobs and growth.

Larger firms, and especially larger retailers, are already cross subsidising other sectors in Northern Ireland. Retailers already pay over a quarter of total business rate revenues, more than any other sector. Commercial firms with a rateable value over £30,000 contributed 65% of non-domestic rates in Northern Ireland and make up only 12% of all commercial firms[5] , while the 67% of commercial properties with a rateable value of £10,000 or less contributed only 16% of all non-domestic/ commercial rates[6].

In addition the Empty Property Rate Relief in Northern Ireland remains at 50% (after 3 months) and vacant industrial properties are exempt. Manufacturers only pay 30% full rates under the industrial rating system even when operational and profitable.

Northern Ireland already has a higher poundage rate than other parts of the UK with big differences in the combined regional and district rates. The highest combined rate is 61.8p for Moyle while the lowest is 48.2p for Castlereagh, a difference of 13.6p. In England the multiplier for the financial year 2011/12 is 43.3p in the pound with the added stability and simplicity of a uniform business rate. Rates are currently lower in real terms due to the lower ratable values resulting from a lack of revaluations, which should have taken place in 2007. It remains to be seen how the proposed revaluation in 2015 will affect retailing, given that the current economic downturn is expected to last until 2013[7].

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[5] ERINI (2008) "Investigation into a Small Business Rate Relief (SBRR) Scheme in Northern Ireland

[6] DFP (2010) "Small Business Rate Relief Fact Sheet"

[7] National Institute of Economic and Social Research, Estimates of Monthly GDP, 9 August 2011

However, the delay in scheduling this exercise is not justification for imposing this inequitable levy.

Would you agree with the proposal to fund this through the imposition of a rates levy on the highest value retail properties?

How should the SBRR be funded?

The consultation document shows a further 20% of non-retail commercial properties qualify above the ratable value threshold, not under public ownership. (The inclusion of Public Sector properties would expand the base much further, giving a similar funding basis to similar schemes in GB.) The NIE could reduce retail's bill by £1.3 million per annum (or 20%), even before focusing the rate relief on small retailers or small businesses more generally. If the NI Executive wishes to support all business it is paramount that the revenue base is expanded.

Would you agree with the proposal to extend the Small Business Rate Relief scheme for three years, as a temporary downturn measure?

Business need stability to make investment decisions

Business requires long term predictability and certainty to invest and create jobs. Any moves to rebalance the economy must inspire confidence that shifts in policy will be proportionate balanced and fiscal policy will not be based on sudden perceived grounds of affordability.

Despite assurances within the consultation document that this is a three year temporary measure, retailers and other investors make investment decisions on the facts available to them. These assurances have been undermined by recent Ministerial statements implying that future Ministers could not be tied by any sunset undertaking.

If the levy is introduced in its current form, other businesses will lose confidence in the fiscal stability of Northern Ireland and may think again about relocating. This proposal directly undermines the NI Executive's drive to rebalance Northern Ireland's economy through reducing Corporation Tax and other measures. It could deter millions of pounds of investment and the creation of thousands of jobs.

Historically Governments have been reluctant to relinquish revenue streams once they are in place. We believe the NI Executives will find it difficult politically to withdraw the SBRR in three years time, regardless of the state of the economy and public finances. A more sustainable solution must be found to assist small businesses and finance a more focused SBRR.

Large Retailers are already doing all they can to support the NI economy in the long term not just three years.

NIRC agree that SMEs need assistance in the downturn but targeting larger retailers will be detrimental over the medium term. A NIRC / CBI survey suggests that 6,150 new jobs are planned in Northern Ireland over the next 3 years by large retailers, in addition to around 30,000 existing jobs in these companies. This takes no account of seasonal employment which provides additional short term work in busy periods.

This is even more important when we consider the economic inactivity rate for those aged 16-64 in Northern Ireland stands at 26.6%, and remains above the UK average rate (23.2%) and was the highest rate among the twelve UK regions. In addition the Northern Ireland's employment rate remained below the UK average (70.7%) and was the second lowest rate among the twelve UK regions.

Many of the highest unemployment rates in Northern Ireland are located in areas where the levy is being targeted. The highest rates at July 2011 were in Derry (8.0 %) and Belfast (7.1 %)[8]. Belfast alone will account for 41% of stores impacted by the levy.

Enterprise Minister Arlene Foster has stated "Our long-term goal has always been to develop a strong and vibrant private sector that can compete internationally and which can provide employment opportunities for the people of Northern Ireland. Our focus remains on providing whatever support and assistance we can to help stimulate private sector growth and create jobs in Northern Ireland."

To achieve this goal the NI Executive and the DFP should reconsider this ill-conceived levy. Larger retailers drive footfall in neighbouring SMEs, contribute to a mutually beneficial relationship and improve the overall retail offering for consumers in Northern Ireland. The steeply rising tariffs on affected retail properties will discourage the development of large anchor stores. Belfast is ranked 14th in the UK as a retail centre (compared with Glasgow at 2nd and Cardiff at 6th) and imposing inequitable tariffs' will undermine efforts to correct this under-performance.

Large Retailers support the wider NI Economy

Multiple retailers provide ready routes to export for Northern Irelands agri-food sector

Northern Ireland has the potential to deliver a 40% growth in the agri-food sector with £600m of new external sales heavily reliant on multiple retailers. These connections will be more readily made by those growing their businesses in Northern Ireland.

To impose this added burden on larger retailers would ultimately be counter productive and result in fewer jobs and less growth. Many SME suppliers and other business in the multiples supply chain will suffer if the NIE decide to impose this inequitable levy. Although an average relief of £730 per annum will be helpful where this is successfully retained in the business (rather than being passed through to the landlord) it will not compensate for reduced investment in local supply chains.

This will have implications not only for services to local consumers, who are experiencing significant budgetary pressures and rely on the highly competitive multiple retailers to stretch their budgets, but also on the attractiveness of Northern Ireland as a potential investment location for internationally based retailers.

[8] Labour Market Statistical Press Release (see http://www.detini.gov.uk/deti-stats-index/stats-labour-market

Weak justification and retrospective policy making

Throughout the consultation document it has been referenced that the large retailers have fared better compared to small business in recent years. It also points to projected growth figures in comparison to other Northern Ireland business sectors as being favorable.

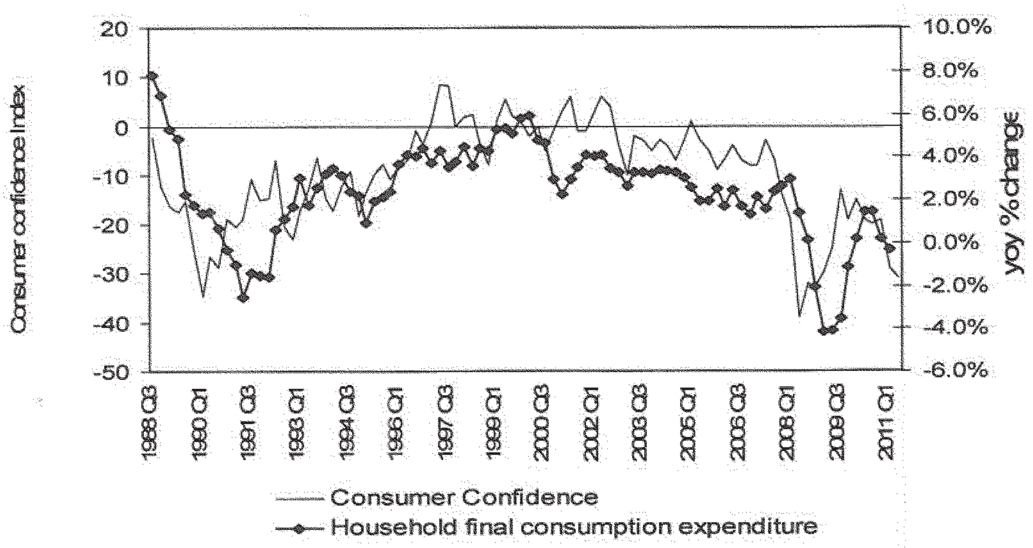
The justification goes further and indicates that the properties that will be subject to the levy have increased employment by 18% between 2007 and 2009 as opposed to the 10% for Northern Ireland as a whole. In order to achieve the greatest economic growth possible in a difficult trading climate the NI Executive should be backing winners, not penalising them.

Basing policy on perceived ground of affordability and penalising job creation will have wider impacts as it damages Northern Ireland's reputation as a business location. Retrospective policy making based on perceived successes, often in markets external to Northern Ireland, will not only deter investment but will discourage indigenous growth in employment.

The justifications are not only damaging, they are retrospective and do not take into account the more volatile outlook for the sector over the medium term. Conditions on the high street remain extremely challenging with incomes being squeezed and retailers like-for-like sales are down as a result.

The Northern Bank's Consumer Confidence Index for Q1 2011 reported further declines, with local consumers feeling the impact of VAT increases and rising food and energy prices. Combined with highly volatile financial markets, sovereign debt concerns and the continued effect of austerity measures, investment in relatively marginal and hostile markets cannot be guaranteed. There is an established relationship between consumer confidence and future sales, on a UK-wide basis, with shifts in confidence one quarter being highly correlated with a similar shift in consumption the next.

Consumer confidence and consumption



Cost implications are misguided - Margins not Turnover

The DFP estimates the current rates bill for the stores that would be subject to the levy, is, on average, around 1.2% of indicative individual store sales turnover, or less than 1.5% if the levy is included. The levy is estimated to be around 0.25% on average of indicative individual store sales turnover for the impacted companies.

What this fails to realise is that retail is a high turnover, low margin business model and the true cost to the stores is significantly higher. On average stores are operating on 3% margins. Therefore, the true cost would be 8.3% of a store's profit. This could be a significant factor when deciding where to invest.

An annual levy of £6.5 million would require £217 million per annum in additional revenues. In the current market conditions it is unlikely that consumer spending in Northern Ireland will expand to this degree, indeed it is currently contracting, so these additional revenues could only be achieved by increasing market share, at the expense of other retailers.

Alternatively, retailers could seek to offset rises in property costs by reducing other expenditure. The other major cost for a retailer is labour. While we do not expect the Large Retailer Levy to result in redundancies directly, it could reduce the use of additional seasonal labour, delay the hiring of additional permanent staff or reduce overtime, particularly in a worsening trading environment. To give an indication of the potential impact, £6.5 million is equivalent to more than 400 Full Time Equivalent retail jobs.

What are your views on a levy being applied selectively, for example confined to supermarkets or properties outside of town centres?

The NIRC would not support further narrowing of the revenue base since it is already too narrow, whereas the recipients of the relief are too broad and unfocussed.

Do you agree that the proposed large retail levy should be used to provide additional help to small businesses?

The NIRC supports the extension of the Small Business Rate Relief but does not support the mechanism for funding this relief and believes the Relief should be more targeted and cost-effective. We recognise the Small Business Relief Scheme will provide some temporary assistance to struggling small businesses. However, the broad brush approach proposed by the Executive means much of the Relief will be claimed by businesses away from the high street. In addition many beneficiaries will be large international business operating out of numerous small premises in Northern Ireland.

What are your views on the proposal to extend the reach of the existing scheme rather than provide additional relief to current recipients of small business rate relief?

The NIRC calls on the DFP to target the SBRR on genuine SMEs on the high street (Class A1 of the Use Classes Order). Spreading the beneficiaries of the Relief too widely will provide only marginal support and will do little to encourage job creation on Northern Ireland's struggling high streets. Average awards of £730 per annum will be welcomed but will not turn around struggling business.

What are your views on the small business retail relief option, taking account of the issues associated with this option?

The NIRC supports a more focused retail relief over the DFP's proposed thinly spread SBRR. It is, therefore, disappointing that no single database exists that contains the details of every active business in Northern Ireland. This is not, though, an excuse for broad-brush and ineffective policy making. The administrative tools need to be developed to deliver effective business support.

The consultation states that to provide sufficient retail focus would involve providing a definition of retail. The NIRC would target the relief on business who are defined under Class A1 for the Use Classes Order. Although this is not exact it would provide a broad framework for the support of the SME retail sector.

Although SME retail ratepayers would have to apply for the relief, creating a certain amount of cost and complexity, this would be more than offset by the greater targeting and would ensure more effective support.

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Annex

BREAKDOWN OF PROPOSED NEW SBRR CATEGORY OF £5,001 - £10,000 NAV (BASED ON VALUATION PRIMARY PROPERTY CLASS)*

Primary Property Class	Relief	%	No of Properties	%
Shops, Showrooms, Supermarkets etc	£3,208,070	49.79%	4067	46.29%
Offices(Includes Banks and Post Offices)	£1,124,406	17.45%	1417	16.13%
Warehouses, Stores, Workshops, (Non-IND) Garages	£969,283	15.04%	1244	14.16%
Privately Built Housing	£287,909	4.47%	392	4.46%
Licensed Premises	£225,326	3.50%	273	3.11%
Manufactories	£205,155	3.18%	745	8.48%
Hospitals, Clinics, Surgeries, Homes	£103,919	1.61%	130	1.48%
Non Sporting Rec Facility	£73,710	1.14%	105	1.20%
Filling Stations	£52,617	0.82%	64	0.73%
Sporting Recreational	£48,550	0.75%	147	1.67%
Schools etc	£35,950	0.56%	46	0.52%
Sites and Yards	£28,866	0.45%	39	0.44%
Commercial Unclassified	£17,465	0.27%	23	0.26%
Caravan Sites, Camp Sites and Holiday Chalets etc	£13,547	0.21%	16	0.18%
Hotels etc Unlicensed	£11,091	0.17%	17	0.19%
Nurseries and Garden Centres	£8,333	0.13%	9	0.10%
Markets, Marts	£7,040	0.11%	8	0.09%
Quarries, Sand Pits and Mines	£5,650	0.09%	22	0.25%
No classification	£5,383	0.08%	10	0.11%
Miscellaneous Land Use	£3,307	0.05%	4	0.05%
Hotels etc Licensed	£1,644	0.03%		0.00%
Miscellaneous Public Service	£1,995	0.03%	2	0.02%
Defence Hereditaments and Coast Guard	£1,066	0.02%	1	0.01%
Libraries etc	£977	0.02%	1	0.01%
Land Available for Commercial Development	£665	0.01%	1	0.01%
Rights and Tolls	£799	0.01%	1	0.01%
Churches, Church Halls etc	£179	0.00%	1	0.01%
Public Built Housing	£182	0.00%	1	0.01%
	£6,443,084	100.00%	**8786**	100.00%

CBI Submission

THE VOICE OF BUSINESS
NORTHERN IRELAND

CBI NI Response to the DFP consultation on the rating of Commercial Properties: small businesses, large retail properties and empty shops

NI 28 11

Executive Summary

The Northern Ireland economy faces significant challenges. Consumer and business confidence are weak and investment intentions remain subdued. The retail sector is particularly affected by weak consumer demand, with some large retailers experiencing double-digit sales reductions.

Creating jobs through encouraging business investment must remain a top Executive priority, and all policy measures must be judged against this outcome.

The proposed rating levy on large retail properties detailed in this consultation will, we believe, add a significant burden to a key segment of the economy which has a successful track record of both investment and employment creation. The proposed policy creates significant uncertainty and undermines business confidence and investment decisions in the retail sector.

The consultation document fails to give recognition to the fact that many of the retail premises impacted currently operate on very low margins – indeed, with some stores already in a loss-making situation, a 20% increase in rating costs will have a significant adverse impact.

Whilst the debate has been framed as a levy on out-of-town retailers, in order to stimulate and rejuvenate town and city centres, the published figures show that 60% of the premises affected are either edge of town or town centre properties.

It is our view that managing out-of-town development should be done through the creation of an effective planning policy and that the revitalisation of town and city centres should be assisted through Business Improvement Districts which are business led and business funded - we have also outlined alternative policy options in this brief which we believe could help support town/city centre re-vitalisation.

The CBI believes that the rating system should be used as a tool to encourage rather than to deter economic development and should seek to leverage additional positive behaviours.

It is our view that this policy is a windfall tax without the enjoyment of any windfall and that it has the potential to undermine the stability of Northern Ireland's tax

environment, thereby acting as a brake on long-term indigenous and foreign business investment decisions. Indeed, the sending of mixed signals with regard to business taxation could potentially undermine the perceived benefits of reducing Corporation Tax in the future.

In particular the proposals:

- Create significant uncertainty regarding the Executive's attitude to business
- Create a major cost burden for large retail stores at a time of unprecedented pressure on the retail sector
- Will lead to reduced investment and a reduction in employment prospects in an important sector – though we accept that is unlikely to lead to store closures
- Will undermine city/town centre regeneration, with only 38% of the properties affected classed as 'out of town'
- Will introduce a globally unique proposal, thereby making investment in Northern Ireland retail much less attractive than elsewhere in the UK

We note that similar proposals for Scotland have been withdrawn, following widespread consultation which led to a fuller appreciation of the broader negative impact of such proposals.

CBI strongly recommends that the Executive should withdraw these proposals and develop an alternative strategy to support the revitalisation of town/city centres and the provision of support for growth orientated businesses.

We further recommend that support for a Small Business Rate Relief should be provided out of general taxation/rates.

Introduction

CBI Northern Ireland believes that the measures recommended in this consultation document by DFP, to 'rebalance' the rating system, have the potential to act as a significant disincentive on new business investment. The introduction of a levy on our highest value retail properties on the basis that '*some sectors of the economy have fared better than others during the economic downturn*' has the potential to set a dangerous and misleading precedent. This levy will create considerable uncertainty around the stability of the tax environment in Northern Ireland and will, at best, be seen to be wholly at odds with the Northern Ireland Executive's stated aim of growing a dynamic, innovative economy.

A stable, predictable business rate allows firms to take long-term decisions and to invest, with confidence, in the Northern Ireland economy. This action will discourage retail investment in Northern Ireland and will cause major retailers to review existing expansion plans. The levy also does much to undermine the positive policy initiatives being pursued by the Executive, such as securing a reduction in the rate of corporation tax. In addition, indigenous

Quote: *"Even if we do get a rates reduction, it may not make much of a difference. Say it's 20 per cent and it equates to £1,000. That by itself won't allow me to do a lot more than what I already do in terms of helping my business. But say that money is put aside into a fund for small businesses? If there were 300 traders here, that would then give us £300,000, which could be used to hire a road manager, develop a PR strategy and a lot more besides."*

Hugo Finlay, Lisburn Road Business Association – South Belfast News, 10th August 2011

businesses will be less likely to make positive investment decisions when worried that any short-term costs to government brought about by the reduction of Corporation tax will be clawed back through additional levies or taxes, whilst international investors will be less willing to take long-term decisions in a region that takes a short-term view on policy.

Although the consultation is correct in stating that business rates are viewed as a disproportionate burden on most small businesses, this is more to do with the nature of the taxation method itself, in that it does not attempt to rate profitable income or turnover but rather is based upon the property that the company owns or occupies. Adjustment of the Northern Ireland rating system in itself will not necessarily be helpful unless the Executive has intended a wide variety of other potential policy outcomes. For example, when looking at the potential impact of a small business rate relief (SBRR) scheme, the Economic Research Institute of Northern Ireland (ERINI) found that any reduction in payable non-domestic rates for small businesses will generally translate into an increase in the turnover and margins of commercial landlords[1].

A very significant supplementary business rate on large retailers could not be viewed as an adequate and focused policy instrument with which to address specific economic conditions for struggling small businesses or, to be more accurate, businesses that operate out of small premises.

Around half of the SBRR is likely to benefit shops, showrooms and supermarkets. Other properties to benefit include offices, warehouses and a wide range of other uses (including some public sector buildings). Several properties which are part of large groups and multinational companies will also benefit including banks, off-licences, betting shops, pharmacies and insurance brokers.

The problems faced by many small enterprises are in a number of specific areas – lack of demand, securing access to finance, the rapid expansion of the online retail market, above average inflation, difficulty passing on rising costs and fragile consumer confidence. To expect a relief for 3 years of £720 per annum (on average), to address these issues is not realistic - there is no evidence to suggest that any jobs will be created or retained as a result of this scheme. However, we recognise that many businesses operating in small business premises will welcome the proposal.

The CBI believes that interventions to support small companies should be carefully targeted. A recent National Endowment for Science, Technology and the Arts (NESTA) report[2] showed that 6% of UK companies with the highest growth rates generated half of the new jobs created by existing businesses between 2002 and 2008. As the Executive has no direct power to address the fundamental issue of lack of demand for many small retailers (though it has an important role in building consumer and business confidence), we believe that resources should be focused on supporting those companies who are engaging in high growth, innovative activities in both high-tech and less traditional innovation sectors (agri-food would be a prominent example of an industry in Northern Ireland with real growth and innovation potential).

The CBI's preferred solution to support small retailers in town centres and city centres is to fast-track the introduction of legislation for Business Improvement Districts (BIDs). CBI members (in both retail and tourism sectors) have found these to be successful in other areas of the UK, allowing companies to work

[1] ERINI, Investigation into a Small Business Rate Relief scheme in Northern Ireland (March 2008)

[2] NESTA, The vital 6 per cent (October 2009)

together to pursue business priorities in order to revitalise an area. BIDs are business-led and business funded, which means the money is spent in common purpose to support and regenerate areas.

Many small retailers rely on large anchor stores to provide footfall to their shops, and many large retailers need the variety offered by small businesses to safeguard the long-term vitality of an area. Working proactively together, they can intervene in a more substantial and lasting manner through the creation of a Business Improvement District than a potentially "blunt" relief scheme. Indeed, as previously outlined, the SBRR will apply to many businesses which are not in the retail sector and one option which we would suggest should be considered is to focus the relief on retail premises only.

Large Retail Rating Levy

CBI Northern Ireland has deep misgivings about the proposed rating levy, its scale and impact over both short and longer term, believing that it undermines the positive steps made by the Executive to build a reputation for Northern Ireland as a welcoming destination for business investment.

The '*preferred approach*' in the consultation document of a 20% levy is based on *'striking the appropriate balance between sharing the burden amongst a broad range of retail businesses and keeping the levy proportionate'* – which identifies the net annual value of £500,000 or more as the key threshold. The 20% figure has been estimated to add an average cost of 0.25% of indicative individual store sales turnover for those affected, however this analysis seems to be based on UK-wide combined sales turnover. This ignores the fact that there is variation in the business models of the 26 different companies affected. Also, by basing analysis on impact on the turnover of each of the companies, the consultation risks missing the fundamental business model used by many of those retailers affected: high sales turnover and low margin – the intense competition in this market segment means that profit margins (and prices for consumers) are kept low.

Profit margins for the nine UK publicly listed companies affected by the levy average 5.28%, ranging from 3.0% to 6.1% for grocers/DIY stores to 6.1 -11.6% for clothes/fashion retailers[3].

We have evidence, provided on a confidential basis, of other retail properties with margins of less than 1.5% and in some cases loss making.

These figures illustrate a number of points:

- There is considerable variation in the business model employed by the retailers affected
- The calculations in both the analysis and the impact assessment are based on turnover rather than profit figures. This therefore does not accurately reflect the impact this retail levy will have on individual stores. Whilst 0.25% of indicative individual store turnover appears relatively low, net profit margins are so low that the viability of stores, both current and proposed may be called into question. Therefore, it is important to distinguish between profit, operating profit and turnover figures
- Individual stores, both current and planned, must remain viable (i.e. sufficiently profitable) if we are to continue to attract jobs and business – the consultation, which focuses on UK sales turnover to judge the impact of the levy on individual stores, is therefore

[3] Latest reported net profit margins for listed UK companies: Debenhams, Home Retail Group, J Sainsbury, Kingfisher, Marks and Spencer, Next, Tesco, TJX Group and WH Smith

5 CBI NI Response to the DFP's Consultation on the rating of commercial properties

inappropriate, as every store acts as an individual profit/loss centre for companies

- In many cases, the profit margin in stores in Northern Ireland is less than in the rest of the UK due to a higher cost-base
- Some large stores in Northern Ireland are currently loss making

Furthermore the consultation paper fails to recognise that retailers in Northern Ireland face significantly higher logistics and distributions costs (in some cases double that in the rest of the UK), together with significantly higher utility bills. However, many apply UK wage rates and therefore do not benefit from the lower wage costs that exist within smaller firms in Northern Ireland.

The consultation states that '*the proposed levy would add an average of 20% to the rate bills of the largest retailers and at this level it is not considered severe enough to adversely impact on consumer prices, investment and employment*'. The CBI would question on what basis such a judgement can be made – large retailers, who operate across a number of countries and geographies, naturally prioritise their choices against projects in other countries, as well as in the rest of the UK, when considering their future investment plans. A number have made it clear to us that, if subjected to such a levy, they will need to reduce employment costs as an offset, and in some cases, will forestall further investment in their stores. In some cases the extensive Corporate Social Responsibility activities will have to be curtailed as the companies seek to offset these higher rating costs. Rating costs are already the second highest operating cost for many of these retail properties.

Further, the uncertainty created by the proposed policy is also likely to damage efforts to attract new retail investors into Northern Ireland. Such potential investors already face 'barriers to entry' in the form of a slow and uncertain planning system, limitations on Sunday trading and restrictive alcohol licencing.

Northern Ireland must not take retail investment for granted on the basis that the proposed levy appears to be relatively small in relation to their combined UK sales turnover – no other region in the world has pursued such a policy of discriminatory property taxation that targets a single sector, thereby undermining the economies of scale on which large retailers operate, and from which consumers clearly benefit.

In Scotland a similar proposal which emerged at the end of 2010 was rejected by the Scottish Parliament after being criticised by the Finance and Local Government Committees. They expressed concerns about:

- Why the tax had been targeted as an out of town tax when it affects both town and city premises
- Why the tax concentrated on the retail sector alone
- How the proposals would support economic growth, when the it could discourage investment by large retailers in Scotland and put jobs at risk.
- What consideration had been given to the potential impact on future investment and development from other sectors in Scotland

Despite being elected with an outright majority in the recent Scottish Parliament elections and having recently proposed such a scheme, the Scottish National Party (SNP) government has decided not to proceed with the original proposals due to the damage it would do to future investment in town and city centres. However they have recently announced proposals to charge a levy from on large shops selling alcoholic drinks and tobacco - the costs and processes involved are of course very different in Northern Ireland compared with Scotland.

> Quote*: As expected, August was a tough month on the high street. Sales volumes fell at a pace not seen in over a year, as consumers have continued to see their real incomes squeezed by a combination of inflation and weak wage growth. This survey suggests that prices will rise more slowly in the coming months, and savvy retailers will continue to offer consumers the lowest prices possible, but with energy and commodity costs still high, families' spending power looks like being constrained for some time."*
>
> **Judith McKenna, Chair of the CBI Distributive Trades Panel and ASDA Chief Operating Officer (25th August 2011)**

Recent business surveys[4] do not show a confident retail sector accelerating expansion plans - indeed it is exactly the opposite. The latest CBI Distributive Trades Survey shows retail sales volumes fell at the fastest pace for over a year, with further falls in sales volumes expected in the future. Retailers were the most negative they have been about the general business situation since February 2009 (at the most severe point in the recession).

The Department has also framed the proposed levy as largely applying to supermarkets and out-of-town retail properties – the consultation states that a secondary benefit of the levy would be to help redress the recent trend toward out of town centre shopping. The location analysis shows that this is not actually the case, with only 38% of the properties affected defined as being out of town. The majority of stores affected are anchor stores within city and town centres or edge of town supermarkets that serve the communities around them. We believe that managing out-of-town development should be controlled through effective planning policy.

CBI comments:

- **Combined UK sales turnover is not a relevant figure when assessing the impact of the levy - this is a major flaw in the consultation document**
- **The retail sector is not undergoing a boom – consumer and business confidence is low and for many retailers sales volumes are down**
- **The business model for most of the retailers affected is high turnover, low margin – net profit margins are generally below 5%, except in clothes/fashion shops**
- **This will have an impact on investment pipelines for retail in Northern Ireland**
- **Short-term decisions on tax (especially those based on a sector's '*perceived success'*) will have a negative impact on future business investment from other sectors**
- **Retailers already pay a disproportionate level of business rates**
- **The tax will damage town and city centres**
- **The guarantee of the measure being temporary (3 years) provides no certainty for retailers and Northern Ireland risks losing out on future retail investment**

Expansion of the small business rate relief (SBRR) scheme

The CBI does not agree with the proposal to use a levy on larger retailers to extend the small business rate relief scheme for a number of reasons.

We understand that the extension has been framed as of benefit to all small businesses, but we would be concerned about the precedent set by a levy that redistributes from one single sector to fund this benefit. We feel that the small business rate relief is a blunt instrument, relieving businesses with small

[4] CBI Distributive Trades Survey – August 2011

6

premises, and not just those in need of help or potential to grow.

The proposed extension of the existing scheme funded through a levy on large retail properties acts as a transfer away from the retail sector to other sectors, particularly in areas that have high rating values, damaging efforts to regenerate city and town centres by undermining the success of the anchor stores that many small retail businesses are dependent on. Over half the SBRR will be redistributed to non-retail businesses, which sit inside the proposed eligibility bracket for the small business rate relief scheme – small retail businesses are likely to have higher net annual values in relation to turnover due to higher floor space demands relative to other businesses

The ERINI report on SBBR[5], undertaken prior to the introduction of the first scheme, stated that:

- There was an extremely diverse range of businesses operating across the small firm sector in terms of size, cost structures and business performance
- Their survey would suggest that the impact of rates on costs and profits is also exceptionally diverse
- The distinction between those who own and those who rent their premises in terms of the issues impacting on their businesses along with any associated impact of rates relief is worth further consideration
- Deadweight is quite significant in that 1 in every 10 businesses highlighted that even a 50% relief would have no impact on investment decisions
- The evidence on where the relief might fall points to the majority of any rate relief being captured by the landlords of those businesses that rent their property. This would mean that up to 50% of small businesses in Northern Ireland may see no benefit from a rate relief scheme

The only reason for a small business rate relief scheme could be on *'wider political or social grounds'*.

> **Quote:** *'Taking account of all of the evidence collected ERINI has concluded that there is no compelling economic justification for the introduction of a small business relief scheme in Northern Ireland. The local rate base has already been weakened by a series of reliefs and exemptions and a further relief to small firms would mean that either public services would have to be curtailed or those firms not benefiting from the relief would face even higher rate bills. The benefits that would be generated by such a scheme would be inadequate to justify its costs."*
>
> **ERINI Conclusion – March 2008**

A similar evaluation of the rating relief scheme in Scotland[6] found that:

- Survey work suggests that, for most firms, the rate relief was just a minor supplement to profits – unlikely to increase activity or employment levels
- It is possible that the rates relief helped to maintain the viability of some very small and marginal businesses, but any businesses in which survival is dependent upon a few hundred pounds of costs per annum must already be on the margin of viability

[5] ERINI – 2008 report on SBBR

[6] DTZ Pieda Consulting, Evaluation of the Impact and Effectiveness of the Small Business Rates Relief Scheme

- The scheme may have some specific benefit in helping maintain marginal retail enterprises in rural areas

A further weakening of the local rate base on political or social grounds through the introduction of a relief should not be a mainstay of the Executive's economic policy. The three year timeline for the policy is not accepted by large retailers affected by the levy as providing certainty for their future investment plans, because the motivation behind the policy does not seem to be economic.

Indeed the policy has wider ramifications. The introduction of a damaging policy aimed solely at large retailers provides little confidence and certainty on how the Executive may respond to securing the devolution of Corporation Tax. Creating uncertainty is particularly damaging to encouraging business investment.

A major weakness in the structure of the Northern Ireland economy is the lack of large companies employing over 250 people. While Northern Ireland has broadly the same number of small companies employing less than 50 people (97.1% via 96.6% in GB[7] the number of large organisations is approximately 50% less). Any policy targeted at burdening larger companies is therefore particularly unwelcome.

The CBI is strongly supportive of measures to help develop and improve the competitiveness and growth prospects of small businesses but we believe that policies should be well targeted – stimulating growth in sectors with significant potential and focusing on job creation, innovation and exports.

Help for small retailers, through a more targeted SBRR, should be funded out of general taxation/rates which currently run at approximately £1bn annually.

The CBI feels that the political principle behind the rating of commercial properties consultation is wrong – EU state aid rules are designed to set a clear framework to prevent Ministers from showing financial favour, or disadvantage, to any one sector or location over others. This consultation seems like a clear misinterpretation of that framework.

The social grounds may be more justifiable, the CBI agrees that retailers within town and city centres need some form of support to weather the economic factors currently making life difficult for them.

One of the simple ways to relieve the rates burden would be to introduce "**material changes of circumstances**" as grounds for a reduction in assessment in an amendment to the NI Rates Order. If a major new shopping centre or supermarket opens near to established business, it is quite clear that the circumstances in which its original rating assessment was carried out have changed – impacting on their profitability and thus viability. Retailers in the UK are able to avail of this ground but there is a gap in the NI legislation. This is a major weakness which acts against the interests of smaller retail businesses.

The postponement of the Rating Revaluation to 2015, a decision taken by the minister, has delayed the necessary re-balancing of the rating burden, though until it is completed it is difficult to assess its impact on individual premises and locations. However this could potentially have a more direct impact on 'out of town' developments, while easing the rating burden on some inner city and urban developments.

Major retailers already have a wide range of corporate social responsibility activities –

[7] ONS report 2010

Business Improvement Districts –

- These are defined areas in which businesses vote to pay a supplementary levy to fund improvements.
- The levy is proportionate – large retailers pay a higher share than small retailers.
- Improvements can range from construction of capital projects to enhance streets to marketing.

The model has been adopted as best practice in many different countries –funded by and led by businesses and judged on commercial criteria.

harnessing this existing investment should be at the centre of any policy response to address the growing number of vacant town and city centre shops[8]. We feel that the Executive should be looking at fast-tracking legislation on Business Improvement Districts – these are schemes that properly acknowledge the mutual reliance in the relationship between large and small retailers. Small retailers rely on large anchor stores to provide footfall to their shops, and many large retailers need the variety offered by small businesses to safeguard the long-term vitality of an area.

Finally as an alternative source of funding the SBRR scheme there is clearly scope for considerable savings across the public sector, as set out in CBI Northern Ireland's *Time for Action* report published in 2010. Scope for savings of £1.1 billion by 2014/15 were identified. There is more than sufficient scope to achieve savings of c £7m per annum which could be used to pay for a SBRR scheme without damaging the broader retail sector.

CBI comments:

- **A levy on large retailers to support small businesses redistributes money away from a struggling retail sector.**
- **The Economic Research Institute for Northern Ireland report rejected a SBRR scheme as it had *'no compelling economic justification'***
- **An extension of the SBBR is a blunt instrument rather than targeted measures to improve competitiveness in the small business sector with significant potential to achieve economic goals eg in job creation, innovation and exports**
- **'Material changes of circumstances' as grounds for rating reassessment are missing from legislation in Northern Ireland, unlike in the rest of the UK**
- **The proposals will undermine the development of BIDs – cooperation between large and small retailers is key to addressing the problems facing town and city centres**
- **The postponement of the rating revaluation has been unhelpful to many small retailers**

Window Displays in Empty Shops

The proposed changes to allow non-commercial use of window displays are strongly welcomed.

Concluding remarks

Earlier this year the CBI, together with seven other business organisations (Construction Employers Federation, Centre for Competitiveness, NI Chamber of Commerce, Institute of Directors, Momentum, NI Food and Drink Association and NI Independent Retail Association) published 'The Jobs Plan'. The document recommended that if changes were made to the rating system, they should be used to help change behaviour and reward sustainable businesses, for example through introducing incentives for environmental

[8] BRC/SPRINGBOARD-ATCM, Footfall and vacancies monitor

improvement and investment in low carbon technologies. Such a policy would incentivise business investment (which is sorely needed as a driver of demand) and lower business costs through a more sustainable approach.

These should be the proposals which the Executive should review when considering changes to the rating system to stimulate economic activity.

The proposal outlined in the consultation to introduce a rating levy on large retail properties is of real concern to the business community, creating uncertainty for long term investment decisions both within and outside the sector. The motivation for the levy undermines the positive steps the Executive has made toward a better environment for both internal and external business investment – the assumption by the Finance Minister that a sector '*has not fared too badly during this downturn*' should never be justification for a tax.

Investment by major retailers has been an important economic driver, helping town and city regeneration, bringing competition from which consumers across Northern Ireland have benefited over the last 30 years, their supply chains have also provided a key route into the wider UK market for many of our SMEs – with the agri-food sector seeing considerable benefit.

Retailers are facing considerable headwinds (at all levels – from large to small) with lack of demand leading to record levels of vacancies within town centres, this is a problem that needs to be addressed – but the solutions to these problems should be led by retail businesses – taking advantage of the willingness of major retailers to invest in corporate social responsibility activities in order to make the areas in which they operate viable in the long term.

The policy response to these economic conditions should be to fast-track legislation to provide a framework for large and small retailers to work together through Business Improvement Districts – to revitalise town and city centres by taking advantage by stimulating investment from major retailers – not to redistribute wealth from the retail sector to other business sectors (providing particular help for margins and turnover of commercial landlords).

The introduction of a 'material changes of circumstances' legislation should also be pursued with urgency as this would provide support for small retailers who can demonstrate that out of town development has impacted negatively on their premises.

Finally the extension the SBRR should be funded from public expenditure and the potential savings which are possible by reducing waste and duplication across the public sector.

CBI Northern Ireland
4 October 2011

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CBI
THE VOICE OF BUSINESS

INVESTOR IN PEOPLE

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September 2011

The CBI helps create and sustain the conditions in which businesses in the United Kingdom can compete and prosper for the benefit of all.

We are the premier lobbying organisation for UK business on national and international issues. We work with the UK government, international legislators and policymakers to help UK businesses compete effectively.

Our members benefit from our influence, a wealth of expertise, business services and events.

Federation of Small Businesses Submission

Northern Ireland Policy Unit

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18 October 2011

Dear Sir/Madam

Re: Consultation on Rating of Commercial Properties: small businesses, large retail properties and empty shops

The Federation of Small Businesses is Northern Ireland's largest business organisation with around 8,000 members from across all sectors of industry, and over 200,000 members throughout the UK.

We lobby decision-makers to create a better business environment and we welcome this opportunity to input to the Consultation on Rating of Commercial Properties: small businesses, large retail properties and empty shops

We trust that you will find our comments helpful and that they will be taken into consideration. The FSB is willing for this submission to be placed in the public domain. We would appreciate being kept apprised of further developments.

Yours faithfully

Wilfred Mitchell OBE
Northern Ireland Policy Chairman

FSB NI response to consultation on Rating of Commercial Properties:

small businesses, large retail properties and empty shops

October 2011

Rating of Commercial Properties: Small businesses, large retail properties and empty shops.

Introduction

With almost 8000 members from across every sector of enterprise and industry, the Federation of Small Businesses is Northern Ireland's largest representative business organisation. The FSB's aim is to promote and protect the interests of all those who own or manage their own businesses, and to create a better business environment for the typical Northern Ireland business.

Small businesses account for 98% of the private sector business environment and employ almost half a million people across Northern Ireland, contributing 60% of all private sector turnover.

The FSB fully supports the proposals outlined in the consultation paper. Action is needed urgently to safeguard the future of small businesses, independent retailers and small shops. It is from these that tomorrow's big business will come. The proposals on extending the Small Business Rates Relief scheme, and for window displays in empty shops, are practical measures that the Northern Ireland Assembly can deliver for the local business community at a time when innovative measures are being sought to improve local economic conditions and capabilities.

Non-Domestic Rating is the sole business tax within the control of the Assembly, and as such is the key lever held by Stormont in terms of reducing business costs. As the consultation paper recognises, rates are a larger proportion of turnover, profit and outgoings for small businesses than for large companies. However, Northern Ireland was the last region in the UK to have a small business rates relief scheme.

Developing our small business sector is essential if the Assembly is serious about growing our private sector. We believe that developing new indigenous small businesses that use R&D and export to new markets across the globe is the future of our economy. Pro-enterprise policies generate positive effects for all.

The FSB welcomes the NI Executive's use of its powers to increase the competitiveness of and incentivise small businesses and start-ups. The extension of the Small Business Rates Relief in Northern Ireland would send a clear message of the Assembly's recognition of the importance and contribution of the small business sector, that it is serious about growing our economy and our private sector.

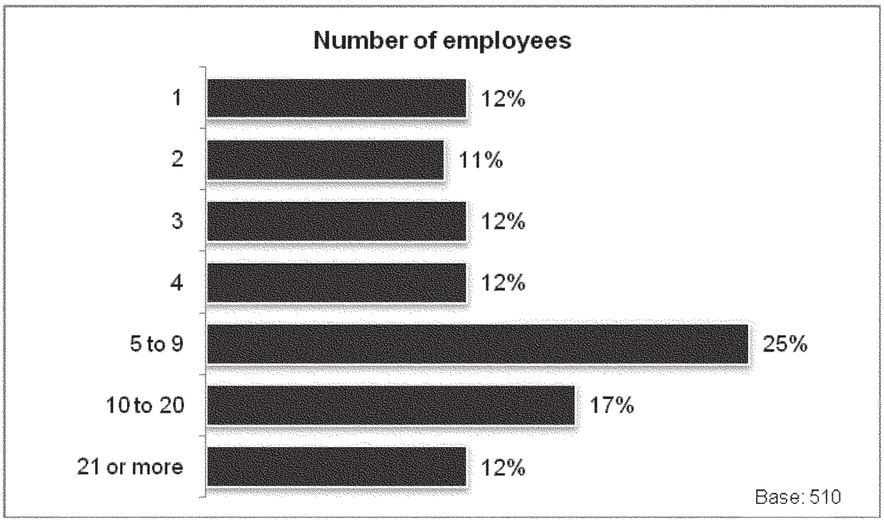
Extending the SBRR scheme

The FSB agrees with the proposals, and fully endorses the "overriding aim...to rebalance the rating system, so that more small businesses get help during the economic recovery". As the paper states, "...the recycling of local money, through the provision of rate relief to small businesses, has a positive impact on the wider economy" (para. 104). We also agree that "aside from a greater recycling of local money within the local economy, it is also expected that supporting the small business sector, particularly retail, would have a positive effect on social inclusion and community life particularly in more disadvantaged and isolated areas" (paragraph114). These are also the reasons why we wish to see Northern Ireland designated as an Enterprise Zone, with a full package of measures designed to encourage growth and vitality, as soon as possible, and also supports our belief that businesses should play a key role in community planning partnerships, when they are introduced.

We also agree that the number of recipients of relief should be increased rather than the value of relief to existing recipients. Member queries to the FSB offices in Belfast on the current Small Business Rates Relief scheme largely seek information about thresholds and whether they will be increased. A large proportion of these come from members whose property NAV is just over £5000, and many tell us they will consider requesting a revaluation to see if their NAV can be lowered so that they are eligible for the relief.

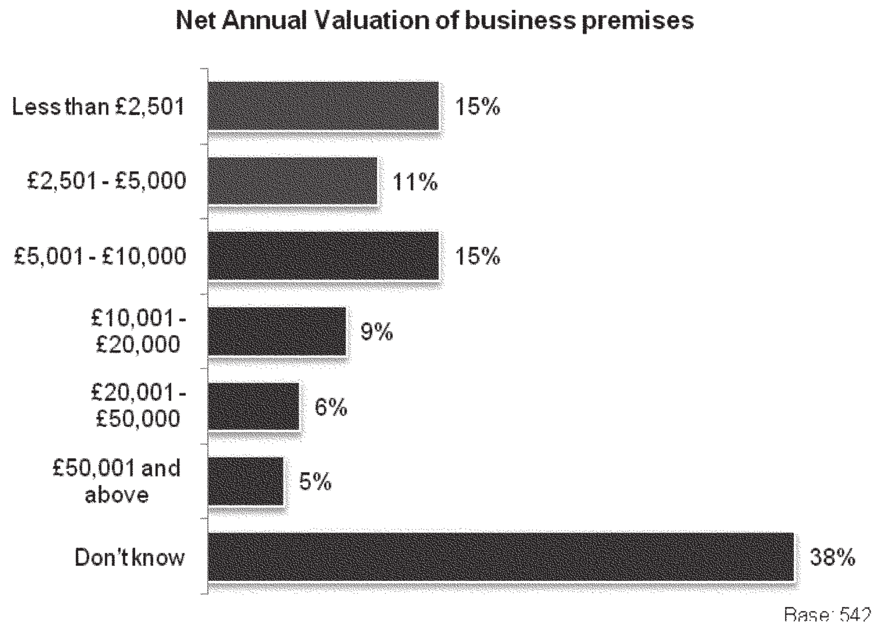
Our 2010 member survey indicates that approximately one quarter of our members are eligible for the current relief, though the vast majority of our members employ fewer than 10 people. This suggests that even micro businesses locate in reasonably sized or well positioned properties.

Current employees



72% of members employ fewer than 10 staff, while 12% employ more than 21 people. The majority of members (25%) employ between 5 and 9 staff members, confirming that Northern Ireland is a micro- and small- business[1] economy.

[1] The EU definition of a micro business is one with fewer than 10 employees; a small business is one with fewer than 50 employees.



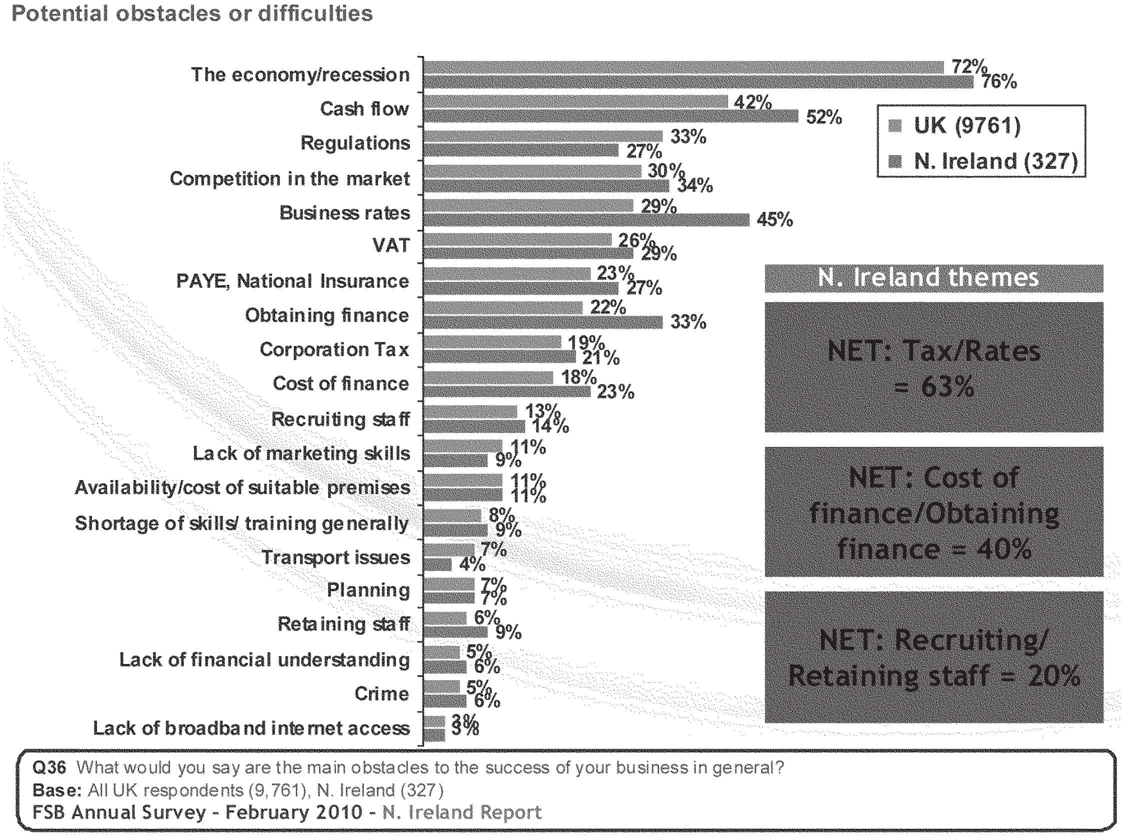
The proposal to extend rates relief to businesses in properties with NAVs up to £10,000 will benefit an additional 15% of the smallest businesses, and the £700 or so that this is worth can be invested in the business, help to pay bills and improve cash flow, or even pay an employee's National Insurance for a year.

It is important that businesses are aware of the scheme, even though it is automatic – and it is absolutely essential that it remains so. To increase the collateral benefit of increasing business confidence, it is important that small businesses know that the NI Assembly recognises the contribution of small businesses to the economy and to society, and is taking proactive measures to assist in the current difficult economic conditions.

Interestingly, when we asked members how much their rates relief was, 26% said they didn't know, and 27% said they were not aware of the relief at all. In light of this, it may perhaps be worth considering an awareness raising campaign – perhaps including a prominent message on the front of rates bills and / or statements.

Rates as a Barrier to Business

FSB surveys show that property rates are one of the major barriers identified by SMEs as a barrier, and that this is a greater problem in Northern Ireland than elsewhere in the UK.

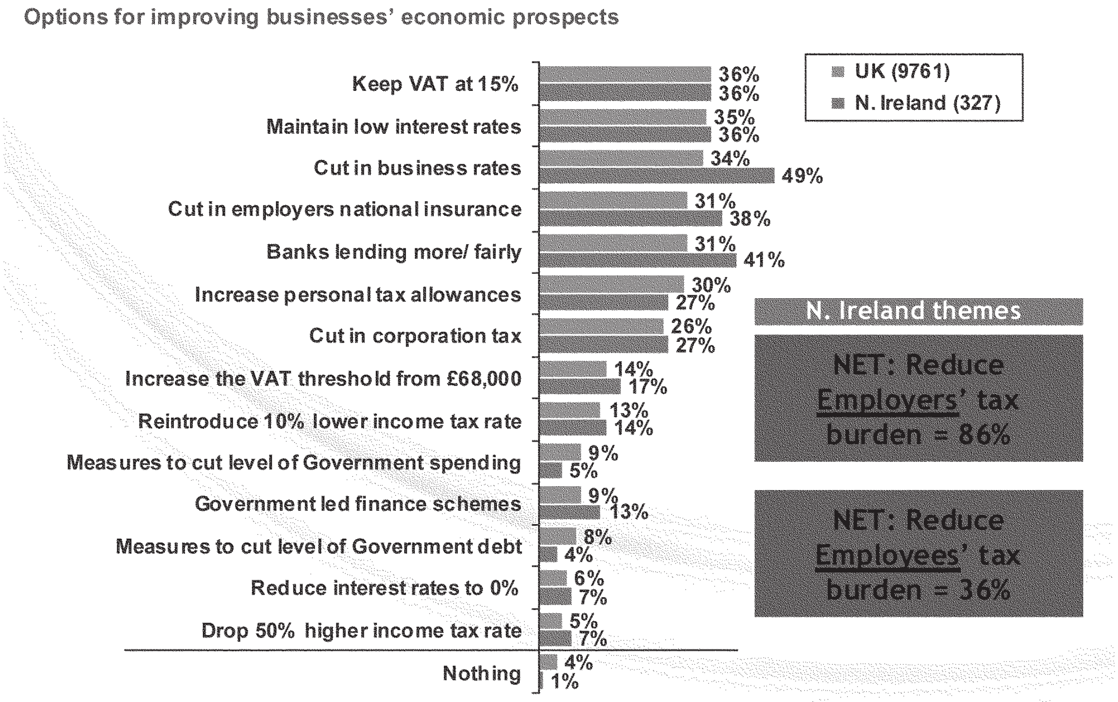


As cited in the consultation paper, a small business' rates bill can be more than a third of its outgoings. Anecdotal information gathered by the FSB suggests that in many cases, an SME's rates bill can be nearly as high as its rent. Indeed, rates liabilities and arrears are often included in the main reasons for business owners' decision to close.

The consultation paper acknowledges that an extended relief scheme would reduce outgoings for small businesses in the current economic climate. The consultation paper estimates that such an extension could assist up to 9,000 more businesses, increasing the number benefitting from 16,000 to 25,000, and would double the savings provided to the small business sector through the SBRR by about £6.5m.

The value of SBRR to a small business would likely be enough to pay for the National Insurance for an additional employee.

Conversely, we also asked members their preferences for types of measures which would help to improve their prospects. The results, as can be seen below, very closely reflect the barriers identified, with cuts in business rates now coming third in the list of preferred measures. Again, a significantly higher proportion of NI members than UK FSB members selected this as a desirable option.

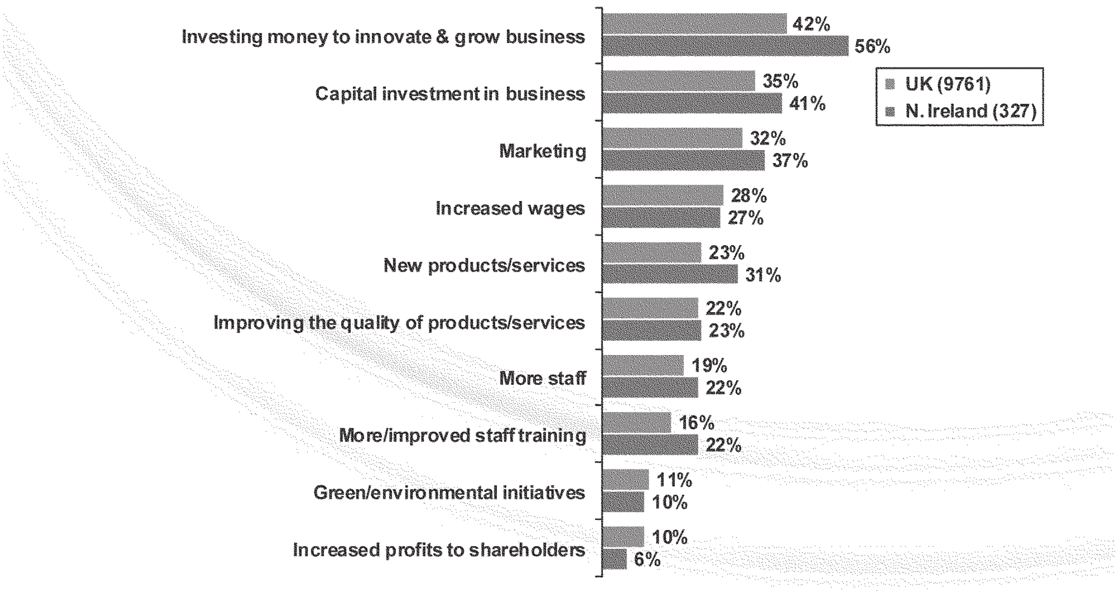


Q37 Which 3 of the following options in your view would most improve your business' economic prospects? Please select up to 3 responses. **Base:** All UK respondents (9,761), N. Ireland (327)
FSB Annual Survey - February 2010 - N. Ireland Report

When we asked our members for information on how they would invest any extra money made available from a reduction in business taxes (including rates), they said they would invest to innovate and grow (56%), or to increase the capital investment in their business (41%). NI businesses also want to invest in marketing (to increase sales), to increase staff wages, and to employ more people.

The FSB believes that an extended Small Business Rates Relief scheme will enable some of these businesses to realise their ambitions, to grow the success of their firms, and to make a bigger individual contribution to the NI economy.

Potential areas of investment if business taxes were reduced (top answers)



Q38 If your business' taxes were reduced, what would you spend the saving on?
Base: All UK respondents (9,761), N. Ireland (327)
FSB Annual Survey - February 2010 - N. Ireland Report

As we argued in 2008 in our submission for the introduction of an SBRR scheme, it is essential that the relief is awarded automatically and that business owners should not be required to apply for the relief. Experience of such a scheme in England has shown a very poor take-up, with the result that the aim of relieving small firms of a disproportionate rates burden, and rebalancing the rates system, is not being met.

The Proposed Large Retail Levy

We welcome the proposal to extend the SBRR scheme to benefit an increased number of businesses, and accept the NI Assembly's desire to provide assistance to this sector while remaining revenue neutral in respect of the Executive's Budget.

While other schemes in the UK are largely or part funded by a small levy on the rates of all commercial premises that are not exempt or eligible for relief, Northern Ireland simply does not have the volume of property that would make this a viable option.

The FSB therefore agrees that a temporary and time-limited levy on large retailers is the best option of raising the necessary funding. We would be more comfortable if the levy was applicable to all commercial premises over a certain Net Annual Valuation, with the exception of those which are publicly owned or funded, rather than targeting the retail sector only. However, we recognise the simplicity of a retail levy, and since we fiercely advocate maintaining simplicity and the automatic nature of the SBRR, we accept the current proposal.

The proposed levy would affect 77 properties and 26 companies in Northern Ireland, and would increase the average annual rate bill for the affected properties by an average of £85000. The proposed levy will end in 2015, immediately reducing overheads for large retailers again.

We are also in support of devolving the ability to set the rate of Corporation Tax (CT) to the NI Assembly, an initiative which will benefit significantly more large and medium businesses than small businesses. The FSB recognises the potential boost to the NI economy that could be realised by increasing FDI. We believe that the whole economy will benefit, even though only one-third of SMEs are limited companies and would therefore benefit from a reduction in CT. If the power is devolved, and the corporation tax rate is reduced to compete with that in the Republic of Ireland, the large retailers affected by the levy are likely to benefit from the cut shortly after the levy ends.

Notwithstanding the current consideration of devolving the power to set the NI corporation tax rate, we would note that the Corporation Tax rate in the UK is being reduced every year, from 26% in 2010 to 23 % in 2014.

Taking just one example of one of the companies which would be affected by the proposed levy, Dunnes Stores (Bangor) Ltd made a pre-tax profit of nearly £28m in the year ending 30 January 2010, according to their published accounts, and were liable for approximately £8.4m in tax.

According to the consultation paper Dunnes has 4 stores in Northern Ireland which have an NAV of £500,000 or more. If the levy was imposed, the increase in their combined rates bill, at approximately £85,000 per property, would be in the region of £340,000 for the company.

Assuming, for the sake of illustaration, profits for 2012 and beyond to be similar to those for 2009, and for simplicity applying just one rate of corporation tax for the whole year (although it is due to reduce in the April of each year, the company's accounts are more closely aligned to the calendar year), Dunnes tax bill will fall from £8.4m (as in 2009) to £7m in 2012, and to £6.4m in 2014. The company will therefore save between £1.4m and £2m in corporation tax each of the years in which the proposed levy will apply. And taking the levy into account will still mean an overall saving for the company of between £1m and £1.5m each year

We are therefore of the view that a large retail levy will not have a significant adverse impact on the current sector, nor on potential investors, and that the benefit to small businesses, both financially and in terms of confidence levels, is good value for money.

Alternative measures for encouraging regeneration

Whilst we agree that it is vital to keep the small independent retail sector afloat, and we also advocate vigorous measures to regenerate town centres, we fully support the premise that rates relief should assist ALL types of small business, no matter what the sector. Personal service providers, financial service providers, small crafts works – all small businesses employ people, even if it is just the owner, they generate revenue, spend money, buy supplies etc etc.

We acknowledge that there are many good ideas as to how a relief could be targeted so as to provide an incentive to reduce energy waste, to employ people, to encourage export, growth, investment in new equipment and modernisation, and many others but, because of the need to provide evidence of implementing such measures through application and documentation, the relief would not work as an incentive at all; instead, eligible businesses would be deterred from claiming it. Furthermore, the administration costs to government would probably be substantially higher than those for an automatic scheme.

We also fully support Business Improvement Districts - BIDs - and urge the Assembly to implement the necessary legislation and draft policy guidance as soon as possible.

Window Displays in Empty Shops

The FSB welcomes the proposal to permit displays in empty shops without incurring a rates liability. This would cover non-political community and artistic displays, which are not commercial in nature, and would apply from 1 April 2012 to 31 March 2015.

The FSB believes that it is vital that our town centres and high streets are vibrant, and colourful, rather than empty, run-down and generally depressing. The NI Tourist Board is expecting a major increase in visitor numbers next year for the Titanic Anniversary and it is extremely important that shops and retail areas look and feel energised.

We would also suggest allowing the display of a small business logo where a business has sponsored an art or community project, the result of which is the subject of the display. Such logo could be regulated as to size and prominence, and should not be part of or accompanied by any kind of promotion or commercial purpose. We believe that this would further encourage corporate social responsibility and contribute to social inclusion, and integrate business into the community - a forerunner of the co-operation which will become part of forthcoming community planning initiatives, in which businesses must play a prominent role.

Future Evaluations

We are content with the proposed changes in the legislation to allow consideration of certain circumstances which may affect the value of a property.

We would also suggest that it may be timely to initiate a review of the rating system itself, as many property owners and/or renting occupiers are confused as to how properties are assessed and why similar properties in similar locations are given significantly different NAVs.

It may be time either to review the system or to make it a lot more transparent and accessible, and make case studies and examples available.

We would also express a note of caution that the end of the extended Small Business Rates Relief period will coincide with the revaluations being applied, and may result in a "double whammy" increase for some small businesses. We would urge the Department, Executive and Assembly to take account of this nearer the time and ensure that it does not shock the sector. Hopefully, Northern Ireland will be designated an Enterprise Zone by then, with an accompanying package of measures that will compensate to some degree.

NI Hotels Federation Submission

Consultation

Rating of Commercial Properties: Small businesses, large retail properties and empty shops

A response by the Northern Ireland Hotels Federation
to the Consultation

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www.nihf.co.uk

The Northern Ireland Hotels Federation (NIHF) is the representative trade body for the hotel and guesthouse sector. The Federation's primary objective is to improve and influence policy in line with member needs. Improvements in the wider tourism infrastructure are a vital part of our member's future. Part of this entails the ability to invest in hotel property and maintain ever discerning consumer standards.

The Hospitality Industry accounts for just under 4% of the provinces GVA and currently employs some 40,000 people. We have been tasked by government to grow visitor numbers to 4.5m by 2020 and increase visitor spend to £1bn (this is effectively a doubling of the current level.) Trading has suffered a significant downturn in the last eighteen months and any future tax burden on our membership would untenable.

Our concerns relate to Paragraphs 143 & 144 of Section 6: Clarifying Assumptions.

We comment as follows:

- In terms of the proposals within Section 6 of the Consultation Paper, the hotel industry supports the main proposal to clarify rating legislation and make it clear that commercial properties including hotels should be valued at a Rating Revaluation based on the economic circumstances at the antecedent valuation date (i.e. 1 April 2013 in the case of the next Revaluation) but taking into account the physical circumstances of the locality at the date the new Valuation List comes into force i.e. 1 April 2015.

- By way of example, this means that if a new hotel opened in direct competition with an existing hotel between 1 April 2013 and 1 April 2015, both hotels should be valued taking into account the existence of each other. However, any general change in the fortunes of the industry between the two dates (whether positive or negative) are disregarded.

- This is the approach that is adopted at present and it is fair and reasonable. It is also the approach that is adopted in the rest of the UK. Most of the hotel groups now operating in Northern Ireland also have a presence in England, Scotland and Wales and it is entirely sensible to have a consistent approach across the UK.

- Our concerns relate to paragraphs 143 & 144 of Section 6 which states that:

The Department would also consider the repeal of legislation applied to properties valued by reference to their volume of trade, for example public houses. This would have the effect of standardising the premise of valuations. LPS may still, in principle, take into account any trading evidence which would properly help it to ascertain the net annual value of a hereditament at the antecedent valuation date. There would be no change for properties where the net annual value is fixed wholly or partly having regard to the quantity of minerals or other substances extracted from it.

The intention is simply to provide greater clarification, with no real change to the operational practice that is already in place.

- Repealing the rating legislation that relates to properties valued by reference to their volume of trade (e.g. hotels, petrol stations, public houses) would be a fundamental change to operational practice and would penalise those properties operating in Northern Ireland compared to the same type of properties in GB.

- The value of hotels and the other types of properties mentioned are based on their trading potential and the rates that such properties pay are derived from their trading potential.

- Therefore, the rates that a hotel has to pay must be revised downwards if a new hotel(s) opens in the vicinity. Also, the rates that a new hotel pays must be derived from the trading potential at the date the hotel opens, taking into account the competition that exists at that time.

- To break this link would result in hotels shedding staff (to reduce costs in reaction to new competition) and ultimately hotel closures.

The current system works perfectly well in both Northern Ireland and GB – the system is not broke and does not need to be fixed. It is also strange and completely unjustified that this proposal should apply to hotels, petrol stations etc but not quarries. Hotels are far more labour intensive and should be encouraged to generate more badly needed employment at the current time.

In summary, the proposal to repeal the legislation is ill-conceived, inequitable and could have lasting damage to the hotel industry and the Northern Ireland economy as a whole. We submit that the Assembly should be encouraging the hotel industry to generate additional employment, not introducing measures that will have the opposite effect. The NIHF would urge that the *status quo* should be maintained.

Royal Institution of Chartered Surveyors Submission

RICS | the mark of property professionalism worldwide | Northern Ireland

17 October 2011

Mr Brian McClure
Rating Policy Division
Department of Finance and Personnel
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Longbridge House
20-24 Waring Street
BELFAST
BT1 2EB

By email: ratingpolicy.cfg@dfpni.gov.uk

Dear Brian,

Re: Public Consultation: Rating of Commercial Properties: small businesses, large retail premises and empty shops

The Royal Institution of Chartered Surveyors (RICS) in Northern Ireland is the principal body representing professionals employed in land, property and construction sectors and represents some 3,000 members. Our members practice in land, property and construction markets and are employed in private practice, in central, regional and local government, in public agencies, in academic institutions, in business organisations and in non-governmental organisations.

As part of its Royal Charter, the Institution has a commitment to provide advice to the government of the day and, in doing so, has an obligation to bear in mind the public interest as well as the development of the profession. RICS Northern Ireland is therefore in a unique position to provide a balanced apolitical perspective on issues of importance to land, property and construction sectors.

RICS welcomes the opportunity to respond to the public consultation which proposes to extend small business rates relief (SBRR) through the introduction of a supplementary levy on retail premises with a rateable net annual value (NAV) of over £500,000.00. According to the consultation document it is anticipated that by levying an additional 20% on the rates liability of large retain premises (77 identified) this will provide an additional £6.5 million to extend SBRR to properties within the category of £5001.00 - £10,000.00 NAV.

This consultation response follows engagement with the Department of Finance and Personnel regarding the proposal which was initially announced in the Finance Minister's Final Budget statement in March 2011 and follows a pre-consultation submission sent to the Department in June 2011.

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Small Business Rates Relief

RICS acknowledges the rationale behind the consultation which is to assist small businesses through the economic downturn and appreciates that many businesses and organisations are finding trading difficult in the current economic context. However RICS has concerns about the effectiveness of SBRR and notes that while the recipients of the relief will welcome the reduction in their rating liability it is unlikely to be at a sufficient level that will impact upon a firm's viability. It is our understanding that the average relief benefit to a small business will be approximately £750.00. If a small business is experiencing financial difficulties the rate of rate relief available will more than likely not be a factor in determining viability. Similarly relief of £750.00 will be unlikely to impact on a business decision to recruit or retain staff.

In 2008 the Department of Finance and Personnel commissioned the Economic Research Institute of Northern Ireland (ERINI) to investigate a small business rates relief scheme for Northern Ireland. The ERINI report suggested that small business rates relief as a measure is financially limited and will not have any widespread impact on behaviour or performance of small rate payers. In effect the consequences could be quite limited as any reduction could be offset by an increase in rents.

RICS Northern Ireland is also concerned about the potential impact that the introduction of supplementary levy can have on employment in Northern Ireland. We note that many of the large retailers identified in this consultation have to comply with a strict business model. While the introduction of such a levy is not deemed to be a significant proportion of turnover, these retailers may absorb the cost through contraction in employment opportunities as they cannot pass the cost of the levy off in price rises as many comply with a national pricing policy.

Timeframe

RICS notes the intention of the consultation that any of the measures proposed will cover a three year time frame which would then be superseded by the non-domestic revaluation in 2015. RICS would welcome a reassurance from the Department that if any of the measures are progressed that they will be in place for a three year period as we note that the key aim is to provide assistance during the economic downturn.

Postponement of the 2010 non-domestic revaluation

Had the revaluation of non-domestic properties proceeded in 2010 there is a distinct possibility that some of the businesses that have been identified in this consultation document could have availed of a reduction in NAV. It was felt that with the development of the Victoria Square complex in Belfast City Centre, properties situated in Donegall Place would have experienced a reduction in their NAV. As identified in the consultation document a number of business premises located in Donegall Place have been identified as being liable for the supplementary levy and therefore will have to pay a supplement on their rates liability rather than see a reduction that they could reasonably have expected had the 2010 revaluation proceeded.

Other jurisdictions

As the Minister has noted the proposal to introduce a supplementary levy, as proposed, is a blunt instrument in order to avoid an excessively bureaucratic scheme and the impact is that 77 retail stores have been identified to pay the levy for retail and non-retail small businesses. In Britain small business rates reliefs are self financed i.e. the reliefs are funded by the rates paying population for that region through a supplement on the rates bill of those businesses not eligible for relief.

RICS would ask the Department to explore the possibility of introducing a similar measure in Northern Ireland to ensure a more equitable spread of the rating burden.

Non-domestic rating revaluation

RICS acknowledges the rationale for delaying the 2010 non-domestic revaluation however we do believe that there needs to be greater certainty in the rating process. We note that next scheduled revaluation is set for 2015 which must be progressed with regular revaluations every 5 years in order to provide a fairer distribution of the rating burden and to provide greater stability in the valuation list.

RICS welcomes the commitment to clarify legislation regarding valuation assumptions used in non-domestic revaluation contained in the consultation document, allowing for state and circumstances to be taken into account in assessing the value of non-domestic property.

Window displays in empty shops

RICS Northern Ireland shares the concerns identified in the consultation document that empty properties can have a negative impact on town centres; with high levels of vacancy making urban centres look neglected. We note that recently published survey into retail properties in Northern Ireland indicated that one town experienced a retail vacancy rate of 21% while the average vacancy rate across Northern Ireland was 14% which compares to a UK average of 11.2%. RICS Northern Ireland welcomes the proposal contained in the consultation document that will enable limited use of window displays in empty shops by (non political) community, artistic or other non-commercial premises while still availing of 50% empty property relief.

Business Improvement Districts

RICS believes that the Department for Social Development should bring forward enabling legislation for the introduction of Business Improvement Districts (BIDS) as soon as practicable so that regulations around BIDS can be developed. BIDS can be a useful tool for more localised strategies to support business development.

Support for new businesses

RICS would urge the Department to give further consideration to the issue of extending vacant property relief for a period of one year to new businesses intending to occupy vacant properties. Such a measure could aid business start up, promote employment opportunities and increase levels of retail occupancy.

Related matters – town centres

It is the view that fiscal measures alone will help develop the fortunes of small businesses in town centres across Northern Ireland. RICS Northern Ireland would urge the relevant government departments to develop a strategy that will promote town centre regeneration this would include involvement, although not exclusively, of the following departments:

Department for Social Development (urban regeneration remit);
Department for Regional Development (roads, urban clearways, car parking and transportation);
Department for Enterprise, Trade and Investment (investment);
Department for Employment and Learning (training opportunities);
Department of the Environment (planning issues); and the
Department for Finance & Personnel (rating).

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Conclusion

RICS notes that in order for any of the measures to be in place by April 2012 the proposal will need to receive accelerated passage through the Northern Ireland Assembly. RICS is concerned that the potential impact of the proposed measures will not receive sufficient scrutiny in the Assembly if they are progressed by accelerated passage.

While RICS support the principle of providing assistance to small and medium sized businesses throughout the economic downturn we are not convinced that the supplementary levy or the rates relief scheme is the best vehicle for providing support. Such assistance is unlikely to make a struggling small business more viable or impact on employment across the SME sector.

RICS would welcome the opportunity to engage with the Department on these issues. If you would like further information or discuss any of the matters raised in this submission please contact me.

Yours sincerely

Nuala O'Neill

Nuala O'Neill MCIPR

Public Policy Executive
RICS Northern Ireland

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Northern Ireland Assembly

Appendix 5

Other Papers

Note on Chairperson's Meeting with representatives from CBI, TESCO and NI Retail Trade Association during Summer Recess

CBI

Present: Nigel Smyth, CBI

Rating

- Strongly oppose the introduction of the large retail levy.
- Will hit both in town and out of town retailers including large clothing shops that are showing a downturn in profits.
- Believe that the policy will have no economic benefit
- The revenue created will not have a significant impact on the profits of small businesses.
- The money could be better used elsewhere such as investing in innovation, exporting and ICT etc.
- Believe that rating policy should be used to try to change behaviour. Create incentives to stimulate economic activity such as incentives for reducing carbon emissions.
- Hope that the policy is only for the duration of the proposed three years and uncertainty over the period will create a belief that Northern Ireland is an expensive place to do business.
- Would support a proposal to put a rateable value on car parking spaces.
- Happy to provide further evidence to the Committee on the issue.

Corporation Tax

- Sees Corporation Tax as a major priority.
- Enthusiastically supports the lowering of Corporation Tax.
- Key issue is how it would be implemented and how the cost will be handled. Needs to be a managed transition.
- USA based investors see it as an important issue.
- Important to invest in skills and training so that the skills base is present to encourage investment. Would support an increase in University tuition fees to facilitate this.
- Are happy to provide the Committee with its written response to the consultation and to give evidence.

Procurement and Public Sector Reform

- Agreed with majority of previous Committees report on public procurement.
- Important that public procurement is conducted in an open and fair competition.
- Central Procurement Directorate (CPD) should engage more with local companies.
- Are supportive of the Procurement Board's strategic/corporate plan.
- Argue that shared services be delivered.

- Keen to see evidence based policy making and a Programme for Government with a clear economic strategy.

Tesco

Present: Peter Timoney, NI Finance Manager, TESCO
Tony McElroy, Tesco Corporate Affairs Manager with responsibility for NI, Scotland and Wales, TESCO
Emma Reynolds, Tesco Government Affairs Director, TESCO

- Opposed to the introduction of a large retail levy.
- Feel that they are being punished for growing and investing.
- Support small business and revitalising town centres but feel this is the wrong way to go about it.
- Tesco are already one of the largest rate payers and foresee a growth of £2.5 million in their rates bill due to planned new developments.
- Feel that it’s unfair to target businesses based on large premises and cited businesses (such as Starbucks coffee shop) that occupy small premises but have a high turnover benefiting.
- Plan to create 1500 new jobs over the next three years through opening new stores. When asked what effect the implementation of the Levy will have on these plans they replied that the plans should stay on track but if the stores proved unprofitable they would then be closed.
- Worried about the wider ramifications of the levy and whether it will used to offset the cost of corporation tax.
- Suggested that for Northern Ireland to be seen as a place to do business they can’t have “one hand tied behind their back with this extra property tax.”

NIRTA

Present: Glyn Roberts, CEO, NIIRTA

- Support the introduction of the Large Retail Levy.
- Feel it will secure a number of struggling businesses and limit shop closures while also spurring on those businesses doing okay, enabling them to increase staff numbers.
- Feel that the big out of town stores have an unfair competitive edge at present by, for example, having free parking and that the introduction of the levy will be a move towards creating a level playing field.
- Suggested that large stores like Tesco would gain more in the event of a reduction of corporation tax than it will lose through an increase in rates.
- Would like the policy to be more focused and has concerns about the inclusion of a number of city centre properties such as House of Fraser and Boots.
- Traders feel they don’t get value for money and NIIRTA is part of a coalition planning to launch a “Fair Rates for Small Business” campaign.

Chairperson’s meeting with Boots on proposed Large Retail Levy, 5 Oct 2011

Present: Andy Godfrey, Public Policy Manager, Boots
Jane Wells, JPR NI

Key points raised by the Boots representatives:

- Boots do not have an issue with the principle of the proposed legislation but concerned regarding the execution.
- Have one store that will be affected, located in Donegall Square, Belfast.
- Estimate the large retail levy will them cost £150,000 annually.
- Will recover approximately £16,000 from a number of stores which will benefit from the small business rate relief.
- Recently invested £3million expanding the affected Boots store in Belfast city centre, including opening a second floor.
- If the levy is introduced will have to look at ways to cut costs and, while not definite, the first port of call would be to look at decreasing the floor space of the store.
- Highlighted the proposed Scottish legislation which was revisited to specifically target large, “booming” stores showing high profits.
- Supports BIDs (Business Improvement Districts) which was introduced through legislation in England and Wales.
- Suggested that if BIDs were introduced in Northern Ireland it would overlap with the large retail levy and businesses would be less prepared to contribute if they are paying for the large retail levy.
- Stated that Boots would not be willing to support BID’s if they are paying the large retail levy.
- Consider that the Large Retail Levy treats all large retailers the same, whether in town or out of town, and compares “apples with pears not apples with apples”.
- Feels that the way forward is for town centre businesses, both independent and larger retailers to work together for mutual benefit to increase footfall and make town centres relevant again.

CBI Press release

Press release
Embargo: Tuesday 11 October 2011 at 00.15 hours

Leading business group slams proposed rating levy on large retailers

The CBI, the UK' leading business group, is opposing the Finance Minister's proposals to introduce a significant rating levy on large retail properties, stating that it will damage investment and undermine city and town centre regeneration efforts across Northern Ireland.

CBI Northern Ireland chairman, Terence Brannigan said

> *"This is an ill-thought through proposal which will damage our efforts to encourage retail investment in Northern Ireland and is at odds with the Executive's claim of putting the economy as its number one priority. This additional tax will make retail investment less attractive than anywhere else in the UK. The retail sector is already under enormous pressure with weak consumer demand, and inflationary pressures. Some retailers are facing sales reductions in double-digits, while many operate on business models based on high volume but low profit margins. A 20% increase in their rating bills will create significant uncertainty and undermine business confidence and investment decisions within a key part of our economy."*

The CBI Northern Ireland submission raises concerns that this proposal sends out mixed signals with regards to business taxation and could potentially undermine the benefits of reducing Corporation tax. The CBI states that the proposal:

- Creates significant uncertainty regarding the Executive's attitude to business
- Creates a major cost burden for large retail stores at a time of unprecedented pressure on the retail sector
- Will lead to reduced investment and a reduction in employment prospects in an important sector – though it is unlikely to lead to store closures
- Will undermine city/town centre regeneration, with only 38% of the properties affected classed as 'out of town'
- Will introduce a globally unique proposal, thereby making investment in Northern Ireland retail much less attractive than elsewhere in the UK and beyond

The CBI has challenged the Ministers' premise that the large retail sector has fared better than others during the economic downturn. Mr Brannigan said

> *"The consultation document fails to recognise that many of the retail properties impacted currently operate on very low margins – indeed, with some stores already in a loss-making situation, a 20% increase in rating costs will have a significant adverse impact. Published information reveals that retailers in the grocer and DIY sectors at a UK level typically operate on margins of around 5% yet we know that they face much higher operational costs already in Northern Ireland"'*

The CBI chairman added

> *'Whilst the debate has been framed as a levy on out-of-town retailers, in order to stimulate and rejuvenate town and city centres, the published figures show that 62% of the premises affected are either edge of town or town/city centre properties – Belfast city centre in particular will be hard hit. In our view, managing out-of-town development should be done through the creation of effective planning policy and the revitalisation of town and city*

centres should be assisted through Business Improvement Districts which are business led and business funded - we are keen to see these fast-tracked through the Assembly. We have also outlined alternative policy options to help support town/city centre re-vitalisation including the introduction of a 'material change of circumstances' to the current rating legislation.'

In its submission the CBI stressed that the rating system should be used as a tool to encourage rather than to deter economic development and should seek to leverage additional positive behaviours.

The CBI is recommending that support for extending the Small Business Rate Relief Scheme should be provided out of public expenditure or the £1bn raised annually in rates in Northern Ireland.

ENDS

Note to Editors:

Following extensive consultation with its members the CBI has submitted a detailed response the Department of Finance and Personnel's consultation paper on the proposed changes to commercial rates. The consultation specifically proposed to introduce a 20% levy on large retail premises with a NAV of over £500,000 from 1 April 2012. A copy of the CBI NI submission is attached.

Media contacts:

Mr Brannigan is available for interview – contact him directly on 078 3652 5141

Committee for Enterprise, Trade and Investment

Committee for Enterprise, Trade & Investment,
Room 375,
http://www.niassembly.gov.uk/index_election2.htmhttp://www.niassembly.gov.uk/index_election2.htmParliament Buildings
http://www.niassembly.gov.uk/index_election2.htm
Tel. 028 9052 1230
Email jim.mcmanus@niassembly.gov.uk

To: Shane McAteer
Clerk to the Committee for Finance and Personnel

From: Jim McManus
Clerk to the Committee for Enterprise, Trade & Investment

Date: 27 October 2011

Subject: Large Retailer Levy

At its meeting of 27 October, the Committee for Enterprise, Trade and Investment received correspondence from Sainsbury's regarding large retailer levy.

The Committee agreed to forward the correspondence to the Committee for Finance and Personnel.

Please feel free to contact me if you have any questions.

Sainsbury's letter to the Committee for Enterprise, Trade and Investment

official partner of the Paralympic Games

Alban Maginness MLA
Chair of Enterprise, Trade & Investment Committee
Room 414, Parliament Buildings
Ballymiscaw
Stormont
Belfast, BT4 3XX

Justin King
Group Chief Executive

Sainsbury's Supermarkets Ltd
33 Holborn
London
EC1N 2HT

Switchboard 020 7695 6000
www.sainsburys.co.uk

Monday, 17th October 2011

Dear Alban,

It was good to meet you on 6th October, thank you for your time.

As discussed, we are committed to Northern Ireland, in terms of the quality products we source, our stores and our colleagues. As a result of our expansion since we opened our first store in 1996, we now employ nearly 3,000 colleagues and have 12 stores. We now sell around £250m of local Northern Ireland products in our stores across the UK every year.

In light of this, we were very disappointed when the proposal for a Large Retailer Levy was announced before the election. We remain concerned about the impact the proposed Large Retailer Levy will have on future investments such that at Bangor, where we will create 250 jobs when we open our store next month. While we recognise the Executive's commitment to introducing the Small Business Rate Relief, we do no believe it is equitable for solely large retailers to fund the Relief nor that beneficiaries will include successful commercial chains that occupy smaller premises such as banks and betting shops. While I recognise this issue is currently not due to be scrutinised by your Committee, I do believe there are wider implications of this proposal, including for enterprise and investment.

I have included with this letter a briefing about our activities and investment in Northern Ireland, along with a briefing on our position on the Large Retailer Levy. Please contact Anna Brown if you would like any further information at anna.brown@sainsburys.co.uk or by telephone at 0207 695 4506.

Yours sincerely,

Justin King

Justin King

Live Well For Less Sainsbury's

Sainsbury's in Northern Ireland

Overview

- We have 12 stores in Northern Ireland and employ nearly 3,000 colleagues.
- There are plans for a further three stores – one in Crescent Link in Derry/Londonderry and one in Dundonald – and in November we will open a new store in Bangor.
- We also have planning consent to extend our store in Coleraine and our store in Ballymena recently benefited from a £5m extension.

Supporting Local Communities

- Each of our 12 stores supports a local charity which is selected by our colleagues and customers. For example, our Forestside store supported children's heart disease charity Heartbeat NI and the store raised £18,000. This year Forestside is supporting the suicide prevention charity PIPS and they have raised £2,000 so far. Our Sprucefield store's local charity for the last two years was the Northern Ireland Chest Heart and Stroke Association. Sprucefield raised £27,500 for the charity. This year the Sprucefield is supporting the local Lisburn branch of Macmillan cancer care.
- We have also donated over £1.1 million worth of sports equipment and experiences to schools in Northern Ireland through our Active Kids scheme. This marks the biggest donation ever of its kind to schools and other youth organisations by a retailer.
- We also offer opportunities for our colleagues to grow and develop. Last year, six of our Northern Ireland colleagues completed our bakery apprenticeship programme. We currently have five trainee apprentices in the fish, meat and bakery departments in Northern Ireland. We currently have around 50 colleagues in Northern Ireland working towards level 2 Job-Related Qualifications.

Sourcing from Northern Ireland

- We sell around £40m worth of local products every year in Northern Ireland and approximately £250m of local products in our stores across the UK every year.
- We work with around 150 Northern Ireland suppliers.
- We sell over 1000 local branded products in Northern Ireland.
- We have had a dedicated buying team in Northern Ireland since 2005.

Supporting Northern Ireland Farmers

Dairy

- All of our 9 dairy farmers in Northern Ireland are part of the Sainsbury's Dairy Development Group (SDDG).
- Our SDDG farmers receive an additional 2.1ppl premium for their milk so that they can invest in the welfare, health and sustainability of their herd.
- All of our own-brand conventional liquid milk comes from our SDDG farmers.
- Our farmers in Northern Ireland produce 5.5m litres of milk annually for Sainsbury's.
- As part of the SDDG, our farmers in Northern Ireland have had their carbon footprint measured and now have plans in place to increase efficiency and reduce the carbon emissions from their dairy enterprise.

Chicken and Eggs

- We source 26,000 chickens a week, or 1.4 million chickens a year, from NI farms to sell in our NI stores.
- All our eggs in Northern Ireland are laid by barn and free range Woodland hens and are supplied by Skea eggs.
- Sainsbury's proudly source 130,000 free range eggs per week from 29 Woodland farms in Northern Ireland.
- We also source 10,000 organic eggs and 55,000 barn eggs per week from 23 farms in Northern Ireland.

Pigs

- We source 2,500 pigs a week from 15 pig producers and 25 farms in Northern Ireland.
- One of our dedicated and most innovative pig farmers, Alastair Bell, was the first farm in Northern Ireland to achieve RSPCA-certified Freedom Food status. With additional changes by our pork processor, Dunbia, this is the first Freedom Food approved pork supply chain in Northern Ireland.
- All of our sausages sold in Northern Ireland are sourced from Northern Ireland.

Supplier case study: Doherty & Gray

- Doherty and Gray began their relationship with us supplying local branded sausages for our customers in Northern Ireland.
- Last year they won business with Sainsbury's that sees them supply 4 lines nationally.
- They supply our Taste the Difference sausages in Northern Ireland. This has transformed their turnover from £20,000 to £5 million with Sainsbury's over a five year period providing them with capital and security to reinvest £1.5m into their factory.
- By working with our Fresh Pork Supplier in NI, Doherty & Gray has improved our ability to maximise carcass balance by utilising less popular cuts of meat in our fresh sausages, delivering a more efficient supply chain.

September 2011

Live Well For Less Sainsbury's

Large Retail Levy Briefing

Sainsbury's in Northern Ireland

- We currently have 12 stores, the first of which opened in Ballymena in 1996.
- We employ around 3,000 colleagues in our Northern Ireland stores.
- We sell around £250m worth of Northern Ireland products across the UK.
- We have had a dedicated buying team in Northern Ireland since 2005.
- We have donated over £1.1 million worth of sports equipment and experiences to schools in Northern Ireland through our Active Kids scheme. This marks the biggest donation ever of its kind to schools and other youth organisations by a retailer.
- Every year, each of our 12 stores supports a local charity. For example, last year our Forestside store supported the Children's Heartbeat Trust and the store raised £18,000. This year Forestside is supporting the suicide prevention charity PIPS and they have raised £2,000 so far. Our Sprucefield store's local charity for the last two years was the Northern Ireland Chest, Heart and Stroke Association. Sprucefield store raised £27,500 for the charity. This year the Sprucefield store is supporting the local Lisburn branch of Macmillan cancer care.
- We also offer opportunities for our colleagues to grow and develop. Last year, 6 of our Northern Ireland colleagues completed our bakery apprenticeship programme. We currently have 5 trainee apprentices in the fish, meat and bakery departments in Northern Ireland. We currently have around 50 colleagues in Northern Ireland working towards level 2 Job-Related Qualifications.
- All of our dairy farmers in Northern Ireland are part of the Sainsbury's Dairy Development Group (SDDG) and receive an additional 2.1ppl premium for their milk so that they can invest in the welfare, health and sustainability of their herd. Our SDDG farmers supply all our own-brand conventional liquid milk in Northern Ireland.
- We source 2,500 pigs a week from 15 pig producers and 25 farms in Northern Ireland. This year Alastair Bell, one of our dedicated and most innovative pig farmers, was the first in Northern Ireland to achieve RSPCA-certified Freedom Food status for his farm. With additional changes by our pork processor, Dunbia, this is the first Freedom Food approved pork supply chain in Northern Ireland.

Our current commitment for the future

Below is a list of new stores for which we have received planning permission or have submitted planning applications and the number of jobs we expect them to create.

Site	Type
Crescent Link (Derry/Londonderry)	New store
Bangor	New store
Dundonald	New store
Coleraine	Extension
Total potential jobs created	**1300**

Sainsbury's position on the Levy

Growth

- One of our five areas of focus as a business is to grow our supermarket space. One of the areas set to benefit from our growth plans is Northern Ireland. We hope to create 1300 new jobs through new stores and extensions over the next three years. We have also invested substantially in new stores and extensions in recent years. The Executive is penalising one of the few sectors that continues to grow and create jobs during the economic downturn.

- We are concerned about the viability of new stores. The Large Retail Levy is not a tax on Sainsbury's bottom line but rather on each individual store.
- If the levy is introduced, we will continue with our immediate plans in the usual way, but will review all future projects to which we are not yet committed.

Equity

- Retailers already bear a substantial part of the burden of the overall rates liability in Northern Ireland.
- While there is no question that businesses are operating in an extremely challenging economic climate, we strongly question why banks, betting shops and other chains are set to benefit from the Small Business Rate Relief, simply because they occupy smaller premises. We do not believe it is the role of retailers to subsidise these already successful businesses.

Creating a competitive Northern Ireland

- We recognise that the Executive is taking steps to encourage businesses to invest in Northern Ireland, for example through the proposal to reduce corporation tax.
- The Large Retail Levy represents a significant, unbudgeted financial burden to us. Business needs stable, consistent conditions to attract investment and this action is contrary to that. The Large Retail Levy signals that those businesses that are successful will be penalised.
- Northern Ireland is already an expensive market to operate within. For example our distribution costs are double those of a typical store in the UK and utilities costs are 30% higher. This is compounded by a planning process which is slower than Scotland, Wales or England and a pharmacy market which, despite customer demand, is extremely challenging for new providers to enter into. In addition, forthcoming regulatory regimes include a carrier bag charge, a potential ban on alcohol promotions and the introduction of alcohol minimum pricing and a tobacco display ban.
- All of these factors - many of which exclusively affect our sector - mean that Northern Ireland is a difficult place to do business for retailers large and small.

Supporting local businesses

- We are committed to sourcing quality local products for our customers in Northern Ireland and across the UK.
- Introducing the supplement may impact future store growth plans, which may not only impact on new jobs and investment in communities, but also on the potential opportunities for Northern Ireland suppliers to get their products onto our shelves and therefore reach a bigger customer base.
- Through new stores and extensions, we have provided local construction companies with approximately £50m worth of contracts over the last three years. If investment in new retail developments were to stall, there would be a significant impact on other sectors, including construction.

Impact of Large Retail Levy

- The majority of our Northern Ireland stores - 9 of the 12 - will be subject to the proposed levy.
- We estimate that our rates bill for these nine stores will increase by around 20%. This represents an increase on our current rates bill which directly affects the profitability of each store.

- In addition, we estimate our rates liability for potential new stores will increase by a similar amount.
- Increases of this magnitude are unparalleled and create significant cost pressures at a time of economic uncertainty.

Alternatives

- Based on the Executive's overall commitment to extending the existing Small Business Rates Relief scheme (SBRR), we have looked at the data available in order to develop some alternatives to a Large Retail Levy to fund the Relief.
- The data that we have seen suggests that a number of banks, building societies and betting shop chains would be set to benefit from the SBRR. We do not believe it is the Executive's intention for such businesses to receive subsidies. Therefore, if introduced, we would like to see the SBRR aligned to similar schemes which are administered in Scotland and England by ensuring that larger businesses which occupy multiple premises which would otherwise benefit from the relief are unable to do so. This would ensure that small businesses that are the intended recipients for this Relief are the actual beneficiaries.
- Similar schemes in Scotland and England are funded by all rate payers and do not rely upon retail-only support. It is unclear why the levy, which would represent an unprecedented rise in rates bills, is specifically being targeted at retailers. We believe the Executive should seek an equitable funding scheme for the SBRR whereby all larger ratepayers share the burden of funding the Relief, as is the case in Scotland and England.

September 2011

RHM Commercial - Proposals to enhance the Rating System

RHM
Commercial

Proposals to enhance the Fairness, Efficiency & Effectiveness of the Rates System in Northern Ireland

RHM
Commercial

RHM COMMERCIAL LLP
First Floor, Edward Court,
Saint Anne's Square, Belfast BT1 2LR

October 2011

FOREWORD

CBI Northern Ireland wholeheartedly supports measures to enhance the efficiency and effectiveness of our public services.

We also support steps to encourage economic activity, inward investment and the expansion of our private sector.

We believe the rating system should be used to encourage economic development and should seek to leverage positive behaviours rather than deter economic development.

This report is a considered and balanced assessment of the rates system in Northern Ireland.

It contains a package of practical proposals to improve the system, encourage investment and help send the positive message that Northern Ireland is very much "open for business".

CBI Northern Ireland fully supports the proposals and urges our political leaders to give serious consideration to their implementation as soon as practicably possible.

NIGEL SMYTH
Director
CBI Northern Ireland

CONTENTS

ABOUT THE AUTHOR

Nick Rose is a Chartered Surveyor with 24 years professional experience.

He worked in London and Birmingham before moving to Belfast.

Nick has advised clients on the 1990 and 1995 Rating Revaluations in Great Britain, 1997 and 2003 Revaluations in Northern Ireland and the recent County Revaluations in the Republic of Ireland.

This experience gives him a unique perspective of the pros and cons of each system.

INTRODUCTION

The Executive is proposing to introduce a Rates Levy on large retailers.

This would be the wrong tax at the wrong time - it will send a negative message to footloose retail companies at a time when the Assembly should be doing all it can to encourage private sector investment and create jobs.

The rates system in Northern Ireland is unfair to small businesses in certain respects and could be operated more efficiently, releasing money for front line services.

In addition, the system could be used to encourage small business growth and stimulate economic activity.

This report puts forward a number of practical proposals to address these issues.

RATES: A FAIR TAX?

The Need for Regular Revaluations

Rates are a tax based on the value of property; the capital value of housing and the rental value of commercial property.

The values are assessed at General Revaluations by Land & Property Services.

Values obviously change over time, with some locations and types of property doing better than others. It is therefore essential to have regular Revaluations to maintain fairness.

There have been Revaluations of commercial property every 5 years in England, Wales and Scotland but the last Revaluation in Northern Ireland took place in 2003. The planned 2010 Revaluation in NI was postponed and then cancelled. The next Revaluation is not due to take place until 2015; a gap of 12 years.

This means that many small businesses in Northern Ireland are paying far too much in rates. For example, small retailers in Lurgan and Portadown town centres have suffered from the massive expansion of Rushmere Shopping Centre and are paying 30% more than they should be as a result. The flipside is that multiple retailers in Rushmere should be paying 60% more.

PROPOSAL: FIVE YEARLY REVALUATIONS SHOULD BE CEMENTED IN RATING LEGISLATION

Material Changes to a Location

Small businesses in GB can appeal their rating assessments in between Revaluations and obtain a reduction in their rates if a “Material Change of Circumstance” (MCC) takes place that fundamentally alters the local trading environment.

An example would be the relocation of Tesco from Church Street in Ballymena to Larne Link Road on the outskirts of the town.

Small businesses in Northern Ireland cannot obtain a reduction. This is unfair.

At present, rates continue to be charged as if the material change had not taken place, forcing businesses to cut staff numbers and other costs to survive. These cuts can contribute to the demise of the business and the property becoming vacant.

Landlords then find it difficult to re-let premises because the rates are too high. This in turn results in a loss of rates income for the Council.

Opponents argue that allowing businesses to appeal their rating assessments when material change occurs between Revaluations would open the floodgates for appeals.

This is not the experience in GB where the Valuation Office Agency and Scottish Assessors are able to adequately cope with the appeals they receive.

PROPOSAL: RATEPAYERS SHOULD BE ALLOWED TO OBTAIN A FAIR ADJUSTMENT TO THE RATES THEY PAY WHEN A "MATERIAL CHANGE OF CIRCUMSTANCE" TAKES PLACE BETWEEN REVALUATIONS

The above proposals will boost public confidence that the rates system is fair.

STREAMLINING THE APPEAL SYSTEM

Is there any need for 3 Bites of the Cherry?

The current appeal system allows a ratepayer three attempts to revise an assessment:

- Application for Revision to the District Valuer
- Appeal to the Commissioner of Valuation
- Appeal to the Lands Tribunal

There is a huge overlap between the first and second stages. This serves no practical purpose, wastes time and wastes public money.

PROPOSAL: THE APPEAL SYSTEM SHOULD BE REDUCED FROM THREE STAGES TO TWO STAGES

How long is a Piece of String?

Unlike GB and ROI, there is no fixed period for dealing with appeals in NI.

This can result in appeals taking years (over 5 years in some cases) and brings the system into disrepute. It also creates problems for District Councils when reductions are backdated.

Any appeal system needs time limits, otherwise it can roll on and on without any finality being brought to the process. The appeal system in ROI operates successfully with a 6 month time limit at each stage of the process, meaning all appeals are concluded within 12 months.

PROPOSAL: A FIXED PERIOD FOR DEALING WITH APPEALS SHOULD BE INTRODUCED

Dealing with appeals within a fixed period will allow ratepayers to budget with certainty.

A Free Lunch?

The appeal system in NI is free to all ratepayers. Even an application to the Lands Tribunal (the third stage of the appeal process at present) costs only £2.

Access to justice is an important principle but justice is a costly process for the public purse. The absence of appeal fees encourages speculative appeals and clogs up the system for those with a genuine case.

PROPOSAL: REASONABLE FEES AT EACH STAGE OF THE APPEAL PROCESS SHOULD BE INTRODUCED

These fees will help towards the significant cost of operating the appeal system and deter time wasters.

The Appeal Fees should be refunded to those with a genuine case whose rating assessment is revised, as happens in ROI.

Is there a need for 2 Tribunals?

At present, we have two Tribunals that hear appeals:

- The Valuation Tribunal that hears residential cases
- The Lands Tribunal that hears commercial cases and other property related matters

The Valuation Tribunal comprises a panel of professional and lay people.

The Lands Tribunal comprises a judge who deals with matters of law and an experienced Chartered Surveyor who deals with matters of valuation.

There is a strong argument for the merger of the Tribunals into one streamlined body comprised of full-time and part-time people with relevant professional experience.

PROPOSAL: MERGE THE VALUATION TRIBUNAL & LANDS TRIBUNAL

The merged Tribunal should aim to issue consistent decisions in a timely and efficient manner.

It should be informal and not require ratepayers to have expensive legal representation.

In this context, the merged Tribunal should be based outside the High Court building in Belfast and proceedings should be conducted in a "meeting format" instead of a formal "court format".

The above proposals will drastically improve the efficiency of the appeal system, benefitting ratepayers and reducing the burden on the public purse.

ENCOURAGING GROWTH

Why penalise investment during a Recession?

The rates system penalises investment by both businesses and householders because rates are charged on any extension to commercial premises from the date of its completion and any extension to a house from the following 1st April.

This deters people from spending money on their properties at a time when builders are on their knees.

PROPOSAL: EXTENSIONS TO BUSINESSES AND HOUSES SHOULD BE EXEMPT FROM RATES IN BETWEEN REVALUATIONS

First Time Buyers are the Key

In these difficult economic times, first time buyers need every help possible to get on the housing ladder.

PROPOSAL: NEW HOUSES COSTING UNDER £100,000 SHOULD BE EXEMPT FROM RATES UNTIL 1ST APRIL 2015

This measure will provide a badly needed boost to the construction sector and encourage house builders to develop affordable housing.

Space for Inward Investors

The Assembly seems likely to take control of Corporation Tax and vary its level to encourage inward investment.

Belfast is now rapidly running out of Grade A offices due to a lack of development in recent years.

Those offices that have been built are being left in a “shell and core“ condition so that vacant rates do not have to be paid.

PROPOSAL: NEW OFFICE BUILDINGS AND REFURBISHMENTS SHOULD BE EXEMPT FROM VACANT RATES UNTIL 1 APRIL 2015

This is not a “magic bullet“ measure but it will encourage developers to fit-out offices ready for occupation - these fit-out contracts will provide significant work and employment for the construction sector.

It will also encourage developers to commence construction on new buildings and refurbishments.

Tackling Retail Vacancy

Northern Ireland’s high streets are blighted by the worst level of vacancy in the UK.

This results in a massive loss of rates income to the Assembly and Councils because vacant properties only attract a 50% liability.

PROPOSAL: IF PROPERTY HAS BEEN VACANT FOR 6 MONTHS, A NEW TENANT SHOULD ONLY PAY 50% RATES FOR 12 MONTHS.

This will assist business formation, encourage job creation and help to reverse the demise of many high streets.

Other measures will be needed - the introduction of Business Improvement Districts needs to be fast-tracked and Councils must play a far more pro-active role by, for instance, appointing “High Street Managers“ to co-ordinate action by landlords and tenants. The cost of these managers will be more than covered by the extra rates income generated from reducing retail vacancy.

In fact, the above measures will all be revenue positive in the medium term.

These proposals are examples of measures that could be quickly introduced to boost economic activity. Business groups and individuals should be encouraged to come forward with their own imaginative ideas.

SUMMARY

Fairness

- Cement five yearly Revaluations in rating legislation
- Assessments to be revised for “Material Changes of Circumstance” in between Revaluations

Efficiency

- Appeal system to be a two stage process
- Fixed period for dealing with appeals
- Introduction of reasonable fees for making an appeal (refunded if appeal is successful)
- Amalgamation of the Valuation Tribunal & Lands Tribunal

Effectiveness

- Extensions to be exempt between Revaluations
- New houses under £100,000 to be exempt until 1 April 2015
- New and refurbished offices to be exempt from vacant rates until 1 April 2015
- New occupier to pay 50% rates for 1st year (if property vacant for 6 months or more)

These proposals will be self-financing and represent a “win win” package for the public purse, ratepayers and the economy as a whole.

Department for Social Development - Business Improvement Districts

By E-mail: committee.finance&personnel@niassembly.gov.uk

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DSD Ref:SUB/1631/2011
SDC Ref: SD/017/2011/SK

21st November 2011

Dear Shane,

Thank you for your letter of 14th October 2011 requesting information, on behalf of your Committee, on DSD's proposals for Business Improvement Districts (BIDs). This correspondence was considered by the Committee for Social Development on 27th October and the Committee referred it to the Department on 9th November.

I have attached some background information on BIDs along with a detailed paper on the responses to the Department's consultation on BIDs which was shared with the Committee for Social Development at a briefing on 30th June 2011.

I am happy to provide further information or clarification should the Committee require.

Yours sincerely,

Henry Johnston
Urban Regeneration Strategy Directorate

cc: Henry McArdle
Antony McDaid
Margaret Sisk
Billy Crawford
Gillian Burns
Sheila Maguire
Dr Kevin Pelan (Clerk, Committee for Social Development)

Annex B

Background - Business Improvement Districts (BIDs)

1. A Business Improvement District (BID) allows businesses within a defined area to vote for collective investment in specific additional services in order to improve the commercial environment within that area. Additional services or projects are funded by a local business levy and all businesses within a potential BID have the opportunity to vote on proposals before the levy is imposed. Proposals are developed by local business-led partnerships, usually in co-operation with the local council. The BID levy offers a sustainable source of finance to fund additional services or projects required by the local business community.

2. The BID levy is best understood as an investment which businesses collectively make in their area in order to fund services which they feel will directly benefit the local economy. It is not an additional tax and is not intended to replace public investment in the area. The BID model is very flexible and has been used elsewhere to support diverse services and projects ranging from additional cleansing and security measures to marketing campaigns or collective bargaining for shared services.

3. Legislation to allow Business Improvement Districts (BIDs) is already in place in England, Wales, Scotland and the Republic of Ireland. The previous Social Development Committee had recommended the introduction of BIDs legislation in Northern Ireland in its enquiry into Town Centre Regeneration.

4. BIDs can currently operate in Northern Ireland on a voluntary basis. This means that businesses can opt to pay a levy, but those who refuse may still reap the benefits of the additional services delivered in their area. Putting legislation in place to enable statutory BIDs would mean that all businesses within the defined BID area would be balloted over whether a BID should be in place, and would then be legally required to pay the levy if the BID proposal was successful.

5. In summary it is proposed that primary legislation should:

   - Allow a local council to define a BID within their council area or in cooperation with a neighbouring council;
   - Require a council to set up a ring-fenced BID revenue account to hold funds raised by the local levy;
   - Require that BID proposals be formally compiled and put to a vote via an official ballot;
   - Specify those entitled to vote in the ballot (non-domestic rate payers within the proposed BID area);
   - Specify the conditions for approval of a ballot. The interests of large and small businesses are to be protected by a voting system which requires a simple majority in both votes cast and rateable value of votes cast in order to be successful. BID proposers in a given area may specify that they wish to set a higher threshold;
   - Allow a local council to veto BID proposals in certain exceptional circumstances (e.g. if proposals are considered to significantly conflict with existing council policy or if they are likely to impose a disproportionate financial burden. In the event of a council exercising this veto the BID proposers would be able to appeal to the Department;
   - Specify the maximum timeframe (five years) for a BID to operate before needing to be resubmitted to a ballot.

6. The Department will be developing secondary legislation covering, for example, procedures governing the development of BID proposals and rules governing ballots. The intention however is to ensure that the legislation remains flexible enough to allow local discretion and the development of local solutions. For example questions about the rate of the proposed levy and the purpose to which it will be put are entirely a matter for the local BID partnerships.

Business Improvement Districts Summary of responses to consultation (June) 2011

1. Introduction

The Department for Social Development issued for public consultation its proposals in relation to Business Improvement Districts (BIDs) together with proposals for Licensing of Pavement Cafés.

Both initiatives are aimed at the local business community and will prove useful in supporting town centres to recover from the current economic downturn. In addition to improving the commercial environment it is expected that these proposals will bring wider benefits and help make our town centres more attractive, safer, cleaner and more enjoyable for all.

This document sets out a summary of responses in relation to the questions and proposals for **Business Improvement Districts** made in the consultation document. A separate summary of responses in relation to the proposals for the licensing of pavement cafés will also be published in due course.

2. Conducting the consultation exercise

The consultation was launched on 1 December 2010 and closed over 12 weeks later on 28 February 2011. The consultation document was published on the Department's website and responses were invited by post, fax and email. A notice advertising the consultation was also placed in the Belfast Telegraph, Irish News and Newsletter.

In addition, DSD officials held meetings prior to and during the consultation period with a range of interested parties including, Ballymena Borough Council, the Chairs of the Town Centre Partnerships, Belfast City Centre Management, the Federation of Small Businesses, Alliance Boots, Newry & Mourne District Council, Belfast City Council and Craigavon Borough Council.

The proposals and questions on **Business Improvement Districts** attracted 37 responses, 18 of which were from local councils, 15 from other organisations, 3 from public bodies and one from a political party. Not all respondents commented directly on each of the questions asked and, where this has happened, it has been reflected in the summary.

We would like to thank all those who responded to the consultation. The responses received will help inform the decision making process with regard to the implementation of Business Improvement Districts (BIDs) in Northern Ireland. A list of the respondents is attached at **Annex A**

3. Consultation Proposals

The consultation paper set out proposals for the operation of Business Improvement Districts (BIDs) in Northern Ireland and asked specifically for comment on the following:

- The roles of local councils and the Department;
- The degree of prescription in the scheme to be applied in secondary legislation;
- The non-inclusion of landlords;
- The voting system to be applied;
- Areas to be covered by legislation and those left to local discretion; and
- The level of guidance and support to be provided by the Department.

4. General comments

It is clear from responses received that there is an overwhelming support for the introduction of Business Improvement Districts (BIDs) in Northern Ireland. Of the 37 responses received, 35 (95%) were very supportive, feeling that the BID model would facilitate local businesses to work in partnership with local government in addressing issues impacting on the viability and vitality of town centres and would bring us into line with GB and ROI where legislation is already in place. However, it was made clear that BIDs would only work if there was a clear need for additional services in the area and that the benefits to the businesses paying the levy were clearly identifiable. Only 2 respondents (5%) were more cautious of the introduction of BIDs feeling that it may be difficult to justify additional levies on businesses in the current economic climate where trading conditions remain challenging.

5. Analysis of the responses

This next section provides an analysis of the main issues raised during the consultation.

Question 1: Are the respective roles of local councils and the Department considered appropriate?

The Department proposed that the role of local councils would include:

- Provision of ratings and baseline service information to BID partnerships;
- Organisation of formal BID ballots; and
- Billing, collection and enforcement of BID levy.

While the Department would fulfil a central guidance and oversight role, with responsibility for:

- Monitoring the implementation of BIDs;
- Development of written guidance; and
- Provision of support to BID partnerships and local councils.

Consultation responses:

In general, respondents felt that the proposed roles of local councils and the Department were about right. However, a number of issues arose.

There was clear opposition to the proposed role that councils would be responsible for the billing, collection and enforcement of the BID levy. The majority of respondents (75%) felt that this role did not sit naturally with local councils. They felt that that it would be more cost effective for the levy to be collected by the Rates Collection Agency of Land and Property Services, which already carries out this function for non-domestic rates bills and have systems in place, rather than introduce a new administrative role for councils at a time of efficiency savings and budget cuts.

A number of respondents (32%) felt that the Department needed to take on a more proactive role of BIDs Champion, similar to central government's role in Scotland, promoting the concept of BIDs and providing best practice and education to businesses and councils across Northern Ireland. In addition, and to assist in getting the concept off the ground, they felt that the Department should make funding available to cover the development cost of the BID proposals.

32% of respondents felt that it was essential for local councils to provide transparency about the existing baseline services they offer to businesses. They felt that this would allow businesses to differentiate between baseline services and potential BID services, which would be essential in ensuring that well informed ballots can take place. There was also a suggestion that other statutory agencies should also have to provide details of existing baseline services

DSD response

The Department recognises the significant concerns around the proposal that councils should collect the levy. This proposal was based on the arrangements in other jurisdictions where local authorities calculate and collect the levy. Councils here will have a key role in the development of the BID, in working with the BID partnership and in the determination of the levy. However, is recognised that there are key differences between the current functions of local authorities in England Scotland and Wales and councils in N Ireland. The Department will address this issue further as the arrangements are being developed.

The Department, in its proposals, envisaged a fairly light touch for central government. The point about the Department taking on the role of BIDs champion will be considered further along with any potential for funding set up costs, as the arrangements are being developed.

The question of how baseline service information can be provided will be considered further as the arrangements are being developed.

Question 2: Most of the detailed regulation of BIDs will be covered by secondary legislation and will therefore be the subject of another consultation. However, we would be interested to hear at this stage about the degree of prescription which stakeholders feel should be applied to the procedures for this element of the BID process, i.e. the development of proposals, consultation on proposals etc.

Following agreement on primary legislation proposals, the Department will undertake the development of secondary legislation which will cover much of the detailed regulation of BIDs operation. This will cover areas such as content of BID proposals, rules for BID Ballots, operation of the BID revenue account, veto of BID proposals etc.

The Department was keen to hear from stakeholders about the degree of prescription to be applied to the procedures for this element of the BID process.

Consultation responses:

In general most respondents felt, that while there are certain elements of the BID process that do require consistency and therefore need to be prescribed by law, there should remain flexibility for local decision-making in relation to relevant local matters. Many respondents favoured comprehensive guidance from the Department which BID partnerships could use as a reference tool which would allow flexibility and ensure that they were aware of best practice elsewhere.

The most common areas that respondents considered needed to be prescribed in legislation were:

- the initial consultation process;
- the format or process for submitting BID proposals;
- the detail of the voting system and balloting arrangements
- the broad circumstances under which a council may veto a BID proposal, appeals, and the financial and governance arrangements in respect of the BID partnership.

A number of respondents felt that the implementation of a BID process should follow a methodical and structured process and suggested that the Department consider the UK BIDs Advisory Service's "10 step guide to creating a successful BID" when developing departmental guidance.

DSD response

DSD welcomes comments on the degree of prescription to be applied to the detailed procedures of the BID process. The Department agrees with the suggestion that any secondary legislation should not be overly prescriptive and should be flexible enough to take account of the difference in size and scale of urban centres across Northern Ireland. The Department also acknowledges support for a need for a degree of prescription in areas such as content of BID proposals, operation of BID revenue accounts, rules on ballots and veto by a council of a BID proposal, to ensure a degree of consistency in the process. All these elements will be covered in more detail by secondary legislation and supported by comprehensive guidance from the Department which will be developed and consulted on separately.

The Department will make appropriate use of specialist expertise from other jurisdictions to ensure high quality guidance is available to all.

Question 3: Do you agree with the proposal not to require landlords to become involved in the operation of BIDs?

The Department proposes that entitlement to vote (and therefore liability to pay the levy) should be restricted to non-domestic ratepayers. This means that in most instances the business tenant, not the landlord, would be entitled to vote and liable for payment of the levy.

Consultation responses:

There was overwhelming agreement with the Department's proposal not to formally include landlords in the operation of BIDs. Respondents felt that the inclusion of landlords in the scheme could result in the landlord's portion of the levy being passed on to the business tenant through an increase in rent. Other concerns raised by respondents related to:

- Making vacant or derelict properties owners contribute to the levy; and
- Encouraging landlord involvement on a voluntary basis because of the indirect potential benefits which can be derived from the outworking of a successful BID.

DSD response

DSD welcomes the overwhelming support shown for its legislative approach. Restricting entitlement to vote, and therefore liability to pay the levy to non-domestic ratepayers provides greater clarity and minimises administrative complexity. The nature of the relationship between landlord and tenant at a commercial level is such that costs incurred by the landlord tend to be passed on to the tenant. The Department therefore supports the view that the inclusion of landlords could result in the unintended consequences of business tenants paying the levy twice. The approach proposed by the Department would also ensure that those running local businesses would be empowered to establish a BID partnership to deliver the service businesses themselves want which will make a positive impact on trading conditions in the area.

The Department accepts that concerns exist around the issue of vacant or derelict properties. Respondents felt that BIDs could help tackle the problem of long-term vacancies and could act as an added incentive for the landlord to let the property. Currently, rates on such properties are reduced by 50%. In terms of legislative clarity, the same approach applies, i.e. whoever is liable for the payment of non-domestic rates, whether the property is vacant or derelict would also be liable to pay the full levy. Once the non-domestic property is let, liability for the payment of the levy would shift to the business tenant, unless they are non-trading charities, which are exempt from paying non-domestic rates.

In terms of landlord involvement on a voluntary basis, legislative flexibility proposed by the Department would not prohibit voluntary contributions. Some partnerships may wish to actively encourage voluntary financial contributions, or utilise skills, knowledge, connections or experience of landlords to assist the BID Partnership. However, the payment of a voluntary contribution, or the provision of assistance in kind to a BID partnership would not confer any voting rights on the landlord.

Question 4: Is it reasonable to frame the voting system in terms of votes cast, rather than eligible votes? Should a minimum turnout be specified in order to validate a ballot?

In order to protect the interests of both large and small businesses the Department proposes that the voting system should require a simple majority in both votes cast and rateable value of votes cast in order to be successful. This means that neither a large number of small businesses nor a small number of large businesses can carry the vote on their own. This is in line with the approach adopted in other jurisdictions in GB and ROI.

In addition, the Department wanted to gauge whether the legislation should specify a minimum turnout in order to validate a ballot. For example, the Scottish legislation has specified that there must be a minimum 25% turnout of the eligible voters to validate a ballot.

Consultation responses:

The majority of respondents supported the Departments proposed voting system as being a fair means of ensuring that the interest of small and large businesses were equally protected.

The majority of respondents also supported the approach of specifying a minimum turnout to validate a ballot with some suggesting that we adopt the Scottish approach of 25%.

DSD response

The Department is encouraged by the strong support for the adoption of the voting model used by Scotland where a simple majority of votes cast and rateable value of votes cast are required to be successful. The Department proposes to go with this system of voting which it believes will protect the interests of large and small businesses. The Department acknowledges the desire by some respondents for flexibility and it therefore proposes that the legislation will provide flexibility to BID proposers in a given area to specify that they wish to set higher thresholds for approval.

The Department also intends to set a minimum turnout level of 25%.

Question 5: Is this a reasonable balance between areas to be covered by legislation and those which will be left to local discretion?

The Department considers that there are a number of important elements in the operation of BIDs which should not be subject to legislation but decided upon locally, depending on individual circumstances. These include:

- the scope of the BID;
- partners in the BID;
- coverage of the BID;
- duration of the BID;
- funding of the BID; and
- rate of the levy.

Consultation responses:

The vast majority of respondents (72%) felt that the Department's proposals provide a reasonable balance between the areas of the BID to be covered by legislation and those to be left to local discretion. Many respondents felt that as there are a number of diverse urban areas within cities and towns, each with their own particular set of issues and problems, there would need to be sufficient flexibility within the legislative framework to allow different solutions and initiatives to be developed locally and managed locally. It was considered vitally important that local discretion be allowed to enable the BID to be successful with local areas deciding what initiatives will best address their needs.

A few concerns were raised regarding the Power of Veto being given solely to Councils and it was suggested that other statutory bodies should also be given the same Power of Veto. One Council also enquired if the grounds on which it could veto a BID would be detailed by DSD.

DSD response

DSD acknowledges the support for its proposals around what should be legislated for and what should be left to local discretion in relation to BIDs. The Department will provide legislation and produce guidance on the development and operation of the BIDS scheme in order to ensure that the scheme works successfully. However, the Department also recognises that BIDs will provide an opportunity for local areas to deal with local issues and to this end it will leave the main elements of the operation of the scheme to local discretion.

Most of the detailed regulation of the BIDs operation will be covered by the development of secondary legislation and this will include arrangements around the Power of Veto. The Department considers that the local council is best placed to be able to reflect the views of other statutory bodies in the consideration of BID proposals. On that basis the Department does not intend to extend the Power of Veto to other statutory bodies.

Question 6: What degree of guidance and support would be welcome from the Department?

The Department proposes that it will provide a central guidance and oversight role for the operation of BIDs in Northern Ireland. In order to do this it will be responsible for:

- monitoring their implementation;
- provision of support to BID partnerships; and
- development of written guidance.

Consultation responses:

The majority of respondents (62%) felt that the provision of strong support and guidance from the Department would be required. They stated that assistance from the Department would be needed in the area of:

- dissemination of Best Practice;
- promotion of successful BIDs from the other jurisdictions; and
- provision of specific NI guidance on the process of developing a BID (similar to the Association of Town Centre Managers (ATCM) 10 step BID plan).

In terms of support, a number of respondents (46%) felt that the Department should provide an element of funding to help with the initial stages of BID development as happens in Scotland where a BIDs development Grant of £20k is available.

As well as clear and unambiguous guidance, some respondents (14%) would wish the Department to have in place a central point of contact that can provide support and guide businesses and councils in the development of their BID proposals.

DSD response

DSD proposals were centred on the desire to put in place arrangements which would enable local businesses, working closely with local councils, to come together to improve their area. A Business Improvement District would allow businesses within a defined area to vote for collective investment in specific additional services in order to improve the commercial environment within that area. The operation of a successful BID can bring benefits to everyone in the community.

On that basis DSD is proposing to put in place a fairly straightforward piece of enabling legislation which would allow BIDs partnerships to be set up and operate successfully. DSD recognises the need for some central guidance but is also keen to ensure that it gets the balance right between what is provided for in guidance and what can be decided locally.

There was a degree of support for the idea that government should provide an element of funding to help with the initial stages of the BID development. The Department will consider this issue further when arrangements are being developed.

The Department recognises the need to have in place adequate information, advice, guidance and support as BIDs are being developed and will ensure that these are put in place.

List of respondents to the proposals on Business Improvement Districts

Antrim Borough Council	Ballymena Town Centre Development Company
Ards Borough Council	Bangor & Holywood Town Centres Limited
Armagh City Council	Belfast Chamber of Trade & Commerce
Ballymena Borough Council	Belfast City Centre Management
Ballymoney Borough Council	BOOTS Alliance
Banbridge Council	British Retail Consortium
Belfast City Council	Coleraine Town Partnership
Coleraine Borough Council	Confederation of British Industry (CBI)
Cookstown District Council	Dungannon Regeneration Partnership
Craigavon Borough Council	Federation of Small Businesses (FSB)
Down District Council	Larne Traders Forum
Fermanagh District Council	Northern Ireland Federation of Housing Associations (NIFHA)
Lisburn City Council	Northern Ireland Housing Executive (NIHE)
Magherafelt District Council	Northern Ireland Tourist Board
Moyle District Council	PSNI
Newry & Mourne District Council	Roe Valley Chamber of Commerce
Newtownabbey Borough Council	
North Down Borough Council	
Alliance Party	
Armagh City Centre Management	
Association of Town Centre Managers	

Background - Business Improvement Districts (BIDs)

7. A Business Improvement District (BID) allows businesses within a defined area to vote for collective investment in specific additional services in order to improve the commercial environment within that area. Additional services or projects are funded by a local business levy and all businesses within a potential BID have the opportunity to vote on proposals before the levy is imposed. Proposals are developed by local business-led partnerships, usually in co-operation with the local council. The BID levy offers a sustainable source of finance to fund additional services or projects required by the local business community.

8. The BID levy is best understood as an investment which businesses collectively make in their area in order to fund services which they feel will directly benefit the local economy. It is not an additional tax and is not intended to replace public investment in the area. The BID model is very flexible and has been used elsewhere to support diverse services and projects ranging from additional cleansing and security measures to marketing campaigns or collective bargaining for shared services.

9. Legislation to allow Business Improvement Districts (BIDs) is already in place in England, Wales, Scotland and the Republic of Ireland. The previous Social Development Committee had recommended the introduction of BIDs legislation in Northern Ireland in its enquiry into Town Centre Regeneration.

10. BIDs can currently operate in Northern Ireland on a voluntary basis. This means that businesses can opt to pay a levy, but those who refuse may still reap the benefits of the additional services delivered in their area. Putting legislation in place to enable statutory BIDs would mean that all businesses within the defined BID area would be balloted over whether a BID should be in place, and would then be legally required to pay the levy if the BID proposal was successful.

11. In summary it is proposed that primary legislation should:

- Allow a local council to define a BID within their council area or in cooperation with a neighbouring council;
- Require a council to set up a ring-fenced BID revenue account to hold funds raised by the local levy;
- Require that BID proposals be formally compiled and put to a vote via an official ballot;
- Specify those entitled to vote in the ballot (non-domestic rate payers within the proposed BID area);
- Specify the conditions for approval of a ballot. The interests of large and small businesses are to be protected by a voting system which requires a simple majority in both votes cast and rateable value of votes cast in order to be successful. BID proposers in a given area may specify that they wish to set a higher threshold;
- Allow a local council to veto BID proposals in certain exceptional circumstances (e.g. if proposals are considered to significantly conflict with existing council policy or if they are likely to impose a disproportionate financial burden. In the event of a council exercising this veto the BID proposers would be able to appeal to the Department;
- Specify the maximum timeframe (five years) for a BID to operate before needing to be resubmitted to a ballot.

12. The Department will be developing secondary legislation covering, for example, procedures governing the development of BID proposals and rules governing ballots. The intention however is to ensure that the legislation remains flexible enough to allow local discretion and the development of local solutions. For example questions about the rate of the proposed levy and the purpose to which it will be put are entirely a matter for the local BID partnerships.

Committee for Enterprise, Trade and Investment

Committee for Enterprise, Trade & Investment,
Room 375,
Parliament Buildings

Tel. 028 9052 1230
Email jim.mcmanus@niassembly.gov.uk

To: Shane McAteer
Clerk to the Committee for Finance & Personnel

From: Jim McManus
Clerk to the Committee for Enterprise, Trade & Investment

Date: 24 November 2011

Subject: The outcome of the consultation on the proposed large retail levy and the extension of the small business rates relief scheme.

At its meeting on 17th November 2011, the Committee for Enterprise, Trade & Investment considered the outcome of the consultation on the proposed large retail levy and the extension of the small business rates relief scheme.

The Committee broadly welcomes the proposals in the consultation document and has asked me to voice its support for some of the views raised in response to the consultation.

The Committee supports the view that businesses with multiple premises should be excluded from the rate relief scheme. The intention of the scheme is to provide relief to struggling local small businesses rather than assisting large national retail chains with large numbers of small retail outlets. The Committee recognises that there would be difficulties in implementing this for the forthcoming rating year but would strongly urge that immediate measures are taken to ensure its implementation in the two subsequent years.

The Committee believes that, if we want to attract shoppers to our town centres we must ensure that their character is retained and that our town centres provide a pleasant and welcoming atmosphere in which to shop. The sight of, even small numbers of premises, with empty or blanked out windows, detracts greatly from the character and atmosphere of town centres and is unwelcoming for shoppers. The Committee therefore agrees with the proposal to allow window displays in unoccupied premises while retaining unoccupied rates relief. This would, not only assist in maintaining and improving town centres, it would also improve the façade of individual premises and therefore assist in attracting new tenants thereby regenerating town centres.

Committee for Social Development

Committee for Social Development
Room 410, Parliament Buildings, Stormont, Belfast BT4 3XX
Tel: 9052 1939

To: Shane McAteer, Clerk, Committee for Finance and Personnel
From: Kevin Pelan, Clerk, Committee for Social Development
Date: 24 November 2011
Subject: Large Retail Levy/Small Business Rates Relief

Large Retail Levy / Small Business Rates Relief

1. The Committee for Social Development considered the outcome of the consultation on the proposed large retail levy and the extension of the small business rates relief at its meeting of 24 November 2011.

Large Retail Levy

2. The Committee agrees in principle that during this period of continuing economic downturn it is imperative that a re-balancing of the non-domestic rating system is carried out to assist smaller businesses.

3. The Committee acknowledges the concerns raised by large retailers about the proposed large retail levy in order to fund the small business rate relief scheme and therefore supports the time-limited nature of the scheme.

4. However, the Minister should reserve the right to review this scheme for extension depending on the economic circumstances at the time.

5. The Committee agrees that the scheme should be as revenue neutral as possible and therefore broadly in line with the amount raised through the levy.

Window Displays in Empty Shops

6. The Committee notes with some concern the increasing levels of empty shop premises across towns and cities and supports action to encourage regeneration of our commercial centres.

7. In relation to empty shops the Committee would therefore support the proposal for allowing window displays while retaining unoccupied rate relief. The Committee believes this would support and encourage the development of shopping areas and maintain the aesthetics of our town centres and shopping areas.

8. The Committee would also support your consideration of providing a rates concession for new businesses setting up in empty retail premises.

Kevin Pelan
Clerk, Committee for Social Development

Northern Ireland Assembly

Appendix 6

Research Papers

Northern Ireland Assembly

Research and Information Service
Briefing Note

Paper 000/00 | 9 November 2011 | NIAR 696-11

Colin Pidgeon

The Proposed Large Retail Levy

This Briefing Note is to support the Committee for Finance and Personnel's consideration of the proposed levy on large retailers. The Department of Finance and Personnel's Initial Integrated Impact Assessment is briefly assessed. Evidence from attempts in Scotland to introduce a similar levy is also presented.

1. Introduction

In June 2011, the Department of Finance and Personnel (DFP) published a consultation paper which proposed the introduction of a large retail levy which is:

> *…intended to fund an expansion of the small business rate relief (SBRR) scheme. It is proposed to apply the levy to the highest value retail properties.*[1]

The proposed levy is to apply to all retail properties at the £500,000 rateable value threshold and above.

The proposal bears considerable resemblance to a levy that was due to be introduced in Scotland in April 2011. In February 2011, however, the Scottish Parliament voted to annul the regulations that introduced the levy. The purpose of this Briefing Note is to examine the attempt in Scotland to support the Committee's scrutiny of DFP's proposal.

Small Business Rate Relief

DFP has stated that in general, the smaller a business, the higher rates tend to be as a proportion of its outgoings. So it has proposed a doubling of the relief available through the existing SBRR – at a total cost to the public purse rising from £6.3m (at April 2011) to around £13m.[2]

It is the Northern Ireland Executive's intention that the expansion of SBRR and the levy will be in place by 1 April 2012 and would apply for three years to March 2015. This timeframe coincides with both the period of the current budget settlement, and with the next rates revaluation.[3]

1 DFP (2011) 'Rating of Commercial Properties: small businesses, large retail properties and empty shops: public consultation paper' available online at: http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf (accessed 25 October 2011) (see page 7)

2 DFP (2011) „Initial Integrated Impact Assessment – Large Retail Levy' available online at: http://www.dfpni.gov.uk/iia-large-retail-levy-june-2011.pdf (accessed 26 October 2011) (see paragraph 3)

3 DFP (2011) „Initial Integrated Impact Assessment – Large Retail Levy' available online at: http://www.dfpni.gov.uk/iia-large-retail-levy-june-2011.pdf (accessed 26 October 2011) (see paragraph 4)

2. The proposed Northern Ireland Large Retail Levy

In its consultation paper, DFP proposed as its preferred option a flat-rate levy to apply to all properties at the £500,000 rateable value threshold and above. DFP also presented an alternative option with three bands: £500,000 - £599,000, £600,000 - £799,000, and £800,000 or above.

In order to raise sufficient revenue to fund the expanded small business rate relief (SBRR) scheme, it suggested that the corresponding rates of a banded levy would need to be 10%, 17.5% and 27%.[4]

Alongside the consultation paper, DFP published an Initial Integrated Impact Assessment comprising an initial Equality Impact Assessment; an initial Rural Proofing Exercise; an initial New Targeting Social Need analysis; and, a Regulatory Impact Assessment. These assessments are considered in this section.

Equality Impact Assessment

The Department approached the assessment of potential equality impacts by analysing which electoral wards contain retail properties that would be subject to the levy; the section 75 characteristics of these wards were than compared with those of wards that do not contain an affected retail property.

DFP acknowledged a weakness in this approach:

> *Those working in, and shopping at the retail premises, will not necessarily live within the affected areas.*[5]

An additional weakness is that it is currently not known how affected retailers will respond to the levy. They might increase pricing in affected stores but not in others; they might lay off staff in affected stores but not in others. On the other hand, if prices are fixed regionally or nationally, they might equally well do neither.

It appears, therefore, to be a difficult task to assess potential impacts accurately. To have determined where shoppers in a particular store are resident, the Department would probably have needed survey data. Similarly, to assess the ward residence of the staff of a particular store, it would have had to collect data from those staff or the affected retailers.

On this basis, the Department's approach appears to be reasonable. Commissioning surveys may have resulted in a cost that could perhaps be considered disproportionate to the size of the proposed levy. Alternatively, DFP could simply have chosen to screen this policy out for an EQIA but did not; the Department has, therefore, made what looks to be a satisfactory attempt to quantify the potential impacts on the basis of information available.

Rural Proofing

For the rural proofing exercise, the Department has followed the same approach of analysing the characteristics of wards that contain affected stores. This approach shares the same weaknesses as are noted above in relation to uncertainty over the retailers' response, and the characteristics of shoppers and staff in the stores.

4 DFP (2011) 'Rating of Commercial Properties: small businesses, large retail properties and empty shops: public consultation paper' available online at: http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf (accessed 25 October 2011) (see page 11)

5 DFP (2011) „Initial Integrated Impact Assessment – Large Retail Levy' available online at: http://www.dfpni.gov.uk/iia-large-retail-levy-june-2011.pdf (accessed 26 October 2011) (see paragraph 9)

Having said that, it does seem reasonable to assume that a store which is located in a ward that is designated as urban will for the most part attract urban shoppers and employees. If that assumption is correct, it would follow that the impact of the levy will fall primarily on urban areas as that is where most large retail properties are located.

Targeting Social Need

Similar considerations apply to the Department s TSN analysis, which is designed to ensure that deprived areas are not disproportionally affected to their detriment by new policies. The TSN assessment presented may well offer a distorted picture – as the Department has acknowledged – because of the assumption that the location of a store affected by the levy would determine where the possible impacts would fall. This is not necessarily the case.

Regulatory Impact Assessment

Regulatory Impact Assessments (RIAs) are designed to assess potential impacts of a policy on different business sectors. The Department has stated that the rationale for the levy is to:

> *…redistribute the rates burden from small businesses, for whom rates tend to form a higher proportion of profit and turnover, compared to larger retail businesses, which tend to have a lower proportion of rates to profit and turnover. Extending relief for small businesses would help reduce operating costs for these businesses, providing increased assistance through into recovery.*[6]

The RIA seeks to identify risks associated with the policy which the Department has proposed and are primarily related to the decisions that may be made by the large retailers affected. These include:

- Opposition and challenge to the levy;
- Location decisions may be altered;
- The size of new premises may be limited to avoid the levy;
- Employment levels and structures may be altered;
- Increased costs may be passed on to consumers;
- Impact on local suppliers; and,
- Reduction in consumer choice.

Overall, the Department has assessed these risks as low on the basis that the levy is intended as a temporary measure and the sums involved are small in the context of individual stores’ sales turnover. On this basis, it seems reasonable to conclude that the levy would not have a significantly detrimental effect on large retailers competitiveness.

On the other hand, there are some factors that could undermine the Northern Ireland Executive’s approach. These include:

- The message that the levy would send to business is that Northern Ireland is not a place to expand and be successful, which runs counter to the intention of seeking devolved corporation tax powers;[7]

6 DFP (2011) „Initial Integrated Impact Assessment – Large Retail Levy’ available online at: http://www.dfpni.gov.uk/iia-large-retail-levy-june-2011.pdf (accessed 26 October 2011) (see paragraph 32)

7 This argument was made in response to the consultation by a number of respondents, including Tesco and Asda. See: http://www.dfpni.gov.uk/rating-review/index/rating_of_commercial_properties_consultation/commercial_rating_consultation_responses_organisations.htm

- Some costs in Northern Ireland are high compared to Great Britain – particularly in relation to transportation and energy;
- The levy would apply to individual stores rather a large retailer's bottom line; and,
- Some businesses that occupy small premises (bookmakers, for example) may be highly profitable but would not be subject to the levy.

3. The Scottish Large Retail Levy

The Scottish large retail levy was intended to apply to properties with a rateable value of more than £750,000. It was to apply only to the financial year 2011-2012 and was expected to raise approximately £30m.[8]

The levy was to be applied in bands as follows:[9]

Rateable value range
More than £750,000 but not exceeding £1,000,000
More than £1,000,000 but not exceeding £1,099,999
More than £1,099,999 but not exceeding £1,265,000
More than £1,265,000 but not exceeding £2,140,000
More than £2,140,000

As the rateable value range increased, so did the „additional factor that retailers would have paid - meaning that the higher the rateable value of the property, the greater the impact of the levy.

The Scottish Government did not consult separately on the proposed levy as it was announced in the draft Budget which was open to consultation. Neither did the Scottish Government consider that it was proportionate to produce an RIA for the measure because it would "impact on less than 0.1% of the non-domestic properties in Scotland".[10] For this reason, it is not possible to compare DFP's initial impact assessment with one produced in Scotland.

The draft Budget for 2011-12 stated:

> *On the question of non-domestic rates, the scope to act is, in practice, small if we are to avoid damaging the competitiveness of Scottish businesses compared to those in England. However, we propose to use these powers to help increase resources in 2011-12 by increasing business rates paid by the largest retail properties, including supermarkets and out-of-town retail parks. This will serve also to support our town centres. Our proposals are subject to the consent of Parliament.*[11]

8 Scottish Government (2010) 'SSI 2010/441: Executive Note' available online at: http://www.legislation.gov.uk/ssi/2010/441/pdfs/ssien_20100441_en.pdf (accessed 26 October 2011)

9 SSI 2010 no. 441 available online at: http://www.legislation.gov.uk/ssi/2010/441/introduction/made (accessed 25 October 2011) (see Regulation 3(3))

10 Scottish Government (2010) 'SSI 2010/441: Executive Note' available online at: http://www.legislation.gov.uk/ssi/2010/441/pdfs/ssien_20100441_en.pdf (accessed 26 October 2011)

11 Scottish Government (2010) 'Scotland's Spending Plans and Draft Budget 2011-12' available online at: http://www.scotland.gov.uk/Resource/Doc/331661/0107923.pdf (accessed 26 October 2011) (see page 15)

4. The Scottish Legislation

On 8 December 2010 the Scottish Government made The Non-Domestic Rates (Levying) (Scotland) (No. 3) Regulations 2010. These Regulations introduced the large retail levy in Scotland.

On 2 February 2011 the Scottish Parliament debated a motion:

> *That the Parliament agrees that nothing further be done under the Non-Domestic Rates (Levying) (Scotland) (No.3) Regulations 2010 (SSI 2010/441).*[12]

Following the debate, the Parliament divided and the motion was carried – 68 MSPs voted for, 46 against and there were no abstentions. The effect of this vote was to annul the Regulations, and the Scottish Government subsequently made The Non-Domestic Rates (Levying) (Scotland) (No. 3) Regulations 2010 Revocation Order 2011 which removed them from the statute book.

This section looks at some of the arguments that were raised in the debate.

Inconsistency of application

In the debate Mr Jeremy Purvis MSP asked the following questions:

> *Why cut the business rates that Tesco Bank pays and increase the rates that Tesco stores pay? Why tax the Tesco in Galashiels more but cut the tax that Tesco Metro stores in Edinburgh pay? How does that help small retailers and how does it mean that Tesco will pay more?*[13]

These questions echo the point raised above that some businesses that occupy small premises may be highly profitable but would not be subject to the levy.

In a briefing for the Committee in June 2011, DFP stated that it believes that:

> *… the proposed large retail levy does not breach state aid rules by conferring a competitive advantage on businesses that are not subject to the levy.*[14]

In its consultation paper, DFP further states in support of its position re state aid that:

> *There would be no reduction in the rates liability for those retail premises below the threshold for the large retail levy, but outside the scope of an extended SBRR scheme, who would continue to pay the normal level of rates.*[15]

If, however, the levy were targeted on the basis of profitability, it seems very possible that the measure could be viewed by the European Commission as a state aid that could give a competitive advantage to businesses that are less profitable; this could potentially result in a distortion in competition between Member States.

12 Official Report, 2 February 2011, available online at: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6074 (accessed 26 October 2011)

13 Official Report, 2 February 2011, available online at: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6074 (accessed 26 October 2011)

14 Briefing paper provided to CFP ‘Consultation on expansion of the Small Business Rate Relief Scheme and Large Retail Levy’ dated 1 June 2011

15 DFP (2011) ‘Rating of Commercial Properties: small businesses, large retail properties and empty shops: public consultation paper’„ available online at: http://www.dfpni.gov.uk/rating-of-commercial-properties-public-consultation.pdf (accessed 25 October 2011) (see page 25)

Effect on town centres

In the debate Mr Gavin Brown MSP made the following observation:

> *…the impression was given that the tax would apply only to out-of-town retail parks and the largest of supermarkets, but that turned out not to be correct. It is a tax on any retail premises above a certain threshold and would hit some of our town centres badly. As a member for the Lothians, I have a particular concern for Princes Street, where at least a dozen flagship stores would be hit by the tax.*[16]

Whilst it doesn't appear at any stage to have been the explicit intention of the Northern Ireland Executive to apply a levy only to out-of-town retailers it does appear that such an impression exists. For example, an article in The Belfast Telegraph on 3 October 2011 stated:

> *The tax on large retail premises is intended to fund rate relief for small businesses and* ***to help town centres.***[17] *[emphasis added]*

DFP's Initial Integrated Impact Assessment, however, notes that 22 of the properties that will be affected are in the shopping areas of Victoria Square, Castle Court, Donegall Place and Boucher Road. Admittedly, Boucher Road is not a town centre area, but this information does suggest that the proposed levy will not necessarily have a beneficial effect on centrally located retail outlets.

Absence of consultation

Another criticism levelled at the proposal in Scotland was that – as noted above – there was an absence of consultation. Gavin Brown MSP noted that:

> *One of the bigger criticisms from the business community is that there was no dialogue whatever in advance of the measure.*[18]

Clearly, a similar criticism cannot be levelled at the Northern Ireland Executive, because there has been a full public consultation on the proposed levy.

A related criticism raised by the same MSP was of the absence of an RIA:

> *The Government said that it was not proportionate to do a business and regulatory impact assessment and that a £30 million tax on one sector did not merit one.*[19]

Again, in the Northern Ireland context, DFP has produced an Initial Integrated Impact Assessment, including an initial RIA.

Message to business

It was noted above that a possible criticism of the levy is that it gives the message that Northern Ireland is not a place for business to expand and be successful. In the debate in Scotland Andy Kerr MSP stated that:

> *If the SNP thinks that sending such a signal will not inhibit investment in Scotland, it is plainly wrong. Our businesses in Scotland will suffer.*

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16 Official Report, 2 February 2011, available online at: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6074 (accessed 26 October 2011)

17 http://www.belfasttelegraph.co.uk/business/business-news/retail-levy-lsquowill-benefit-bookies-and-barsrsquo-16058216.html

18 Official Report, 2 February 2011, available online at: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6074 (accessed 26 October 2011)

19 Official Report, 2 February 2011, available online at: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6074 (accessed 26 October 2011)

Decisions on opening, expanding and refurbishing stores will be affected by the proposal.[20]

In response to a question in the Assembly on 25 October, however, the Finance Minister, Sammy Wilson made the following comments:

Anyone who tells me that a £100 million investment project for which Tesco will look for a return over the next 20 to 25 years will be derailed by a temporary tax that relates to four stores and amounts to £840,000, at the most, spread over the 20- or 25-year term of that £100 million investment project, and that that kind of investment will be endangered, either has not done their sums very well or must think that we are all a bunch of idiots. That is equivalent to a 0·042% return over the 20-year period.[21]

20 Official Report, 2 February 2011, available online at: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6074 (accessed 26 October 2011)

21 Official Report, 25 October, available online at: http://www.niassembly.gov.uk/record/reports2011/111025.htm#a5 (accessed 26 October 2011)

5. Concluding remarks

Despite the weaknesses in the Initial Integrated Impact Assessment highlighted in this Note (and also in part acknowledged by DFP in the document), the Committee can draw some comfort from the fact that both it and the wider Assembly are in a more informed position than were their counterparts in the Scottish Parliament when a similar measure was annulled there. In addition, because there has been a full consultation, stakeholders have had an opportunity to identify other potential impacts.

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