



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Consultation Paper 'Rating of Commercial Properties: small business, large retail properties and empty shops'
Date:	21 October 2011
Reporting Officer:	Ronan Cregan, Director of Finance and Resources
Contact Officer:	Ronan Cregan, Director of Finance and Resources

1.0	Relevant Background Information
1.1	<p>The purpose of this paper is to present to Members a summary of the response made by the council to the consultation on Rating of Commercial Properties: small business, large retail properties and empty shops.</p> <p>Consultation Proposals</p> <ul style="list-style-type: none">• General expansion of the small business rate relief scheme. 20% relief to be provided to eligible premises with an NAV of £5,001 - £10,000. It is estimated that an eligible small business will benefit from £730 p.a.• 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. The costs facing large retailers are estimated at £85,000 p.a. on average. The average rates bill will increase from £430,000 to £515,000.• 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.• The above changes would apply for three years from 1 April 2012 until 31 March 2015.

- 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 general revaluation in 2015.

2.0	Key Issues																																																																																																																
2.1	<p>Stores affected</p> <p>Twenty-nine of the 77 large retail stores are in Belfast and 19 of these are located in the city centre. 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 listed below:</p> <table border="1"> <thead> <tr> <th colspan="4">Geographical distribution of the 77 stores affected</th> </tr> <tr> <th></th> <th>Belfast</th> <th>Elsewhere</th> <th>NI Total</th> </tr> </thead> <tbody> <tr><td>Boots</td><td>1</td><td></td><td>1</td></tr> <tr><td>Charles Hurst</td><td>1</td><td></td><td>1</td></tr> <tr><td>Debenhams</td><td>1</td><td></td><td>1</td></tr> <tr><td>Eason & Son (NI)</td><td>1</td><td></td><td>1</td></tr> <tr><td>Harvey Norman Leasing (NI)</td><td>1</td><td></td><td>1</td></tr> <tr><td>House Of Fraser</td><td>1</td><td></td><td>1</td></tr> <tr><td>IKEA</td><td>1</td><td></td><td>1</td></tr> <tr><td>Republic¹</td><td>1</td><td></td><td>1</td></tr> <tr><td>New Look</td><td>1</td><td></td><td>1</td></tr> <tr><td>Next</td><td>1</td><td></td><td>1</td></tr> <tr><td>Peacocks</td><td>1</td><td></td><td>1</td></tr> <tr><td>Primark Stores</td><td>1</td><td></td><td>1</td></tr> <tr><td>River Island</td><td>1</td><td></td><td>1</td></tr> <tr><td>TK MAXX</td><td>1</td><td></td><td>1</td></tr> <tr><td>Toys R Us</td><td></td><td>1</td><td>1</td></tr> <tr><td>WH Smith</td><td>1</td><td></td><td>1</td></tr> <tr><td>Zara</td><td>1</td><td></td><td>1</td></tr> <tr><td>H & M</td><td>2</td><td></td><td>2</td></tr> <tr><td>Arcadia (BHS; Top Shop; Wallis)</td><td>2</td><td>1</td><td>3</td></tr> <tr><td>Homebase</td><td>1</td><td>2</td><td>3</td></tr> <tr><td>Dunnes Stores</td><td>1</td><td>3</td><td>4</td></tr> <tr><td>Marks & Spencer</td><td>1</td><td>4</td><td>5</td></tr> <tr><td>Asda</td><td></td><td>7</td><td>7</td></tr> <tr><td>B & Q</td><td>2</td><td>7</td><td>9</td></tr> <tr><td>Sainsbury's</td><td>2</td><td>7</td><td>9</td></tr> <tr><td>Tesco</td><td>2</td><td>16</td><td>18</td></tr> </tbody> </table>	Geographical distribution of the 77 stores affected					Belfast	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 ¹	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	2	3	Dunnes Stores	1	3	4	Marks & Spencer	1	4	5	Asda		7	7	B & Q	2	7	9	Sainsbury's	2	7	9	Tesco	2	16	18
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¹ 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

	Total	29	48	77
	Retail Levy			
2.2	It is reasonable to assume that most of the affected stores would continue to operate under the levy and would suffer a detriment only in the sense that their profitability would be reduced by the amount of the levy.			
2.3	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 business model of large store chains, as described to us by the principal chains affected is that 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 may not be retained by the group on the grounds that the chain could 'afford' to pay the £85,000. A review of publically available documentation shows that 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. If the levy tipped even one major Belfast store over the edge into closure, this would have a major impact on the city's rate base and the local economy.			
2.4	The levy may also impede investment. 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. 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, still less of Selfridges or Harvey Nicholls. It is clearly desirable for Belfast to step-up its retail offer and the levy may impede efforts to do this.			
	Alternatives to Proposed Retail Levy			
2.5	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 premises only.			
2.6	In Scotland a new "public health levy" on major retailers has been proposed as part of an effort to alleviate cuts to Scotland's local authorities. Large retailers that sell alcohol and tobacco will have to pay a business rates supplement from April 2012. The levy will be applied through a business rates supplement on premises with a rateable value above £300,000 that sell tobacco and alcohol.			
	Small Business Relief			
2.7	The council welcomes the extension of small business relief which will benefit around 9,000 small businesses by over £700 per annum. The council would also encourage further research to be carried out on the market failures that face small businesses in Northern Ireland so that a targeted approach could be developed which aims, by ameliorating market failure, to achieve effective economic impact.			

3.0	Resource Implications

4.0	Recommendations
4.1	Members are requested to note the contents of the report.

5.0	Decision Tracking

6.0	Key to Abbreviations

7.0	Documents Attached
Appendix 1	Full response
Appendix 2	Full list of stores