CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM BRITISH LAND

On behalf of its retail assets in Scotland, which include Fort Kinnaird in Edinburgh and Glasgow Fort in east Glasgow, British Land welcomes the opportunity to submit a response to the Scottish Parliament Local Government and Communities Committee’s call for evidence on the Non-Domestic Rates (Scotland) Bill.

British Land is a member of the Scottish Retail Consortium and fully endorses the positions previously adopted by the SRC concerning the implementation of the Barclay Review of non-domestic rates.

In submitting a response to the Call for Evidence, British Land has focused on those questions of direct relevance to its interests in Scotland.

1. The Scottish Government’s overall programme of Non-Domestic Rates reform, and how the Bill fits into this.

Like the SRC, we find much to welcome in the Barclay Review recommendations and are therefore generally pleased to see progress towards their implementation, in particular through introduction to the Scottish Parliament of the Non-Domestic Rates (Scotland) Bill. Specifically, we actively support Sections 2 and 3 of the Bill which respectively introduce more frequent revaluation of properties and delay increased business rates for properties that have been expanded or improved. We believe that these provisions in particular will help to create a more competitive rates regime and that this will be of particular benefit to the Scottish retail sector.

2. How the Government has responded to the Barclay review, in particular on those recommendations it has rejected in full or in part.

British Land has previously raised specific concerns regarding the proposal to empower certain local authorities to pilot the introduction of a business rates surcharge on ‘out of town’ or ‘predominantly online’ businesses.

Fundamentally, we did not believe this measure would have been effective in practice in addressing the underlying reasons behind changing consumer behaviour and the negative impact this is seen as having on town centre retail. We also share previously expressed SRC concerns that the proposal runs counter to the principles underlying the Barclay review, namely that the business rates system should be designed in a way that minimises complexity and supports competitiveness.
The overall tax burden on retailers is already onerous including as it does the headline business rate, the large business supplement and, in certain cases, a Business Improvement District levy. For instance, British Land’s Fort Kinnaird shopping centre currently contributes more than £7 million annually to the City of Edinburgh Council, equivalent to 2% of total business rates collected by the local authority.

British Land’s Scottish sites have now been operating for a substantial number of years and are therefore very well-established within the areas where they are located, offering a different and complementary experience to other retail outlets in those areas.

To date, we have been successful in attracting interest from a broad range of major retailers and restaurant and leisure outlets to these sites and we have ongoing plans to further update and develop our centres at Fort Kinnaird and Glasgow Fort. This has enabled us to make an important contribution to the Scottish economy while actively supporting the local communities living in the areas where we are located, directly providing jobs while also offering opportunities for training, skills development and employment for local people seeking a career in retail.

Generating these multiple benefits and significant added value into the future hinges on our ability to sustain interest in our Scottish centres from major retail brands. Anything that reduces competitiveness and drives up costs will act as a major disincentive to ongoing retailer investment. In particular, the proposed surcharge on ‘out of town’ and ‘predominantly online’ businesses would have placed Scotland at a competitive disadvantage and been liable to deter future inward investment in Scottish sites in favour of other parts of the UK where the business rates regime was judged to be more competitive.

As an alternative to the proposed pilot, we have expressed consistent support for the wider use of local discretionary rates relief schemes, as also advocated by the SRC, as a far more effective mechanism to improve the competitive position of town centre retail. The power to introduce local discretionary rates relief was already conferred on local authorities by the 2015 Community Empowerment (Scotland) Act but has so far only been used by three Scottish councils. As outlined by SRC, a broader programme of local discretionary rates relief for town centre commercial property could potentially be funded by revenues from the Business Rates Incentivisation Scheme or from Scottish Government underspend.

For all of these reasons, we were pleased to see the announcement by the Cabinet Secretary for Finance in December 2018 that the Scottish Government no longer planned to proceed with the proposed pilot of a business rates surcharge on ‘out of town’ and ‘predominantly online’ businesses.
3. Section 2 of the Bill which provides that revaluation of properties subject to non-domestic rates would be carried out every 3 years rather than every 5 years.

British Land has specifically welcomed proposals to introduce more frequent revaluations and to reduce by half the time taken between valuations being undertaken and their entry into force. At the same time, we share SRC concerns that the current timetables for the next commercial property revaluations in Scotland, England and Wales and Northern Ireland respectively are not aligned. As a business operating throughout the UK, we would strongly welcome moves to rectify this situation to help make the business rates regime simpler and more straightforward to navigate across the different devolved jurisdictions of the UK.

4. Section 3 of the Bill, which (together with section 9) makes provision in relation to new or improved properties. These delay the point at which non-domestic rates are increased because a property has been expanded or improved, or at which a new build property begins to incur liability to non-domestic rates. The underlying aim is to incentivise development and investment in business properties.

We have previously welcomed the recent introduction of a 12-month delay to increasing business rates after an existing retail outlet has been expanded or improved and accompanying proposals to remove the requirement for ratepayers to apply for this relief on an annual basis.

At the same time, we have ongoing concerns about the practical application of this relief in that material changes to a property cannot be eligible if they are the result of a “combination, division or reorganisation of lands and heritages” or reflect “a change of use” on the day before the date of change. Our experience is that we often have to undertake works to alter or amalgamate existing retail units in order to make them relevant for use by new and existing tenants. Our concern is that the exclusion of such works from eligibility for this particular relief is likely to discourage investment to expand or improve retail units and that this could, in the worst case scenario, result in these units falling out of use.

13. Do you have any other comments about the Bill? In particular, is there anything not in the Bill concerning non-domestic rates that should be in the Bill?

As a general point of principle, we share SRC’s view that the overall burden of non-domestic rates on retailers remains onerous at a time when retailers continue to face a challenging and uncertain economic environment. As part of the implementation of the Barclay Review recommendations, we would therefore welcome a longer term plan to reduce the overall rates burden on the retail sector. Conversely, any moves to
introduce new rates supplements or to further increase existing ones would be particularly unwelcome.

We also strongly support SRC calls for a levelling of the playing field between Scotland and England by bringing the large business rates supplement back into line across both jurisdictions. Doing so would provide a welcome additional boost to retailer confidence and further encouragement for future investment in Scotland’s retail sector.