NIRC Submission to the Small Business Rates Relief Scheme Discussion Paper

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About the Northern Ireland Retail Consortium

Retail is an exciting, diverse and dynamic sector undergoing transformational change. The NIRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail sector and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture. The NIRC leads the sector and works with our members to shape debates and influence issues and opportunities that will help make that positive difference. We care about the careers of people who work in our sector, the communities retail touches and competitiveness as a fundamental principle of the sector's success – our 3Cs.

In addition to publishing leading indicators on retail footfall and shop vacancies in Northern Ireland's town centres, our policy positions are informed by our membership and determined by the NIRC Committee.

Our position

The Northern Ireland Retail Consortium is delighted to be able to respond to this discussion paper on the future of the Small Business Rates Relief Scheme (SBRSS). Our position on the SBRRS has changed little from the response which we gave to UUCEP which is quoted in the discussion paper:
hile the discussion paper quite rightly points out that shops, showrooms and supermarkets accounted for 42.5% of the SBR that was awarded in 2014, we still maintain that in Northern Ireland, this is a sticking plaster when fundamental reform of the rating system is required to make Northern Ireland competitive for business in the 21st Century. The relief may be a very short term solution but the benefit it brings could only have a marginal effect on the health of any business large or small, a fact which is also reflected in the UUCEP report.

We still believe that small business need support and in all of our policy papers we are mindful of the eclectic mix of business we have in Northern Ireland and of the symbiotic relationships between large and small retailers and other industries.

The Proposals for Discussion

Option 1 - Do nothing (Maintain the SBRR scheme in its current form)

The NIRC believes that doing nothing is not an option. In our response to the consultation on the future for Non-Domestic Rates in Northern Ireland, we made it very clear that there is a need for a simplification of the reliefs and exemptions that have become a burden on the current business rates system.

The current panoply of reliefs is inefficient and unclear; the high number of reliefs and exemptions is narrowing the pool of ratepayers. To receive support there should be a clear time-limited need demonstrated. The ultimate aim should be to achieve a system that does not need to be constantly tinkered with. For instance, if the burden is substantially decreased the need for reliefs would diminish.

We believe that it is the correct approach to regularly review all exemptions in place, not just SBRRS, as they may no longer be fit for purpose – currently there appear to be far too many exemptions eroding the tax base which is made up by other industries such as retail.

There should be a thorough fully-costed review to eliminate reliefs and exemptions that are no longer needed or fit for purpose. The NIRC supports a review of all reliefs on a regular basis i.e. every five years recognising the difficulty in immediately eliminating a relief once initially implemented.

When deciding whether reliefs should continue it should be decided whether the original objective is being achieved. If not, reliefs should cease.

Questions that should be considered include:

- Are reliefs fit for purpose?
- Are there more effective ways to target support?
- Who exactly benefits from relief?
- Are reliefs still needed?
- Is it value for money?
- Do the benefits of support outweigh the costs?

It is clear from the UUCEP that this relief is not value for money, that the costs outweigh the benefits, and there may be effective ways to target support. It is therefore our considered opinion that the SBBRS is not fit for purpose.

We believe that small business does require support, however the SBRRS may not be the best solution.

Option 2 – Phase out SBRR with no replacement scheme

Our preferred option is that of the phasing out of the SBRRS over two years due to the reasons outlined under our response to option 1.

The additional rate income could also be used to reduce rate bills for all ratepayers. This reduction of 2-3% of the total non-domestic rates bill would marginally lower the cost of doing business here, making Northern Ireland more competitive and sending a very definite signal to the UK and beyond, that Northern Ireland is an area open for business and ripe for investment.

If the money were to be ploughed back into government provided services there will be no net benefit for the high streets or the economy, whereas a drop in rates would be seen an incentive to growth and investment.

Option 3 - Match funding for Business Improvement Districts (BIDs)

As you will know the Northern Ireland Retail Consortium has been a strong advocate for Business Improvement Districts both at a local level and through our sister organisation the British Retail Consortium, across the UK. The British Retail Consortium (BRC), has collaborated with British BIDs, the Inter Banking Rating Forum (IBRF), the Federation of Small Businesses (FSB) and the British Council of

Shopping Centres (BCSC) to produce a guidance document offering practical advice to help BIDs prepare a robust business case.

Since the inception of BIDs in Northern Ireland the NIRC has lobbied the Department of Social Development as well as other stakeholders on the need for a start-up fund to enable our towns and cities to avail of the same benefits that the rest of the UK has had for over ten years. This start-up funding has not been forthcoming.

However, this matched funding does provide a financial incentive to deliver a focused bespoke solution to many of the towns and areas across Northern Ireland.

As discussed previously our first preference would be that the money saved from a non-renewal of the SBRRS could be used to bring down the tax burden across the rate paying base, however we would not be adverse to a percentage of the overall savings being used to support our high streets that are in greatest need of support and innovation.

Option 4a - Rate relief to encourage investment & regeneration

While this option is advantageous to the high streets especially outside Belfast that need this support and to our members who operate in these areas, it does little for the macroeconomic picture, which is needed here in NI.

There would need to be a further full discussion on the amounts of funding, criteria for funding and the desired outcomes before any support could be given to this measure.

There would also have to be some certainty as to where the funding for such a scheme would be garnered. The NIRC has no objection to the proposed levy on the empty/derelict sites.

Option 4b - Rate relief to encourage town centre living

This option has both advantages and disadvantages. The NIRC has for some time been supportive of the DSD policy of "Living Over the Shops" or LOTS. It fits in well with our vision of the 21st Century high street where we have *destination retailing* where consumers spend their time and money as well as make use of the hospitality and leisure offerings of our towns and cities. This symbiotic mix of accommodation, as well the daytime and night time economies, can lead to vibrant town centres and local economies.

This option will have a medium to long term result rather than a short term win as there is a great amount of development to be undertaken before such accommodation would be ready and the relief could therefore be gained. This will have a real focus on Belfast and the cities, but could disadvantage smaller towns who simply are not equipped within their built environment to provide accommodation in central areas.

This would also bring a new relief to an already crowded system when there should be more simplicity. As we stated in response to Option 1 when deciding whether reliefs should continue it should be decided whether the original objective is being achieved. If not, reliefs should cease.

Option 4c - Rate relief to encourage occupation of vacant premises

The NIRC agrees with the assertion that there is likely to be a large degree of economic deadweight with this approach, as there is already a sufficient incentive in place with the current empty shops rates concession of 50% for one year and any further increase to the level of this relief is unlikely to have a material impact on investor decisions.

The extension of the current scheme in our opinion is unlikely to bring any substantial benefit to the high street.

For Further information:

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