

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

NON-DOMESTIC RATING (MULTIPLIERS AND PRIVATE SCHOOLS) BILL

First Sitting

Wednesday 11 December 2024

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
Motion to sit in private agreed to.
Examination of witnesses.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Sunday 15 December 2024

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The Committee consisted of the following Members:*Chairs:* DR RUPA HUQ, DAME SIOBHAIN McDONAGH, † MARTIN VICKERS

† Billington, Ms Polly (<i>East Thanet</i>) (Lab)	† Simmonds, David (<i>Ruislip, Northwood and Pinner</i>) (Con)
† Brackenridge, Mrs Sureena (<i>Wolverhampton North East</i>) (Lab)	† Slade, Vikki (<i>Mid Dorset and North Poole</i>) (LD)
† Cocking, Lewis (<i>Broxbourne</i>) (Con)	† Spencer, Patrick (<i>Central Suffolk and North Ipswich</i>) (Con)
Costigan, Deirdre (<i>Ealing Southall</i>) (Lab)	† Thompson, Adam (<i>Erewash</i>) (Lab)
† Cross, Harriet (<i>Gordon and Buchan</i>) (Con)	Vince, Chris (<i>Harlow</i>) (Lab/Co-op)
† Kirkham, Jayne (<i>Truro and Falmouth</i>) (Lab/Co-op)	† Welsh, Michelle (<i>Sherwood Forest</i>) (Lab)
† Kitchen, Gen (<i>Wellingborough and Rushden</i>) (Lab)	† Wrigley, Martin (<i>Newton Abbot</i>) (LD)
† McMahon, Jim (<i>Minister for Local Government and English Devolution</i>)	
† Mishra, Navendu (<i>Stockport</i>) (Lab)	Lucinda Maer, Leoni Kurt, <i>Committee Clerks</i>
† Sowards, Mr Mark (<i>Leeds South West and Morley</i>) (Lab)	† attended the Committee

Witnesses

Gary Watson, Chief Executive, Institute of Revenues, Rating and Valuation

Paul Gerrard, Campaigns, Public Affairs and Board Secretariat Director, Co-op

Edward Woodall, Government Relations Director, Association of Convenience Stores

Helen Dickinson OBE, Chief Executive Officer, British Retail Consortium

Tom Ironside, Director of Business and Regulation, British Retail Consortium

Stuart Adam, Senior Economist, Tax, Institute for Fiscal Studies

Public Bill Committee

Wednesday 11 December 2024

(Morning)

[MARTIN VICKERS *in the Chair*]

Non-Domestic Rating (Multipliers and Private Schools) Bill

9.25 am

The Chair: We are now sitting in public and the proceedings are being broadcast. Before we begin, I remind Members to please switch electronic devices off or to silent. Tea and coffee are not allowed during sittings. Today, we will consider first the programme motion on the amendment paper and then the motions to enable the reporting of written evidence for publication and to allow us to deliberate in private about our questions before the oral evidence session. In view of the time available, I hope that we can take those matters formally, without debate.

Ordered,

That—

1. the Committee shall (in addition to its first meeting at 9.25 am on Wednesday 11 December) meet—

- (a) at 2.00 pm on Wednesday 11 December;
- (b) at 11.30 am and 2.00 pm on Thursday 12 December;
- (c) at 9.25 am and 2.00 pm on Tuesday 17 December;

2. the Committee shall hear oral evidence in accordance with the following Table:

Date	Time	Witness
Wednesday 11 December	Until no later than 9.50 am	Institute of Revenues, Rating and Valuation
Wednesday 11 December	Until no later than 10.20 am	Co-op
Wednesday 11 December	Until no later than 10.40 am	Association of Convenience Stores
Wednesday 11 December	Until no later than 11 am	British Retail Consortium
Wednesday 11 December	Until no later than 11.25 am	Institute for Fiscal Studies
Wednesday 11 December	Until no later than 2.20 pm	Dr Malcolm James
Wednesday 11 December	Until no later than 3.05 pm	UKHospitality; British Institute of Innkeeping; Sacha Lord, Night Economy Adviser, Greater Manchester Combined Authority
Wednesday 11 December	Until no later than 3.40 pm	Independent Schools' Bursars Association; Independent Schools Council
Wednesday 11 December	Until no later than 4.00 pm	British Property Federation

Date	Time	Witness
Wednesday 11 December	Until no later than 4.20 pm	Professor Francis Green, University College London
Wednesday 11 December	Until no later than 4.40 pm	Ministry of Housing, Communities and Local Government

3. the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 17 December.—
(*Jim McMahon.*)

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—(*Jim McMahon.*)

The Chair: Copies of written evidence received by the Committee will be made available in the Committee Room.

Resolved,

That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—(*Jim McMahon.*)

9.26 am

The Committee deliberated in private.

9.27 am

On resuming—

The Chair: We are now sitting in public again and the proceedings are being broadcast. Before we start hearing from the witnesses, do any Members wish to make declarations of interest in connection with the Bill? No.

Examination of Witness

Gary Watson gave evidence.

The Chair: We now hear oral evidence from Gary Watson, chief executive of the Institute of Revenues, Rating and Valuation. Before I call the first Member to ask a question, I remind the Committee that questions should be limited to matters within the scope of the Bill. We must stick to the timings in the programme order that the Committee has agreed. For this session, we have until 9.50 am.

Q1 David Simmonds (Ruislip, Northwood and Pinner) (Con): Good morning, Mr Watson. There has been a great deal of debate about the impact that the measures in the Bill will have on high streets, which contain a variety of different businesses. In opening your evidence, will you share your view of what the overall impact of the Bill is likely to be on our high streets?

Gary Watson: Thank you for the opportunity to speak to the Committee. As a professional body, we have members in both the private and public sectors, so we look at the bigger picture when it comes to non-domestic rate, and the high street is the key part of non-domestic rate, in particular from a local government perspective.

I think it is fair to say that we welcome the focus on the high street. What I mean by that is the giving of some degree of certainty. One weakness, certainly since

the Localism Act 2011, is that we have had temporary support—from one year to another. We now have an element of certainty, which is to be welcomed. As a professional body, our concern about giving that support to the high street is to do with the complexity in the rating system. At the moment, we have two multipliers, and we are going up to five or six multipliers. That is difficult for people to understand.

We have had the temporary support for the high street. It is fair to say that the high street is changing; every weekend I go down to my own high street and there are different types of shops. The high street is still thriving, but it is changing in lots of different ways, and the way that the business rate system works needs to be flexible to meet different challenges.

No one high street is the same as another. You have to recognise that a high street in one area of the country is completely different from a high street in another area, but we have a national non-domestic rate system and we very often apply a national system to local issues. Back in 1990, there were no rateable value limits to reliefs; now we have rateable limits all the time, and that means that different areas of the country get treated in different ways. The high street still needs to be a focal part of any Government measures to reform the business rate system.

Q2 David Simmonds: To follow up on that, you have mentioned the key role that local authorities play in the administration of the system. The Bill will introduce provisions whereby the Treasury can make alterations around the multipliers. What is the appropriate time period to ensure that local authorities have sufficient run-in so that any such alterations can be administered correctly? Given that business rate take feeds into a national pooling arrangement, do you have a view about the timescales and the necessary consultation to ensure that, at both Treasury and local authority level, there is clear sight of the impact of those changes on the administration and on the sum of the business rates that are collected?

Gary Watson: Different issues come out of that. Business rates are a major source of local government finance, and local government needs to plan its finances ahead. On ensuring that the high street is aware of the changes, the longer the notice you give, the better. Local government always reacts very quickly, and the high street should be given as much notice as possible—I would normally say a year, although you could pick a different time period. From a planning and local authority point of view, the longer you do a proper consultation—consultation is going on now—to engage with the local community, the better. There will be different high streets in different areas, so you may have more than one high street to focus on. One example of good engagement has been local authorities working with business improvement districts.

It is right to have flexibility. Obviously there are limits, with the two lower and one or more higher multipliers, and you could argue that that creates an element of uncertainty—not knowing what one multiplier will be from one year to the next. But at the moment, you really do not know what you will have from one year to the next, and that does not allow the local authority or the high street to prepare.

Q3 The Minister for Local Government and English Devolution (Jim McMahon): Thank you, Mr Watson, for taking the time to be here and for the insight you have provided on that first question. I am interested in the point about the number of multipliers. If I understand you correctly, there is a risk that the more multipliers you provide, the more confusion there might be in the system. However, the counter-argument—this is certainly our position—is that the business rate system is a blunt tool almost by design, and that by creating this different approach, we can better target the support that we provide not only for retail, hospitality and leisure, but for the large footprint occupiers, warehouses and distributors, where we create that pool of funding. I am interested to get an insight into how you and your members would see that balance being struck in the right way.

Gary Watson: As a professional body, we sometimes have quite diverse views, because we have those working in local government, for example, and then we have those working in the private sector, and they can have some quite different views sometimes. Standing back and looking at what our preference would have been, before we saw the Bill, the whole relief system is very complicated at the moment. The reliefs do not interact with each other, and it is confusing for the ratepayer and perhaps for the local authority. We could have looked at the reliefs as a whole and started again. What we have are the multipliers, and that is what we have to work with. If we had the choice at the beginning, we might have looked at some more targeted form of mandatory relief, but we are where we are.

The important thing is that we will make it work, and I think the Bill gives the Government the flexibility to change. What you found with the pandemic, for example, was that the property tax system, to some extent, came to the fore, because it allowed Government very quickly to not only get money out of the door but target it to certain types of business.

The key issue will be that, assuming the Bill gets Royal Assent, the secondary legislation has to be very clear on the types of business that the Government want to support with the different multipliers, and perhaps the exclusions that they want to consider. That also allows the Bill to be flexible, so it is not as if that is all you have to work from. By keeping it in secondary legislation, things will change. Importantly, we have found over the last 10 years that, because it is all under section 47 of the Local Government Finance Act 1988, it allows Government to bring things in really quickly whether or not there is any new Bill. There is no delay, and local government can get that money and support out of the door really quickly. It also allows local government to plan on the financial side as well.

Q4 Jim McMahon: On that point, is that not why this measure is so important? If we think about the types of shocks that many businesses face, the pandemic was exceptional but also profound. Having that flexibility to move quickly and adapt was very important to the system.

With the current system, aside from it being temporary, short-lived and a cliff edge, the business did not know whether it was going to continue, and if it was going to continue, in what guise. It also had the impact of capping the amount of relief that could be given to any business at £110,000.

[Jim McMahon]

How do you and your members perceive the high street? From the Oldham perspective, when I look at the high street, national retailers such as Boots and Specsavers are actually the foundation of many high streets alongside local independent retailers, but previously they were locked out of the temporary scheme. It would be interesting to get your views on that.

Gary Watson: In terms of the high street, the companies that you named are there and they are often the draw, which is a benefit to the smaller ones. When we lose some of the more well-known retailers on the high street, those properties do not stay empty too long—certainly the smaller ones—because people move in very quickly. Sorry, I did not get the other part of the question.

Q5 Jim McMahon: The first part of the question was more about how agile the system can be. Providing for secondary legislation as part of this Bill is about having that agility and being able to move to recognise any shocks in the system to ensure that, if there is a hit to the local economy, or the high street in particular, the system can move quickly enough at the right point to save it.

Gary Watson: That is one of the criticisms of the rating system. Outside of section 47, it was not flexible and could not adapt very quickly. I think it has to be a good thing to have that flexibility both in the multipliers, including the higher one and the lower one, and in how it allows you to direct the particular relief. It is good for the rating system, including those who pay the rates and local government.

Q6 Vikki Slade (Mid Dorset and North Poole) (LD): I would like to touch on that further. The Bill will give the Treasury the power to apply those additional multipliers. Do you feel that should be a local decision? You have hit the nail on the head; the way business rates work can be impacted by a local situation, such as a retailer going out of business or there being very high rents. Do you think that the Bill gives local areas the ability to think about how they might need to apply different multipliers? Would you like to see more regional or local implications, rather than it all coming through the Treasury?

Gary Watson: I go back a long time in business rates; I was working in rating up until 1990 when it was very much the local authority that set the rate and collected the rate. That was one of the reasons why they went to a national non-domestic rate in 1990. I think the councils have a key role to play. That is why I am keen for the relief system to give local authorities an element of discretion so that they can direct reliefs to certain types of rate plan. That goes for not just the high street but the wider picture.

In terms of ensuring an element of consistency, it was interesting that when the reliefs were coming in during the pandemic, there were a lot of local authorities turning around and saying, “Can’t you just tell us what it is?” Then central Government were saying, “You wanted the discretions and now you want it controlled. You can’t have it both ways,” so I think it is a balance. It raises so much money: all the strengths of a property tax are there for both central Government and local government, and for the ratepayer as well. It is about getting that balance.

Controlling the central rate is right, but making sure that councils have an element of discretion, whether through variance in the multiplier or a particular relief, is something to be considered. But again you have to be careful, because local government is different in lots of different areas. There are different challenges in lots of local authorities, and you are sometimes trying to have a rating system that fits every part of the country. That is why you need that flexibility there.

Q7 Harriet Cross (Gordon and Buchan) (Con): Good morning, Mr Watson. What impact do you see the changes to the multipliers having on the number of appeals that are coming through the business rate system? Do you think the appeals are more or less likely than at the moment to have a grounding or a basis? Will they clog up the system? What is your position on that?

Gary Watson: I do not see that particularly. The question of appeals is interesting. To pick up on one point on appeals, the thing that we are going to find, if we focus on retail and hospitality, is that at the moment if someone does not receive one of those reliefs from a local authority, the only way they can challenge it is by way of judicial review, which is a very high barrier to meet. What we are finding is that some councils will interpret it and give it, and some councils will interpret it and not give it.

What you will find once the Bill goes through is that those challenges will move from judicial review into the magistrates court. If a council chooses not to give a relief, the challenge would be against a liability order application. I think what you will find is that you will get more cases being challenged at a liability order hearing, because however you draft a provision that says, “These people will definitely get it, these people won’t, and these people are subject to whatever,” those challenges will move into a magistrates court.

You can argue about whether that is the right place to have those challenges. The institute’s view for a long time has been that having all disputes on business rate, whether it be liability, occupation or mandatory—these reliefs—in the magistrates court is probably not the best place for them. The best place for those is probably in the valuation tribunal where the valuation disputes for business rate goes. All the council tax disputes go to the tribunal, but business rate disputes do not.

The revaluation will obviously be the trigger for how many appeals come in, and my valuers have given me a heads up on the areas that will see big increases at the next revaluation. But when you are looking at appeals and you focus on the retail, hospitality and leisure, those challenges will come into the magistrates court. The weakness of that is also that the only way you can challenge it is to refuse to pay the rate to get a summons to go into court and argue to a magistrate. Case law is good because it builds the rating system, but I feel that that might be something to keep an eye on going forward.

I think that there will be a lot more appeals against the billing authority’s decision, whereas at the moment they are not challenged through judicial review, because it is a very high barrier to change. The ratepayer could turn around to say, “Well, that council is giving it to me, but that one is not—can you really go to judicial review?” and the challenge would probably be sensible. In my understanding, we have not seen any since those discretions came in.

Q8 Adam Thompson (Erewash) (Lab): Thank you for joining us this morning, Mr Watson. I represent two towns in the east midlands, Ilkeston and Long Eaton. Both the high streets in our towns have suffered for a long time. We have a large number of small retailers and many have closed over a long period. A lot of work has been done locally, in particular by one member of the community, on regeneration of one of the towns especially—basically, clubbing together a lot of small independent retailers who have worked together to bring the community back up. How will the Bill tangibly affect the community and those small retailers?

Gary Watson: We have the Bill, but all the time we have the small business rate relief, which sits there. Obviously, the issue with that is that it is again limited on rateable values. In one part of the country, rateable values will be higher or lower than for the same type of property in another part. The area that might want to be looked at when the next revaluation takes place is to look at the ceilings on those rateable values. At the moment, for the small business rate multiplier, we go up to £51,000. There is that small business multiplier, so if you are trying to target, once we know what the outcome of the rateable values will be at the next reval, it may well be that the support that you could give would be through uplifting the values, as I said.

On the Bill itself, we have the flexibility of the two lower multipliers. To go back to an earlier question, I think it is right to have that flexibility, so that we can vary it depending on the circumstances. It does give flexibility, but we also need to think about the small business rate relief, and that is there anyway. That might be something to look at, in terms of targeting, when it comes to the next reval. I think that would need more secondary legislation, rather than primary legislation.

Q9 Ms Polly Billington (East Thanet) (Lab): Thank you for your evidence. It has been very interesting. My constituency is made up of three towns, Ramsgate, Broadstairs and Margate, all seaside towns and very dependent on all the sectors we have been talking about—tourism, hospitality, leisure and so forth. You have been talking about the centrally decided approach when it comes to those sectors. What value might there be in an approach that recognises the geographical challenges of particular areas, so that we do not just have a complete free-for-all with local government picking and choosing how to do it? We could say instead, “Yes, we need to have a particular approach when it comes to the geographical challenges of some commercial centres and the high streets.”

Gary Watson: Yes, I think you could look at the Bill giving a framework. At the moment, you have the standard rate and the small business multiplier, and the flexibility with the two lower ones—one or more, depending on how you want to move those forward. From a local authority point of view, there is that national situation, but you then have to look at each of the individual areas, and no one area is the same as another, as I said. They will not always be the same—things will change—and that is where the local authority comes into play, and where you need to have the relief systems in place.

The one thing you have in the legislation anyway—I am sorry to bore you with legislation—is section 47, which allows the local authority to give relief to any ratepayer that it wants to. The only thing it has to take

into account is giving due regard to its taxpayers’ interest—and obviously it is, because the taxpayers are benefiting from having a thriving high street. In a way, that relief system is already there, so I think creating the framework is fine. As I said, yes, there is that concern about the complexities of the whole system itself, but you are trying to direct it to make it more agile—as that term has been used.

There is no reason why the framework can be put together through the Bill, but the relief system cannot then be used, say, in the three towns that you referred to—I am a little familiar with those three towns, because one of my council members is from Thanet, so I know it quite well. As I say, I think the relief system is there. The issue you will have then is whether, when it comes to funding those reliefs, local authorities will have all the funding. That is where I always say that you cannot look at the property tax and local government financing separately. When you talk of reforming council tax or business rate, you also have to consider local government finance—the two always have to be considered together.

The Chair: That brings us to the end of the time allotted for the Committee to ask questions. I thank our witness on behalf of the Committee for giving evidence.

Examination of Witness

Paul Gerrard gave evidence.

9.50 am

The Chair: We will now hear oral evidence from Paul Gerrard, director of campaigns, public affairs and board secretariat at Co-op. For this session we have until 10.20 am. Welcome.

Q10 David Simmonds: Welcome. We are all familiar with your business, which is a mainstay of many of our high streets. Would you be willing to give us your assessment of the overall impact of the Bill on the stores that you represent and your view on what it will do to the retail environment in which they sit?

Paul Gerrard: Thank you for the opportunity to speak to the Committee. The Co-op Group has about 2,500 stores right across the country. They are predominantly small stores; they are convenience stores on high streets and in local precincts. Our rates are significant: they are the third biggest operational cost we have after people and rent, and in 2024 they are expected to be just north of £100 million. Our stores are overwhelmingly small stores in communities, and the point about those kinds of stores and the high streets they are on—

The Chair: Order. Mr Gerrard, can you speak up a bit? The broadcasters are having trouble picking you up.

Paul Gerrard: That is not something I often get told, but I will try to speak a little bit louder.

Our stores are overwhelmingly in the heart of communities, on high streets or in precincts, and they are anchor institutions for many in the community. We saw during the pandemic, in technicolour, how all those local stores are genuinely the heart of communities. That is still true now—it is just perhaps a bit quieter and over a longer period. Certainly for us, when you look at

communities that are facing tough and challenging times, you will see boarded-up shops. In a sense, that is the flip of a vibrant high street.

There are obviously bits of this Bill that we do not yet know: we do not know, as the previous witness said, what the revalorisation exercise will do and we do not know the precise multipliers. However, as far as we are concerned, this will have a positive effect on 92% of our estate—a significant impact. It will also, as far as I can tell from the data I have seen, positively impact about 98% of all retail stores.

This Bill will mean, I would expect, that some of our properties, depots and headquarters will pay more, but we think the value that shops bring to high streets—not just commercially, but socially—is important, and therefore we should rebalance. We have been calling for that for a long time. We very much welcome this Bill; obviously the detail is to be confirmed, but the policy principle behind it, to support small stores in communities, is absolutely right.

Q11 David Simmonds: You mentioned that the Bill would have a positive impact on the vast majority of your stores. Can you just walk us through how you have reached that calculation, particularly with reference to the different types of environments in which those stores are located and the different footprints they will have?

Paul Gerrard: We have about 2,750 properties, of which about 220 are not classed as retail, hospitality or leisure. Those will be depots, our funeral business, care homes, our headquarters and so on. We have about 2,500 stores, and of those about 62% have a rateable value of less than £51,000, and just over one third have a rateable value of between £51,000 and £500,000. They will go into what we are assuming will be the two lower multipliers. We do not know what the levels will be below the standard multiplier but, taking the industry's working assumptions of 10p and 20p, that will have a significant impact.

The properties we have outside that group, which are either non-retail, hospitality and leisure or are bigger than £500,000, make up 20% of our rates bill. They will not benefit—in fact, we would expect the rates bill for the big properties to go up—so there is a bit of a balance, but for us overall, it will significantly support our stores. In addition to our 2,500 stores, the Co-op also wholesales to another 5,000 or 6,000 independent stores. I have talked to colleagues in those businesses and, again, this new structure of rates will significantly support those independent small stores as well.

Q12 Jim McMahon: For the record, I refer to my entry in the Register of Members' Financial Interests. Mr Gerrard, many of the stores that you operate are not on the high street or in town and city centres; they are often the last remaining store on the estate in a community. How do you think this Bill might contribute to making those more viable? During the pandemic, when children were being educated from home and given vouchers to get meals during the day, we found that there were significant retail deserts in large parts of the country where that immediate meal was not available, bar the local convenience store on the estate or in the local neighbourhood. From that perspective, beyond the high street and town centres, what impact do you think these measures might have?

Paul Gerrard: You are absolutely right; many of our stores are on high streets, but a lot are just local stores that will be the corner shop on a street. The rates bill is significant—as I said, it is one of the top three costs that we have, alongside our people. As you know the Co-op has always paid the Living Wage Foundation's real living wage, because we think that is the right thing to do, and that is for every colleague, regardless of age or employment status. The other top cost is rent, and then the third one is rates.

I do not think we close stores because of rates, but the current rate system makes it really difficult for some stores to be viable. If we then add to that issues around crime—I have given evidence in this place before on that—there are a lot of costs hitting us. The proposals here are particularly important for those small stores. I think about two thirds of our stores are underneath a £51,000 rateable value, and that rates bill will have a significant impact on the viability and profitability of those stores. You are right that, during the pandemic, when we were all told to stay at home to keep safe, my colleagues and shop workers throughout small stores went in and made sure that the shops were open so that people could get food and water to live.

As I said before, I think we saw in technicolour how important small stores are. The retail sector is multichannel and there are lots of different parts to it, and those different parts play different roles and have different impacts. Small stores are the beating heart of communities. We have done some work, which we are just refreshing, that says that, if you have vibrant high streets, you have better mental health. You have a whole range of better outcomes, and those small stores are at the heart of it.

Q13 Jim McMahon: Leading on from that, one of the other measures in the proposals would remove the current cap on the temporary relief so that multiple operators, including national operators such as the Co-op and others, will benefit more from this scheme. I am interested in your view, because you will no doubt have a view on the tax system in the round and the impact it has on the business overall. Is it recognised that there is an attempt being made here to make sure that those national retailers are as important to the high street and communities as independent retailers, and actually it is the ecosystem overall that makes a place thrive?

Paul Gerrard: I think it is very welcome. We are a national business of little shops; we have 2,500 little shops all around the country, and those little shops bring different economies of scale from, say, a big box in a huge retail park on the outskirts of town. This is very much looking at the kind of shop, rather than the kind of business, and I think that is important. As I said, we wholesale to 5,000 independent stores, and we see this all the time. It is about the nature of the shop, where it is and the impact it has on communities, not just commercially, but socially. A few years ago, we ran a campaign with the British Red Cross on loneliness, and our colleagues would tell me that very often, for the most vulnerable people in societies, the only people they would speak to were in the local shop, such as my colleagues in the Co-op or staff in a Nisa or a Sainsbury's Local. They are really important as a kind of shop, and that is what I think this Bill recognises.

Q14 Vikki Slade: Can I ask you about certainty? The Bill provides the power to introduce multipliers for a given year. With so many stores, you must plan a long time ahead. Do you think that, if we allow changes to be made so frequently, that will be a problem for you?

Paul Gerrard: Your underlying point that businesses like certainty is well made, because we do; we try to plan ahead. If I think back 18 months to the energy crisis, that was unforeseen and caused a real problem. You are absolutely right that certainty is important. Also, though, there is flexibility depending on the economic circumstances at the time—the pandemic allowed a different flexibility—so I think there is a balance there.

What is important is that, in deciding that, there is real transparency and openness. I spent 20 years in government, much of it in the Treasury and Her Majesty's Revenue and Customs, as it was then. I would say of my time there that perhaps we were not always that open and transparent with business. The more openness there is, and the more that officials can advise Ministers based on what is happening in the business community, the better. I am relatively comfortable about the structure; I think it is the ways of working that are important.

Q15 Patrick Spencer (Central Suffolk and North Ipswich) (Con): Thank you, Mr Gerrard, for coming to give evidence. I want to put on the record my support for the premise of supporting community shops and stores and providing somewhere for people to go to do their shopping, but you mentioned that the provisions in the Bill will make distribution more expensive. Should we not be more concerned that home delivery, which we know is very important to vulnerable customers, will be more expensive as a result of the Bill?

Paul Gerrard: I think I am right in saying that the Co-op has the biggest quick-commerce business in the country. People order through aggregators and their orders are delivered from our stores; that is something that we have within our business model. Clearly, there will be costs going on to some of the depots and distribution centres and, to keep this revenue neutral, that will bring extra costs. I think that is the price of revenue neutrality. In the round, the impact on small stores and local shops will outweigh the potential risk around home delivery. As I said, we have a home delivery business; I think our quick-commerce business is the biggest in the country for small, quick deliveries. You are right to flag the risk, but in balance we would say that it is a positive thing that we are supporting brick and mortar shops as much as we can.

Q16 Mr Mark Sowards (Leeds South West and Morley) (Lab): Thank you, Mr Gerrard, for your answers so far; they have been really insightful. We have Co-op shops in my constituency; the Co-op in New Farnley is virtually the only shop in that community. It was an absolute lifeline throughout the pandemic, and it is still a lifeline today, given that there are not other shops. We have had some questions about consistency. Obviously, the aim of the Bill is to provide consistency for businesses—especially those in retail, hospitality and leisure—by providing lower multipliers. You have said how beneficial it will be for about 92% of your properties. Can you talk more broadly about the potential benefits for other retailers?

Paul Gerrard: Certainly. I will make a couple of points. The last time I looked, about 95% of retail was microbusinesses with fewer than 10 employees. From the data I have seen, 98% of retail stores have a rateable value below £500,000. So this helps 92% of the Co-op but, from what I have seen, it helps 98% of the broader retail sector.

In my experience and the Co-op's experience, high streets and precincts are not made by one business, but you often get one business beginning to drive vibrancy in that place. If one business can make it work, you attract custom and those customers might want to buy other things, so you will get a ripple effect from that. I think this will help communities, because it will make it much more viable for those small stores—either independent traders, or small stores of national businesses like the Co-op—to be in communities. I think the ripple effect will be significant. As I said before, there is a commercial thing there, but, as you alluded to, there is a hugely important social and community perspective as well.

Q17 Mrs Sureena Brackenridge (Wolverhampton North East) (Lab): Thank you, Mr Gerrard. I am the Member of Parliament for cities and towns such as Wolverhampton and Willenhall, and we have a number of Co-ops and similar stores. I hear today that the Bill brings a welcome certainty and that the majority of Co-op stores will benefit from it. Co-ops and similar stores are important local employers and have been for generations within the community. I wonder whether you could share your thoughts on the impact of that.

Paul Gerrard: As I said before, local stores, of which the Co-op is an example, play a hugely important social role. They are also economic and commercial entities. We employ 55,000 people. The vast majority of my colleagues are either in stores—as in your constituency—or in our funeral care homes or our legal services business, so they are customer facing. What the Bill does is make our business model of small shops more viable, which means that we can continue to employ people.

It also means that we can continue to behave in line with our co-operative values and principles. As I said before, we have always paid the real living wage, with rates set by the Living Wage Foundation, and we have always sought to have a different kind of product in store, in terms of its ethical roots. The Bill will help us to continue to do all those things. On 21 December we will have done it for 180 years. The Bill will play a role in helping us, as will other measures that the Government have taken.

Q18 Lewis Cocking (Broxbourne) (Con): Thank you for coming in today to give evidence. You have said that the Bill is going to make smaller stores more viable, and that it will affect your bigger stores. Can you give us a flavour of what that means for your business, and whether it will put you off doing bigger stores and make you concentrate on smaller stores? You have done analysis of where the Bill is beneficial to you, but have you done any wider analysis of what it means for the totality of the high street?

Paul Gerrard: In terms of broader analysis, we supply about 7,500 stores, including our own 2,500 stores. I would not term it deep analysis, but our impression from the conversations that we have is that the Bill will

support those kind of shops—not just our own, but shops in local communities. The data I have seen that has been shared across the sector says that about 98% of stores have a rateable value below £500,000. If the limits are set at £500,000 and £51,000, it will significantly support those. The majority of that 98% have a rateable value below £51,000 as well. I cannot remember the first question, I am sorry.

Q19 Lewis Cocking: The first question was about whether it would put you off doing bigger stores and make you concentrate on smaller stores. Will you give us a flavour of what the Bill means for your business?

Paul Gerrard: Thank you. We are very much a convenience business, so the average size of our stores is about 3,000 square feet. I can think of a couple of stores that are bigger, but they are very much legacy stores from many years ago. In general, our approach is to open small stores—convenience stores—so the question about how the Bill will affect our decision to open bigger stores does not really apply. We are very much a small store operator.

Q20 Martin Wrigley (Newton Abbot) (LD): Thank you for coming today. The Co-op is a vital element of many of the communities in my area in south Devon. It is a mainstay of many communities. In the Bill I am interested in the jump between the small business rates and the large business rates based on a rateable value of £51,000. Is that an issue for you in terms of deterring expansion and improvement of stores, or is that not something that you worry about?

Paul Gerrard: As I think I said in an answer to an earlier question, it is one of the factors that we will bear in mind. I do not think it would necessarily be the deciding factor to either open or keep open a store. There will be other things that we would take into account, such as crime or a change in demographic and footfall. It is a factor, but I am not sure that it is the determining factor.

Q21 Jayne Kirkham (Truro and Falmouth) (Lab/Co-op): Hello, Mr Gerrard. Thank you for coming today. I am a Labour and Co-operative MP, so I am pleased to hear that you think the Bill will be good for the Co-operative Group. My first question is about the limit. You say that it will probably help you overall. Perhaps this is hard for you to answer, but for retail as a group, do you think that it is set at the right level?

Secondly, you said that the Bill may have positive effects for your smaller stores, in that you may be able to employ more people, and I wonder whether you can expand on that. The Co-operative shops in Truro and Falmouth are having issues at the moment with theft and violence against shop workers, which is not good, and the BID is providing support. Would the Bill give you the leeway to employ more people, even security people?

Paul Gerrard: I will start at the beginning, and hopefully cover all the questions. This is good for the Co-op Group as a whole. There are ups and downs, because 8% of our estate would not benefit—indeed, it may cost us—but overall it is a good thing. As well as being a director of the Co-op Group, I am a board member at Co-operatives UK, which is the apex body, and this is good for the co-operative movement. That is the first point.

At present, the rate system does not incentivise improvement or growth. There is a link to your question here: for example, if we put in CCTV to keep our colleagues safe, our rates bill goes up. If we put in air conditioning, not just for food safety but to reduce the ambient temperature and so the amount of refrigeration we need, our rates bill goes up. The rate system should incentivise growth. The structure—the two rates for under £500,000 and under £51,000—does incentivise investment and growth, and for us that would mean more shops and employing more people, but I am not sure the way the reliefs work does that. As I understand it, the improvements relief has to do with the shell of the shop, so putting in CCTV or a coffee machine will result in an increase in rates. So that structure definitely incentivises growth, but there are details about whether the system as a whole does.

The Co-op has been very loud on the issue of crime, and I have been to this place a number of times to give evidence about it. We very much welcome the rates proposals. It is self-evident that the changes the Chancellor made on national insurance contributions will cost us money, but we understand the choices that were made. What got a bit lost was what the Government announced on crime: a £5 million investment in Pegasus, 13,000 officers and the stand-alone offence. That will impact us: crime costs us £120 million a year and costs the sector £3 billion a year, so if we can make any kind of dent in that, we will get the leeway that you talked about.

Seeing these things in the round is important. On crime, it is about colleagues and security—we have doubled the money we spend on security—but it is principally about the way businesses and the police work. If businesses and the police work well, we can begin to tackle crime. The work that Chief Constable Amanda Blakeman, at North Wales police, has done in the past year on behalf of all police forces has been important, and we are beginning to see a much-improved police response.

Q22 Michelle Welsh (Sherwood Forest) (Lab): I should probably confess that one of my first jobs was working at a Co-op—I do not know whether that is for the register of interests. In my constituency, we have seen the huge impact of a local store closing, especially on the most disadvantaged and most vulnerable. Over the years, I have been concerned about access to healthy food, children's access to food and the ability of people with young babies to walk to a local shop. For many of my communities in Sherwood Forest, this is not about having food delivered; it is about being able to access it locally and frequently, because people are having to manage their money on a daily basis, not a monthly basis. They are buying one meal at a time, for example. The Co-op has played a vital role over the years and continues to do so.

We have seen the demise over the years of many local stores—not the Co-op, but generally, the store in the middle of the community that knows the local people. When I worked at my local store, I knew that if someone did not turn up for their Sunday paper, there was a problem. Promoting that sort of community feeling crosses all Government Departments, not just those dealing with health and wellbeing. Do you think the Bill will help to ensure that your local stores become more accessible and that you will maintain your connections

with your community, and that it will be about working with the Government in all areas that deal with combating poverty and child poverty and improving child health?

Paul Gerrard: The short answer is yes. Fundamentally, the Bill will ease the burden of rates on small retail and leisure premises. That is the bottom line. Two thirds of our estate are below £51,000; they are the sort of shops you just described. The Bill will significantly reduce the burden on them and on shops between £51,000 and £500,000, so I think it will help.

In a number of things we have done, including our loneliness campaign, and in tackling retail crime, we see how shops in general can be anchor institutions for communities. I do not think we always recognise that in policy, but I think the Bill does recognise it in saying that that is, by definition, a good thing. Government could think more about what all sorts of retail can do—not just economically or in terms of jobs, but in terms of the impact they can have in communities. The Bill recognises that as a policy principle, and I think that can be a first step to thinking more about the way shops support and function in communities.

Q23 David Simmonds: A number of Members have mentioned their relationship with the Co-operative party, so I wanted to clarify one point. Does the Co-operative Group still fund the Co-operative party? Is there still a relationship between the two?

The Chair: Order. That is outside the scope of the Bill.

Paul Gerrard: I can write to you after the session to explain the relationship.

Q24 David Simmonds: You mentioned the overall impact of this measure alongside national insurance contributions changes and other things, which you analysed, and you said that that would be a significant consideration in your coming to a view on the impact of the Bill. What is your view on the overall impact? You said that you felt that overall it would be beneficial to your business, but there were uncertainties. How do you envisage clarity being brought to the overall impact, so you know what effect it will have on jobs, premises and your investment plans?

Paul Gerrard: We have looked at the Budget and other measures in the round. It is not an insightful thing to say that the employer NICs changes will certainly cost a significant amount of money. On top of that, we have the real living wage; as I said, we pay the Living Wage Foundation living wage, which has cost us probably £160 million over the last three or four years. So there are headwinds coming toward us. I would not underestimate the impact that tackling retail crime could have. It costs the retail sector £3 billion and the Co-op £120 million, so if you can make a 10% or 20% reduction, it will be significant. As I have said, I think the rates proposals are good for the vast majority of retail.

Looking at it in the round, the headwinds we will have to face and the supporting winds are becoming clearer, which allows us to plan. We have plans to grow our business. The environment is challenging—retail always is—but overall we think we are beginning to get the certainty we need. For a national business consisting of small shops, like the Co-op is, we think the rates proposals are really supportive.

The Chair: That brings us to the end of the time allotted for the Committee to ask questions. On behalf of the Committee, I thank Mr Gerrard for his evidence.

Examination of Witness

Edward Woodall gave evidence.

10.20 am

The Chair: We will now hear oral evidence from Edward Woodall, Government relations director at the Association of Convenience Stores. We have until 10.40 am for this session.

Q25 David Simmonds: Welcome, Mr Woodall, and thank you for your willingness to give evidence. Can you set out your view of the overall impact, both financial and administrative, that the Bill will have on your members? More specifically, can you give us a sense of how many of your member stores share premises or host other things such as post offices or banking hubs?

Edward Woodall: Thank you very much for the opportunity to give evidence. The Association of Convenience Stores represents the UK's 50,000 convenience retailers, which trade from premises under 280 square metres—very small premises. To give you a sense of scale, the absolute biggest retailer would have a store that is double the size of a tennis court, and most are smaller than that.

The Bill is very helpful, because most of those stores will benefit from the lower retail, hospitality and leisure relief multiplier. Some 71% of our sector are independent retailers, and a large majority will benefit from the lower £51,000 rateable value threshold. In that sense, it is very positive for the sector, but it is also very positive for the places where they trade. We talk a lot about high streets—we use that as the shorthand term—but actually most of our members trade from secondary shopping parades. About 70% are in those secondary areas, servicing a neighbourhood parade—a small block of perhaps five shops—so they support the provision of services very locally, close to where people live and work. In that sense, the Bill is very beneficial. It will also hopefully help to give some more certainty and permanency to the support to the sector in the long run, and certainty about investments that they can make in the future.

I will give you some examples. For a convenience retailer just outside the small rate relief threshold—with, say, a £15,000 or £16,000 rateable value—if the multiplier were set 5p lower, that business would save something like £1,000 a year. If it were set at 20p—the full extent of the flexibility—the business would save something like £3,000 a year. Those are quite reasonable sums and would enable it to consider investing elsewhere. It could be in new software to help it manage shifts or new a CCTV system to help it address the issue of crime. So overall, the Bill is very positive.

On the question about post offices, there are, I think, 11,500 post offices in the UK, and about 8,000 are hosted within convenience stores in a Post Office Local format. There are lots of other services, such as parcel collection and bill payment. Service provision, which is very high volume, low margin, is a big part of the convenience store business. Sustaining them is challenging within the existing environment, so it is important that the support is targeted in that way.

Q26 David Simmonds: May I ask specifically what your view is on small business rate relief?

Edward Woodall: Small business rate relief is incredibly important for our membership as it helps the very smallest businesses to get relief. It also has some very specific features. It is automatically applied, and there are tapers between £12,000 and £15,000 rateable value. It really supports the very smallest businesses in our sector, which trade in rural locations and often serve isolated communities. We are very keen that, with any change in business rates legislation, we get some reassurances that there is a strong commitment to retaining small business rate relief. As much as the multipliers are very helpful to businesses at the larger end of our membership, it is really important that we protect that small bit. The small business rate relief is a great mechanism for doing that.

We have lots of suggestions about how we might improve small business rate relief in the future, to make it work better for more retailers. With the upcoming revaluation, we are likely to see higher retail prices and, as a result, the thresholds need to index up with that higher cost, otherwise businesses are going to start to slip out of the small business rate relief support. Certainly, as much as we welcome this Bill, we would like to hear more about what we can do to improve small business rate relief, to help the smallest businesses in isolated locations.

Q27 Jim McMahon: Thank you for giving time to give evidence today, Mr Woodall. You explained the nature of your members and the fact that their businesses are very much anchors of the community. They are the place that provides the food, but also, in many places, they provide access to finance, post office facilities, postal services and so on. How many of your members do you assess will benefit from the measures, given that the relief is targeted at retail, hospitality and leisure businesses of the scale you talk about?

Edward Woodall: Very much the majority of the membership. The breakdown of the membership is that about 71% are independently operated across the convenience sector, and the other third are operated by multiple retailers—they might be a Co-operative, a Sainsbury's Local or a Tesco Express. The large majority of those premises will sit under the £51,000 rateable value or still use the standard multiplier. Of course, when you take into account hospitality and leisure, we understand that that will be lower as well. So overall, most convenience retailers, as small format retailers trading from spaces under 280 square metres in secondary locations, will benefit from the lower multiplier.

Q28 Jim McMahon: On the point that you made about the potential to improve the system more generally, clearly we want this to be a measure that supports the fabric of community. In the end, these are retail businesses, but they are often the places that bind communities together. That is very much the way that we as a Government perceive them, and perceive the value of our high streets and our precincts in our villages and towns. From your perspective, what measures could be taken to really target the measure to ensure the support is given where it is needed?

Edward Woodall: On the multipliers, we will have to see if the rate of the multipliers is going to have an impact overall. I gave some examples of where you set

the multipliers determining how much businesses can invest. What is described in the Bill is well targeted for retail, hospitality and leisure, to support the areas my members trade in and the types of businesses that the communities want in those locations. If we look at our polling about the most desired services on local parades, convenience stores, post offices and pharmacies come top, and all of those trade out of similar premises. Hopefully, it will help our sector, but it will also help the other businesses that trade in those locations as well to continue to deliver those services too.

Q29 Vikki Slade: Thank you very much for coming in to give evidence. On the timing, we know that retail, hospitality and leisure relief will reduce to 40% in April, but these measures will not come in until the April after that. Do you have any concerns about the impact on convenience stores during that year, before we know what will be happening the following year?

Edward Woodall: If you talk to convenience retailers now about business rates, what is in the front of their minds is the reduction in retail, hospitality and leisure relief, which has gone down from 75% to 40% from April next year. That is a big hit, among a cumulative burden of other measures that were announced in the Budget. That is concerning for them. They talk to us a lot about that, as part of the overall Budget package being challenging—and it was a big challenge, with £660 million costs for the sector.

That said, we knew that the retail, hospitality and leisure relief was introduced as a temporary measure during the covid pandemic, so we welcome the fact that it has not disappeared completely but has been tapered. We also welcome the principle that is set out in the Bill that we are giving a bit more permanency to support for retail, hospitality and leisure businesses on the high street in the future. There has been a cycle of changes in the policy over time, so hopefully this will give us a bit more of a stable footing to understand that. That does not just help us; it helps the other businesses from the retail industry that are thinking about investing in those locations too, but also those from hospitality and leisure.

Q30 Patrick Spencer: Thank you very much, Mr Woodall. I was struck by what you said about rural convenience stores and the importance of supporting them, and I could not agree with you more. I represent a rural constituency and in the next-door village there is a shop that has been there for years. I am terrified every year that it will go under, yet it is very resilient. Do you think this Bill should make provision for convenience stores that stand alone within rural areas and villages, where they are the only shop left that sells milk, eggs and newspapers? Do you think it is not just about small and microbusinesses, but those that are the only ones left? Do you think there should be a provision in the Bill for them?

Edward Woodall: I certainly think there should be provision of support for rural businesses, particularly those that are the last ones serving a community. They deliver essential services to those communities, and there is a cost to that community if they have to travel elsewhere. Whether it is possible to do that through the legislation is an interesting question. This was picked up in some of the previous evidence that you heard this morning, but there are measures within local authorities'

existing powers to issue discretionary relief to support those locations. That was previously called rural rate relief but it has been taken over by small business rate relief.

The challenge is whether local authorities have the funding to administer that relief. I think it is quite challenging to do that in the Bill, because you get into a space where you start adding more complexity by identifying regions or locations in national legislation. Actually, what we often see is that there are more differences within a region than there are between regions. I agree with the principle of what you are saying, but perhaps the existing powers of local authorities to do that are better, but they probably need support and trust from the Government to allow them to administer it well.

Q31 Adam Thompson: Thank you again for coming in this morning, Mr Woodall—we really appreciate your time. I am very pleased to hear your overall assessment that, for the convenience stores that you represent, the Bill will be positive and benefit the vast majority of them. On the savings made and the tangible effect of this Bill, what will they mean for a shopkeeper in my constituency of Erewash for security implementation, staffing and operations?

Edward Woodall: I tried to give some examples earlier of how businesses might invest. I suppose the first question is: where are the multipliers set? I would encourage the Government to use the flexibility to enable the best possible investment. As the example identified, if you have the multiplier set at a lower rate, the business is starting to save thousands of pounds. That is an opportunity for them to think, “Right, I can update the CCTV system. I might be able to add some new security measures in store.” The Bill can facilitate that investment. I should also say that, with the overall pressures on retailers at the moment, the cumulative burden is very big. They also might have to use that money just to keep operating and managing the costs that go up as well. This Bill can facilitate investment, but the Government have to think about the overall investment environment for retailers, not just through the rates bill by itself.

Q32 Harriet Cross: I understand that James Lowman, the chief executive of the Association of Convenience Stores, has written to the Chancellor following the Budget, and he described how 2025 will be a bleak year for small convenience stores, as they face over £666 million of additional cost. Will the Bill’s changes to the multipliers of domestic rates make a dent in that? Overall, will your convenience stores benefit from the Budget or be disadvantaged by it? How do those two things fit together?

Edward Woodall: You are right that our estimation of the cost of the Budget was £666 million, and we wrote to the Treasury to set that out. As I said, I think the Bill provides more structure and permanency in the support for retail, hospitality and leisure relief. I cannot comment on how much it will do, because I do not yet know where the multipliers will be set, but I think there is an opportunity to make the investment environment for businesses better with this Bill. We are not just looking at one single relief; we are looking at it over a period of time and we have the opportunity to discuss how that multiplier is set. One way in which the Bill could facilitate that better is through the procedure for the setting of the lower multiplier, which is currently by negative

resolution in the Bill documents. That might want to move to an affirmative resolution so that we can have a debate on whether it goes up or down in the future, so that we can have a closer discussion on those things.

Q33 Mrs Brackenridge: To follow on from the question of my hon. Friend the Member for Erewash about security, I have a couple of things to say. Will you confirm the estimated benefit of the proposed business rate relief to small stores? Recently in my constituency, I accompanied my local neighbourhood police team to visit several stores on estates and high streets, as well as in a retail park. One of the things that the stores said directly to me and to the local neighbourhood police teams was about the shocking increase in retail crime—thrift and violence—linked to stores directly employing fewer security staff. Will you share your thoughts on the impacts—the benefits—that the savings could make?

The Chair: I will allow you a brief comment, Mr Woodall, but that is out of scope of the Bill.

Edward Woodall: I was trying to demonstrate earlier that where you put the multiplier depends on how much businesses have to invest as a result. If you are a store but just outside the small business rate relief and the multiplier is put down by 5p, you can save £1,000, or down by 20p and you save somewhere just over £3,000. There are options about the different things you can invest in. The lower that we are able to put the multiplier, the more opportunities there are to invest. One of the investment areas, and £1 billion of what our sector invested last year, is a defensive investment in CCTV to ensure that stores and colleagues are safe. Hopefully, that will help us in future.

Q34 Lewis Cocking: In answer to the first question, you said that businesses could save approximately £1,000 or £3,000 depending on size, and then went on to say where they could use that money to make investments in their business or what have you. The businesses I speak to in Broxbourne say that they will have to put that money aside for other measures in the Budget, and in your answer you alluded to businesses being worried about the other measures in the Budget. How do those two marry up? Obviously, with those savings, they cannot invest in their business and put money aside for the other measures in the Budget. What proportion of your members are saying each one of those things?

Edward Woodall: That is a good observation. Some of them might take that to invest in additional service provision or the things in the Bill that I described. Others might have to say, “Look, the cumulative impact of the costs that we are facing is big, so we have to use that money in the space of continuing to trade.” That is starker with small business rate relief—about a quarter of the retailers say they use small business rate relief to be able to stay trading, with the changing operating environment as well. Different businesses will make different operational decisions about how they use the money. Some will try to address that cumulative burden and others will invest in other locations. I do not have a figure for the entire sector on how they will allocate that.

Q35 Lewis Cocking: Have you asked your members that question?

Edward Woodall: We talk to them all the time about such questions. Perhaps it is something we can address in our written evidence to the Committee.

Q36 Mr Swards: I will be brief. We have heard a lot about the cost of measures in the Budget, including in the Bill. Do you accept that there is some positive benefit in providing certainty to business—certainty that has been missing for a while? The measures in the Bill are designed to provide certainty over a longer period, but the measures in the Budget were designed for that as well.

Edward Woodall: On the Bill, I think I have said on a number of occasions that we welcome the fact that it brings more structure and that the overall principle is about long-term support for retail, hospitality and leisure businesses, and the areas in which they trade. In terms of that principle, we very much welcome the Bill; overall, businesses welcome greater certainty about how they invest into the future, so I welcome that in the context of the Bill.

The Chair: That brings us to the end of the time allotted for this witness. I thank Mr Woodall for his evidence.

Examination of Witnesses

Helen Dickinson OBE and Tom Ironside gave evidence.

10.40 am

Q37 The Chair: We now have oral evidence from the British Retail Consortium. For this session, we have until 11 o'clock. Would the witnesses introduce themselves?

Helen Dickinson: Hello, everybody. My name is Helen Dickinson. I am the chief executive of the British Retail Consortium. We are the trade body for the retail industry. Our members constitute all sorts of retailers; they sell both online and through shops, right across every category. We have about 200 members. We also have within our membership the various trade associations that represent independent retailers. We are the lead body for the retail industry.

Tom Ironside: Good morning, everyone. I am Tom Ironside, director of business and regulation at the BRC. My team have responsibility for property policy, including business rates.

The Chair: Welcome. I will hand over to the shadow Minister.

Q38 David Simmonds: Welcome and thank you both for your time today. Your organisation has been quite vocal about the need for this legislation to introduce a retail rates corrector as a means of addressing some of the imbalances. Would you share with the Committee your views about whether anything in the Bill helps to address those concerns, which I know are long-standing ones in the retail sector? Would you then develop that in the context of the Budget, which we have heard a lot of evidence about? It is one of those things that businesses are looking at the overall impact of. Would you tell us your members' views about the overall impact that the Budget has had and give us a steer as to what that suggests we should be doing in this Bill?

The Chair: That is slightly out of scope of the Bill. Could the witnesses comment on it within the context of the Bill?

Helen Dickinson: Certainly. I will kick off. I have been doing this job for 12 years, I think, and business rates have always been a big issue for retailers of all shapes and sizes. There have been many attempts over many decades to look at how the system could be reformed. That recognition that the business rate system as it stands disincentivises investment in communities up and down the country is very welcome. The starting point is a great recognition that there is a need to reform that system. It is also great to see the importance of retail, hospitality and leisure businesses in that context and to be thinking differently about the business rate system and how it applies to those businesses, because for many other industries, business rates are a tiny proportion of their cost base, whereas for retail and hospitality, it is a much more significant part of their costs.

Our headline, in the context of welcoming that and all the potential that it has to stimulate local investment, is that it does not necessarily go quite far enough to be able to deliver the scale of investment and far-reaching change that we need to see up and down the country. The reason for that has to do with the level of £500,000 and above for the threshold. About 4,000 shops currently sit above the £500,000 rateable value threshold. Many of those shops sit on high streets up and down the country. Many of them are what in retail we might call anchor stores: they drive footfall. That is part of the ecosystem where larger businesses and smaller businesses all co-exist, and that is what makes successful high streets.

From a retail point of view, because those 4,000 shops potentially are captured by the threshold, they are, in the way many businesses think about investment, looking at what their customers want in local communities and whether that is an out-of-town shop or a shop in a high street. If you are penalising some shops to support other shops and hospitality businesses, the ability for the ecosystem of investment that we want to drive to reinvigorate high streets is being held back.

I think that is a big question, because of the way the whole Bill is set up. Does that work in the context? Are there enough other properties that are not retail and hospitality businesses to be able to still achieve the parameters of the Bill and the self-funding mechanism that it creates? About 12,000 other properties that are not retail, hospitality or leisure businesses sit above the £500,000 threshold. For those businesses, that business rates change, if there is a higher multiplier, is a tiny proportion of their profits—I think our modelling suggests about 0.2%. For all of the other companies right across the economy, this is a much smaller issue than it is within the retail industry, and the hospitality industry for that matter.

We think that either through the Bill or through some sort of assurance from Government that they will look at it—as I understand it, it does not necessarily have to be done through the Bill and the Government can actually make that decision outside it—we need to really think about how those over-£500,000 properties should be taken out of the upper-level funding elsewhere. The ability to support retail and hospitality businesses in their totality is the way that it should be thought about.

To touch on a bit that may be out of scope, this comes in the context of the significant cost changes that the Budget and particularly the national insurance changes represented. Again, just to put some numbers out there, we looked at this, and the cost of the national insurance change is about £2.3 billion across retail and hospitality. We are talking about a potential benefit of about £1.3 billion if you include all of retail within the scope of the Bill, so it is a lower amount, I suppose, than just the national insurance change. That is another reason why we think it is really important that we include all shops—the context being that nobody ends up paying more, the smaller shops end up paying less, and you just take those larger shops out of the uplift as the way to really drive that investment in local communities.

Q39 David Simmonds: We have heard some evidence on appeals and the decisions that will arise from this. Clearly, there is a degree of uncertainty because, if we do not yet know what the multipliers are, businesses cannot plan for that. Do you have a view about whether the current system is fit for purpose to address what may arise? If not, what measures would you like to see to make it work better?

Tom Ironside: On the existing system and its fitness, or its ability to actually handle what may arise, I think there are long-standing concerns about the ability of the appeals system to respond effectively, with long backlogs and people reporting that they exit one revaluation not having resolved issues from the previous ones. There are real long-standing issues that need to be tackled.

Inevitably, if you look at the approach that is being taken, the introduction of a new threshold will create additional tension for companies that sit just above that threshold, and that is likely to increase the number of appeals. It may also have an impact on investment decisions as you get close to the threshold, because there is a marginal tax rate impact, which could be very significant if you move from being in receipt of a discount for retail property through to seeing an upward multiplier under the existing proposal.

Q40 Jim McMahon: Thank you for attending the evidence session, and for the written evidence that you have provided by way of preparation for the meeting. I think there is an acceptance in the evidence that you have given that any business rate system ends up having to draw the line somewhere; it is the nature of the multipliers and of the value that you apply. It stands a fact that, when it comes to most of your members, despite the 4,000 that you say will be above the £500,000 threshold, 772,000 are below the threshold. Therefore, it stands the case that the vast majority of your members will be the beneficiaries of the measures taken here.

Also, although it can be portrayed—and has been during this evidence session—that the relief is being decreased from 70% to 40%, the truth is that the temporary relief over covid was due to come to an end. That was a cliff edge, but this measure provides a permanent relief in legislation, which gives certainty over the long term. It would be interesting to know the views of your members on that.

Helen Dickinson: I just heard the end of the previous session. Obviously we have got to get to the point of implementation, but once we are there the long-term

certainty is going to be really important. I completely understand the context in which the covid support was given and how valuable that was. Painful as it may be for many businesses when transitioning from a higher discount to whatever the new system might be, longer-term certainty outweighs that because we will not be limping from year to year waiting to see what that might look like.

In the context of your point about the proportion of businesses and shops that would benefit from the proposals as they stand, I completely agree that the 4,000 shops I mentioned is less than 5% of the total number of shops. Where it becomes much more difficult is that, if you look at that small proportion of shops, it is about a third of the rateable value of all shops.

If you think about it within a retail context, what we are effectively doing is penalising some shops to support other shops. In the competitive landscape of retail, where businesses are competing for consumer business day in, day out, it is distortive to competition. We completely agree that you have to draw a line somewhere, but we think the line should sit outside retail and hospitality, rather than being drawn within retail—and hospitality, she says, with her retail hat on. Does that answer your question?

Q41 Jim McMahon: It does, a bit, but I am not entirely sure it hits at the facts, to be blunt about it. It is not the case, from the evidence, that properties above £500,000 are essentially cross-subsidising those below £500,000. Those above £500,000 are only 7.5% of the total rateable value in the whole system. It is not the case that we are seeing that transfer.

Is it not also the case that many of your members who will occupy premises above the £500,000 will be the larger footprint occupiers, such as supermarkets and big department stores? If we were to move the centre of the cross-subsidy entirely over to warehousing and distribution, they would pay it on the back-end anyway, because Tesco, Sainsbury's and the rest have huge warehousing and distribution models in their business.

Helen Dickinson: I am trying to think of the best way to answer that without going into too many details and numbers. Again, I agree that with the cross-subsidy we are not talking about going from one to the other within retail. If you look within retail, the rateable value of all of the small and medium-sized retail properties is about £9.2 billion, and there is an additional £4.6 billion of larger properties. Taken together, that is about £13.8 billion, with one third large and two thirds small. As you say, there are many other properties that sit outside retail, including warehouses and distribution centres, but also offices. In fact, I think the biggest chunk of that is offices. We are not just talking about things that will impact retail, like warehouses, coming into the other side of the equation; we are talking about all those other sectors as well.

Going back to what I said at the beginning, if the objective of this is to stimulate local investment in communities—that has to be the goal, because we all, as consumers and customers, want to see our high streets and town centres flourishing and vibrant with a diversity of offer—then we have to be able to find a way for that funding to come from right across the spectrum of properties, whether it is offices, distribution centres or

whatever else sits outside. The modelling we have done shows that that is possible within the context of the framework you have laid out.

Tom Ironside: Just to be clear, are we talking about the exemption of shops above £500,000, not the exemption of other sorts of properties?

Jim McMahon: Let me make a point of clarity for the record. The 7.5% of total rateable value of the overall business rate tax take was just for retail, hospitality and leisure. It does not take into account offices or warehouses. I thought it was important that we set the context correctly in framing the conversation.

Tom Ironside: We can provide you with clarity on the figures, which we can lay out in a subsequent note, if that is helpful.

Jim McMahon: That would be very helpful.

Q42 Vikki Slade: You talked a lot about the retail properties over £500,000, but there is also a cliff edge at £51,000. The Fantastic Things Emporium in Bournemouth is a brilliant treasure trove of lots of microbusinesses that would otherwise not have the ability to be on the high street. Is £51,000 the right level? Should the level exist at all?

Helen Dickinson: I will start and then hand over. Tom highlighted earlier that whenever you have a threshold of some description, there will be a cliff edge risk. I know it is a goal of the current Government, as it was of the previous Government, to ensure that small and microbusinesses get the support they need to be able to grow. There is recognition right across retail that there is a case for a higher discount for really small businesses as they begin to grow and a next-level discount, for want of a better description, for those above that. The threshold risk is there, but the improvements proposed in the discussion paper, which are not necessarily in the Bill, about transparency from the Valuation Office Agency on data and the processes it goes through should at least give a greater ability to get through the appeals process and give people more clarity and certainty. That will hopefully avoid at least some of the consequences of those thresholds.

That is a long-winded way of saying that there is recognition that there needs to be a greater discount for really small and microbusinesses. You have to set a level at some point. Is £51,000 exactly the right figure? Whether it is £51,000 or £500,000, it is important that it indexes with inflation, because otherwise it will get eroded over time. Whether that needs to be in the scope of the Bill is part of the way to address your question. I do not know if that helps. Tom, do you want to add anything?

Tom Ironside: On that final point, in 2001 there was around £40 billion of rateable value on the list. Now we have about £70 billion of rateable value on the list. It is inevitable that if you do not have some sort of uprating mechanism—we have identified the £500,000 threshold, but I suspect that you could make an equal case for the £51,000 one—you erode the benefit and purpose of what is being set out. We feel quite strongly on that front.

The Chair: We have one minute left and two Members have indicated that they want to speak.

Q43 Jayne Kirkham: I will be very quick. On what you said about the higher limits, it would just be supermarkets, would it not, because they are bigger?

Helen Dickinson: It would not just be supermarkets; it would be larger shops.

Q44 Jayne Kirkham: I was going to bring in hospitality and leisure, which is probably something I will ask other witnesses about later. I am from Cornwall, where we have some big leisure and hospitality sites. To look at exemptions purely for shops—

Helen Dickinson: There is absolute recognition that there should be other exemptions for larger premises if the goal is about retail, leisure and hospitality.

Jayne Kirkham: Then you are looking at a much bigger thing.

Helen Dickinson: The proportion in retail is much bigger than the proportion in leisure. We will share some data with the Committee, because we looked at retail and hospitality as well. I agree that it should be both.

The Chair: I am afraid that brings us to the end of our allotted time. I thank the witnesses for their evidence.

Examination of Witness

Stuart Adam gave evidence.

11 am

The Chair: We now come to oral evidence from Stuart Adam, senior economist on tax at the Institute for Fiscal Studies. For this session, we have until 11.25 am.

Q45 David Simmonds: I know your organisation has had a long-standing interest in the reform of business rates. Given the background, can you start by telling us your perspective on how far the Bill goes to address concerns that you have had and the calls that you have made for that reform to take place?

Stuart Adam: It basically does not do anything about them. We can argue about the pros and cons of what is in the Bill, but it is largely separate from our concerns about it. The discussion paper raises a couple of potential reforms for the longer term that are more related to it. My view is that there is an issue about possibly more frequent than three-yearly revaluations, and particularly trying to shorten the antecedent valuation date period from the valuation to when it takes effect from two years to one year, which would be good. Actually, my ideal would be to move to a land value tax for commercial property, which does not seem to be on the table. Things such as reliefs for improvements for a certain period have been introduced and there is something in there about whether that is working well and should be extended. I have a set of concerns about business rates, but they do not really have much to do with what is in the Bill.

Q46 David Simmonds: Could you share with us an assessment—your view—of the impact that measures in the Bill will have on the affected sectors?

Stuart Adam: There are two sections in the Bill, obviously: one about multipliers and one about private schools. We should probably separate those as they are very different issues.

In terms of the changes in multipliers, this gets widely misunderstood. What gets left out of the equation is essentially the economics, and specifically what the consequences will be for rents. Basically, business rates are not what is killing the high streets, and changes to business rates are not what will save it. As a rough first pass—and we can nuance this quite a lot—when business rates go up or down, rents tend to go down or up almost pound for pound in the long run, which means that business rates do not have a big impact on the cost of premises. That is much more about the supply of property.

There are several nuances to that. One is that to some extent business rates affect the supply of property and that will feed through into rents and affordability. You can think about the effects that this would have on the incentive to build bigger or smaller properties, or properties focused on retail, leisure and hospitality versus other sectors; or the incentives to use properties in one sector versus another; or indeed whether properties are used for commercial purposes or housing, and so on. There will be some effect from those things, and that will affect affordability as a knock-on consequence. That is clearly longer term and second order, and things like the planning regime are much more important.

If you take the supply of properties as given, to that extent, changes in business rates get offset by changes in rent. For example, in the case of the rise in business rates for properties with a rateable value of more than £500,000, I would expect rents to fall by a similar amount over the long term. Again, “over the long term” is a caveat. That is therefore a one-off hit to the owners of the land rather than to the occupiers of the property.

With reduced multipliers for retail, leisure and hospitality, the position is a bit more complicated because it depends on the extent to which there can be shifts of use in properties between different purposes. If properties used for retail, leisure and hospitality are stuck for that purpose and cannot be used for anything else, the same applies, but if shops can be converted into offices and vice versa, the situation is more complicated. We expect that, overall, the reduced multipliers would lead to an increase in rents, but a smaller increase in rents for all properties. Retail, leisure and hospitality would therefore become more affordable, but only to the extent that offices, factories and so on become less affordable. It would still wash out overall in terms of rents, and the beneficiaries would be the landlords rather than the businesses occupying and using them, but there can still be a shift between retail, leisure and hospitality and other sectors of the economy.

Q47 Jim McMahon: Thank you for coming to give evidence today, Mr Adam. I absolutely accept what you said—you are far more qualified than me on these matters, and I will not try to test some of it. However, I can say from my experience in Oldham that businesses are asking for respite and that they have found things very difficult. Although covid has been and gone, the operating environment before covid was difficult for many high streets and town centres, particularly for retail, hospitality and leisure. In some places, particularly where the economy is vibrant and there is high demand

for premises, there might be a shift from business rates to rent as the system is moved round, but in most places, where there is not that high demand and there are lots of vacant units, it is about making the activity more affordable so that people can operate and keep their heads above water, and there probably will not be the shift that you talked about.

Stuart Adam: I disagree. I think there still would be that shift over the longer term. Again, these things take time as rental contracts adjust as new tenants are found for premises. The theory is reasonably clear and the evidence that we have, which is fairly thin, supports it pretty much completely. I emphasise that in the short run we would absolutely expect respite for retail, hospitality and leisure sectors at the moment, until there is time for rents to adjust. One thing to bear in mind is that we have had more generous reliefs for retail, hospitality and leisure in recent years, and some rents have been renegotiated during that period. It is also possible that if people, firms and the market expect reliefs that are more like 75% to continue, rents may have gone up, and the fact that the relief is less generous than what it replaces means that they will be worse off in the short run than if the reliefs had never been introduced. Obviously, they are still better off than they would be if the relief were removed completely. My expectation is still that that will be reflected in rents over time.

Q48 Jim McMahon: I accept that up to a point, but the temporary relief that the previous Government brought in to cover the impact of covid on the high street and retail, hospitality and leisure was introduced at a time when the sector was decimated and the country and the economy changed beyond recognition, in a way that none of us had experienced. That is not the world today, but the operating environment is still very difficult. Have you made an assessment of the impact of the previous temporary relief coming to an end in the form of a cliff edge? It was just going to stop and there was no provision for it to continue in any form in the Budget or the overall forecast. What impact would that have had on the high street?

Stuart Adam: The short answer is that we have not, and I am not aware of any good empirical study of what that was likely to do. It is slightly interesting and strange the way it evolved, because of course it was introduced as a relief in desperate times during covid. But as covid was coming to an end, it was made more generous rather than less. It moved up from 50% to 75%, if I remember rightly, at that point. Again, I am absolutely not disputing in any way that it did provide and does provide much needed respite, particularly at times of crisis, but as a long-term permanent thing I do not think the effects are the same.

One thing I completely welcome is that whatever you want to do with this—setting it up as a clear, long-term part of the system rather than having year-to-year uncertainty as to what the number will be and whether it will continue and so on—and whatever decision you make, making it a permanent part of the system is a very good thing.

Q49 Vikki Slade: In Northern Ireland, there is a single regional rate and then a local levy. Do you have views about whether there should be any local influence in terms of these determinants reflecting higher rents, particularly in the south-east or south-west, that put lots of businesses above the £51,000 threshold?

Stuart Adam: There are a number of questions. One is how far the rates should be set locally versus centrally. Obviously there was a history there of them being centralised in 1990. There is a question as to how much localism you want. If you are going to have local taxes, property taxes are a pretty good choice—housing more so than business property taxes. But if you wanted to localise more taxes, business rates would not be a bad choice. There might be things you can do along the lines that we have seen already about, for example, having a ballot of local businesses as a requirement and that kind of thing. There is a case for whether it should be local or central—I do not have a strong view either way.

There is a question as to how far the revenues should be redistributed across the country and whether areas that get more business rates revenue should have more funding as a result. That, again, comes into a broader question about the local government finance system. It is not obvious that just happening to have more high value businesses in an area is a good reason for that area to get more revenue. I think there is a better argument for things such as business rates retention, where you want to give local authorities some incentives, some reward, for having more businesses, encouraging them and generating local economic growth and so on.

There is then a question about whether, even if it is set centrally, the rates and thresholds of business rates should be different across the country. It is not obvious to me that there is a good argument for that, but it is not obvious to me that there is a good argument for it being different across different sizes of business or sectors, either. I would not rule out that you could make a case for it. In those other cases in terms of smaller businesses and retail, hospitality and leisure, you can make a case for it. I am not saying that you should never have any variation, but I would want to hear that argument made clearly. In terms of variation across areas, I do not think I have heard that argument made.

Q50 Jayne Kirkham: I am from Cornwall, where we have full business rates retention, so that puts a slightly different spin on it. Given that that varies across the country, maybe you could mention that. You talked about high street rents going up or down. I come from a place where there are lots of seaside towns and limited space by the water. A lot of our properties are owned by faceless corporations or insurance funds, so the rents are not remotely responsive. They have stayed high for a long time because they are seen as an asset on a balance sheet. We have struggled very much with that. For some places—maybe you would disagree—the business rates are even more important because the rents either take a very long time to have an impact or we are just left with empty properties for a very long time. Would you agree?

Stuart Adam: I think I would disagree. Actually, it is possibly even more true in the cases where properties are owned by big, faceless corporations, because clearly they will want to set the highest rent they can get away with, but the amount of rent they can get away with will depend on the demand for that property, and the demand for the property depends on the level of business rates and rent attached to it.

You would expect rents to adjust in the long run. How long “the long run” is is an interesting question. There is some evidence that it starts to happen in a

relatively short period—something like three or four years—but the evidence on that is not great. The rent adjustment probably happens more quickly than it would have 20 or 30 years ago, because commercial rent contracts have become shorter and there is more use of things like commercial voluntary arrangements, which allow rents to adjust more quickly. It can take a fair number of years before rents are renegotiated, contracts come to an end and so on, but I would still very much expect it to happen.

Q51 Jim McMahon: Is part of the tension not that the question described a broken market, but that response describes a functioning market? Is the real issue that many institutional investors would sooner have an empty property with a notional rent attached to it, even if the rent is never achieved, than accept a tenant for a lower rent that would have an impact on their overall balance sheet? Is there not a tension there?

Stuart Adam: Yes, I think that is right. There is an interesting question as to why so many properties are left empty for so long, when it would seem to be in the landlord’s interest to have anyone in there paying them something, rather than no one in there paying them anything. There are certainly aspects in which the market does not function well, but on the whole it still looks to me like a market where, basically, prices are determined by supply and demand, and such evidence as we have seems to support that.

Q52 Patrick Spencer: On this remarkable relationship between taxes and rent, are you saying that there is a uniform relationship across geographies, locations and shop types? There is a big difference between Oxford Street and a town high street; are you saying that the behaviour of rents and taxes does not vary across those situations?

Stuart Adam: Broadly speaking, yes. The rule of thumb that, in the long run, rent will change with rates almost pound for pound will apply across different types of property and location. There is a difference where the tax on the premises is not fixed, for example where it depends on what the premises is used for: I do not think it is the case that reliefs for particular sectors get reflected pound for pound, because the use of the property may vary.

Q53 Patrick Spencer: Have you done any analysis of the variation of impact between renters and freehold owners of shops? On my high street, the shops that own the freehold are the ones that have been there for 15 years, so they have not weathered the same problems that other shops have. Surely at the margin there is an impact on shops that own the property.

Stuart Adam: There are a couple of slightly different things there. The first is that you may have a chain of ownership: possibly a very short-term sub-let, a let, a long-term leaseholder and then the ultimate freeholder. How far and how quickly it gets passed up that chain will partly depend on how long term the contracts are, how easy it is to renegotiate and so on.

The second thing, when talking about what happens as rents adjust, is that a minority of businesses, but a sizeable minority, own their own premises. In the long run, they may not be affected in their capacity as tenants, but they are still affected in their capacity as landlords to themselves, as it were. One way to think

about it is that it is almost lump sum redistribution across owners of different properties. If you own the property and your business rates bill goes down—there is no rent. You can imagine charging rent to yourself, but the reality is that you just have a lower bill to pay.

That is a one-off gain in the sense that you could sell that property and get more for it in the same way, so you are just better off if your business rates bill has gone down. Someone else looking to buy it would face a lower business rates bill, but they would have to pay more to buy the property in the first place. So yes, businesses that own their own premises would benefit from a business rate cut—or lose from a business rate increase if we are talking about those above £500,000—in their capacity as owners, essentially, rather than their capacity as the business occupying and using the property.

Q54 Ms Billington: We have a 24% vacancy rate on Ramsgate High Street for many of the reasons that Jayne gave in relation to Cornwall. Do you think that the certainty that this legislation brings will have an impact on establishing long-term help for reviving the high street, particularly when it comes to rents and increasing occupancy? The long-term drivers that have been undermining the high streets are new shopping behaviours—not only post-pandemic behaviours but online shopping. If you do not think that this legislation will help, what will?

Stuart Adam: First of all, I do not want to say that it will do nothing to help. It will certainly do something in the short run, and I am also giving the quite extreme case—the very purest—in the long run. Even in the long run, it will not be quite as simple as I am painting it. There will be some help, but as I say, it is more second order than first order. I also agree, as I emphasised earlier, that the certainty will definitely help.

I also think that we can look at other parts of the business rate system. The treatment of empty properties—empty property relief—is one, which is much more important and more directly targeted at actually getting properties back into use. I know that the Government are concerned, as the discussion paper mentions, about exploitation of empty property relief by people cycling in and out artificially and things like that. I also think that a lot of the struggles of the high street are not caused by business rates. Things such as online competition make a huge difference, and are not driven by business rates.

Q55 Ms Billington: Sorry to interrupt, but online competition is genuinely a problem with business rates. Having previously been a councillor in Hackney, I know that we got more business rates from Amazon having its headquarters there than the Treasury did from Amazon's existence in the first place. So there is a difference.

Stuart Adam: What I am saying is that there is a big difference in business rates, but if the business rates are not changing the overall cost of the premises—rent plus business rates—they are not making much difference to the competition. The fact that people can easily shop online is fundamentally what is driving it, rather than business rates. The fact that high street retailers have to pay rent and rates in a way online retailers do not, at least not to anything like the same extent, is absolutely a driver of the difference, but I am just saying that the business rate component of the cost of the premises does not have that much impact on the overall cost of premises, because of the adjustment to rents.

There is a broader question as to what can and should be done to protect the high street. That is largely outside my area of expertise, but I know other reviews and studies have been done on that. I am largely going to duck it because it is outside my expertise, but there are things that can be done outside tax.

Q56 Adam Thompson: Thank you for coming in, Mr Adam. The argument that you have put forward is predicated on the link that you have established between business rates and rent. A quick Google Scholar search implies that a lot of papers out there suggest that that link is broken somewhat by sluggishness in the rental market. Does that not undermine your argument?

Stuart Adam: I would be interested to see which papers on Google Scholar you have seen—

The Chair: Order. I am afraid that brings us to the end of the time allocated for the Committee to ask questions, and for this sitting. I thank the witnesses for their evidence.

Ordered, That further consideration be now adjourned.—(*Gen Kitchen.*)

11.25 am

Adjourned till this day at Two o'clock.

