UNITED KINGDOM– November 2021

CONTENTS

London crane survey points to city office building recovery

London's office market has seen the volume of new starts rise as confidence recovers among developers, according to Deloitte's latest London Office Crane Survey.

The survey found that developers were looking beyond short-term difficulties to a future in which demand for building offices remained strong, even if occupiers used space differently. It also noted a long-term trend towards refurbishment rather than new build, driven by sustainability concerns.

New starts increased by 10 per cent from the May survey, with 3.4 million square feet under construction, which Deloitte said was well above the long-term average of 2.4 million square feet. This was partly due work that was delayed or slowed because of the pandemic still being underway. The busiest areas for new starts were the City and the West End, and the quietest South Bank and Paddington.

Mike Cracknell, Deloitte director in real estate, said: "The volume of new starts points to the resilience of demand for offices as an asset class, in spite of the dramatic shift in working practices in response to the pandemic and months of home working."

The survey found 37 per cent of developers now expected home working to have no impact on demand for office space, against only 12 per cent who held that view a year ago.

Deloitte said the average project sizes had risen by 28 per cent, “demonstrating a greater appetite to take on risk on individual schemes”. The number of speculative developments, where projects go ahead before being let to tenants, was also above the survey's long-term average.

There is also an emerging trend of greater use of refurbishment, which now accounted for 54 per cent of new starts, compared with only 44 per cent in the summer 2018 survey.

Deloitte’s real estate valuation lead Philip Parnell claimed that increased concern about environmental issues lay behind this.

“In addition to the cyclical attraction of refurbishments in uncertain times, concerns over embodied carbon has also prompted an aversion to outright demolitions,” he said.

An increased use of carbon accounting – including embodied carbon – meant this trend was “unlikely to diminish”, Parnell added.

A quarter of developers responding to the survey said they expected all their developments to be net zero by 2024, and 45 per cent expected to achieve this by 2029.

Demand for central London's Grade A office space hits an all-time high

Whenever there is a major change in economic circumstances, people’s office needs also change. The effects of Brexit, the pandemic and hybrid working will perhaps be the most radical catalyst for ’musical chairs’ we’ve ever seen.

That said, as a snapshot today, Grade A office space in the West End is already leasing at record levels even though many company directors and HR departments haven’t yet enticed all staff back to their desks

So how did we arrive at this paradox? Andrew Knight, Head of Agency at The Lorenz Consultancy, reveals how the past two years has shaped today’s emerging trends

Emerging trends in the office market

A new hybrid working model based on an anticipated 2-3 days a week in the office and 2- 3 days working from home capitalises an element of downsizing. Demand is now for quality over quantity, with occupiers paying higher rents per square foot for less space.

Less space also means lower rates payable, and overall outgoings. Rates payable are in the ballpark of 50% of the pre-pandemic rent per square foot.

Quality premises in Marylebone, St James’s and Mayfair are in massively short supply, and post-pandemic rents for some buildings have risen between 25% and 40% compared with 2019. Occupiers are entirely focused on acquiring the best offices available, fully refurbished with the latest technology and mod cons, including ventilation, cooling and heating systems. This no-compromise approach has broadened the gap between grade A and B offices, leaving older premises that do not meet the occupier's criteria difficult to let.

The demand for best space has already outstripped supply, where slowdown in construction and refitting space has exasperated the problem. Businesses are often considering taking two smaller floors instead of single floors, and even self-contained buildings have become more desirable than they were in the past.

A Lorenz Consultancy survey of 8,000 office tenants showed that 70% of decision-makers hadn't yet agreed their long-term plans. Some directors want a full-time return, others hybrid model, and some don't believe they need an office at all. Many believe that the office is still essential for its values on collaboration, creativity, mentoring, and of course, social contact and relationship-building opportunities.

Landlords recovering from the financial disruption of the pandemic are looking at high-quality refurbishments to appeal to occupier demand. Until companies surrender their leases on Grade B premises, a lack of stock is available. Many recent acquisitions have been off-market to avoid other tenants competing with other clients in securing space.

English retailers hoping for business rates cut in 2023 risk disappointment

Treasury review suggests government will not scrap so-called neutrality rule in commercial property tax

Retailers in England hoping for a large cut in business rates in 2023 risk being disappointed after the government appeared to rule out scrapping the so-called fiscal neutrality rule in the commercial property tax, experts have warned.

In last week's Budget, the chancellor, Rishi Sunak, froze business rates in England until April 2023. At that point rateable values, which are based on annual rents, will be reassessed for the first time since 2017.

Commercial rents — particularly of shops — in many areas have fallen sharply since then, reflecting both the effects of the pandemic and longer-term trends towards shopping online. In theory business rates should adjust accordingly, given that the government delayed the revaluation by a year to ensure that reductions in rents were captured.

But the conclusions of a Treasury review into business rates published alongside the Budget suggested ministers have no intention of ending the legal requirement that each revaluation must be revenue-neutral to the Treasury.

Under this rule, if rateable values fall overall then the multiplier — the factor used to convert those values into a yearly amount payable — must rise to preserve the government's tax take. Business rates are the only major tax where such a requirement applies.

In previous revaluations, the multiplier has been reset at a lower level after aggregate rateable values rose.

Jerry Schurder, head of business rates at consultancy Gerald Eve, said it was possible that the multiplier could rise significantly in 2023 as a result, cancelling out much of the benefit of lower rateable values. It would then be subject to an annual increase based on consumer price inflation.

Consultation for the review showed “a large number of respondents were opposed to the current system of fiscal neutrality”, according to the Treasury’s interim report.

Respondents felt the rule prevented the tax burden from adjusting to changing economic conditions, introduced complexity and reduced predictability, it added.

But the final report made little mention of the subject, preferring to emphasise the importance of business rates as a revenue raiser and the benefit of recent multiplier freezes.

Schurder said this almost certainly meant the fiscal neutrality rule would stay, because scrapping it would require legislation. The government did not deny this interpretation; the Treasury said: “We will consider the multiplier for 2023 next year.”

A further uncertainty is transitional relief, which applies only in England and cushions the impact of rising rateable values for some by limiting the pass-through of falling rents for others. Retailers complain that it has left thousands of shops, particularly in the north of England where rents have fallen steeply, paying more in rates than they do in rent.

Chris Wootton, finance director at Sports Direct owner Frasers, said “businesses will not be paying fair rates from rebased values” if the relief system remained in place. “Equally, landlords will not be in a position to indefinitely accept lower or even nil rents. Rebasing the rates regime to sustainable levels is as important to them as it is for retailers.”

Transitional relief could result in Amazon and other tenants of large distribution centres — whose rents have risen because of rising demand for online shopping — being protected from commensurate rises in rates while high street stores see less benefit from falling rents in their own rates bills.

However, the government has pledged to engage in further consultation on the design of transitional relief and will announce its conclusions in autumn 2022, ahead of the 2023 revaluation.

More than 400k firms stuck in business rates appeals system

More than 400,000 businesses are stuck in the business rates appeals system, with bosses frustrated at the lack of progress.

Since April 1 2020, some 446,620 checks – the first stage of the appeals process in the check, challenge, appeal journey – were registered by bosses against their business rates bills.

Nearly three quarters of the total 605,530 appeals registered since the 2017 Rating List began – four and a half years ago – were registered in the last 18 months.

These figures highlight the devastation and disruption endured by businesses during the pandemic, according to real estate firm Colliers.

After businesses rushed to appeal for reduced bills under existing “material change of circumstance” (MCC) rules, the government ruled this out for bosses. It said it would introduce a £1.5bn relief fund to help impacted firms.

However, the related legislation has still not passed through Parliament to become law and none of the fund has been dished out to firms.

Hundreds of thousands of firms have been left in a “no man’s land” despite paying full rate bills during the pandemic, according to John Webber, head of business rates at Colliers.

Webber added: “The Chancellor was very silent on the matter of the compensation to businesses who had lodged Covid-19 MMC appeals, when he discussed business rates in the Budget recently.”

The ratings industry and businesses have been left “very much in the dark” over how to apply to receive the relief fund.

“The Government ripped up the rule book retrospectively and those hundreds of thousands of businesses who had gone to the trouble of registering through the tortuous CCA appeals system in good faith, have found the goal posts moved before their very eyes,” Webber added.

The latest figures also show the slow pace through the appeals system. Out of 112,260 Challenges – the second stage in the process – to the list to date, there are still 63,780 outstanding, more than four years since the ratings list.

What’s more, this is just 20 fewer than the 63,800 figure from three months ago.

Government can’t duck more drastic business rates reform

The outcome of the latest review tinkered with the existing system but left key issues unaddressed

The subject of business rates induces a particular form of madness. Instead of doing the same thing and expecting a different result, everyone asks the same questions and hopes for different answers.

And so, nearly seven years after the then-coalition government promised a “radical” overhaul of the business property tax in England (something adopted by the Conservatives in their manifesto), there’s been little progress — despite what feels like countless consultations, reviews and inquiries in the meantime.

The latest, a much-delayed effort released at last month’s budget, respected the time-honoured traditions in this area: it made some sensible tweaks to the English system, unveiled existing policy as if it were new and punted some big questions into further consultation.

Business, which generally welcomed changes to encourage investment in buildings and green technology, remains stuck with a system that everyone broadly agrees is outdated, was designed in a pre-digital age, and produces a tax burden three times higher than the OECD average.

Short-term relief, such as freezing the tax rate or multiplier for another year until the next revaluation of properties in 2023, was helpful. But a cap of £110,000 per business on a rates discount for retail and hospitality, for the year to April 2023, means that larger, multi-site operators will barely benefit, in a market where over a third of properties don't pay rates at all thanks to relief for small businesses.

The result is that many businesses will, from April next year, bear the full burden of rates again based on values that date back to 2015 — a pre-Brexit, pre-pandemic era that in online shopping or consumer behaviour terms may as well be the Mesozoic.

One problem is that this whole debate has, in recent years, become dominated by the idea that business rate cuts could Save the High Street by levelling the retail playing field between shops and online operators.

Tax changes could never really insulate bricks and mortar from the impact of digital, something the pandemic acceleration in that shift rather demonstrated. Economists also balk at the idea given that, in theory over the long run, lower rates should be reflected in higher rents, meaning a cut wouldn't ultimately help the occupier.

But the burden of business rates is an issue in the post-Covid recovery and regeneration. And the Treasury is, not unreasonably, determined to defend a tax that generates £25bn a year.

The economist purist alternative of a land value tax is viewed somewhat suspiciously on those grounds, and those wary of who the winners and losers would be. The prospect of a controversial online sales tax, the proceeds of which the Treasury says would be used to reduce the business rates burden, is out for another consultation.

Businesses are focused on the chances of meaningful relief come the next revaluation in 2023: namely yet another consultation on whether sharp falls in values — with some locations down by half since 2015 according to property group Colliers — will be passed on in rates immediately, or gradually as has happened in the past.

The likelihood of a fall in rateable values, which is typically balanced by a higher tax rate to maintain the Treasury's take, presents a challenge for everyone: businesses expecting a sizeable cut who may be disappointed and government contemplating hiking a rate that has already gone from 35 per cent in 1990 to about 50 per cent. The Treasury says only that it will consider this next year.

What there is broader agreement on is that a more flexible, responsive system that reflects fortunes on the ground more quickly is needed. The promised shift from a five-yearly to three-yearly revaluation cycle helps, but has been policy since 2017.

The overall process remains too long, with each cycle reliant on valuations taken two years earlier. Reducing that further merits further consideration. As do continuing calls for annual revaluations and linking rates to measures of local property values rather than inflation, or indeed to underlying business performance.

Ultimately, the government has just wrapped up its fundamental reassessment of how to reform business rates in England. Expect to be discussing the same questions for many years to come.

Changes to Business Rates…One week on from the Autumn Budget 2021

Now that the dust has settled on the Budget delivered by the Chancellor last week, we have unpicked the changes Rishi Sunak has made to business rates and what they really mean for the hundreds of thousands of UK businesses.

It was announced there is to be a more frequent re-evaluation of business rates, from every six years to every three years from April 2023. This was probably the worst kept secret in the rating industry! Funding has been allocated to the Valuation Office Agency (VOA) as part of the spending review to update the I.T infrastructure. However, this needs to be followed up with the support and funding to bring in more valuation officers and support staff, to help deliver a fairer and simpler tax system that will remove the hurdles and speed up the complex Check Challenge Appeal process, ensuring the correct rateable values are set for commercial property owners and tenants alike.

The Chancellor also announced a new Investment Relief, from April 2023, the Government will offer eligible businesses investing in ‘green’ property improvements. Whilst we would have liked to see this in place sooner, 100% relief for those who are eligible will certainly make companies sit up and think twice about investing in ‘green’ upgrades to their property.

A new improvement relief, worth £750m, will also take effect from April 2023, offering businesses that have improved or expanded their property a 12 month relief on any increases in the rateable value that would occur as a result of their work. Again, we would like to have seen this support in place much sooner. As of yet, nothing has been announced on how this relief will be implemented and how the Government plans to consult on the qualifying criteria for this relief.

The planned increase to the business rates multiplier has been scrapped for the final year of the rating list, but we believe there should have been a significant reduction across the board to support growth for all businesses who are still suffering from the effects of the pandemic. According to the International Property Tax Institute (IPTI), our commercial property taxes are by far the highest in the world, and we believe merely scrapping an increase does not represent the support required or expected by ratepayers contributing to the £26 billion a year collected in business rates.

The biggest news for business rates in last week’s Budget, and the proverbial trick up the Chancellor’s sleeve, came in the form of a one year retail relief. Those in the retail, hospitality and leisure will receive a 50% discount on their business rate bills for 2022-23. Whilst the exact criteria for the relief are currently unknown we predict that it will follow in the same vein of Covid relief and previous retail reliefs. However, we do know that this will be capped to £110,000 per business, meaning whilst this will provide welcome support for SMEs in these sectors, for the larger high street names these savings represent a mere drop in the ocean.

Whilst the latest retail relief is great news for those in retail, hospitality and leisure, unfortunately there is zero additional help for all other businesses falling outside those sectors who operate from a commercial property throughout England & Wales during 2022-23. The Chancellor claims that besides the Covid reliefs, the Government has made “the biggest single-year cut to business rates in 30 years” – but quite frankly the cuts to business rates should have been deeper and far more wide ranging!

Anthony Hughes, managing director of RVA Surveyors, independent business rates reduction specialists.

Remove Scottish council tax cap, Cosla urges Kate Forbes

COUNCILS are reaching a financial "tipping point" and need almost £12 billion "just to stand still", Cosla leaders claim.

Finance and Economy Secretary Kate Forbes will announce the Scottish Government's Budget on December 9. Cosla, which represents all 32 of the country's local authorities, says this must include the "reversal of historic budget cuts" that now threaten pandemic recovery and give local leaders the chance to raise more in taxes.

This includes removing the cap on council tax and taking forward plans for tourist taxes and the workplace parking levy.

Cosla’s resources spokesperson, Councillor Gail Macgregor said: “Tackling the economic and health challenges created by the pandemic needs a local dimension – all the evidence and research backs this up.

“We fully support Scottish Government’s ambitions around economic transformation but that starts in every community.

“Local government has been the poor relation of recent Budgets and our local knowledge and links need to be used fully before we are past the point of no return. Our communities are starting to show the neglect of an under-funded local government.

“Quite simply, what we need from this budget is proper funding to provide the everyday services our communities need and deserve.”

Holyrood and local leaders have committed to a Covid recovery strategy that includes "rebuilding public services, good, green jobs and fair work, financial security for low-income households and wellbeing of children and young people". Cosla's using the same messages as the foundation of its "Live Well Locally" campaign that urges Forbes to divert more cash to its members.

The organisation says core funding for day-to-day services "is not keeping pace with demand and other pressures" including increased costs of energy, labour and supplies.

To "thrive" post-pandemic, more than £1.5bn more must be provided, it claims.

According to the Scottish Government's five-year capital spending review, local government will receive £628 million in 2022-23 – £11m more than last year, with this cash ring-fenced for flood risk management. Cosla says the figure marks a real terms cut of 6% since 2013-14 and that thought there have been increases in the intervening years, most of that cash has been set aside to meet ministerial commitments on the expansion of early learning and childcare.

Just says after the conclusion of COP26 in Glasgow, Macgregor says council climate commitments will be put into question without sufficient funding from above, as well as the provision of specific services. The Dumfries and Galloway councillor says a drug and alcohol service in her area has gone from five to three days per week, asking: "At what point does it become one day?"

And she says the need for spending on road networks could lead to a "policy battle with the Greens", who now share a place in government. Council spending on roads and transport has plunged by 17% between 2013-14 and 2021-22, according to estimates and Macgregor says Green policy to champion public transport are "not going to work in Dumfries and Galloway, but neither should they be tramping through potholes every day", adding: "In rural areas we need that investment."

The call comes not only one month before the budget announcement, but six months ahead of the 2022 local government elections.

Council tax rates were frozen for years before the cap was put in by ministers, with councils able to vary rates by up to 4.84%. This is lower than average rises in England and Wales. Since 2013-14, around £370m was provided in compensation for the freeze. At the last Budget, Forbes issued £90m to the local authorities who chose not to raise charges. The sum was the equivalent to an increase of around 3%.

Macgregor says any decision to put cost up now would be "a really difficult decision for leaders to have to make" but the option " needs to be there". Saying "I don't think we ever want to hammer households," she went on: "We need to have that local decision-making power."

The councillor, who leads budget negotiations for Cosla, was taking part in a virtual press conference alongside Cosla president Alison Evison. Macgregor says she has a "constructive" relationship with Forbes, who is "in principle very supportive of local government". However, she said local government is now reaching "a tipping point" over money.

Evison, of Aberdeenshire Council, says the upcoming election is "not playing into what we are doing here": "This is the Cosla voice speaking about what's needed for our local councils. That's not a part of this, this is about sustainable local services for our communities."

She went on: "Enabling people to ‘Live Well Locally’ is a shared ambition across Scottish Government and local government, but the resources must be provided to deliver this at a local level in line with local democratic choice. Sadly cuts to councils’ core budgets over recent years have not allowed us to fully realise this shared ambition."

A Scottish Government spokesperson said the Budget will be "challenging" as Scotland "continues its recovery from the coronavirus pandemic without any Covid-19 funding from the UK Government": "Decisions on local government budget allocations for future years are subject to the outcome of the on-going negotiations with Cosla, the results of which will be confirmed in the Scottish Budget on December 9.

"However, despite successive cuts and austerity policies from the UK Government impacting on Scotland’s public finances, we have continued to treat local government very fairly, with councils' revenue funding having increased in cash terms by £1.3b or 12.1% between 2013-14 and 2021-22.

"The 2022-23 Scottish Budget will focus on delivering the new Programme for Government, reflecting challenges facing households, communities and businesses as a result of the coronavirus pandemic."

Business rates relief fund yet to pay out single penny

Cause for complaint: 446,220 businesses have disputed their business rates bills since Covid-19 hit

Government's bruited £1.5bn business rates relief fund for businesses most affected by Covid has yet to make single payment, leaving over 400,000 businesses dangling

The Government’s £1.5bn business rates relief fund has yet to pay a single penny to businesses appealing their business rates payments.

As a result, over 400,000 businesses are still stuck in the appeals system as they await promised Covid-19 financial support, a situation business ratings expert Colliers calls “a disgrace”.

Between April 1 last year and September 30 this year, 446,620 businesses logged requests to check their bills with the Valuation Office Agency.

Most of the firms claimed that the Covid-19 restrictions had caused a material change of circumstances (MCC), which is normally a valid reason to request refunds.

However, in March the Government banned appeals based on Covid-19 lockdown restrictions and instead offered a £1.5bn business rates relief fund, which would “get cash to affected businesses in the most proportionate and equitable way”.

Six months on, the legislation relating to changing business rates appeals has still not passed through Parliament and become law –- and there are no signs it will be passed in the immediate future.

As a result, hundreds and thousands of businesses are still stuck in a “no man’s land” with no obvious way forward.

John Webber, head of business rates at Colliers, said, “The Chancellor was very silent on the matter of the compensation to businesses who had lodged Covid-19 MMC appeals, when he discussed business rates in the Budget recently. As far as we are aware, neither the Government nor the billing authorities have engaged with the ratings industry or set out any guidance for businesses to apply to receive the relief fund promised. We are still very much in the dark.

“The Government ripped up the rule book retrospectively and those hundreds of thousands of businesses who had gone to the trouble of registering through the tortuous CCA appeals system in good faith, have found the goal posts moved before their very eyes. It’s a disgrace.”

A spokesman for the Valuation Office Agency told The Times: “Clearance of outstanding challenge cases remains a priority for the agency. Most outstanding challenges are related to Covid-19 and are on hold pending legislation. Outside of this we are prioritising hardship cases and older non-Covid challenge cases.”

What reforms to business rates mean for firms in England

Overdue reforms to business rates in England were announced in last month's Autumn Budget 2021.

Chancellor Rishi Sunak finally released the details of an eagerly-awaited report into what many consider to be a failing regime.

Business rates in England are paid by bricks-and-mortar retailers, many of whom were hoping for this business tax to be abolished.

Those hopes were dashed when Sunak published his five-point plan, which had taken more than 18 months to complete.

Here are the key points from the reforms, which will apply for the 2022/23 tax year.

Multiplier suspended for 12 months

The Chancellor has abandoned 2022's planned annual increase in business rates for all firms in England for the second consecutive year.

This means that from 1 April 2022 until 31 March 2023, the business rates multipliers will be frozen at 49.9p and 51.2p, rather than being increased with inflation.

The business rates multiplier usually determines this yearly rise and is tied to September's inflation rate, as measured by the Consumer Prices Index.

That would've led to a 3.1% increase for 2022/23, hammering many COVID-hit businesses that are still reeling from the effects of the pandemic.

In conjunction with the existing small business rates relief, Sunak said the move meant more than 90% of all retail, hospitality and leisure businesses in England would see a discount of at least half.

Business rates in these sectors have already been reduced during the 2021/22 tax year, following the rates holiday announced during the pandemic.

More frequent revaluations

The frequency of business rates revaluations will take place every three years instead of every five, starting in 2023.

This is when the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market.

The most recent revaluation came into effect in England and Wales on 1 April 2017, based on rateable values from 1 April 2015.

At a revaluation, all properties are given a new rateable value and the aforementioned business rates multipliers are revised.

With these becoming more regular, they should theoretically better reflect changing market conditions.

Rates reprieve for hardest-hit sectors

Thousands of retail, hospitality and leisure firms in England will receive a short-term business rates reprieve in 2022/23.

The Chancellor announced a temporary 50% cut in their business rates, up to a maximum of £110,000 per business.

Up to 400,000 businesses in these sectors - including pubs, music venues, cinemas, restaurants, hotels, theatres, and gyms - stand to benefit next year.

In conjunction with the existing small business rates relief, Sunak said the move meant more than 90% of all retail, hospitality and leisure businesses in England would see a discount of at least half.

Business rates in these sectors have already been reduced during the 2021/22 tax year, following the rates holiday announced during the pandemic.

Improvement relief & others

From April 2023, all businesses - not just those in retail and hospitality - will be able to make improvements to their premises without having to pay extra business rates for 12 months.

This means that where eligible improvements to an existing property increase the rateable value, the occupying business will get 12 months' relief from the higher bills.

The Government will consult on how best to implement this relief, which will take effect in 2023.

The reforms also include a new relief for businesses that invest in green technologies, such as solar panels and heat pumps.

Is the pandemic pushing Business Rates online?

In the same week that Rishi Sunak presented his Autumn Budget and Spending Review, the Government published the conclusions of its review of business rates. As intimated by the Government's Interim Report, it is not proposing to change the nature of the tax or the basis of basis of valuation, which whilst not surprising, might come as a disappointment to many of those who pay it.

The Government's headline conclusions are to freeze the multiplier for 2022 to 2023, implement three-yearly revaluations from 2023 and to support the high street by providing a temporary relief for certain retail, hospitality and leisure properties for 2022-2023.

It also intends to introduce a new relief to support investment in property improvements and new measures to support green investment and the decarbonisation of non-domestic buildings, although we await further details of how these new reliefs and measures will work in practice.

Whilst the Government's final report promotes the significant savings the above changes will have for businesses, it also makes clear "the paramount need to put the public finances on a sustainable path" following a prolonged period of unprecedented expenditure, following Covid-19, and that it considers "business rates will remain an essential component of the overall basket of business taxes". It appears that, for now at least, the Government's main focus is on protecting the revenue from business rates to avoid a huge hole in public finances. However, it will be interesting to see what the impact of the new reliefs will be to support businesses.

Perhaps with this in mind, the Government has also said it will shortly consult on introducing an Online Sales Tax which, if introduced, would raise revenue to fund business rates reductions. With most things moving online, it looks like business rates may be following suit!

Hunting, shooting and taxing: call for grouse estates to pay green levy

Move would encourage landowners to repair peatlands, restore woods and cut carbon emissions, says conservation group

Taxing deer and grouse estates for failing to ensure their land properly locks up carbon dioxide could play a crucial role in fighting the climate crisis, a leading conservation group has said.

The John Muir Trust, a charity set up to protect wild places in Britain, says such a plan could help to absorb millions of tonnes of carbon every year, and help the UK – in particular Scotland – achieve its goal of reaching net zero emissions as soon as possible.

The trust argues that many grouse and deer estates are run in ways that minimises the carbon dioxide the land could absorb. In the case of deer estates, stags and hinds eat shoots that would otherwise grow into carbon-absorbing plants and trees. Other landowners have farmed intensively, damaging peatlands and cutting back woods that would otherwise lock up carbon dioxide.

A solution would be to impose a carbon emissions land tax – with estates banded according to the land type and size. The poorer an estate's ability to lock up carbon, the greater would be its tax bill. This would force landowners to make major improvements in the way they run their estates and could have a major impact on the battle against climate change, argued the trust's policy adviser, Alan McCombes.

"In the long term, we could save up to 13m tonnes of carbon being emitted every year by repairing our damaged peatlands and restoring woodlands, and that could be achieved by taxing estates for the carbon they produce. Such a reduction would equate to taking every vehicle in Scotland off the road."

The impact of a carbon emissions land tax would have a particularly marked impact in Scotland, added McCombes: "Proportionate to its population, Scotland has an exceptionally large land mass. It has six and a half times as much land per head of population as England.

"Crucially, much of that land is not agriculturally productive. As a result, a lot of Scottish land has ended up being used for grouse-shooting and deer-stalking. The tax we are proposing would make them improve the way that they absorb carbon dioxide."

The trust argues that only estates and farms bigger than 1,000 hectares would be liable for the tax. This means that, with the average farm size in Scotland standing at around 270 hectares, most would escape the tax. The trust says a pilot scheme that would target estates larger than 10,000 hectares should be started, and it is pressing the Scottish parliament to discuss the proposal next year.

However, Stephen Young, head of policy at Scottish Land & Estates, which represents estate owners in Scotland, dismissed the proposal. "Such a tax would be hugely costly to administer and would almost certainly be unworkable due to the need for extensive soil sampling, woodland and peatland surveys, and would almost certainly cost far more to measure than the tax income it would potentially generate.

"By measuring the ecological value of land purely on the basis of the carbon it sequesters, there is a danger that biodiversity habitats suffer by simply measuring success through a single metric," said Young, who argued that owners of rural land were already playing a huge role in helping Scotland to meet climate change targets.

“Encouraging further progress on good environmental outcomes from hugely valuable sectors such as agriculture would seem more sensible than introducing punitive tax measures,” he added.

Business rates: ‘Government put a tiny plaster on a gaping wound’

Simon Green, head of business rates at property consultancy Gerald Eve, says any benefits for retailers announced in the Budget will be outweighed by downsides while the system remains broken.

The Conservatives’ 2019 manifesto committed to "cut the burden of tax on business by reducing business rates … via a fundamental review of the system". At a time when retailers have been hit by multiple challenges, the prospect of a reduction in business rates – the highest tax of their type in the world – was a ray of hope for many businesses desperately in need of a break.

Rishi Sunak's autumn 2021 Budget contained "a range of short-term measures and additional consultations to follow"

But to say that the outcome of this fundamental review, revealed in this year’s Budget, was a disappointment would be a huge understatement. Instead of what was promised – genuine reform with action to cut business rates – retailers have been fobbed off with a range of short-term measures and additional consultations to follow. For businesses that have already put great effort into responding to previous reviews, there is a sense of consultation constipation: endless input but no real output.

There is a sense of consultation constipation: endless input but no real output

Certainly there are elements to be welcomed: the 50% relief for 2022/23 is positive for many small businesses, but the cap of £110,000 per business means many medium-sized and larger firms will see little benefit; freezing the uniform business rate for another year, while far from the reduction in business rates we were promised, at least prevents an automatic inflation-linked £1bn increase next April; exempting improvements and the steps to support net zero carbon is a no-brainer, but these changes will only come into effect in 2023 and the sustainability aspects seem to be more focused on plant and machinery, which is less likely to benefit retailers; and a move to more frequent revaluations, every three years, is a step in the right direction.

While three-yearly revaluations should result in a more responsive system, the government has confirmed that the gap between the antecedent valuation date (the date on which all valuations are based) and the actual revaluation date will remain two years for the foreseeable future, meaning rates bills in 2025/26 will still be based on 2021 values – a gap of more than four years. The retail sector, where rents have generally been on a downward trajectory for some time, will stand to lose out here.

Equally, with no change to the concept of fiscally neutral revaluations (meaning rates bills for individuals can fluctuate but the overall amount the Treasury takes will remain the same) and the retention of transitional relief (meaning any change in rates is introduced gradually over several years), retailers and others with falling rates bills might not benefit nearly as much as they should from the 2023 revaluation.

The digitalisation of business rates is an ongoing project that could be a positive step if managed properly allowing certain reliefs to be applied automatically. However, this is a much longer play and will require yet more consultation and policy consideration – the government suggests it will be a five-year process.

The government is merely tinkering around the edges rather than addressing the fundamental issue: that the quantum of the tax is simply much too high

The difficulties with the current digital platform for managing the Check, Challenge, Appeal process, which is still not fully functional, despite being operational since 2017, highlight that the road to digitalisation is not an easy one and does not lead us to be optimistic.

In short, measures announced relating to business rates are nowhere near as wide-ranging or fundamental as retailers might have hoped. It is unfortunate, too, that many of the breaks, reliefs and discounts are structured in such a way that they fail to be of much benefit to many in the retail sector – which arguably needs them the most – as they do to other businesses.

Tantamount to putting a tiny plaster on a gaping wound, the government is merely tinkering around the edges rather than addressing the fundamental issue: that the quantum of the tax is simply much too high. Proper reform is needed to protect our high streets and the economy.

WALES

Audit **Wales report highlights pressures and trends facing town centres and calls for a review of non-domestic rates**

Audit Wales report highlights pressures and trends facing town centres and calls for reviews of non-domestic rates to ensure that the system better reflects town centre conditions.

Senior council members will receive the Audit Wales review of Town Centre Regeneration when they meet later this month.

They will be asked to note the recommendations and approve the proposed responses to Audit Wales.

Audit Wales published a review of town centre regeneration in September 2021.

It summarises the pressures and trends facing town centres in Wales and actions undertaken so far by the public sector to respond.

It also includes recommendations for all levels of Government which Audit Wales has asked local authorities to review and provide a response.

The six recommendations are broadly that:

1. Welsh Government (WG) reviews nondomestic rates to ensure that the system better reflects town centre conditions.
2. WG works with local authorities to review transport challenges (including car park charges) facing town centres.

3. WG consolidates funding schemes to reduce bureaucracy by streamlining processes and rebalancing investment to help councils address staff and skills shortages.
4. Councils use existing enforcement resources and powers to make more effective use of existing skills and resources to achieve good outcomes.
5. WG sets out how it plans to deliver "Town Centres First" in practice, its expectations of partners and practical steps so that it can become a reality.
6. With town centres changing, councils should self- assess current approaches to identify improvements needed.

The Council has welcomed the opportunity to respond to this review and has formulated responses to recommendations 2, 4 and 6 which we have been asked to comment on. We have also set out our views on the other recommendations.

Flintshire's Cabinet Member for Economic Development, Councillor Derek Butler, said:

"For recommendation 2, active travel and sustainable travel options is already a priority for us as we look to increase levels of walking and cycling and enable other alternative and sustainable methods of travel.

"We would very much welcome Welsh Government support on tackling empty and problem properties. We already have powers, but these can be time consuming and costly.

"Regarding recommendation 6, we have already done a self-assessment which has identified a number of areas for further development. Some of these are already in hand and recruitment of staff to deliver is already underway."