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Dear Sir / Madam

BUSINESS RATES REVALUATION 2017 AND TRANSITIONAL REARRANGEMENTS

Summary

South Bank Business Improvement District is pleased to respond to DCLG's consultation on this important issue. This response supports and reinforces submissions made by South Bank Employers' Group and South Bank Partnership. All three bodies are signatories to the joint submission made by over 20 London business organisations. Copies of all three documents are attached with this submission.

This is an issue that is of vital concern for all businesses and employers in London's South Bank. It is one that has profound implications for jobs, growth, investment, economic development and a wider set of socio-economic issues. As in other parts of central and inner London, the combination of the revaluation and the introduction of a high cap for "large" businesses is a potential disaster for South Bank.

Businesses in South Bank make a significant and ongoing financial contribution to a number of important neighbourhood services - these are threatened if businesses are not supported with a fairer approach to transitional relief. We ask that Government revisits its options regarding the cap on large businesses, and reduces it further than 33% outlined in option 1. Furthermore, we ask that Government considers additional options for mitigating the impact of the revaluation, and ultimately looks to a longer term restructuring of how London businesses are taxed.

Introduction

South Bank Business Improvement District (SBBID) was established in 2014. The BID was set up to help improve the management and maintenance of the South Bank neighbourhood in the face of ever-increasing footfall and falling public spending. We support existing services, reinforce South Bank's identity, reputation and brand, and provide a voice for business in support of improvements to the area, including how best to mitigate the impacts of major construction activity.

We are a business-oriented platform for various initiatives such as greening, recycling and local recruitment, and we undertake and provide research and insight for our members, partners and supporters. We are a vital source of information on events and activities that are underway or planned in South Bank.

We work closely with South Bank Employers' Group (SBEG) and a host of other initiatives and projects that are underway in the area, including South Bank Partnership (SBP), Visitor Management Group, South Bank Marketing Group, South Bank Venues, and South Bank Business Watch. We provide additional funding to a number of these services, thereby extending their reach and coverage, and strengthening local delivery. We also undertake our own projects to reflect the needs of South Bank and its businesses.

We are independent, and are governed by our Board of Directors, but we work with others in support of a shared vision for South Bank and its future. This vision is based on economic competitiveness, creative diversity, and a firm commitment to those issues that matter to the local business community - a quality public realm and environment, high quality neighbourhood services, and the ongoing success of South Bank as London's heart for culture, the arts and tourism. SBBID spans Lambeth and Southwark. It has over 170 levy paying members, and raises approximately £500,000 per annum. We operate through an innovative mechanism in that we don't employ staff, but contract SBEG to deliver our work.

SBBID, SBEG and SBP are committed to making South Bank and Waterloo:

- a desirable destination for culture, business and pleasure
- a place which supports and encourages investment and business growth
- a place with a flourishing and cohesive residential community
- a place which is welcoming to visitors and tourists
- a friendly, clean, colourful, safe, dynamic and diverse area

South Bank is one of London's greatest successes - its contribution to London's economy is approximately £2.8bn per annum, and is forecast to grow by 30% in the next 10 to 15 years - in an area that's just 0.2% of London's footprint. South Bank receives over 30 million visitors each year, and this will undoubtedly increase as the area continues to develop economically.

Recent research undertaken by SBBID estimates that the area contributes approximately £66m in business rates each year, which equates to over 40% of Lambeth's total annual business rates income, and approximately 7% of Southwark's total annual business rates income. It is estimated that this figure equates to 1% of London's overall business rate contribution.

South Bank and Waterloo is recognised as an Opportunity Area by the Mayor of London, the Greater London Authority, Lambeth Council and Southwark Council. Economic growth targets are articulated through the Opportunity Area Planning Framework and, ultimately, the London Plan. Economically, South Bank matters.

South Bank Businesses: Funding and Investing in Neighbourhood Services

South Bank is under increasing pressure. The combination of rising numbers of tourists and visitors, business and economic growth, and constant pressures on public services means that businesses and employers have found new and innovative ways to generate revenues to undertake improvements to the public realm, and to maintain first class services - particularly in respect of cleaning, security and policing, visitor management and infrastructure, and the management of new construction and development projects.

Local authorities are facing tough financial challenges. As a result, they are keen to embrace new models of service delivery and to work collaboratively with business partners to achieve this, including devolution. SBBID, SBEG and the wider business community are committed to this: through the BID levy, our members are already putting significant resource into a range of services, which are delivered on a daily basis.

This is a <u>significant</u> commitment from business. SBBID revenue supports and supplements other revenues raised by South Bank businesses - such as the London Eye Section 106 Agreement. With additional - and entirely voluntary - financial commitments that business and employers make to an array of South Bank services and projects, the financial contribution made by South Bank businesses to local services exceeds £2 million per annum. And these are ongoing commitments, made at a time when local government revenues and levels of public investment in South Bank are falling.

There is an increasing disparity between the level of business rates that are paid in South Bank, the additional commitments that businesses make to support local services, and the return that businesses receive from public bodies, including central and local government.

As such, not only is the 2017 Revaluation a serious threat to business viability, it's also a very real threat to our members' ability to continue to support the raft of essential services in South Bank, that help to make it an economically vibrant area. The potential disinvestment in local services - as businesses are forced to take difficult decisions over their costs - would be a disaster for South Bank, and for London as a whole, given South Bank's preeminent position as a global hub for arts, culture and tourism.

Impact of 2017 Revaluation

All South Bank businesses are extremely concerned about the impact of the 2017 Revaluation, which will clearly hit South Bank hard. All business occupiers, across a range of sectors, will face substantial increases on their business rates. These include the operators of tourist attractions who have an inevitable focus on London and won't see any "rebalancing" of their rates liability as they don't have significant, if any, business operations elsewhere in the country. One South Bank operator is facing an increase in excess of £700,000 per annum. Another operator has a series of business premises in South Bank and elsewhere in Lambeth, and will face rate rises on all of these. As a borough, Lambeth faces an average rise of 35%, far higher than the average for London as a whole.

Similarly, a leading hotel brand who has invested significant sums of money in its London portfolio is set to pay, by 2021, nearly £12 million in business rates on its three South Bank hotels, irrespective of the level of transitional relief set under either option outlined in the consultation document. This has increased from £7 million on the basis of the 2010 rateable valuation.

A successful restaurateur who has invested in a range of new hospitality offers in South Bank and elsewhere in London, has warned of a "*taxation Tsunami coming*" and has commented that "*with Brexit too, it's got the potential to make for a series of capitulations in the hospitality industry*."

All of these businesses create jobs, drive investment and economic growth, and contribute significantly to the strength of London's tourism and cultural offer which benefits other parts of the country. As a global economic force, what happens in South Bank has wider implications for Lambeth and Southwark, other parts of London, and the rest of the UK economy.

As highlighted in London's joint submission, the rates system is one which penalises companies and employers in a number of ways, and is no longer reflective of how businesses work. Our members manage within tight financial margins. They can't overhaul their operations to deliver higher returns to pay for such large increases in business rates, in the timescale that Government has outlined.

In addition to making redundancies, increasing charging and prices for customers (which isn't commercially sustainable), the proposed increases will have a number of additional negative impacts, which are compounded by the fact that businesses haven't seen a corresponding "return" in terms of investment and service delivery by public bodies. These impacts include the very real possibility that some businesses will withdraw their support towards neighbourhood services, to concentrate on their financial bottom line. Whilst this is understandable, the consequences for South Bank are extremely serious, as years of innovation and joint working would be undone.

Furthermore, the 2017 Revaluation poses considerable difficulties for all BIDs who operate in areas where business rates are set to rise significantly. A BID raises revenue for local services through a levy on business rates. Any threat to the business community's support for a BID will have serious consequences for local services that are currently funded through a BID and the revenue that it raises through its levy.

As highlighted above, SBBID has been operating for two years and currently funds a number of key services in South Bank, spanning security and policing, cleaning and graffiti removal, construction coordination and greening projects. It also invests and supports a range of marketing and promotional activity which drives South Bank's success as the cultural heart of London, and its reputation as a leading destination for leisure tourists, business visitors and other audiences. SBBID is due for renewal in 2019. Any threat to SBBID's ability to raise revenues and invest in this way is potentially disastrous for South Bank's economy and the services that the BID currently supports.

Transitional Relief

In line with the joint submission made on behalf of over 6,000 businesses in London, SBBID asks that Government revises its transitional relief proposals to enable businesses to plan for any significant rate rises. We do not support either of the transitional relief options proposed in the consultation paper. This is for several reasons, including the fact that such large increases for those businesses with RVs in excess of £100,000, which are not mitigated effectively by either option, will slow investment, job creation and profitability for businesses at a time when confidence and stability are needed.

Furthermore, any transitional relief should enable businesses to plan and manage rate rises in a way which minimises surprises and enables business to invest for growth over the long term. Neither option 1 or 2 enables businesses to plan for growth, partly because the cap is set at such a high level, and also because the very significant changes in rateable values in places like South Bank is partly caused by the Government's delay in implementing the revaluation process.

We asked that Government sets a lower cap on annual rises, for large businesses - which would be in line with previous revaluations. The joint submission outlines the ways in which this could be financed, to ensure that the transitional relief process remains revenue neutral.

Mitigating Proposals

We are clear as to the challenges that South Bank faces. The South Bank Manifesto 2014: *A neighbourhood under pressure* - prepared by SBP outlines the neighbourhood's needs in terms of investment, infrastructure, and a quality environment. This Manifesto is supported by SBBID and provides the rationale for the establishment of the BID.

Our ambitions will require significant levels of resource, and we are committed to finding new and innovative ways of securing this. We are keen to work with other central London BIDs on the feasibility of raising revenues through Tax Increment Financing (TIF) mechanisms to part-fund long overdue investment in public realm and infrastructure improvements in the South Bank and Waterloo area.

Longer Term

SBBID and SBEG submitted a joint response to DCLG on its recent consultation on *Self-sufficient Local Government: 100% Business Rates Retention* in which we acknowledged that fiscal devolution to the local level should provide incentives for growth, and pioneer new models of public service delivery. We expressed our disappointment that the consultation was so focused on the benefits, mechanisms and risks for local government, with very little consideration shown for what businesses and employers need, to ensure that growth can be encouraged and sustained, and for economic neighbourhoods to remain competitive and strong.

The 2017 Revaluation has demonstrated that the proposed retention of business rates at the local level shouldn't be the preserve of a local authority, and we strongly recommend that business representatives, including Business Improvement Districts, are given a greater say in how policies and mechanisms are developed and implemented.

There is a strong rationale for business and employers reframing, funding and delivering local services, and the implementation of policies concerning the local retention of business rates is a critical factor in how this can be done. The 2017 Revaluation provides a further imperative to address this issue as an urgent priority.

I trust that these comments are helpful and constructive. I ask that they be read and considered in tandem with submissions made by SBEG and SBP, and the joint response from London's business community. Together, they convey the strength of negative feeling regarding the Revaluation, and the options put forward by Government on transitional relief.

Please do contact me if you require further information, or clarification on any of the points raised.

Yours sincerely,

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