Northern Ireland Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Non-domestic Rates Valuations (Coronavirus) Bill: Retail NI; Federation of Small Businesses NI

6 December 2021

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Keith Buchanan (Deputy Chairperson)
Mr Pat Catney
Ms Jemma Dolan
Mr Philip McGuigan
Mr Maolíosa McHugh
Mr Matthew O'Toole
Mr Jim Wells

Witnesses:

Mr Roger Pollen	Federation of Small Businesses NI
Mr Glyn Roberts	Retail NI

The Deputy Chairperson (Mr K Buchanan): Mr Roberts and Mr Pollen, you are both very welcome to the Committee for Finance. We have invited you to the meeting to hear your views on the Non-domestic Rates Valuations (Coronavirus) Bill. The Bill will largely remove anything that relates to the pandemic as the basis of appeals in respect of business rates valuations, and that will be backdated to 1 April 2020.

Between you, please take the next 15 minutes or so to tell us what you like or dislike about the Bill. Perhaps you could tell us how you would like it to be amended or how you might like any financial support from the Department to be spent. Shall we begin with you, Glyn, if you are happy enough, and then move to Roger? I am sure that you will not argue about who goes first. Go ahead, Glyn.

Mr Glyn Roberts (Retail NI): Thank you very much, Chair. At this stage, it is appropriate to put on record our appreciation of the Finance Minister's efforts. The two years of rate relief and the various grant schemes were an absolute lifeline for so many of our members and helped many of them to survive. It is no exaggeration to say that the support saved thousands of jobs and businesses. Fair play to Minister Murphy: he not only listened to our concerns but acted on them.

I also want to acknowledge the huge contribution of Ian Snowden and his team in Land and Property Services (LPS). It was no mean feat to turn LPS into a fund-giving agency rather than a fund-taking one in such a short time.

By way of context, let me be very clear: for many of our members, Reval2020 was not a positive experience. The rates bills of many town centre-based independent food retailers rose significantly while major out-of-town multiple superstores got a reduction. A clear example of that was Tesco at Knocknagoney, which already had an unfair competitive advantage with its out-of-town location, free

car parking and no red-coated parking attendants — it even has a bus route servicing it — and it got a reduction in its rates bill. Reval2020, for many independent retailers, was badly out of step with the reality and, indeed, the market value. It is important that we put that into context. Obviously, Reval2020 took place when this place was in abeyance.

I will now turn to the Bill. It is absolutely right that you give the Bill further scrutiny, because it has significant implications, not least for article 39A of the Rates Order 1977 in relation to the appeal process after the 2020 valuation list. Obviously, the removal of somebody's right of appeal should never be underestimated. I understand the context, and whilst I restate our appreciation of the two-year rates holiday, removing the right of appeal should never be taken lightly. It is fair to say that no one likes the Bill, but it does, in a very blunt way, correct the unintended consequence of the pandemic. Indeed, as the Committee has heard, similar legislation has been passed elsewhere in the UK. I am also conscious that, if the Bill does not pass, it could result in a £255 million shortfall for councils and public services.

Rightly, the Committee has raised the issue of consultation. Roger, other business groups and I took part in a virtual meeting with the Minister and representatives from LPS on 18 November to discuss the Bill. As everyone in the room knows, the reality is that the pandemic has resulted in much legislation, which normally takes months or even years of consultation and parliamentary time, being rushed through, quite often in a matter of weeks, if not days, without even a full impact analysis on business. Rushing through legislation such as this is a sad reality of the pandemic.

First, looking forward, I agree with Matthew O'Toole's point that it may be useful to ask the Fiscal Council to take a considered view of the Bill. It is not for me to advise the Committee on whom it should speak to, but, given the council's role, I do not think that that would be an unnecessary thing to do.

Secondly, it is vital that Reval2023 learns from the mistakes of Reval2020 and that its valuation list is a true reflection of independent retailers and reflects the fact that we have a radically changed high street brought about by COVID 19.

Lastly — this has been a long-term policy position of Retail NI — we have always advocated that a non-domestic rates forum should be established to advise the Minister and LPS on issues like this and to ensure that we can co-design significant changes to what is a broken, antiquated and not-fit-for-purpose system of business rates. Thank you for your time.

The Deputy Chairperson (Mr K Buchanan): Thank you, Glyn. I will bring in Roger.

Mr Roger Pollen (Federation of Small Businesses NI): Thank you very much, Chair and members. Thanks for the opportunity to speak here today on behalf of the many thousands of businesses and business owners in the Federation of Small Businesses Northern Ireland (FSB). Non-domestic rates are always an unpopular form of taxation for businesses, because they are levied irrespective of sales or profits, and they are an upfront overhead that is, for many, a great barrier to business.

The specific issue here is the Non-domestic Rates Valuations (Coronavirus) Bill. This is an extraordinary measure at an extraordinary time. The effect of the Bill, if passed, will be to remove the impact of the coronavirus pandemic as grounds for challenging non-domestic rating valuations. The Department's concern is that all 74,000 net annual values (NAVs) on the 2020 valuation list could be up for challenge if the legislation is not passed. It argues that the risk to the public purse is too great from that challenge, but the corollary is that the Department wants to protect the public purse by transferring the loss, or the risk of loss, to the private purse. The question is whether that is fair or appropriate.

The legislation is also said to be future-proofed. The Department estimates that the potential loss to the public purse is between £195 million and £255 million. Again, that is protecting public money by risking private money. As businesses have already received support during the COVID pandemic to date, the Department argues that the legislation is in the public interest, but the support received to date was about assisting survival to date, and it was met out of funding that was given to date. The Bill is about limiting the ability of businesses to ensure fair treatment in the future, and that is against a backdrop of the Department signalling a default to lack of generosity.

We recognise that a similar legislative process is being followed in other parts of the UK. In tandem with that, a £1·5 billion rates package is being made available in England, from which the Northern Ireland Barnett consequential will be between £45 million and £50 million. The Department has stated

that that will be ring-fenced for business support. Is that an accurate reading of its plans? What will that ring-fencing comprise? Who will be within the ring? Officials have said that it is their intention to ring-fence any associated Barnett consequentials to ensure that the money can be allocated to business ratepayers in the 2022-23 financial year, which is welcome. However, the mechanism for distributing the funding here has not been decided. We await the detail with interest, but we cannot really comment on the impact, in parallel with the loss of an appeal mechanism, without that detail.

We are concerned about the fact that the Department stated that it is highly unlikely that it will follow the English approach, because it has given 29,000 businesses rates relief, because it has given a 12-month rates holiday, because every business received a four-month rates holiday last year, and because tens of thousands of businesses received one or other of the business support grants that were based on their NAV. However, that support, as I said earlier, was in the past, funded by extra money from HM Treasury. The fact that that was given then should not be used as a reason for being mean-spirited in the future — next year. Officials have said that they will design their approach separately from the one in England and that they will advise the Committee on what that will look like. Until that point, we are all in the dark. There is, however, a double risk to consider. First, the cost to administer any sort of subjective scheme will eat up significant resource that could otherwise go to businesses. Secondly, an extensive cohort of appeals could clog the system and leave many businesses in difficulties while they are waiting.

I spoke to some of our members on the valuations, land and estate agency side to get their sense of it, and they flagged up three concerns that they thought we should raise today. The first is that, so far, only about 20% of businesses have advised LPS of the rental that they pay, so there is a very small evidence base on which the valuations will be established. The second concern is that Reval2023 will be almost entirely computer-generated and desk-based, so there will be very limited intelligence of what is happening on the ground. The third concern is around the loss of an appeal that is in some way related to coronavirus. That suggests that you will need a triage process to decide whether that is an allowable appeal before you get anywhere. That risks doubling the amount of potential bureaucracy being applied to it.

That was a very quick summary of members' concerns on what has been proposed to date.

The Deputy Chairperson (Mr K Buchanan): I have a few questions, and then we will move to members. You referred to 20% of businesses having reported back. Why is that figure low? I am by no means blaming the businesses, but what is your take on why that figure is so low at this stage?

Mr Pollen: I suspect that there are a couple of factors. One is the timescale. This has had to be pushed through very quickly. As Glyn said, the Department has engaged with us and done what it can. It wrote a draft letter, which we shared with nearly 6,000 business owners, and others did the same. That resulted in around 16,000 of the 75,000 or 80,000 responses that we need. There has not been a promotion of the revaluation in the way that there might have been in the past. There has not been time for that. We are just in a different environment for sharing those sorts of messages and getting people to talk about it.

The Deputy Chairperson (Mr K Buchanan): Glyn, you referred to a bad experience of Reval2020. I appreciate that you do not have a crystal ball and are guesstimating, but, going by the 20% of businesses that sent information back, what do you see Reval2023 looking like? We had Reval2020, and we will have Reval2023. Where will the NAV be for those 20% of businesses?

Mr Pollen: The first thing is that we do not know what type of businesses the 20% are. This is a gross generalisation, but you might suggest that, broadly, office-type businesses have been slightly more insulated from the pandemic than hospitality businesses, for instance. So, if the bulk of the 20% came from office businesses, you will not see a huge change in rental values. If the bulk came from hospitality businesses, you might see that landlords have been very responsive and helped to reduce rents, which will change things. It goes back to the devil being in the detail and the lack of a really solid, robust evidence base.

Mr Roberts: We have been very clear that we encourage members to fill in the paperwork. Should they decide to appeal but have not filled in the appropriate paperwork, it will be difficult for Reval2023 to acknowledge their case. So, we have been very clear on that, and we have relayed a lot of the comms that the Department of Finance has put out about Reval2023.

Success is about ensuring that there is a level playing field. In Reval 2020, businesses could look online to see what their neighbours got, and it was very easy to see who the winners were. When small family-owned, independent food retailers are seeing a 40% or 50% increase in their rates bill, and a large multinational like Tesco at Knocknagoney gets a reduction, there is something fundamentally flawed about the system.

That has to be part and parcel of a wider reform of our broken, antiquated system of business rates. It is simply not fit for purpose that we have the most expensive system of business rates anywhere in these islands. Whilst we absolutely appreciate the good work that the Minister did with the two-year rates holiday — in one sense, however, that kicked the wider reform process into the long grass — we need to get this fixed.

I will touch, if I may, on the £50 million, which, from my reading, rightly or wrongly, is the Barnett consequential of independent retailers and small businesses in England getting a 50% rates reduction from April 2022. If that is good enough for small businesses in Leicester, it is good enough for small businesses in Larne. We have been very clear that we want that rates discount to be applied to small businesses in Northern Ireland. We are not out of this pandemic. There is still a lot of hurt out there, and a lot of damage has been done to our high streets. That discount is the very least that we would like to see.Obviously, I welcome the fact that the Minister has commissioned Ulster University to look at the issue, and, next week, we will outline how we believe that money can be spent. It is appropriate that, in the short term, we get that rates discount.

Another thing was very clear in the Budget, and we were lobbying for it for some time. If a small business wants to grow, modernise or expand their shop or business and take on more staff, they should get a rates holiday to help them do that. That is something that we would like to see here. If businesses take on new jobs and invest in their business and their high street, where there is always a multiplier effect, the dead hand of rates should be looked at. That has been put forward in England, and we want to see it put forward here.

There is a lot that the Minister could be doing. Given his past record, which shows that he has listened to our concerns and acted on them, I am reasonably hopeful. I have just left the high street task force, where I was chairing one of the workshops. Pat was there as well, and, at that meeting, rates reform was discussed very strongly. If we are serious about not just locking in recovery from COVID but growing our economy, fixing our business rates system is an absolute bottom line.

The Deputy Chairperson (Mr K Buchanan): Glyn or Roger, are you seeing any reduction in rental values in Cookstown or in any town across Northern Ireland? That will obviously have a big impact on the Reval. Are you seeing or hearing about rental values being reduced?

Mr Pollen: I am not hearing that yet, no. There may be a lag effect. The problem is that we are moving very fast on the measure, and we have not been gathering an evidence base. Anecdotally, I am not hearing that yet, but that does not mean that there are not businesses under immense pressure and trying to get a reduction in their rentals.

Mr Roberts: The large out-of-town superstores have performed well during the pandemic. Their rates bills should reflect the fact that they have an unfair competitive advantage over many town centre traders in the likes of Cookstown and the businesses that we visited in Maghera that day, Chair. All that we are saying is that their rates bill should reflect reality. That is an issue of basic fairness. You do not need to be an expert in valuation to know that large out-of-town superstores should pay their way. There is huge resentment amongst small businesses and independent retailers. They saw big multinational supermarkets get a reduction in the last Reval, while their rates bill increased by 40%, 50% or 60%.

We have said to LPS and the Minister that we cannot afford to see the mistakes of Reval2020 repeated. We simply cannot. Given the state of the high street and our economy, there is absolutely no way that those retailers could stomach such increases. I am hopeful that those lessons are learned and that we get a fair valuation list that reflects market value. I welcome the fact that the Minister acknowledged that when he spoke on the Second Stage of the Bill and said the pandemic will be clearly taken into consideration for Reval2023.

The Deputy Chairperson (Mr K Buchanan): This is my last question, Roger and Glyn. If you do not see the rental value reduced, will there be much difference in Reval2023 for the organisations that you represent? Based on what is happening, if the antecedent date jumped a year — let us say, for

argument's sake, that it was October 2022 — that would probably be more reflective of that rental, but you will not see that now, if the October date is 2021. Am I right in saying that? Do you agree with that?

Mr Pollen: That is a fair comment. As I said, the trouble is going in without a sufficient evidence base. I include ourselves in that. We have not had the time to go out to our members and get a real sense of it, so I am rather hesitant about extrapolating too much on the little evidence that I have. However, one thing that has been flagged up to me about the effect of the legislation is that matters mentioned in 39A(1A) of the Rates (Northern Ireland) Order 1977:

> *"are to be treated as not including, and as never having included, any matter directly or indirectly attributable to coronavirus."*

The question that is put to me by quite a lot of businesses is this: if we have improved our premises and added outdoor seating and things like that, will our rateable value go up because we have improved the premises, given that that improvement was solely related to the need to respond to the coronavirus regulations that were brought in?That underscores why the devil is in the detail and that we need to clearly see what is being proposed so that we can understand those sort of unintended impacts.

Can I put a final point? Sorry, this is not my final point, but a further one. We must make sure that the Reval relates solely to the SARS-CoV-2 pandemic because there are issues with the terms "pandemic" or "coronavirus pandemic", but what if we are looking at a different coronavirus pandemic or an avian flu pandemic? We cannot waive our rights to appeal so widely. We need to be really focused about what is being considered.

Mr Wells: You can bet your bottom dollar that if some new virus comes in with a different name, amending legislation will be rushed through to cover it. If you look at the legislation as drafted, you will see that its intent is quite clear and that any variant of it will be treated the same.

I will ask the same question that I asked the previous participants — Glyn has more or less alluded to this — anyone will accept that DFP and the Department for the Economy were extraordinarily generous in support of your members in the crisis. In South Down, the vast bulk of the businesses that I deal with are content and, indeed, happy with how they were treated by both Departments. Glyn did not mention the high street voucher scheme, which has, quite rightly, pumped another £140 million or £143 million into your businesses. Am I right in thinking that you accept that point, that your concern is about how the distribution of the £50 million will be organised and that, if the £50 million is targeted properly, you can live with the legislation?

Mr Roberts: Through the Chair, part of the answer to that question is this: how do we get that long-term structural change to the business rate system? Obviously, you are aware that, when this place was not meeting, Sue Gray, the then Department of Finance permanent secretary, initiated a review of business rates. To the best of my knowledge, I am not sure whether that review was published or what the long-term thinking is. I am very keen to see the high street task force take that up and run with a broader five-year high street reconstruction plan, and rates are a key part of that, as is getting right the infrastructure investment, planning and all the other key issues spread across a number of Departments. That is the outcome that I would like to see from the high street task force, which ends its call to evidence today.

Secondly, in the short term, what is the status of the £50 million? How will it be distributed? How will it be targeted? I suspect that as Gareth Hetherington, I think, from Ulster University has been commissioned, it will be interesting to see what comes out of that. April 2022 is not far away, and a lot of businesses that have struggled are suddenly going to have to pay rates again come that date.

The Spend Local prepaid card, as a short-term boost, has certainly been welcome. It helped, in particular, independent retailers that were on the non-essential list and could not open or even do click and collect at various times through the lockdowns. A lot of retailers, particularly on the fashion side, were stuck with out of season stock. It has been particularly helpful to those non-essential businesses that were probably at the most risk. We need to do an analysis of how that money ultimately has been spent. Where has it gone? Has the majority been spent in independent retail? We do not know that yet.

There is a short-term issue about the £50 million, and then there is a medium- to longer-term issue about the fundamental restructuring of business rates here, which is absolutely vital.

Mr Wells: We are kidding ourselves if we think that Reval2023 is going to leave people happy. There is still an overall funding target, and it is simply a matter of how that is distributed amongst small businesses and offices. I have been in this place for 27 years, and I have never met a businessman who said he was happy with his rate demand. By its very nature, it is a lump sum that comes in. It is not based on your income, but it arrives, and it has to be paid before you can even open the door.If you are hanging your argument on the fact that 2023 will produce an all-singing, all-dancing equitable rateable system, it will not, because people will still be very unhappy. However, you accept that this institution has bent over backwards to get businesses through this very difficult situation. I am only playing devil's advocate here, but you could say that having done all that, plus the shopping voucher scheme — we have spent nearly £1 billion supporting local industry and commerce through the pandemic — some pain has to be taken and that forgoing the right to appeal may be the pain that you pay in return for the exceptionally generous support mechanism that we have had for 19 months.

Mr Pollen: Can I just come back on that? The support that we have had for the past 20 months or whatever it is was very welcome and very well-administered. It was an emergency situation that none of us had faced before. As Glyn said, turning LPS from being fund-taking into fund-giving very quickly was well done and saved an awful lot of businesses from going under. I am not suggesting that you are painting it this way, but I would not want anybody to go away with the sense that it completely compensated people for where they would otherwise be. A vast number of our members have taken on huge amounts of debt. They have spent their pension funds — they have cashed in lump sums from their pension funds — to keep afloat.

What was done in the past was done with funds that were provided from Westminster. What we are talking about here is waiving rights to challenge where people think a decision has been made wrongly out of funds that are yet to come. Whilst the generosity was welcome, it was not using existing Barnett consequential block grant money. It was additional money that was brought in, right throughout the UK, in order to address these very specific problems. In looking at some of the evidence that has been given to you already, I thought that there was a little bit of a sense coming from the Department saying, "We've have been very generous to businesses to date, and now it is time for us to get back to normal, and that can be quite tough". We need to be very careful. If we are giving away a right to an appeal, if something is fundamentally wrong, is it right to give away that appeal?

Mr Wells: Again, I am only parroting what the LPS is telling us, but the difficulty is that any other stance opens the floodgates to potentially nearly 40,000 appeals. Almost every business in Northern Ireland could argue legitimately that their valuation — the rental value of their property — has been decreased by coronavirus. It would not take a genius to see that, for instance, travel agents, small family confectionery shops and dry-cleaners were absolutely hammered. No one was looking for dry-cleaning during the pandemic because there was nowhere to go. There were no weddings or formals. How could you possibly allow an appeal mechanism in that situation?

Mr Pollen: You may not need to appeal that if the revaluation recognises that those businesses were detrimentally impacted and reduces their rental value and, therefore, their rates. If it does not do that and you deny them the right to appeal that — to come along and set out their case — where does that leave them?

Mr Wells: The difficulty is that you hope that the £50 million will in some way compensate them for their loss.

Mr Pollen: That is where we need to see how the £50 million is going to be distributed and to whom.

Mr Wells: That is a valid point. One of the roles that the Committee is going to have to perform is to see how exactly that £50 million will be distributed. Janice Gault told us that it works out just under £700 per business. Clearly, that will not —

Mr Pollen: A great many businesses will not require the provision. I talked earlier, and this is a gross characterisation, about office businesses that have carried on, broadly speaking. Businesses that are not customer-facing have probably been less impacted — lots of our members will be on the phone to me tonight saying, "That was a mischaracterisation" — but, broadly speaking, a lot will not have to have their valuations changed significantly; therefore, there will not be any appeals. Our valuer

members made the point to us that, for others, the risk of doing this on a computer-based, desk-based basis is that you miss out on the intel that is found by going out and seeing the impact. You will know that some of the towns in your constituency are like ghost towns because of the change in habits and that others are flourishing because people are now working from home and are using those towns more often. If you cannot get out to see that and get a sense of it, how do you make sure that you have an informed and effective valuation? If you have not or if the business owner feels that you have not and you have removed the right to appeal it, where does that leave us?

Mr O'Toole: Thank you both for your evidence. I want to ask what is, hopefully, a simple question. Is it the position of either of your organisations that the Bill is unacceptable in any form?

Mr Roberts: It is pretty much an unloved Bill.

Mr O'Toole: Sorry?

Mr Roberts: It is pretty much accepted that it is an unloved Bill. In many respects, it is a necessary evil. It is difficult. There is not a lot of room to manoeuvre on it. Roger has painted this picture: if you unpick the previous Reval, which was Reval2020, what would that mean for Reval2023 and the £255 million? It is absolutely right that a lot of that has come from small businesses in the private sector, particularly those that I illustrated that had a really bad experience with Reval2020. It is interesting to note that, when we worked with our members on Reval2020 appeals, a lot were upheld. So there was quite a healthy —

Mr O'Toole: Those were not COVID-related appeals. They were more general.

Mr Roberts: The first lockdown was in late March, which was just ahead of the new valuation list coming in on 1 April. It was a very tight turnaround. I will go back to the point that you made, Mr O'Toole. It would be useful to get the Fiscal Council to take a considered view of the matter. We also need to structure consultation not just on this but on the fact that, since even before the pandemic, we have maintained that there needs to be a non-domestic rates advisory group comprising most of the main business groups in order to make sure that, with the ongoing challenges with rates, be they valuation-related or not, or with some of the reliefs that we want to see, those rates are working effectively. That group could act almost as a touchstone group. That is one action point that needs to come from this. Part of the point of voting against accelerated passage was that consultation issue. We need a group that is in regular communication with the LPS, the Minister and the Department of Finance. We might have had a different outcome, or changes, had there been a Finance Minister in place when Reval2020 was being considered, but, obviously, there was not. Civil servants had little or no room to manoeuvre on it.

Ultimately, the legislation will probably have to be passed, but there is no great enthusiasm for it at all. It is uncomfortable when you remove someone's right of appeal. What I have said about Reval2020 illustrates the depth of opinion out there that says that it was a bad and poor experience for many independent retailers.

Mr Pollen: We understand that the Department views Reval2023 as the means to determine the economic consequences of COVID. However, is there a risk that the legislation could scupper legitimate appeals on economic grounds? That is where the grit is in it.

Mr O'Toole: It would, obviously, scupper appeals on the grounds of COVID. That is the point. Are you suggesting that other economic effects might be caught by the legislation because they are possibly bound up with COVID? They might be difficult to —

Mr Pollen: The sort of thing that is coming to me from our membership relates to people in the supply chain who are affected but are not the first in the chain to be affected. It is, therefore, less apparent from where the pressure on their business has come. It is about the need to prove what type of appeal you have and to say whether it is a legitimate economic appeal or an illegitimate COVID appeal.

Mr O'Toole: The court might argue that there has been severe supply chain disruption over the last two years that is, in part but not exclusively, to do with COVID. It might be related to Brexit, other global supply issues or other inflation issues. The court might have a legitimate point. Is that the concern? There might be other economic routes, but, because COVID may be part of it, the court might say, "Sorry, the cause is captured by the legislation, so we cannot proceed".

Mr Pollen: That is the risk. Again, it comes back to the need to see the detail of what will be within scope and what will not.

Mr O'Toole: OK. I will play devil's advocate. This is grossly simplifying it, but say the members of either of your organisations were presented with the choice between the option to appeal, which involves bureaucracy, cost and uncertainty, and a degree of certainty over the fact that there will be a revaluation in 2023 that will take a more comprehensive account of where the economy is now, including the post-COVID world, along with some kind of additional support as part of this £50 million. Is that a bird in the hand, and is the potential for appeal without the Bill worth two, or God knows how many, birds in the bush? Would it be better, to play devil's advocate, to have the framework of certainty, even if it meant that one potential for appeal because of COVID was removed? That question is to you both.

Mr Pollen: Businesses always like certainty. I suppose that it will come down to the following: if you are a winner and have certainty that you are a winner, you will be happy. However, if you feel that you lost out and were denied the ability and right to challenge on grounds that you may feel are economic, as opposed to COVID-related, that is where it will get really messy.

I imagine that the bulk of them will go down the middle and that people will be broadly content. However, we should not try to make rules for the broadly content in the middle; we should try to make sure that we protect the ones who are unreasonably affected or put in some mechanism so that, if they are denied their right to appeal, they can challenge that first denial.

Mr Roberts: Roger made some very valid points. Obviously, we await to see what Reval2023 will bring. I have had some good discussions with the Minister and LPS about it, so I am hopeful that, at the very least, there will be significant changes.

Mr Wells made the point that, essentially, Reval is about how you cut the cake. It is not about growing the size of the cake; it is how you cut it. Obviously, we want to see the most accurate cut possible that reflects the reality that this is a small business economy and that there is still a strong independent retail sector here. It should also look at the rates bills of the large, out-of-town supermarkets, which do not pay their way in rates and which have an unfair competitive advantage over many town centre traders. Their rates bills should reflect the fact that they have that competitive advantage in many senses, such as bus routes that service them, no red coats and free car parking. All those things should be reflected in their rates bills.When Sammy Wilson was Finance Minister, there was an element of that, and he tried to put it into the rates system that large out-of-town businesses would pay more. It was not necessarily out-of-town businesses but businesses with a large NAV that would pay more. There was a surcharge, and that money was used to fund the first tranche of the small business rate relief scheme. There were attempts to do that in the system in the past. I hope that Reval2023 reflects that.

Revals are always technical exercises to some degree. We now need to focus on the structural changes that we need. The only taxation power that Stormont has is the regional rate. That is unique amongst the devolved institutions. There are big questions about whether it is needed in the future and what other ways we can effectively raise, on a fair and equitable basis, property-based rates. Those are bigger questions, and it would be great to see the Committee getting its teeth into such an inquiry. However, in the here and now, we have to look at the Bill. There is not a lot of room to manoeuvre on it. We have to ask these questions: what will happen with the £50 million and what is the long-term plan?

Mr O'Toole: This is my final question. Thank you for that. I do not disagree with a lot of what you said about the out-of-town shopping centres. As you said, that is obviously not what we are talking about today, but there is a very strong argument for that, and, of course, I did not get my plug in for the Ormeau Road, the Lisburn Road, Stranmillis village and the western half of the Cregagh Road *[Laughter.]* I am only joking: the whole Cregagh Road is nice. However, there are very good areas to shop everywhere in south Belfast.

You mentioned the Fiscal Council, and you are right. I asked about the Fiscal Council, and we received correspondence from it. I will not go through it. You do not have it in front of you, so it would not be reasonable to question you about it. However, one of the things that it said was that some of the estimates of potential revenue loss are not unreasonable or extravagant. I think that I have depicted that correctly. That was the question that we wanted to ask it.Small businesses are some of

the most important users of council services. Quite often, small businesses on high streets — your members — are the first ones that you hear from when it comes to councils not delivering services, whether around public realm, waste collection or broader strategic stuff, such as strategies for particular spaces. Do you think that your members would be concerned about the principle of losing a load of revenue to local councils and what that might mean for their ability to support themselves. That is set against the admitted frustration over the lack of an appeal mechanism. Moreover, if a significant chunk of councils' revenue is in jeopardy, there is also a risk to them.

Mr Pollen: There is a wide recognition of the need to put money in the kitty if we want decent public services. That is evidenced by the business improvement districts (BIDs). The FSB voted for those to continue. We pay in extra money to try to do our bit to improve the area where we operate. It goes back to the point that Mr Wells made: the intention was not to see people getting their rates reduced, with a view to having a smaller pot at the end of the day. This is an extraordinary time, and there is additional money coming in to recognise that it is an extraordinary time. We are discussing the system that will be in place to ensure that the new money that is coming in to replace money that is not being collected does so in such a way that the people who are contributing the funds are not unreasonably penalised and have the right to appeal if they feel that they are being.

Mr Roberts: The other element is that, if there is a significant loss to the finances of local government, when councils strike their rates, will we see a situation in which their bit of the rates is increased on non-domestic premises or businesses? That has to be factored in as well. In fairness, the Minister raised that in the Assembly a few weeks ago. There are no easy options in any of this.

Mr McHugh: Tá fáilte romhat. You are very welcome. The whole discussion has been informative. I have a couple of wee questions on which I would like to focus. It has been said on a number of occasions that one is to be denied the right of appeal. Is that really the case? Is it not the case that there remains the right of appeal on specific grounds?

Mr Pollen: If you finish that sentence, you will discover that the right of appeal on specific grounds is going to be removed.

Mr McHugh: By "on specific grounds", you mean COVID.

Mr Pollen: Yes.

Mr McHugh: Yes. That is —

Mr Pollen: The trouble is this: who determines whether it is a COVID ground or another economic ground? Without the ability for a business to make its case in front of anybody, how is that assumed?

Mr McHugh: That is the point that I am making. People may be appealing on other grounds, and the appellant will decide, but, if they make an appeal based on the impact of COVID, that will not be accepted.

Mr Pollen: I do not want to try to work out a notional scenario, but, if they launch an appeal on the grounds of some sort of economic impact, and the Department says, "No. That's a COVID-related economic impact. Appeal denied", where do they get their chance to make their case more formally and fully?

Mr McHugh: I have an idea: how is it that one might decide whether to introduce COVID at that stage? The point that I am making, however, is that one still has the right of appeal. The only case in which one does not have the right of appeal is on the grounds of COVID.

The Deputy Chairperson (Mr K Buchanan): Am I correct in saying, Roger, that your point is that, if I put in an appeal and base it on it being a business problem, and the Department says, "No, it's not. It's COVID", I do not have an argument and cannot put that argument across?

Mr Pollen: Yes.

The Deputy Chairperson (Mr K Buchanan): Anything related to COVID is therefore thrown out.

Mr Pollen: Yes. I am not suggesting for a moment that the Department would act in this way, but, if it has the ability to disallow something straight away, without the risk of having to refund money, adjust rates bills or anything else, or spend time on that process, that is going to be very tempting, especially if there is an awful lot of that type of appeal coming in. The risk is then that the Department just denies people a fair system. That is the concern.

Mr McHugh: I will make the same point again. Is it not the case that the right of appeal is still there but that, on specific grounds, one does not have the opportunity to appeal?

Mr Roberts: Yes. The response to that question is this: how many appeals were made on the basis of COVID in Reval2020?

The Deputy Chairperson (Mr K Buchanan): There were 1,800 to 2,000: around that sort of figure.

Mr Roberts: I would be interested to see the breakdown of that figure. It makes me uncomfortable that, even though the right of appeal generally is not removed, it is on the specific issue of COVID, given the impact of lockdown, particularly for many non-essential independent retailers who could not open. In fact, they could not even do click and collect during the first lockdown, so they had no ability to trade at all, and of course that would have had a material impact on their business.

Mr McHugh: I am glad that you accept that the right of appeal has not been removed. When businesses have been impacted on as a result of COVID, it is on that basis that they received much of the support that they have received to date, which you welcomed. I agree with you entirely on that. Mind you, I also agree with the comments that you made about many of the multinationals. I often feel that they are not paying their fair share.

Roger, I hope you not mind if I come back to a statement that you made earlier. You said that you really do appreciate the support that you received from the Department of Finance and elsewhere throughout that whole period but you feel that the Department is now saying that it is time for you "to get back to normal". What did you mean by "get back to normal"?

Mr Pollen: In evidence given to the Committee, Ian Snowden said:

> *"It is our intention to ring-fence any associated Barnett consequential funding to ensure that it can be allocated to business ratepayers in the 2022-23 financial year."*

Taken at face value, it is good that is going to be allocated in that way. I got the sense, however, from other evidence given that there was a feeling that business had been well looked after in 2020-21 and now in 2021-22 and that it was now time to start to recover some of that or to rebalance things slightly. That is the sense that we have got, but we will not know until we see the detail on how the Department intends to give that assistance.

Mr McHugh: Does "get back to normal" mean that local government — councils — and central government here at Stormont will now provide the services that they normally would have provided?

Mr Pollen: That is not what I was meaning. What I meant was that there may well be a tendency not to recognise in the core valuations the fact that we have been through such a turbulent two years of trading and are not out of that yet. If those core valuations therefore do not reflect the changed reality that we have been facing for so long, businesses will be being charged too much in rates, and, if they are, they will not have the ability to appeal. That is the concern.

Mr McHugh: Yes, but that is a different issue from getting back to normal, in the sense that you are expressing a lack of confidence in how the valuations will materialise for different elements of the whole business structure. At the end of the day, the Government and councils have to continue to function, which is normal.

Mr Pollen: Absolutely, and that, hopefully, is what the Barnett consequential funding is going to achieve. Presumably, it is intended to replace income that is not coming in from the business base, so the way in which that £45 million or £50 million is distributed will be material to that.

Mr McHugh: It will be important to see how that all works out.

Mr Roberts: To put it in a slightly wider context, businesses are facing an almost perfect storm of cost issues, from National Insurance increases to huge increases in energy prices. They also have to pay the living wage increase. All of that has to be factored in, so it is appropriate that the only taxation power that Stormont has be reflected. The £50 million is important, because those businesses, as I said, face a perfect storm of cost issues that will hamper our recovery. In that context, it is only right that the Department of Finance play its role in supporting businesses.

Mr McHugh: I entirely agree. Hopefully, we can have confidence that our Departments will meet those challenges.

Ms Dolan: Thank you both for coming in. I am sorry that I have been in and out of Committee. It is because of Question Time. I have one question for you. Would you prefer the rates holiday and the grants or the right of appeal?

Mr Pollen: That is not a realistic choice. *[Laughter.]* The rates holiday and the grants were there at a time when trading was massively impacted on. We were all learning about the impacts of the pandemic. At that time, government was also massively interfering — I do not mean that pejoratively — in the way in which business went about its business. Glyn alluded to there being essential and non-essential businesses. Which businesses could stay open were defined by the nature of what they were selling, which was sometimes sold alongside other stuff. Those in government interfered enormously in the lives of those businesses, so rate reliefs and grants were entirely appropriate in trying to find some sort of smoothing.

We are looking at an entirely different proposal here, though, whereby grant assistance will be made available but not necessarily clearly for the businesses. It may come into councils to replace lost business income. We will not know that until we see the model. That is happening at a time when none of that other relief or assistance is in place. Businesses will be trading, hopefully, in the next financial year. That will still be happening in a pandemic, so they will be trading in a compromised environment but without the level of restriction and control that government applied previously. The answer to that tempting choice that you gave me is that we are not comparing apples to apples.

Ms Dolan: Thank you.

Mr Catney: Again, I will come in at the end. I have listened to you attentively. It was great to see you at the high street task force seminar this morning. Well done. As I said to the witnesses who gave evidence before you, you can see where we are all going with this if there is no protection for businesses. They find themselves in an absolutely horrible, tense situation, if that is protection is not there.

If I am allowed to mention this, in its letter to the Committee, the Fiscal Council asked us to get a second legal opinion on some of the problems that are out there. You and I both know that the reality is that there is fear out there. If businesses cannot appeal some of the bills that are coming to them, there will be a lot of pressure to walk away from their business. If that happens, that cake is still divided up, but it is divided only among those businesses still standing, and the last man standing pays it all. We therefore need to be really careful and watch how all of this goes.

While you are here, tell me something. I hear all the questions about the rates. Yes, most businessmen will moan and groan — nobody likes any sort of bill — but they are responsible businessmen who know that the money that they put in will go back into the community from which they come and in which they work and that it will create employment. Bearing in mind where you and I were this morning — at the high street task force seminar — I fear that, if they go, a lot of those businesses will not come back. Do you agree?

Mr Roberts: Absolutely. One of the key things that the high street task force needs to consider is rating policy. I am not saying that fixing business rates is somehow a silver bullet for solving the problems that our high street faces, because it is not. It is, however, one of a number of elements for doing that. That is why the structure of the high street task force is one of businesses, trade unions and Departments all being, in many respects, equal players to try to co-design solutions.

As I said this morning, and you were there, what I want to see arise out of the high street task force call for evidence is a five-year reconstruction plan that will look at rates, infrastructure and public transport: all the issues. We know what our future high streets will look like: clean, green, family-

friendly destinations that are ecosystems for lots of different types of business. Fixing business rates is only one of the elements involved. Having more business improvement districts, as Roger said, is another important part. The key thing is that there be a collective effort across the Executive to meet those challenges. Not all of them were created by the pandemic, because the problems were there. The high street was going through a reconstruction phase before the pandemic, but the pandemic accelerated that.

That collective effort will be crucial. Ultimately, we are saying this: for the next Programme for Government, treat business, trade unions and civic society not just as consultees but as partners. The next Programme for Government should be not just a deal between five parties but a wider deal with broader civic society, because we all have KPIs for moving our high streets and our economy forward. That is a very different way of doing policy. The key challenge for the next Programme for Government — I know that I am slightly straying here — is to overcome the silo mentality and get Departments pushing in the one direction. To some degree, the high street task force has done that. Officials from the Department for the Economy, the Department of Finance, the Department of Agriculture, Environment and Rural Affairs, the Department for Infrastructure and the Department for Communities are all around the table talking to business, trade unions and the voluntary sector. That is good. It is a new way of doing stuff in this place, and it is a good signpost for the way in which things should be done in the next Assembly term.

Mr Pollen: If I may, Chair, I will leave you with three points that pick up on that. First, we are now into the second decade of having small business rate relief. It is a well-established policy. One thing that could be done to assist small businesses would be to give them certainty by embedding small business rate relief as the new norm so that they do not have the situation, coming up to March each year, of wondering whether their rates will be doubled because they may lose their 50% relief. That would send a signal. The Assembly has been meeting that commitment for approaching 12 years, so it would be quite straightforward to do.

The second point is that rates policy should recognise the new normal that has emerged during the pandemic and should not try to reset the clock to 2019. Lots of things have changed about the way in which people move around, where and how they do their business and so on.

The final point echoes what Glyn has just said. Although the Department has been engaging with us a bit on the issue recently, and we appreciate that it is coming to this with a very short timescale, it should engage with business at the earliest opportunity to ensure that any new system is fit for purpose and does not overlook potentially affected businesses. In that way, we are pushing broadly in the same direction together and trying to do things in the best way rather than pushing against each other.

Mr Catney: As Glyn said, it is about complete partnership. Bringing businesses and all of civic society along with you is the only way in which to go forward.

Mr Roberts: For practical changes, such as the rates hardship fund, it is absolutely necessary. That fund is so out of date, and that was thrown into stark relief when we were dealing with the Primark fire recovery efforts. So many things need to be fixed. For example, the empty premises rate relief needs to be reactivated and enhanced so that a new-start business that is setting up on the high street gets a 50% rates holiday in its first year. Things such as that need to be reactivated and enhanced, and the capital allowance rates scheme is another. Those practical things would help create jobs, regenerate the high street and build our economy. They are practical things that are not rocket science and would not cost very much, but they would ensure that many of the businesses that have struggled have a future.

Mr Catney: Thank you.

The Deputy Chairperson (Mr K Buchanan): Glyn and Roger, thank you very much for your evidence and your answers. I appreciate it.

Mr Roberts: Thank you.

Mr Pollen: Thank you.