

Non-Domestic Rates Team LGF – Local Taxation
Department for Levelling Up, Housing and Communities
SE Quarter - 2nd Floor Fry Building
2 Marsham Street
London
SW1P 4DF

by email to ndr@levellingup.gov.uk

25th July 2022

Dear Sir or Madam,

Business Rates Revaluation 2023: Consultation on the Transitional Arrangement

This is an official response by the United Kingdom Warehousing Association (UKWA). UKWA is the leading and only dedicated trade association representing the UK's vital warehousing and logistics industry. Established in 1944, the association's 900 member companies control approximately 100 million square feet of warehousing space from over 1,300 locations across the UK.

We welcome the opportunity to respond to this consultation on behalf of our members. This matter is of critical importance to the warehousing sector, because of the strange economic factors prevailing on the antecedent valuation date of 1st April 2021. Using this date is potentially unfair due to the exceptional market conditions being experienced at that time, with sectors such as High Street retail, bars and hotels depressed due to the pandemic, whilst warehousing was rallying to support the country in very difficult circumstances.

Question 1: how do you believe the government should strike the balance in the 2023 transitional arrangements between supporting ratepayers facing increases to their bills and allowing the effect of the revaluation to flow through into bills?

Last year, in response to the HM Treasury and MHCLG public consultation on more frequent revaluations for business rates, we said *transitional phasing is inherently unfair and should no longer be required once a 3-year cycle is introduced*. Although we stand by this principle, in 2023 the gap between the proposed antecedent valuation date of 1st April 2021 and the previous valuation date in 2015 would give a cycle of six years. In these circumstances, relief is necessary to support ratepayers facing significant increases in rateable values following revaluation and this should be achieved by a meaningful phased cap for all properties.

Question 2: what format of transitional relief do you think should be provided for the 2023 revaluation?

In order to manage the transitions in 2023 and 2026 we would advocate a one-off transitional relief scheme in 2023-2026 that takes ratepayers to their full bill by 2026, in three evenly phased steps.

Question 3: do you think that we should continue to provide assurances through transitional relief that bills will not rise by more than a set percentage due to the revaluation?

No. We believe that transitional phasing is inherently unfair and should no longer be required once a 3-year cycle is properly embedded from 1st April 2026 onwards.

Question 4: do you think we should provide different caps for different sizes of properties?

No. If the logic is to protect small businesses more than large businesses, the size of an individual property is not necessarily indicative of it being occupied by a similarly sized business. The principle of a relief scheme that favours small buildings, unfairly penalises our sector. Many of UKWA's member companies are SMEs running small businesses with low profit margins, but the nature of warehousing means that large buildings are required.

Where rateable value is above the threshold of £20k, buildings are not classified as small, and caps are less generous. For buildings classified as large, the latest caps such as 49% in 2019-20, provided little meaningful relief. It is misguided and unfair to assume that ratepayers of large buildings can afford to subsidise companies that operate from smaller premises. An evenly phased transitional relief scheme which takes ratepayers to their full bill by 2026 should apply to all properties facing an increase, regardless of size.

Question 5: what are your views on how we should fund transitional relief within the requirement for the government to have regard to the object of securing (so far as practicable) that the scheme is revenue neutral over its life?

Our 2021 report from Savills *The Size & Makeup of the UK Warehousing Sector*¹ provided evidence of a 32 percent growth in warehousing from 2015 to 2021. More recent insights from the real estate industry show that warehousing continues to be an engine of economic growth for the UK. The development of more warehousing ought to allow HM Treasury to secure extra revenue from business rates as new buildings come into scope.

We understand that the multiplier will not rise to match inflation, and we agree with that approach. However, after accounting for additional revenue from new buildings, we believe a modest increase in the multiplier should be sufficient to raise any additional funds required, to cover the costs of relief.

Consideration could also be given to providing a form of downwards transition for those properties facing a reduction in their rateable values, but perhaps phased over two equal steps, rather than three for those facing an increase.

¹ <https://www.ukwa.org.uk/wp-content/uploads/2021/05/Savills-UKWA-A4-8pp-Report-Interactive3.pdf>

Question 6: do you have any other views on the format of the transitional arrangements for the 2023 revaluation?

Our members need to be able to budget properly for their future costs and factor them into contractual agreements with their customers. Early publication of the draft Rating List, the annual multipliers and the transitional relief scheme are therefore essential. If businesses are not going to know their 2023-24 rates liabilities until December 2022 or even January 2023, this provides them with too short a window to be able to prepare for rising costs effectively. This is a compelling reason to provide a transitional relief scheme in 2023.

The antecedent valuation date of 1st April 2021 is potentially unfair due to the exceptional market conditions being experienced at that time, with sectors such as High Street retail, bars and hotels depressed due to the pandemic, whilst warehousing was rallying to support the country in very difficult circumstances. We believe a different date ought to be selected such as 1st April 2022. In general, a two-year gap between the valuation date and the application of the revaluation is not sensible. As demonstrated in Scotland, a one-year gap is achievable and fairer.

Notwithstanding the significant growth in warehousing outlined above, rental prices – and consequently rateable values – are being pushed up by a shortage in supply. *Levelling Up – The Logic of Logistics*², our joint report with the British Property Federation published earlier this year, demonstrated that demand for industrial and logistics space across England has been underestimated in planning policy for a decade, and future demand is likely to be at least 29 percent higher than past levels. UKWA would welcome a joined-up government approach to tackle constraints in the Planning system. The consequences of a healthier approach to Planning would include a natural increase in HM Treasury's revenue from business rates.

Yours faithfully,



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² Available here: <https://bpf.org.uk/our-work/research-and-briefings/>