

BRISTOL CITY COUNCIL

**MINUTES OF AN EXTRAORDINARY MEETING OF THE
OVERVIEW AND SCRUTINY MANAGEMENT BOARD
HELD ON 15TH AUGUST 2013 AT 1.30 P.M.**

P Councillor Alexander (substituting for Cllr Eddy)
P Councillor Bailey
P Councillor Champion-Smith
A Councillor Eddy
P Councillor Goulandris
A Councillor Hammond
P Councillor Holland
A Councillor Kent
P Councillor Khan
P Councillor Martin (substituting for Cllr Kent)
P Councillor Pearce (substituting for Cllr Hammond)
A Councillor Pickup
P Councillor Telford

OSB

25.8/13

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

Apologies for absence were received from Councillor's Eddy, Hammond, Kent, and Pickup

OSB

26.8/13

ELECTION OF CHAIR FOR MEETING

In the absence of the Chair and Vice Chair of the Board and, on being moved and seconded, it was:

RESOLVED –

That Councillor Goulandris be Chair of the meeting.

OSB

27.8/13

PUBLIC FORUM

Public Forum statements were received from Gardiner Sons & Co. Ltd; ATCM ; Dr Julie Grail, Business West and Mr G Grace.

No speakers were in attendance and it was agreed that the content

of statements would be taken into consideration during discussion of the main item of business on the agenda – the retail levy.

OSB

28.8/13

DECLARATIONS OF INTEREST

There were no declarations of interest

OSB

29.8/13

WHIPPING

No whipping was declared.

OSB

30.8/13

RETAIL LEVY

The Board considered a report of the Bristol Futures Service Director (agenda item no 5) on a retail levy, in line with the Council resolution that scrutiny investigates the idea of seeking powers from Government for a levy on large retail outlets, in line with the proposals of the organisation, Local Works .

The Board heard evidence from a range of witnesses as set out below.

Mr Ken Simpson of the Federation of Small Business addressed the Board and members then questioned him.

During his submission, the following points were raised:

- Whilst his Federation supported a levy of larger retail business in principle, any such levy was likely to have a harmful impact in Bristol;
- Most stores were already operating in a difficult trading environment. Business rates imposed a considerable burden. Stores were unclear as to what they got for their business rate. A levy would be similarly opaque and be seen as a further tax burden. There was also strong competition; on the one hand from on line retailers such as Amazon, and on the other, from other shopping areas, particularly Cribbs Causeway;
- Many stores, particularly larger ones, already had more space than they actually required. A retail levy could prompt them to downsize, and let their surplus space to other retailers. Or, they could surrender their leases and leave empty retail units. It was

not clear how a levy would impact on a large retailer who let parts of his unit to smaller concessions;

- Smaller retail businesses would not be directly affected by a levy but there would be knock on impacts, not all of which would be favourable to them. For example, a larger retail concern moving out of Clifton Down shopping centre due to the levy could significantly reduce footfall to the centre, which would then impact adversely on the smaller operations;
- For smaller business in Bristol the impact of RPZ's and bus lanes also needed to be factored in to working out whether a levy would be helpful to them;
- Better use of the planning system might be a way of controlling the proliferation of large multiples which currently harm the small independent business sector. Alternatively measures should be contemplated to control what was sold in large supermarkets (eg newspapers). It was acknowledged however that such restrictions on trading were likely to be challenged by large retailers which had the financial capacity to do so;
- Mr Simpson indicated that the potential additional income from a levy was unlikely to bring about a significant improvement in the environment in which small businesses operated. It could be deployed in providing training for the employees of such business at discounted rates which might go some way toward helping their development.

John Hirst of Destination Bristol then addressed the Board and members questioned him.

Mr Hirst referred members to his submission in the paperwork. He underlined the following points :

- A levy would constrict business and would send entirely the wrong message to investors. It would create new barriers for business;
- It would undermine new business investment in Bristol and halt store expansion plans;
- The Council should be encouraging job creation. A levy would increase the cost of doing business so ultimately business may go elsewhere and job creation would be replaced by increasing unemployment;

- Large retailers attracted investment to Bristol. If they were to pull out , other retailers would be discouraged from entering the local market and investment would dry up;
- Larger retail units are more difficult to let. Larger retailers who moved away would leave large empty units in their wake;
- BID's were a key element of local economic regeneration and were the way forward. The first Broadmead BID was one of the first of its kind in England. It was a successful model and had been copied elsewhere.

The Board noted the views of the Association of Town and City Management (ACTM) as set out in their submission.

Mr Hirst explained that ACTM shared a platform with Bristol BID's and were opposed to levy for the reasons set out in their statement.

The Board considered the views of Business West as set out in their submission.

It was noted that :

- The timing of the Council motion on the retail levy had come as a shock to retailers in the Bristol Shopping Quarter who were about to vote on whether to renew their BID for a third time. A majority (51%) in favour of the BID in the number of those voting and a majority in favour of the BID in the proportion of rateable value of those voting, was necessary if the BID was to be renewed. The ballot had been postponed in view of the uncertainty which had been created and until the position of the Council in relation to a levy was clear;
- Other retail centre managers in the area had expressed surprise and concern that Bristol was contemplating a business levy at a time when investors are in short supply and retail was facing an uncertain future. The general view was that a levy would deter new investment and potentially discourage existing retailers.

Mr Daniel Flanagan of Local Works then addressed the meeting and members then questioned him. He commented on the role of his organisation in promoting the provisions of the Sustainable Communities Act, in which the retail levy was a power available to

local authorities, subject to application via the Secretary of State. Some 70 council's were currently considering whether to seek levy powers under the Act's provisions. During discussion Mr Flanagan commented that;

- In Northern Ireland (NI), a business levy was paid by those businesses with a rateable value of £500,000 or more. Some 8000 smaller businesses had benefitted from the levy;
- The levy had managed the growth of larger retailers to the benefit of small businesses. Town centre development had been improved and small businesses were thriving as their overheads were lower;
- In Scotland, Scottish Parliament legislation provided for a levy on retailers with over £300,000 turnover if they sold alcohol and tobacco. This was primarily a health provision to manage consumption of alcohol and tobacco;
- A larger business levy in Bristol would enable money to be ploughed back into smaller local concerns which would be better for the local economy. Currently, for large retail outlets, 95p in every £1 spent by customers went outside the city. This was only 50p per £1 spent with small local businesses;
- The NI experience was that inward investment and job creation had not been reduced by the levy. It had enabled town and city centre facilities to be improved and this was supporting increased investment by business. The number of empty premises had reduced and overheads in town centres had fallen. The levy had not led to business uncertainty;
- Mr Flanagan denied that his organisation was "anti-supermarket" . It was opposed to the harmful impact which supermarkets had on local communities and their tendency for price fixing. The levy was a way in which local communities could manage the most harmful impacts of such businesses;
- In response to a member's concern that a levy would lead to larger Bristol retailers moving out to other rival centres, Mr Flanagan indicated that this was unlikely, and the NI experience was that stores did not close when the levy was introduced;
- A member indicated that the NI experience was different in that the business levy was effective in all areas; In Bristol this would

not be so, as businesses would have the option to relocate to a neighbouring area where there was no levy;

- In terms of timescales , Mr Flanagan indicated that the process for consultation, negotiation and making formal application would take around 12 months. The process would be by way of promoting a local parliamentary bill;
- The Deputy Monitoring Officer confirmed that once the Government had moved primary legislation to enable local authorities to seek levy powers, then the provision would be available to all (ie there would be no need for each Council to promote its own local bill);
- A member enquired as to whether, in NI, the cost of the levy had been passed on to customers and suppliers. Mr Flanagan indicated that the NI Retail Consortium had found this not to be the case

Mr Howard Smith and Mr Simon Griffin then addressed the meeting on behalf of Bristol Alliance and members then questioned them. They referred to:

- The level of new investment which had been made in Bristol as a result of the Cabot Circus development and improvements to Broadmead and identified the sums in terms of business rate, which those enterprises which might be affected by a business levy currently contributed;
- They indicated that a number of the retailers in Broadmead had break clauses in their tenancy contracts over the next 4/5 years. This could mean that, should a levy be introduced, it would be relatively easy for them to withdraw from the centre and move elsewhere;
- The difficult trading situation in Bristol including low consumer confidence, reduced footfall to City Centre retailers, the growth of on line retailing and tight profit margins;
- They similarly felt that any retail levy would have a detrimental effect on business and could result in a loss of retailers to neighbouring Cribbs Causeway and other rival centres;
- They expressed the view that one or more of the larger supermarkets in Bristol would have changed their investment plans, had they had knowledge that the Council's was

contemplating a retail levy.

Mr Hirst then summed up the process whereby businesses in Broadmead would be invited to vote on the new BID arrangements. He discussed the success of the previous 2 BID's and the improvements which had been brought about in Broadmead as a result. He gave examples of small independent businesses which valued the current BID arrangements as the means for ensuring a successful future for Broadmead.

Members then summed up;

- The view was expressed that now was a wholly inappropriate time for the Council to be considering such a levy;
- Broadmead businesses were about to be asked to vote on a third Broadmead BID; this should have been known to officers and appropriate advice given to members, at the time the draft motion proposing the seeking of powers for a retail levy was put forward in June;
- Generally, the recession and sluggish economic performance made a further imposition on retailers inappropriate;
- Should a levy be introduced, the estimated £3.3m which would come to the Council would simply accrue to the General Fund; it could not be ring fenced for particular purposes;
- It was much better if retailers could agree between themselves to support an initiative such as a BID; there would be agreement in advance as to the use to which the moneys would be put and retailers would benefit directly from that investment;
- The evidence presented by a number of speakers at the meeting indicated that the introduction of a business levy would ultimately lead to a loss of jobs in the city centre, as retailers refocused their business on areas where the taxation regime was more favourable to them (eg Cribbs Causeway, Bath etc);
- The City centre currently provided employment for people in the disadvantaged parts of Bristol. Unemployment in these areas

would increase if companies in the centre down sized or left as a result of a levy;

- The idea of a large business levy was underpinned by objections to supermarkets and the way in which they operate. Supermarkets were a necessary part of retail life and were still lacking in some parts of the City. (For instance, the opening of a branch of Morrisons in Hartcliffe had brought a number of benefits to the locality including employment opportunities and ready access to a wide range of foods, for those who would otherwise have had difficulty in accessing transport to get to a supermarket elsewhere);
- Supermarkets were part of the retail scene and were popular with shoppers. A vibrant mixed economy of large and small retailers, comprising national and local enterprises should be maintained. Rather than impose a retail levy, the Council should to see how it could work with large retailers such as the supermarkets, to provide apprenticeships and training to small business owners, to enable them to become more effective and competitive;
- In the Northern Ireland example quoted in the report, the levy applied throughout the Province . It was therefore a feature of the business environment for all traders. If introduced in Bristol, the situation would be different as it would only apply in the City. As a result business may well decide to relocate to other areas, where trading conditions were more favourable;
- The business levy was a blunt instrument. If the Council wanted to help local small businesses and independent traders, then there were other more targeted things which it could do;
- The impact of residents parking zones on local businesses had yet to be ascertained. If these were to put pressure on businesses, then the impact of a retail levy could impose a further burden. It was therefore the wrong time to contemplate such a levy;
- Even if Council were to decide in favour of the principle of a business levy, the timescale for seeking the necessary powers

from Government was a lengthy one. It was unlikely that the Government would be in a position to consider requests for so doing much before 2015, which would be election year and when its focus was likely to be on other priorities. During this time, there would be uncertainty in the retail environment, which would be potentially harmful to the City;

- Although the timing of seeking powers for a retail levy was wrong, members needed to be aware that because of the dominance of the local retail market by national multiple stores, 95p out of every £1 spent by consumers, went outside Bristol. The Council needed to have strategies in place to reverse this trend and retain more of that money for the benefit of the local economy.

After further discussion, it was:

RESOLVED –

- 1. That this OSM Board inquiry, having considered evidence both for and against the proposal that powers be sought from Government for a levy on large retail outlets in line with the Local Works initiative, considers that the proposal should not be supported for the following reasons;**
 - (a) The timing is inappropriate, because it coincides with a vote by local businesses on whether or not to renew the Business Improvement District (BID) in the Broadmead area. This is a national initiative which has been successfully employed in Broadmead on two previous occasions, designed with retailers to meet their needs and to enhance the overall shopping experience in central Bristol. In the view of the Board this, and the BID process generally, is a much better approach than an indiscriminate levy on retail business, which would be imposed and without clearly identified objectives in terms of the use to which the additional revenues raised will be put ;**
 - (b) Any decision to press ahead with an application to Government for levy powers will be a lengthy process lasting well in excess of one year. In the event of the Government introducing primary legislation to allow local authorities to implement a retail levy, this would**

be available to all local authorities. Meanwhile, the Board considers that a prolonged period of uncertainty for retailers in Bristol at a time of economic recession and downturn will at least inhibit investment in the City by business and at worst, lead to major multiples and other businesses either downsizing their units or moving out of Bristol altogether, to competitor shopping centres where the economic climate is more certain, and

- (c) Any decision to seek powers for a levy will send entirely the wrong message to business and will contradict Bristol's previously stated aspiration to be the most open city for business in the UK.**
- 2. The Board recommends Council to look at alternative ways of assisting small business development within the City and which is tailored to the needs of local areas.**

(The meeting ended at 4.15 pm)

CHAIR