

Institution: University of Northumbria at Newcastle		
Unit of Assessment: 13 (Architecture, Built Environment and Planning)		
Title of case study: The business of rates: informing legislative scrutiny and shaping business response to commercial property tax reform in England		
Period when the underpinning research was undertaken: 2015 – 2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Paul Greenhalgh	Professor	1992 – present
Kevin Muldoon-Smith	Senior Lecturer	2015 – present
Lynn Johnson	Senior Lecturer	2011 – present
Period when the claimed impact occurred: 2016 – 2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>In 2013, the Business Rates Retention Scheme (BRRS) was introduced, enabling local authorities to retain up to 50% of locally generated Business Rates. Research conducted at Northumbria University revealed that this fiscal decentralisation exacerbated spatial inequalities in relation to funding provision across the country. This research informed legislative scrutiny by the House of Commons Housing, Communities and Local Government Select Committee's enquiry into BRRS (2016). Further work investigated the effects of the Business Rate system reform and was used as evidence during the Treasury Select Committee (2019), leading to recommendations that change is needed to the current business rates system. In addition, the research shaped business response to the reform nationally through the British Council for Offices that represent over 3,000 companies (offices comprise approximately 23% of property liable for Business Rates), and regionally through the North East Business and Innovation Centre (representing 130 businesses) and the North East Chamber of Commerce (representing 3,000 businesses), enabling businesses to make informed strategic decisions that affect economic growth in the region.</p>		
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>The Business Rates Retention Scheme (BRRS) was introduced in England in 2013. It was designed to enable local councils to retain up to half of the rates revenue raised from businesses in their local area and income from new property development. This could then be used for the provision of welfare (e.g., social care, housing, transport, cultural services) in these areas. With a shortfall of billions of pounds in local government funding, securing new income from commercial and industrial property within local administrative boundaries appeared to be a panacea.</p> <p>Dr Kevin Muldoon-Smith and Professor Paul Greenhalgh were the first to research the interconnection between local property markets and local government funding, focussing on the variegated geographical impact of BRRS across England. Their key findings [R1] revealed that a minority of 'premium locations', characterised by buoyant property market characteristics, had the potential to generate more new local income through the BRRS. More numerous 'stranded' locations (e.g., when assets located in seemingly buoyant markets cannot be developed due to regulations protecting built environment heritage) and 'redundant locations' (e.g., locations that do not have the underlying economic conditions to enable viable construction) had less capacity to exploit the BRRS. Instead of correcting spatial inequalities in funding across the country, fiscal decentralisation in fact exacerbated uneven development. Following this research, Muldoon-Smith was approached by the editor of the Journal of Public Money & Management (the Journal of the Chartered Institute of Public Finance and Accountancy) to write a review article [R2] contesting the role of local government funding in fiscal decentralisation that informed the wider professional sector about the impacts of the BRRS.</p> <p>Greenhalgh and Muldoon-Smith investigated the BRRS's transfer of financial liability for backdated appeals to local authorities [R3]. Conducting a microanalysis into local government finance, the case study of Leeds revealed that despite having a buoyant commercial economy driven by retail and service sector growth, Leeds has been detrimentally impacted by BRRS as</p>		

backdated appeals outweighed uplift in Business Rates income. This proved that local authorities' income becomes more volatile within the BRRS. Research by Greenhalgh revealed how the differential impact of this complex and arcane tax system affects retailers of all sizes in market towns in Northern England [R4].

This body of research prompted the research group to then examine the nature of commercial property tax in England as a whole. Based on the research findings, several alternatives to the existing system of property tax, such as digital services tax and land value tax, were recommended [R5]. The researchers cautioned against focus on tax collection as a seemingly straightforward and pragmatic solution for public finance demands, as sustainable growth and sufficient welfare cannot be achieved when elements of the system are considered in isolation. This resulted in novel investigations led by Greenhalgh into the York property market [R6], where the team used Geographical Information Systems (GIS) to analyse rating list data to reveal subtle changes in the performance, over time, of commercial and industrial property markets on which future tax revenue depends.

3. References to the research (indicative maximum of six references)

R1. Kevin Muldoon-Smith and Paul Greenhalgh (2015) '[Passing the buck without the bucks: Some reflections on fiscal decentralisation and the Business Rate Retention Scheme in England](https://doi.org/10.1177/0269094215599724)' *Local Economy* **30**(6): 609-626 <https://doi.org/10.1177/0269094215599724>

R2. Kevin Muldoon-Smith and Paul Greenhalgh (2017) 'Debate: Real estate value – what next for fiscal decentralization in England?' *Public Money & Management* **38**(1): 54-56 <https://doi.org/10.1080/09540962.2017.1389540>

R3. Paul Greenhalgh, Kevin Muldoon-Smith, and Angus*, S. (2016) 'Commercial property tax in the UK: business rates and rating appeals' *Journal of Property Investment & Finance* **34**(6): 602-619 <https://doi.org/10.1108/JPIF-03-2016-0014>

R4. Paul Greenhalgh, Lynn Johnson, and Huntley*, V. (2019) '[An investigation of the impact of 2017 business rates revaluation on independent high street retailers in the north of England](https://doi.org/10.1108/JPIF-01-2019-0008)' *Journal of Property Investment & Finance* **37**(3): 241-254 <https://doi.org/10.1108/JPIF-01-2019-0008>

R5. Kevin Muldoon-Smith (2019) '[Is it possible to incentivise and capture local wealth? The business rate challenge](https://doi.org/10.1177/0269094219843807)' *Local Economy* **34**(3): 213-220 <https://doi.org/10.1177/0269094219843807>

R6. Paul Greenhalgh, King, H., Kevin Muldoon-Smith, Adebayo***, A., and Ellis*, J. (2020)** 'Using GIS to explore the potential of business rating data to analyse stock and value change for land administration: a case study of York' *International Journal of Geo-Information* **9**(5): 321 <https://doi.org/10.3390/ijgi9050321>

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4. Details of the impact (indicative maximum 750 words)

4.1 Impact on legislative scrutiny of business rates in England

Introduction of the Business Rates Retention Scheme (BRRS) in 2013 resulted in local authorities in England retaining up to 50% of locally generated commercial property tax. Following the announcement in 2014 that the rate will be increased to 100% in 2016, the House of Commons Housing, Communities and Local Government (HCLG, previously called Communities and Local Government) Select Committee launched an enquiry into the feasibility of such changes. Building on research that showed how BRRS can lead to uneven local government outcomes [R1], Northumbria's Muldoon-Smith and Greenhalgh submitted written evidence to the HCLG Select Committee in January 2016. Muldoon-Smith was invited to provide a witness testimony, broadcast on Parliament Live TV on the 22nd February 2016. Northumbria's recommendations in relation to 'Generating growth' [E1, para71-72, p32-33], 'Empty Property Rates' [E1, para85, p38], 'Business Improvement Districts and the Business Rate Supplement' [E1, para95, p42], and 'Varying the multiplier' [E1, para102, p45] were

subsequently incorporated into the HCLG Select Committee's '100 per cent retention of business rates: issues for consideration' report [E1].

Following the 2016 legislative enquiry, Northumbria's research was used as evidence in a number of publications produced by representatives of the legislative community, demonstrating improved knowledge of the BRRS by this community. In a publication authored by members of the House of Commons Library, Northumbria's research was used to argue that the BRRS is likely to have spatially differential effects on local authorities (especially regarding the 'stranded' and 'redundant' locations), supporting the view that the BRRS is not likely to produce direct correlation between an area's wealth, its retained revenue, nor service need [E2, p4, p6]. Northumbria's research was mentioned 26 times throughout the 'Business rates in Wales, local retention and regional growth deals' (April 2018) report produced by the Wales Public Services, showing the direct influence of Northumbria's research on enhancing knowledge about the BRRS beyond England [E3]. Finally, in the National Audit Office's 'Planning for 100% local retention of business rates' (March 2017) report, Northumbria's research was used as evidence that 'overbuilding' (whereby a local authority that wants to increase its tax base engages in new construction that is not matched by an increase in demand) is one of the potential perverse outcomes of the proposed BRRS [E4, p22, fn8].

Subsequently, the authors informed legislative scrutiny of not only the Business Rates Retention Scheme, but Business Rates as a system of tax more broadly. In 2019 Muldoon-Smith and Greenhalgh submitted written evidence [based on R5] and presented one of five witness testimonies to the House of Commons Treasury Select Committee. The Treasury Select Committee is the key political body charged with holding the Treasury to account. Muldoon-Smith's witness testimony was broadcast on Parliament Live TV on the 19th June 2019. The House of Commons Treasury Committee report 'Impact of business rates on business' (2019) directly quoted Muldoon-Smith's evidence [E5, para169, p41; para196, p46; para198, p47]. The report stated:

'In its written submission to the inquiry Northumbria University wrote that to ensure a robust and fair business rates system: the business rate system must be responsive to economic conditions and fairly incentivise investment in property and business; [and that] the business rate system should be sensitive to the new world of work that favours leaner, hybrid business models that mix bricks and mortar and digital transaction interfaces...We discussed the concept of a hybrid system with Kevin Muldoon-Smith...who told us that in the future a hybrid tax could provide more flexibility in the business rates system' [E5, para196, p46 and para198, p47].

Showing clear influence of Northumbria's research on the recommendations produced in the report, the hybrid tax section of the 'Impact of business rates on business' report concluded:

'A hybrid system is a potentially viable option in the future that would enable the Government to have a tax system that is more reactive to changes in the modern economy. However, to be assessed further it needs a comprehensive plan outlining how a hybrid tax could be constituted, and a blueprint for taking this idea further...It is clear change is needed to the current business rates system' [E5, para199 and para200, p47].

The presentation of evidence to the special enquiries of the House of Commons Housing Communities and Local Government (2016) and Treasury (2019) Select Committees, the uptake of Muldoon-Smith's and Greenhalgh's research by the legislative community, and the direct influence of the recommendations regarding BRRS and the impact of Business Rates on business, demonstrate how Northumbria research had shaped the legislative scrutiny. Jerry Schurder, Head of Business Rates at Gerald Eve LLP, the principal Business Rates advisory company in the UK, commented:

'Northumbria's research and analysis was vital in informing and influencing Members of Parliament about the impact of business rates on business at the highest Government scrutiny level in England. Northumbria's findings enabled parliamentarians to have more informed perspectives, and to make clear recommendations on how to deliver and improve the business rates system in such a way that it better supports business and the income generating demands of the Treasury and Local Government' [E6].

Media played an important role in amplifying the insights in Northumbria's work. After the House of Commons Treasury Select Committee's enquiry, Greenhalgh and Muldoon-Smith were approached by the BBC Shared Data Unit to provide expert statements on the impact of empty property rates relief on local authorities' income. The "Empty business rates relief 'costs £1bn'" story published on the 16th January 2020 was featured on the BBC national news [E7, p16-26] and reached numerous national and regional media outlets, such as The Argus, Plymouth Herald, Yorkshire Evening Post [E7, p27-29]. Reach to practitioners and members of the public was further extended through articles and columns in the Estates Gazette (the leading commercial property publication in England), The Valuer (the quarterly magazine of the Institute of Revenues, Rating and Valuation), The Planner (the monthly magazine of the Royal Town Planning Institute), RICS Property Journal (the monthly journal of the Royal Institution of Chartered Surveyors) and two pieces in The Conversation (read over 15,000 times and reprinted in such national media outlets as The Guardian, Essential Retail, Inside Retailing, Planning Resource, New Start Magazine and Tax Research UK [E7, p7 shows 1673 reads for the first piece and E7, p15 shows 14231 reads for the second piece]).

4.2 Shaping business response to commercial property tax reform nationally and in the North East of England

In addition to the direct impact on policy debates on the BRRS and the operation of the Business Rates system, Greenhalgh and Muldoon-Smith's research informed strategies of organisations representing business nationally and in the North East of England. Business rates apply to all non-domestic properties consisting of land or buildings that are not specifically exempt from rating. There are approximately 2,000,000 properties liable for business rates in England, including shops, offices, and factories.

Offices comprise approximately 23% of properties liable for business rates. In 2017, Greenhalgh and Muldoon-Smith worked with the British Council for Offices (BCO) – the leading forum for discussion of issues affecting the office sector in the UK – to produce a 'Mitigating office obsolescence: the agile future' report. Recommendations helped members avoid the cost of empty property rates and retain and attract income-making tenants. As of July 2020, the report was accessed 605 times by the members of the BCO and was included into a flagship BCO Guide to Specification 2019 publication that was distributed across all 3,000 members [E8, p2]. Arezou Said, Director of Research and Policy at the BCO, stated:

'[M]any office buildings are frequently rendered redundant long before they become physically obsolescent. Such office properties become stranded assets, suffering unanticipated or premature write downs, devaluations or conversions to liability ahead of time. This is a serious concern for investors exposed to office property... [Northumbria's work] has been particularly valuable as it has provided an appraisal of the potential management strategies for office obsolescence and has put forward policy recommendations in relation to the potential amelioration of office obsolescence in the future' [E8, p2].

On the regional scale of the North East of England, Greenhalgh and Muldoon-Smith shaped organisational strategies of two major bodies representing the business community – the North East England Chamber of Commerce (NEECC; represents over 3,000 businesses) and the North East Business and Innovation Centre (that hosts over 130 independent businesses). David Howell, Director of Operations at the Business and Innovation Centre (BIC) and Chair of the Growth Accelerator and Incubation Network (GAIN), confirmed:

'As a direct result of Dr Greenhalgh's research well over 100 members of the GAIN network became better informed of the Government's forthcoming revaluation process... through them information about the anticipated impact of new business rates was disseminated across a large proportion of the regional business community. This enabled regional business to make better strategic decisions, such as more accurately calculate future costs. This information was also invaluable for the BIC, with over 200,000 sq. ft. of space and 130 SMEs on site we were able to better assess what needed to be done in order to meet challenges "head on"' [E9].

Another prominent organisation that was influenced by Northumbria's research is the NEECC which has been helping to further regional business interests for over 200 years. Arlen Pettitt, Knowledge Development Manager at the North East Chamber of Commerce, stated:

'Northumbria's research on business rates was shared with members of the Chamber's Development Group who represent such prominent regional businesses as Lichfields, Ryder, UK Land Estates, the Banks Group, as well as representatives from six of the region's local authorities... The business rates can work as an enabler or barrier of growth, especially when it comes to revitalising local high streets. I know that the businesses in the room went away better informed on the issue, and therefore better able to make strategic decisions that will affect the future of the region economically and commercially' [E10].

Arlen Pettitt also confirmed that Northumbria's research had long-lasting influence on the organisation by directly feeding into the Chamber's official position on the issue of Business Rates in negotiations with local and central government policy makers. For example, the Chamber's consultation response on the 2020 Government Budget that set policy and investment priorities of the 3,000 businesses, directly elaborated on Northumbria's work [E10]. Through shaping strategies of such organisations as the BCO, the North East BIC, and the NEECC, Northumbria's research enabled over 6,000 businesses nationwide to better understand intricacies of the property tax reform and form business strategies that address these changes.

5. Sources to corroborate the impact (indicative maximum of 10 references)

Ref.	Source of corroboration	Link to claimed impact
E1	House of Commons, Communities and Local Government Select Committee report (2016)	Corroborates impact on legislative scrutiny of the BRRS (research cited in four sections of the report - p32-33, 38, 42, 45). Note: Northumbria contributions on behalf of R3Intelligence, Greenhalgh and Muldoon-Smith's research and consultancy company
E2	Article published by members of House of Commons Library (2017)	Corroborates impact on community of legislators in England (research cited on p4, p6 of the document)
E3	Wales Public Services report 'Business rates in Wales, local retention and regional growth deals' (April 2018)	Corroborates direct contribution to BRRS policy documents in Wales (research heavily cited throughout the report, 26 citations)
E4	National Audit Office's report 'Planning for 100% local retention of business rates' (2017)	Corroborates improved understanding about potentially negative consequences of BRRS among legislators in England (research cited on p22, footnote 8)
E5	House of Commons, Treasury Select Committee report (2019)	Corroborates impact on legislative scrutiny of the BRRS (Northumbria's research cited on p41, p46, p47 of the report)
E6	Testimonial - Jerry Schurder, Head of Business Rates at Gerald Eve LLP	Corroborates impact on legislative scrutiny and improved knowledge among Members of Parliament
E7	Media analytics	Corroborates wide reach of Northumbria's research in the UK and internationally
E8	Documents: Testimonial - Arezou Said, Director of Research and Policy at the BCO, and 2017 BCO report	Corroborates improved understanding of the BRRS of over 500 BCO members that work in the office sector, achieved through the 2017 BCO report
E9	Testimonial - David Howell, Director of Operations at the North East Business and Innovation Centre	Corroborates improved understanding of the BRRS among business community, shaping strategic decisions of over 100 regional businesses
E10	Testimonial - Arlen Pettitt, Knowledge Development Manager at the North East Chamber of Commerce	Corroborates impact on one of the most important regional North East organisations that represents 3,000 businesses