HOUSE OF COMMONS

Housing, Communities and Local Government Committee

Oral evidence: Revitalising High Streets, HC 548

Tuesday 17 November 2026

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Watch the meeting

Members present: Ms Abena Oppong-Asare (Chair); Mr Jonathan Brash; Chris Curtis; Mr Lee Dillon; Mr Will Forster; Mr Gagan Mohindra; Alan Strickland.

Questions 58 - 112

Witnesses

I: Helen Dickinson OBE, Chief Executive, British Retail Consortium; Sacha Lord, Chair, Night Time Industries Association; Caireen Wackett, Chief Executive Officer, Portas Agency; Liam Kelly, Chief Executive Officer, Make CIC.

II: Dan Neidle, Founder of Tax Policy Associates; Aditi Sriram, Economist, Institute for Public Policy Research (IPPR); Professor Tony Travers CBE, Interim Dean, LSE School of Public Policy.

Examination of witnesses

Witnesses: Helen Dickinson, Sacha Lord, Caireen Wackett and Liam Kelly.

Q58 **Chair:** Good morning and welcome to the Housing, Communities and Local Government Committee. My name is Abena Oppong-Asare. I am the Chair of the Select Committee. Can I ask witnesses to introduce themselves?

Helen Dickinson: Hello, everybody. I am Helen Dickinson. I am the chief executive of the British Retail Consortium, the BRC. We are the industry body for the retail industry.

Sacha Lord: Good morning, everyone. I am Sacha Lord. I founded the Warehouse Project and Parklife. I was the first night-time economy adviser for Greater Manchester under Andy Burnham. I am currently the chair of the Night Time Industries Association.

Caireen Wackett: Good morning, everyone. I am Caireen Wackett. I am CEO of Portas. We are a consultancy that specialises in retail and placemaking, founded by Mary Portas.

Liam Kelly: Hi. My name is Liam Kelly. I am the founder and chief executive of a social enterprise called Make CIC. I chair the central Birkenhead Pride in Place area.

Chair: As you know, you have come here for revitalising high streets. Before we kick off, I am going to ask my colleagues to introduce themselves and declare anything that they feel they need to declare for this session.

Mr Brash: I am Jonathan Brash. I am the MP for Hartlepool.

Alan Strickland: Hi. I am Alan Strickland. I am the MP for Newton Aycliffe and Spennymoor. I should declare that I am a member of a Pride in Place board in Spennymoor.

Mr Brash: So am I, sorry.

Chris Curtis: I am Chris Curtis, the MP for Milton Keynes North, where we still unfortunately do not have Pride in Place.

Mr Forster: I am Will Forster, MP for Woking.

Mr Dillon: Good morning. I am Lee Dillon, the MP for Newbury. I pay into a business improvement district as my office is within the Newbury BID.

Mr Mohindra: I am Gagan Mohindra. I am the MP for South West Hertfordshire. My wife works for an online travel company.

Q59 **Chair:** I am also on the Pride in Place board in my constituency. This is our second meeting. We are doing some sessions on high streets. We are looking at the impact of high streets. We know that the Government have put out a high street strategy. We want to see how we can strengthen some of the stuff that the Government are doing and see where the gaps are. That is why we have invited you, and we appreciate you taking your time.

I am going to kick off with questions. What is the impact of the April 2026 business rates revaluation on retail and businesses in the hospitality and leisure sector? What are you seeing?

Sacha Lord: In a nutshell, it is catastrophic. I am talking specifically about hospitality. Since the revaluation, pubs on average went up 76%. Hotels on average have gone up 115%. It is completely untenable. It really is. I was delighted that, on day 3, the PM announced a further 20% discounts for pubs, clubs and live music venues, which is helpful. It is certainly not enough, but it is definitely a good commitment and going in the right direction.

Helen Dickinson: Shall I build on that from a retail point of view? The April 2026 valuation had various things happening all at the same time. We had the impact of the valuation. We had the removal of the RHL—the retail, hospitality and leisure—so some of the covid reliefs that had been in place that had been slowly removed. Then we had the introduction of new

and lower multipliers for retail and hospitality businesses, which was partially offset by a higher multiplier for large properties, whether they were in retail, hospitality or anywhere else.

You have a combination of things that are hitting all at the same time. The hospitality industry was hit hard by the impact of the valuation because the values of hospitality businesses went down in the previous valuation and then went right back up. That was what caused those significant increases.

Net-net, if I take all those three things together, so the valuation, the removal of the reliefs and even the implementation of the new lower multipliers for retail, retailers still ended up paying more business rates on the back of the April 2026 valuation, to the tune of about £1.1 billion. I think that we will come on to talk about the system itself and its anomalies, but the fact that we have this up and down on an ongoing basis makes it very difficult for businesses to plan.

Q60 **Chair:** That is really helpful. You talked about the impact particularly on the hospitality sector and the changes to the revaluation on businesses. There were so many things happening at the time. Would you also say that potential changes to national insurance contributions and increases in energy bills were contributing factors?

Sacha Lord: Yes, absolutely. It was a double whammy. In the first Budget that Rachel Reeves announced, no one expected an NI increase. Since then, in hospitality, in my sector, we have lost north of 100,000 jobs. When you dig down into the minutiae of that, the vast majority were jobs for 18 to 24-year-olds. The days of a part-time job in a pub to get you through college or something are practically non-existent. When I was at school, I could walk down the high street and I remember seeing notices of part-time work. You will not see that any more.

It is a coincidence, but today is the launch of the Alan Milburn report and I absolutely welcome that. I really do. I hope the Government take the recommendation up, particularly on the incentive for operators to employ young people with that NI support, where they are nudging the bracket up to, I think, £9,000 or £10,000. That would be a fantastic mechanism to get those young people—there are just under a million of them—back into work. Everybody in this room knows how desperately hospitality is suffering at the moment, especially pubs, for example. If you employ 20 young people now and the Government take these recommendations on, it will save £15,000 a year, which is an absolute life-changer for pubs and hospitality.

Q61 **Chair:** I am going to carry on in a minute. I will bring you in. I wanted to explore that. When we are talking about young people and opportunities, the job market has changed substantially. I wondered whether the change to AI might be impacting some of the hospitality sector and the way it operates. What are your thoughts on the minimum wage changes and whether that is a positive thing? It is important that people are paid

properly, but we have heard from some in the business sector that it has impacted them in a negative way.

Sacha Lord: Touch wood for me, because I worry about AI, to be honest. It could create mass unemployment coming to this country in the next few years. Why would we need architects? I know that paralegals are now being made redundant because AI is replacing them, but hospitality cannot be replaced by AI. You cannot replace somebody serving you, talking you through the menu and cooking. We are pretty much bulletproof, which I am pleased about.

On the minimum wage, everybody in my sector wants to pay people more. Ultimately, happy staff mean a happy business. I worry whether the timing was right. We have business rates, the utility bills that you just mentioned, the NI increase, and now they are saddled with a minimum wage increase, so I wonder whether the time was right. Ultimately, I support the minimum wage increase. It is good.

Q62 **Mr Dillon:** Sacha, I wondered whether you fed into the Milburn review at all or provided any evidence to it.

Sacha Lord: I do not know whether he has been watching my socials, but I have been screaming for this NI increase. Actually, I just spotted him in Millbank, and I ran up to him and said that I really welcome this report. I do not know whether he has seen that. It is not just me; the sector has been saying this. We wanted a VAT reduction. It is never going to happen, if we are being realistic. We know the reasons why. The NI thing and the incentive to employ younger people is definitely a big win-win for both young people and hospitality.

Q63 **Mr Dillon:** You did not formally submit any evidence.

Sacha Lord: Not formally, no.

Q64 **Mr Dillon:** My father owned a pub. Actually, my mother ran a snooker club when I was a child. When my father retired, he bought a pub in our constituency, which he sold just before Christmas last year. You said that if you were to employ 20 young people that would save you £15,000 a year.

Sacha Lord: Yes, about £750 per person.

Q65 **Mr Dillon:** You said that that would be a gamechanger. My father had one of the largest pubs in our town and did not employ anywhere near that amount. Do you think that it needs to go further than £750 an employee to really make a difference to most local pubs?

Sacha Lord: It is certainly a start. You combine that with, as I said, the 20% reduction on business rates that was announced on day 3. All these small things add up to a decent amount of help.

Q66 **Mr Dillon:** I am not saying that I would not take all of the small ones. Does it need a fundamental shift even further than what has already been

announced to ensure that pubs can survive on the high street?

Sacha Lord: If you gave me a blank canvas and said, "What do I want on here?", No. 1 would be a VAT reduction. Bring us in line with the rest of Europe. We are 20%. Most of Europe is between 9% and 10%. That 10% buffer would make the huge difference.

Helen Dickinson: Your initial question was around the cost of employment. Again, there is a similar story across retail as hospitality. I have some stats for you. Over the last two years, the tax burden of retail has gone up 20% from £34 billion to £41 billion. Our number of job losses is about 120,000, so similar to what Sacha is saying.

Part of the challenge with the national living wage is that, while I think everybody accepts that it absolutely should go up, because it needs to in the context of the cost of living, we have seen above-inflationary increases on a sustained basis. That has been quite difficult for businesses to absorb, particularly when it was taken on top of the national insurance rise on the back of the 2024 Budget.

We have been feeding into the Milburn review. I am running from here at 10.45 to get to the launch by 11.30. There is so much in it. I am no expert on the welfare system, the benefit system or the education system. Alan Milburn rightly recognises that that is the supply side of the equation. You can provide the right support. You can make changes. I am sure that there will be plenty of debate about that, but that is no good unless there are jobs for those young people to go to. Retail and hospitality are the entry-level routes for so many people. While we have seen structural changes across the industry, and I am sure we will continue to see more on the back of technology, we have to stem this tide of the employment, and particularly youth employment, going in that very significant downward direction. The way to do that comes back to national insurance.

The thing that was the most detrimental in the way that the national insurance change was done was the changing of the threshold. It is that threshold that kicks in, particularly for those entry-level jobs, so I am really pleased that Alan Milburn is recommending that it is the threshold that changes. Otherwise, just changing national insurance and bringing the tax down would be very expensive. Focusing on taking the threshold back up makes those local, entry-level, sometimes part-time—so people can manage around their studies—jobs much more economically viable, but also creates those opportunities.

That is what is so imperative on the back of the Milburn review, so we really hope that the Government pick up that bit of it and implement it as quickly as possible. I appreciate that it says "when fiscal conditions allow", which I am sure would have been in discussion with the Treasury on the back of the launch of the report. The fiscal conditions allowing has to take into account the social impact of so many young people unemployed and the need to create more opportunities for them as quickly as possible.

Q67 **Chair:** That is really helpful. We have talked about hospitality, where it has been massively impacted. Which part of the retail and hospitality sector should we be keeping an eye on that is massively at risk here?

Sacha Lord: For me, it is the independents. We are talking about the high street here. There is certainly a place for the big chains. I completely get that. If we want to re-energise the high streets and give the high streets the personality, for me it is those family-run coffee shops, those family-run bakers or the small independent restaurants. They are the ones that need the support.

A bugbear of mine, which I really hope the Government start to look at, is this loophole. We talk about how we are cash strapped at the moment. Why is it right that my local bakers in Altrincham, a bakers called Most, paid more corporation tax last year than the whole of Starbucks UK? That is not right. The money is siphoned out. It is the same with Caffè Nero. It is the elephant in the room. We do not talk about it, but it needs addressing. We need to level it up. That would be my ask. Let us give support to the smaller independents.

Liam Kelly: The smaller independents occupy a different space and have different concerns. On national insurance, for example, if you are a very small employer you have a buffer that largely keeps you protected from the rises that we experienced if you have only a handful of employees. They are much more concerned with the cost of rent, the ownership mix that is on the high street and, most critically, energy bills. They are rampant. They are unregulated in the same way that they are with the energy bills that we have at home. We have seen an unbelievable increase in electricity and gas costs.

If you are a small operator, so the independent like Sacha was just describing, you do not have the capital available to you to retrofit your property. You probably do not even own it. You are probably on a short lease. You probably have a landlord who is not overly favourable to your situation anyway. All those things are contributing to quite a hostile environment for you to make the profit that you need to invest.

That is why we are seeing shopfronts on high streets becoming more dilapidated than normal. That is a contributing factor. People do not have the surpluses required to look after their properties in the way that they did. On the one hand, you might have a local authority that invests millions into redoing your pavements, your bike lanes and all that sort of stuff outside. If you still do not generate the surpluses required to look after your property and attract customers, it feels like giving with one hand and taking with the other.

Q68 **Chris Curtis:** I am going to come back to business rates relief, particularly on that rent point. If there was someone from the Treasury here, they would probably make the point that there is almost no tax relief that is more inefficient than a business rates relief for retail, hospitality and leisure, because most of that money that is cut in that tax relief ends up

being swallowed up in the long run by higher rents in most places. Most of these places are rentals. Do you accept that argument? Given we are now moving to the point where that relief has been in for the long term and is probably starting to be swallowed by rents, do you have any views on how we make it better?

Helen Dickinson: No, I do not accept the argument. I am sure that, academically speaking, it probably is true. The reality of the situation though is that we do not have a perfect market that corrects itself minute by minute. We have valuations that occur only every three years. We have landlords who are not necessarily prepared to reduce their rent to get a vacant property occupied because it will have implications for their covenants on their lending. If everything was able to correct itself in a true market capacity, I will let the academics opine on whether that is what would happen. We would not be sitting with one in seven properties across the country empty if that was true.

Q69 **Chris Curtis:** In a perfect market, 100% of the relief would be captured by the landlords in rental properties, which is not the entire market. In a completely inefficient market, it would be 0%. You have described many of the inefficiencies, but surely it is somewhere between those two numbers. Is there not a better use? If the Government have to spend X amount of money on those reliefs, is it not better or more efficient to give support to the retail, hospitality and leisure industries through other reliefs in other places, maybe on national insurance, like we talked about, rather than doing it through the business rates?

Helen Dickinson: It would be better to bring the burden of business rates down. The problem we have in this country is that business rates is a larger proportion of the total tax than it is in any other developed country. Where is my stat on that? It is the highest in the OECD. I think it is twice the rate that it is Europe. It is because we, the country, are so reliant on the revenue raised. You may be right in the context of reliefs, but I would take it back to first principles. The reason why we are even having that debate is that the business rates burden is too high.

Q70 **Chris Curtis:** On this more generally, the relief is permanently temporary. You talk about the revaluation that happens every three years and the uncertainty around that. Do you think that those two things combined make it difficult for businesses to think about and invest in the long term? If we are building a better business rates system generally—I am sure that you would argue it should be one with lower rates, and I have sympathy for that argument—are there things that we can think about so it does not drive this kind of short-term thinking and unpredictability?

Helen Dickinson: Anything that is complex and unpredictable is going to distort those investment decisions. The first principle answer to your question is that you have to try to bring more of that certainty, whether it is fixing the multiplier so it is not moving up and down or not creating a system that grows and grows every year in terms of what the tax take is. Pretty much every other tax moves up and down with the economy,

whereas this one just keeps going up. Building more of that predictability has to be the underlying principle, because it absolutely is undermining people's ability to make those long-term decisions.

Q71 **Chris Curtis:** On the perfect market point, do you think it would be better if the incidence of the tax was charged to the landlord rather than to the tenant?

Helen Dickinson: I do not know the answer to that. I do not have a strong opinion. A lot of reviews have recommended that some form of land value tax would be a better way to tax property. If you think about value created across the economy, the reason why business rates was created back in history was that property was a proxy for generating value, whereas today property is not a proxy for generating value if you look right across the economy.

I do not know enough to know whether that is the right answer. If it is, it has to be transitioned to over a period of time. To move to anything, from one system to another, on one day would definitely create—back to the uncertainty—disincentives and huge winners and losers. That would be bad for the economy.

Liam Kelly: My instinct on that is no, and the reason why is that landlords are exceptional at avoiding tax. My experience of paying business rates is that it is actually quite a merciless tax. The time that elapses between receiving your first bill and the bailiff turning up is pretty short. As a small independent operator, you can accidentally find yourself in a situation where you have not been on top of your administration of your business because you are just trying to survive. The next thing you know there is a bailiff who has turned up at your door looking for the business rates collection.

That is because you have to declare that you do not have another property that brings you into scope of business rates, even if you are in a small business rates arrangement. There are lots of other complexities that make it quite difficult for somebody who just has a passion—I want to open a bookshop, a coffee shop, or an independent baker—to now suddenly have to become an expert in this quite complicated tax system.

That is a contributing factor to why we have high vacancy rates on the high street and town centres, but also high demand for property, which exists and is a paradox. We have stats that we can share, particularly from the socially trading sector, about how many inquiries we get when it comes to, "I need a property" or, "I want to expand what I am doing. I want to be front facing and my challenge is property-related". Then you turn around and look at your high street in your town centre where there is lots of property. It tells you that something is fundamentally broken.

Q72 **Mr Brash:** To pick up on that point, you have mentioned landlords a couple of times in this discussion. Do you think that there is more work that Government need to do in that space around the role of landlords?

Oftentimes, from my experience as a constituency MP, they are not local to the place in which they are renting their properties. I am stunned by some of the rent levels that are expected to be paid in an area of relative deprivation. Do the Government need to get more of a handle on this? There seems to be quite a lot of exploitative behaviour on behalf of landlords—would that be fair?—that is keeping these properties oftentimes empty for no good reason.

Sacha Lord: I think that they have started, have they not? Unless I am wrong, something has been introduced now if something is vacant for quite a period of time.

Q73 **Mr Brash:** High street rentals, yes.

Sacha Lord: That is a very good start. Yes, you are quite right. On the boarded-up properties, I would love to see the Government encouraging smaller, almost cottage, businesses to go in there and create a bit of activity on the high street. There is nothing worse than walking down high streets and it is all boarded up.

For me, this is the perfect example. I live in a place called Altrincham, which is in Manchester. Many years ago, the Trafford Centre opened and everyone thought "This is going to be all-singing, all-dancing. The Trafford Centre is amazing for Manchester". In effect, it shut Altrincham down because no one wanted to shop there any more. They all went to the Trafford Centre. Altrincham was one of the most boarded-up high streets in the whole of the UK.

Someone who had an idea regarding hospitality opened up a food court in the old market, which was a huge success overnight. On the back of that, smaller independents started to open around that. Now Altrincham is one of the most thriving town centres in the whole of the UK. The council then jumped on board. It was like, "This is great. Look what they are doing". They started to pedestrianise streets. We had chairs coming out on the streets. That was operators working with Trafford Council to create a huge success story. If anybody in this room wants to come to Altrincham, by all means share my details. I would welcome the opportunity to walk you round so you can meet some of the operators and see what has been achieved there.

Liam Kelly: Can I quote Hope on the High Street? It says, "Individual property owners may not have the incentive or resources to bring difficult sites back into use". I would argue, "What is your role in the high street and in town centres?" Of course they do not have the incentive or resources because their role is just to be a landlord. We need to see more owner-operators.

There is an extractive nature here about the way that landlordism works in this country. Not only does it extract from place, but it often extracts from the country. That is fundamentally a challenge for us when so much of the surplus that you generate in a business goes towards paying your rent.

Q74 **Chris Curtis:** Also, going back to business rates, if you invest in upgrading your store, that will pay higher business rates as a consequence. Are there any ideas on how we can stop that disincentive?

Helen Dickinson: Do not increase the rate on the back of the higher valuation if it is an improvement. That is the problem, is it not? Anything that is improving an existing property should not increase the valuation that is used for business rates.

Liam Kelly: You could use the tax system to incentivise retrofit. Power to Change has talked about this quite a lot. You could also use the tax system to incentivise fit-out and provide support. High street rental auctions are going some way towards doing that, particularly where the Government have started to give grants. In Birkenhead, we used UKSPF money to do very light-touch shopfront improvements, so not something that would change the valuation of a property, significantly at least. At least it brings a little hope back to the high street and pride back to an area.

To share quickly, we are in the engagement phase of the Pride in Place areas. Anyone who is involved in Pride in Place will know that we are coming up to the submissions of those plans. Right out on top is dereliction, particularly in northern towns or post-industrial towns across the country. Dereliction is a massive factor when it comes to people not feeling proud about where they live. The derelict buildings fund is going somewhat towards that. Small sums of money when it comes to capital investments, so a maximum of £3 million for one particular area, will make a difference, but it is not huge. It is this pepper-potting of vacancy and dereliction that brings down the way people feel about an area and it is something that people clearly want to address.

Sacha Lord: The other thing I would like to see regarding the high streets is to cut back on the red tape. There is so much red tape involved now. I know instances of operators who have applied for a licence. You can have a licence granted within 28 days, but planning can take up to 12 weeks. If one person objects, it knocks the whole thing back again. In many circumstances, the planners are not even sat in the same room as licensing.

Let us bring them together so that they can work with a more collaborative approach. If you are an operator and you want to put your hand in your pocket to open somewhere, potentially you could be paying rent for four or five months before you are given the green light to go ahead. It is a common-sense approach to cut back on some of the red tape that is holding back the high streets.

Chair: On your point about areas being derelict and the money the Government could be using to fund that, some of the Pride in Place that has been given in areas could be used as part of it. We are looking in my constituency at how that could be used. There are things that the Government already have out there that could be utilised more effectively, in my view.

Q75 **Mr Dillon:** Sacha, on your point, the Government have done planning reform on objections and stopping call-ins, or reducing call-ins and only being on with the chief planning officer signing it off. Do you think that that will help?

Sacha Lord: Absolutely, yes.

Q76 **Mr Dillon:** I have a question going back on Chris's point about business rates. How do we ensure that the money goes to the business and not the landlord? If your total business rates and rent was 50 grand a year and you suddenly got business rates relief, your landlord knows that you have extra money available. What prevents the landlord clawing that back through upward rent reviews? Do you have any ideas on how you would prevent that so that the benefit stays with the business owner?

Liam Kelly: We could address the fact that rent reviews generally only go up instead of down. That would be a great factor to see that happening more. It is a bit myopic to think that it is the only way that we can address vacancies and put money into the hands of operators. Ownership is harder, but it is a much more interesting and impactful lever than business rates. Fundamentally, it needs to stop. It needs to stop its movement.

There are other things that we could do for business rates about bringing discretionary business rates relief to a wider view. Anything with an asset lock, for example, should be within the scope. That is community benefit societies that are not charities and CICs. They could all be brought within the scope of automatic business rates relief, like the charities.

Q77 **Alan Strickland:** This is really helpful and flows nicely into what I am keen to ask about, which is, in terms of policy levers, how we should think holistically in the round about high streets, town centres and retail spaces. I am picking on the point you just made on the regeneration front. Are there other things that you think Government or councils should do, either alone or in partnership with the private sector and others, to drive the holistic change that you have all been mentioning? As a County Durham MP in the north-east, my local town centre in Newton Aycliffe has a 26% vacancy rate. In Bishop Auckland it is one in three. Peterlee has a 40% vacancy rate. As we know, there are very clear systemic challenges in some of our high streets and town centres. What does a good systemic response to that look like?

Helen Dickinson: Maybe Caireen should come in. Caireen was involved in writing the Portas review. How many years ago was that?

Caireen Wackett: It was 15. It is scary.

Helen Dickinson: We have another review now.

Caireen Wackett: Yes, exactly. The high street strategy has just come out. We wrote the review 15 years ago. When we spoke about it, the need to talk to the importance of the high streets was definitely something that we needed to create a narrative around. I do not think that anyone quite

understood what was really happening. At the time, Mary, our founder, was doing her "Mary Queen of Shops". She was up and down, starting to see the boarded-up shops, but also the rise of the independents, and wanting to talk to that. We consult with lots of big businesses, so we were also in boardrooms where they were looking at their portfolio review and going, "What is needed, now online is coming, and how far does this go?"

When we spoke about it 15 years ago, there was a need to talk to the complexity. As these guys have just brilliantly summarised, there is no silver bullet. At the time, we had to talk to the complexity, the need and the degree of reform that was needed, and create a rallying cry. It was not on the public agenda. It was not on the political agenda. We suggested to the Government that they actually review it.

It is even about businesses understanding the ecosystem. Landlords are taking a long time to catch up, and they definitely still have not. Big businesses need to understand, when they pull out of towns, what that impact is and how that works. If you set up a shopping centre, what does that do for another local high street? How does that local high street have to reframe and create a new anchor? It is no longer about the department stores that we once had. It was very easy to place a department store and create a demand.

It is brilliant that there is a high street strategy that has been done. It feels different from when we wrote it in 2011, when we were an independent review, shouting, which is probably the nicest way of putting it. This feels like it has government focus and attention. It brilliantly talks to the complexities that are out there—lots of the pillars that it talks to frame that—as well as the typologies of towns and the different needs. There is not one blueprint. Unfortunately, there is not one thing to do that is going to better the state of our high streets.

In the space that we are in now, there is such a vision that is needed to reimagine. It is amazing when you hear the stories of someone going, "You know what, I am going to set up a food market", but it requires people. Giving the power to local people who really understand their needs is a brilliant move as well within the strategy. There is a real vision that is required and then a roadmap of change. At the moment, one thing that I would say about the high street strategy is that translating that understanding, that context and those areas of focus into real ability for people and local councils to take action plans, and really understanding the horizons that are needed on some of those changes, is important.

It is many things at once. How do you measure that? What does the measure of success of that look like? The easy thing is to lean into financial returns and financial application. When you are talking about economic and social value, I am not sure there is a clear model as to how councils are looking at the best value of suggestions, impacts and change.

The money that has been allocated is amazing. There definitely was not any money back in 2011. There are now funds, but it is about how that is

deployed, how we are testing and learning, and how we are highlighting best practice and all learning from it, not expecting it to be the same again. There is a whole heap of people, us included, but I know lots of big businesses, who are willing to help, support and guide. Taking it into an action plan is the biggest challenge. If I was sitting in the council thinking about it, this is a huge responsibility.

Q78 **Alan Strickland:** That is really helpful. As you mentioned, there was the Portis review. Sir John Timpson did a review in 2018. We now have a high street strategy. Different city regions and others have done their own really good reviews. As you said, there has been no shortage of real vision, recommendation and brilliant ideas being brought together by Mary Portis and other experts, but often it has not translated into reality on the ground. As I mentioned, in lots of regions we still have town centres that are in deep trouble.

I suppose this is a question for you, Caireen, but also for the whole panel. What needs to happen differently now with the Government's high street strategy? What do Government need to do, either themselves or with partners, to make sure that this time, as you describe, it leads to something genuinely different on the ground that really benefits communities?

Caireen Wackett: One thing that I would love to see from the report as a next stage now is giving some support to the local councils as to how to think about the application of this responsibility. As a consultancy, we do not do anything until we audit and understand the situation, consult with all the stakeholders and imagine what the vision and the answer could be. We then think about a roadmap and application over time. What are the tools? What is the guidance? What is the directive that is being given in helping very passionate people from all parts to come together to apply the plan? More resources and tools are needed.

As a measure of success, at the moment it is easy to focus on the financial return of something as opposed to the broader economic and social returns. They are harder to measure, understand and track, and are not as immediate, I suppose. Understandably, there is a tolerance of risk. I think about some of the things that we were talking about earlier. You tend to lean into the things that are more optically there, such as, "Let's repave a pavement", as opposed to doing the smaller, more meaningful, maybe longer-term, more impactful changes. It is just helping guide the teams that are now responsible for deploying this.

Q79 **Alan Strickland:** That is very helpful. Are there any thoughts from the rest of the panel on this question of what needs to happen to make the new high street strategy work and have an impact that will be meaningful?

Helen Dickinson: You all have direct experience from your constituencies, but what Caireen is highlighting is completely right. Having a big picture is great and recognising the importance of local leadership, because there is not a silver bullet. There is a difference in every area.

Caireen and I were talking about the experience in a particular constituency where there was Pride in Place money and high street fund money available, and yet the local authority did not know where to start or how to think about it. It is thinking about how to lift that understanding, create that expertise and ensure that they have the resources and capacity to do that analysis that is relevant to their local area.

Over the years of all these strategies, we have had high street task forces and central points of contact. I looked it up. I think that there have been nine High Street Ministers since 2020, and I think there was one even before that.

Caireen Wackett: We had six in one year, yes.

Helen Dickinson: We need to have a conversation about a sort of SWAT team. It is not the right term or the right specifics of the idea, but there has to be a way to get that expertise down into the local level to the people who need to make the decisions. That requires a national conversation as well as resources and places people can go to ask local questions.

Sacha Lord: It is not just local authorities now. As more mayors are developed, more devolved powers are given and they are getting more money, the mayors should bear some more responsibility on this.

Helen Dickinson: They actually could be where those centres of excellence might sit. Then they can support their local authorities in their mayoral authorities.

Liam Kelly: As well in the strategy is this idea of place leadership. I sit here as an example of that. This is on the back of the fact that my organisation owns an asset that we bought through town deal money. We have been able to generate a surplus-creating business that allows me the privilege to come and sit here and speak to you about that. That is the Government's dream of turning capital into revenue opportunity. I am not sure that we get that from the old school approach of spending so much money on fixing our public realm in the hopes that we give something exciting back to units that there is demand for, but there are the more fundamental challenges that were highlighted before about realisation of values and all those complicated things.

There is a focus on place leadership that is important, but we have to recognise that that now needs to translate into capacity for place leaders to do more things. In particular, people sometimes are limited in the solutions that are available to them. We have to be able to invest in those place leaders to be able to go to other places, such as Altrincham, and hear the stories. I know the leader of the council there as a result of some of the investment that we have done in research, so I understand that journey and I am able to take that back to my town and help to apply that.

We need to make sure that we do not end up in a love affair with local authorities when they are struggling with their statutory responsibilities.

The council that I do most of my work with, which is Wirral Council, has had some incredible regeneration directors, but also some very disappointing ones. It is struggling with 777 looked-after children, so of course regeneration does not get to be the top priority. We tried to do a high street rental auction programme with it. There was a will and an interest in it, and it came from the community, not the council, but it did not have the capacity to take it any further. Power to Change funded us to do that. Despite the fact that it wanted to do it and was interested, it just could not, even with the grant that came from MHCLG. It was just too much administrative burden, and that opportunity has been lost.

We might come back to it in the future, but it shows how difficult it is. Good policy will sometimes land on a local authority that does not have the capacity, will or expertise, which is why strategic authorities need to have centres of excellence. If a community is saying, "Let's CPO that building because it makes us all miserable and depressed", if the local authority has not done a CPO in the last 10 years, it is not going to do that. We need to be able to borrow that expertise from somewhere else, and strategic authorities is probably the place where that should land.

Alan Strickland: That was very helpful. Thank you.

Q80 **Mr Brash:** I want to take this on a little bit further. The experience that you just described there, Liam, is basically Hartlepool in exactly the same way. I worry about the scale of the challenge being beyond local authorities. I am never tired of saying that Hartlepool has the third-largest covered shopping centre in the north of England and a population of 90,000. It cannot possibly sustain that. Added to that, it has all the various supermarkets with their free parking, several retail areas on the outskirts of town, and high streets. There is simply too much there. There is simply too much to be sustained in a local economy, which means you have to come up with a plan that is genuinely visionary and courageous, and is able to speak to the public about what has to change.

Local authorities cannot do it. I am not convinced that combined authorities have the capacity. I am really interested in who else can. Is there a role for the private sector to come in here and say, "We will be part of this strategy to transform things"? How do we get to the point where a local area has the capacity to be as courageous as it needs to be to say, "We have to fundamentally change the entire offer, because there is too much here and it is never going to be sustained"?

Helen Dickinson: That is a fantastic question that we would not be sitting here if anyone had cracked. I do not know the answer to that. The private sector definitely has a role. It is slightly different in hospitality, because, as you say, you have to physically be there to serve people. These days, retailers can direct their investment across different parts of their channels to reach their customers, but certainly the vast majority of retailers realise the importance of physical space, locality, connection to customers and that face-to-face interaction. The vast majority of retailers are now selling digitally as well as physically. As for how you create forums for them to

come together locally in every single place across the country, I do not know. I am sorry; I really do not have the answer to that.

Caireen Wackett: It is a complete ecology and an ecosystem. We work with lots of big retailers. With 28% of sales being online, that means that over 70% are still in a physical space. We are driving in our daily conversations to understand the importance of experience, community and belonging. These are the conversations that some of the best retailers and brands in the world are having. Our local communities are often the best places for that to happen. There is lots of desire from the private sector to be involved and help make these places destinations and the best that they can be.

I agree with Helen. It is how you bring that good will, intent and ambition. We need our high streets to be public services, learning destinations and community social spaces. Correctly now, and the latest high street strategy highlights this, it is no longer just the retail shopping space that probably for very many years there was an emphasis towards. That means that the complexity is even greater with the number of stakeholders that we have to pull around a table to help set the right vision.

Helen Dickinson: It is possible though. There are places where those groups have come together.

Caireen Wackett: They are the best examples of how and when that has happened. They are around the country and there are pockets of that. It is not just moments of small, little, one-off things. There are some transformational stories. How do we bring those learnings together? How do we all see them and understand why that worked? How can we take that forward?

Liam Kelly: It is not a toolkit. We do not research it and create a little toolkit for somebody to implement. It has to be experienced. We have to go there. We have to see it. That is really tough for small independents. It is also challenging for the impact economy, which does not create the surpluses often that allows it to have people within those organisations who can wholly focus on that. Investment in place leadership is a key aspect to it. Things such as Pride in Place are a good example of how we might get there. I hope that we can implement a theory of change that sees capital investment release revenue into local areas. That has to be around ownership, I think.

Sacha Lord: It has to be bespoke. You are right: there is not a toolbox. I do not know the geography of Hartlepool, so apologies. It will not surprise people that I am a big fan of events, so concerts and thinking outside the box like that. I sold my own festival, Parklife, two years ago, but it had a capacity of 90,000. It used to bring about £13 million into the local economy, whether it is hotels, bars, restaurants or taxis. It is not my cup of tea, but when Eurovision was in Liverpool it brought £40 million into the local economy. I am very passionate about events and concerts. Clearly,

90,000 people are not going to give enough business to what you have mentioned before, but bringing more people in for a reason would.

Q81 **Mr Brash:** There seems to be a fundamental tension here. You mentioned high street rental auctions. The tension seems to be that we want to devolve more and more, but, as you pointed out, Liam, without necessarily the capacity to deliver what we are asking them to do.

Liam Kelly: Councils have a decreasing capacity to deliver that and they are losing the expertise that is required to deliver on those things. As we have said, a part of that solution is of course that we create these centres of excellence. That would be a great recommendation for this committee to investigate.

Also, there needs to be a greater increase of trust within local ecosystems to find those place leaders and invest in them, with or without Pride in Place or the derelict buildings fund. We need local authorities to be a little more generous in giving away some of that responsibility and power. It has been tough with Pride in Place so far. I am sure anyone who is involved in it has come up against how difficult it is for a local authority to behave differently, as it should, because it is looking after public money and is set up to look at those statutory responsibilities. There is a lot of learning to be done over the next few years that will help to answer that question.

Sacha Lord: There are mayoral developments as well. Out of the 10 boroughs in Greater Manchester, one of the most popular boroughs now is Stockport. That was the first mayoral development under Andy Burnham, and now there is a lot more residential in the town centre. The night-time economy is absolutely vibrant. We now call it the Manhattan to Manchester. Have a look at Stockport. It has been a huge gamechanger there.

Q82 **Chair:** We are going to be looking at Stockport. My local authority has been great in terms of Pride in Place. The difficulty has been the resources and the work that has been put on it while dealing with other things. Sometimes that has not been fully understood by MHCLG in the metrics that are used to test the delivery. I could go on about this.

Liam Kelly: It would be nice to stand up the network for neighbourhoods more quickly, so that the support mechanisms can be there for the chairs. It feels late that that has not happened, but we are not here to talk about that.

Q83 **Mr Mohindra:** I am going to move on to pubs, clubs and live music venues. Before I do, as someone who was in local authorities beforehand, I can assure you that, in both Essex and Epping Forest, where there is a coalition of the willing, you can do some really big things, such as Harlow enterprise zone. As the economic development lead at various times, there is a lot of potential there. I agree with your point about not having a toolkit, because one solution may not fit another area.

Moving on to pubs, clubs and live music venues, Mr Lord, you previously advised the Prime Minister on hospitality and the night-time economy in

Manchester. Can you give us some insight into the Prime Minister's thinking on the sector and explain what you believe led to the decision to announce a 20% relief for pubs, social clubs and live music venues?

Sacha Lord: There were two things we concentrated on in Greater Manchester. It was not just Manchester. No. 1 was safety. Every single parent and every single woman and girl going on a night out has to have safety at the forefront of their mind. That was his first thing.

The second thing that made a phenomenal difference was transport. Why is it right that, while people who work 9 to 5 can get buses capped at £2 and can get buses to work, people who work within my sector who finish at 1, 2, 3 or 4 in the morning had to pay for an expensive Uber or black cab? On many occasions, we heard about girls and women walking home, which obviously in the early hours of the morning is not safe at all. They were the two things that he implemented.

The night-time bus was my first recommendation. Yes, it took a while, but never in my wildest dreams did I think we would get night-time buses, not just across Greater Manchester but capped at £2. It has made a huge difference to workers.

He gets the fact that a pub is not just about a pint. The story I always tell is about when my grandma passed away. They were both retired and my granddad would sit in his front room. He was getting lonely in the first couple of months. I encouraged him to go to the local pub. I will be honest. It was not a great business model for the landlord, because he would sit nursing the same pint for two hours, but he then had this thing. Every night, he would go to the pub. He would see his four or five mates, then he would go home and have his tea at half 7, so he would get out of the front room. Our Prime Minister absolutely understands the social value of those places, as he does with live music venues as well.

Q84 **Mr Mohindra:** Do you want to comment on the fact that nightclubs were not included?

Sacha Lord: I was slightly disappointed because, when it was delivered, when he said clubs I thought it meant nightclubs. It did not. It meant working men's clubs and that kind of thing. I was slightly disappointed and the sector was as well. I do not understand why and it is something that I will be pushing further. As I said, on day 3 for him to put a flag in the sand and say pubs, clubs and live music venues was incredible.

With those live music venues, we have to do absolutely everything we can to protect them. You see Stormzy headlining my events, but Stormzy did not become a huge pop star overnight. Stormzy started in those small live music venues. We need to protect this culture. We need to help these small artists and bands. Because of Brexit, the days of bands being able to buy a banged-up 300-quid van, chuck all the equipment in the back and tour round Europe doing these smaller gigs for 100 people do not exist any

more. You have to pay for visas at every single border, so it is not viable. We have to help and nurture these small grassroots bands.

Mr Mohindra: We spoke about the Milburn report that is getting announced later on today. You said that hospitality can help deliver the Milburn agenda on young people out of work.

Helen Dickinson: Can I make my apologies? Talking of Milburn, I am afraid I need to go. My apologies to the Chair and to the Committee, but thank you for the opportunity to speak to you.

Chair: Thank you so much for your time. We really appreciate it. I hope it goes well today.

Q85 **Mr Mohindra:** The Night Time Industries Association's electronic music futures project aimed to do exactly that, but it was withdrawn this month after the industry partners named in the bid told the *Manchester Mill* they had not committed funding. Can you explain what went wrong?

Sacha Lord: First, as the statement came out, I do not have anything to do with day-to-day running. As a chair, I chair two board meetings a year and attend the conference, but I can tell you what went wrong.

Q86 **Mr Mohindra:** Obviously you have come to our Select Committee in that capacity.

Sacha Lord: Yes. I can tell you what went wrong there. They wanted to get 16 to 24-year-olds into electronic music. They did a deal with the Ministry of Sound to run courses and things like that. They needed £100,000 to do that. They were given only £35,000, which they could not do. They were £65,000 short, so they have withdrawn the application and they are going to put that application back in again for £100,000.

Q87 **Mr Mohindra:** Okay. As you would expect, there are a lot of people looking to support the industry. How do we ensure that accountability remains at the forefront? From my understanding, any of those grants had to be match-funded by industry partners, and this one particularly was not.

Sacha Lord: You would have to speak to the Night Time Industries Association CEO for that. I am afraid I cannot answer that, but that is my understanding. They were £65,000 short, so they are going to re-put the application in.

Q88 **Mr Dillon:** Coming back to business rates reforms, the Government's proposal is to make online marketplaces liable for collecting taxes. Do you think it goes far enough? Is there a case to look again at an online sales tax?

Liam Kelly: We have had a number of different attempts at reforming business rates and the promise to do it. That, of course, could be one of the ways of doing it, with a level playing field. It is only one factor of why the overhead of running a shop or an endeavour on the high street and in

our town centres is costly. Again, I want to make the case that energy bills are a significant factor in why it is very expensive.

Q89 **Mr Dillon:** We have captured that, and the benefit of ownership over rent.

Liam Kelly: Yes, of course. There is an imbalance in where people buy things, but that is looking at it through only the lens of buying stuff. Our theory of change for high streets and town centres needs to be beyond buying stuff. It needs to be about experiencing things and bringing health, education, excitement and joy to the town centre. Things that we probably cannot even think of in this room need to find a home. We need to be asking ourselves which partners are not at the table for that. You were talking before about who is in this coalition of the willing that makes things happen. Yes, some adjustments need to be made, but where is Sport England in that conversation, as an example?

Q90 **Mr Dillon:** It is that sense of place to bring people into the town centre.

Caireen Wackett: I wholly agree with the broader view. Helen was the person who was maybe in the best position in terms of her retail group and its view on it. From conversations that we have with the BRC, I think that the view is that, as I have spoken about, for many retailers 30% of sales are online. As Helen highlighted, there is a lot already taxed towards the sector of retail. I do not think that there are many retailers that do not have some online version of their shop. That is the way we consume now. We want to engage in the physical as well as the online and we want to have it all in any which way we choose. It just feels like it adds another tax burden into the mix.

Q91 **Mr Dillon:** On that, businesses currently do not split their sales. Marks & Spencer, for example, does not split its sales between what it sells on Northbrook Street in Newbury and what its sells online to the people of Newbury. Do you think that that would be complicated for business to have to bring in systems to be able to track their income streams?

Liam Kelly: I suspect that it would not be too complicated.

Caireen Wackett: It would not be, exactly, because they do track it. It is a general conversation.

Liam Kelly: These large organisations want to be data rich. They want to understand where these things are happening. They would probably talk to you about how it is an experience between those two things. You might go into a shop and experience it, pick it up, see it, "Does my microwave fit? Does it look good?", and then go home and buy it online. I know that I definitely do that.

There are also other shadow taxes and levies that we could implement that are done in the rest of the world. For example, I know that there is a small 1% levy that is put on media devices such as mobile phones in most European countries. That money goes back into supporting the creative industries. I do not know the name of the organisation, but there is an

organisation in this country that is lobbying for this. Its evidence shows that something so small like that gets absorbed by the seller and does not really get passed on to the consumer.

It is all well and good us saying, "Let us invest in place leadership", but how are we going to pay for it? Where does that money come from? That is a really important question for you, as the politicians, to answer, but maybe some of those contributions could be a way of doing that. If you want more information on that particular thing, I can send that to you.

Mr Dillon: Yes, if you would not mind sending that to the Committee, that would be interesting.

Sacha Lord: That was partly the disappointment over the business rates increase. We were led to believe that the Chancellor would be looking at the huge warehouses, so the Amazons of the world. When pubs went up by 76%, those huge warehouses went up by about 4%.

Mr Dillon: It has been a really interesting session. It has been quite organic today. We had some questions on that, but I suspect we have probably run out of time. If any of you have any views on that, if you write to the Committee I am sure that we will include it.

Chair: That would be really good. I want to say thank you for your time. It has been a very detailed conversation that we have had. I feel like we have all learnt a lot from it. I guess that the reflection from me, in terms of what will be taken forward, is that you seem very happy about the high street strategy and how that is being driven by the Government.

For us, we need to look at how devolution could play a role, particularly on place leadership. As you mentioned, Liam, who is going to pay for that? There is space, potentially, to look at how we could work collaboratively with the private sector, making sure that it is very local and focused on that, and taking Helen's point on the centre for excellence, and not forgetting the small independents and their role in this. We also need to recognise that different areas will have different needs in terms of high street, so thank you for that. We will certainly be open to hearing further from you about what else is out there. We are going to Stockport. We are looking at Stockport as well.

Sacha Lord: If you go to Stockport, I will give you the invitation. I would be more than happy to show you around.

Chair: Thank you for your time.

Examination of witnesses

Witnesses: Dan Neidle, Aditi Sriram and Professor Tony Travers.

Q92 **Chair:** Good morning. I want to say thank you for coming to the Housing, Communities and Local Government Committee. Today we are looking at revitalising high streets. We have just had a panel before talking about

this. This is our second session. I am going to ask the witnesses to introduce themselves.

Dan Neidle: I am Dan Neidle. I am a tax lawyer and the founder of think-tank Tax Policy Associates.

Professor Travers: Hello. I am Tony Travers from the London School of Economics with a long-term research interest in local government finance and local government structures more generally.

Aditi Sriram: Hi, everyone. I am Aditi. I am an economist at IPPR and I work on taxes and our growth work.

Chair: I am going to ask my colleagues to introduce themselves.

Mr Dillon: I am Lee Dillon, Member of Parliament for Newbury. I re-declare my interest that my office sits within Newbury BID, so I am a contributor.

Mr Forster: I am Will Forster, MP for Woking.

Chris Curtis: I am Chris Curtis, MP for Milton Keynes North.

Alan Strickland: I am Alan Strickland, Member of Parliament for Newton Aycliffe and Spennymoor. I should declare that Tony and I sat together on the Tottenham task force, which is a regeneration board, some years ago and have worked together before.

Mr Brash: I am Jonathan Brash, the MP for Hartlepool.

Chair: My name is Abena Oppong-Asare. I am the Chair of the Select Committee. I also have Pride in Place in my constituency. I thought I would just say that.

Q93 **Chris Curtis:** We heard the previous panellists welcome the news on the business rates relief for retail and hospitality. Is there a fear that this could add further levels of complexity to the business rates system?

Dan Neidle: Can I pretend to be a politician and first answer a different question?

Chris Curtis: Yes, sure.

Dan Neidle: Business rates are very peculiar in the tax world because there is an entire political debate, acres of lobbying, lots of position papers and legislation on a misapprehension. All the theory and evidence is that, in the long run, business rates are mostly capitalised into rent. If business rates are cut, in the long term that is a tax cut for landlords. All the focus on reducing business rates is an error. It is an expensive policy error. There are other things that policymakers should focus on. It is a whole bunch of complexity, piled on all the whole bunch of previous complexity. There is now an innovative new type of complexity, distinguishing between different types of business, but the fundamental point is that the focus on business rates is misplaced.

Q94 **Chris Curtis:** On that, Dan, Helen in the previous panel—I do not know whether you heard it—made a persuasive argument that the market is so inefficient for these rental properties on high streets that actually a lot of it ends up going to the tenant. Do you think that that is persuasive?

Dan Neidle: It is a line. What is the evidence for it? Why should a rental market be inefficient in that way? It is really not clear that it should. When someone is looking to rent premises, they look at different premises and different landlords. Landlords attract a variety of different potential tenants. Why should there be an inefficiency of that kind? It is not clear to me in principle why there would be. Unless they have evidence for it, it is just an assertion.

Q95 **Chris Curtis:** In terms of fixing the business rates system more generally, what would be your top priority for doing it in a way that also helps retail? If you also want to help retail and hospitality, how would you do it in a way that does that?

Dan Neidle: The first thing I would do is to make it the landlord who pays, not the tenant. This would have only a limited practical impact, because ultimately that is what happens now, but it would kill this rather sterile political debate and we would have an end to lobbying by small businesses for tax cuts that end up being landlord tax cuts.

The second thing I would do is to exclude improvement from business rates valuations. It is a bad economic distortion that, if you improve premises, you are increasing your tax, sometimes by more than the cost of the improvement.

The final thing I would do is to have more regular revaluations. One often sees cases where a high street is dead and rental value is close to nil, but business rates are significant.

I should add that a bonus that we get for free if we make the landlord pay is that we would kill the American candy stores. That whole game and lots of others besides rest upon landlords letting to people who are not going to pay business rates.

Q96 **Chris Curtis:** On the second one, as we touched on that in the previous panel as well on the improvements, we are all talking about the system being too complicated. How would you create an exemption for improvements to property or create a system that can account for that without adding an unbelievable level of complexity that is easy to avoid?

Dan Neidle: We already have definitions of improvements in the tax legislation, in the income and capital distinction. I do not think it would be particularly new. Would it be a complexity? I guess it would be a complexity. If we moved liability on to landlords, we could end this rigmarole with particular reliefs and special cases, and we would be buying some simplicity there.

Q97 **Chris Curtis:** You would do that through the next rates review, would you?

The next time there is your rates review, any improvement that happened over the X number of previous years would not count towards that review. Is that how you envisage it?

Dan Neidle: Correct. The shift to making it a landlord's liability would have to be on the next time a lease is granted or reviewed, because otherwise you would be creating a distortion for existing leases.

Q98 **Mr Dillon:** Dan, if you pass it on to the landlord, how do you prevent the landlord putting it back into the rent as a higher rent for the tenant? Could you use something like the Commercial Rent (Coronavirus) Act 2022 to quickly settle whether the rule was breached or not?

Dan Neidle: I think that they would, 100%, put a large chunk of it back on the tenant. In principle, the tenant should end up in the same place they are today. They are currently being passed it through higher rents. In the long term, rents will, in isolation, go down and there will then be an increase reflecting the rates. It should come out in the wash. This is something the IFS has been recommending for decades.

Professor Travers: On the straightforward complexity front, you can look at the number of reliefs and the way they have to be accounted for by councils. In the spreadsheets that MHCLG produces on this subject, they go a very long way from left to right across the top of the spreadsheet. That is all I can say. There are huge numbers of reliefs and they require an enormous amount of accounting. We will doubtless get on to the question of whether they deliver any benefit in a moment, but the complexity of reporting on the number of reliefs there are at the moment is profound.

Even if you made the change that Dan has just suggested, I suspect there would still be pressure for reliefs of some kind from tenants. It is hard to see why they would not still press for reliefs because the Government offer the reliefs at least as much as tenants ask for them. That is partly for political reasons.

Aditi Sriram: In general, we would want a business rates system or business taxation to retain incentives for business investment. We want to tax in a way that does not distort investment. Many others have mentioned various parts of the rates system that disincentivise investment, such as investing into the property, which increases the rateable value, and the small business rates relief, above which it might prevent small businesses expanding, for example.

At the foundation of this, especially if we compare to other tax systems and how other countries think about business taxes and property taxes for businesses, it is tied less to property. It is based more on business profits rather than on property. A lot of these disincentives are driven by the fact that our business tax system is so focused on property. Something that any reform of the rates system should take seriously is how we can move more towards taxes that are actually reflective of how well businesses are doing.

Q99 **Chris Curtis:** There is this idea generally that we should reform the business rates system, but actually the amount of business rates is too much of the business taxes anyway.

Aditi Sriram: It is an open question. I do not know whether I have the right answer to it. I know that we are quite an anomaly in terms of how much property taxes feature in terms of business taxes and how much they feature in local taxes. If you look at local taxation in France and Germany, a lot more of the taxes come from business profits. That is something that can be drawn from and potentially implemented.

Professor Travers: The difference between corporation tax and non-domestic rates is of course that the one is to some extent related to profits and the other is not at all. The scale of the non-domestic rate—and I think this is true of all taxes—is such that the Treasury is very wary of saying, "Why don't we change it or radically reform it?" for fear it will lose part of the base. Every tiny part of the base matters to the Treasury.

If you look at the way business rates has been further complexified in recent years, there used to be one multiplier, then two, and now we have several multipliers for different kinds of business. We not only have lots of reliefs, but we have different levels of multiplier. I am assuming that, as the Treasury offered more reliefs for lower rateable value properties, which is not the same as lower profitable properties, it ended up thinking, "We will have a higher band for some properties", so you end up with more complexity again. This desperate attempt to protect the base while fiddling around with the incidence leads to ever greater complexity.

Dan Neidle: The definitions are also going to have a rather complex spillover effect. If you are a café next to a dentist, the café is going to get the benefit of the relief. In time, that will be pushed into rents. The dentist next door does not get the relief, but will see its rent in the long term go up, because it will be rents overall that rise to reflect the relief.

Q100 **Chris Curtis:** It is difficult to define.

Dan Neidle: Yes. You are creating complex spillover effects and the effect of the reliefs is not limited to the people directly targeted by them.

Professor Travers: At its simplest, any relief that is offered is to some extent evidence that the Government do not think this is a very good tax. One set of businesses gets it, but there is always somebody just above the threshold who does not get the relief. Why is that particular line fair? "We will shift the line a bit". Then it is not fair to the next lot of people. To the point about the dentist next door to the café, this system is riddled with that kind of unfairness. Once you concede any reliefs, you are getting into that world.

Dan Neidle: The vape relief is just looking for trouble. It is going to apply to whether you are wholly or mainly selling vapes. You could have 45% of your floor area, or sales or however they do it, devoted to vapes. Tip over that and, bam, you pay more tax. We are going to see lots of boundary

disputes, avoidance and complexity. Councils are not HMRC. They are not really set up to police this.

Q101 **Chair:** Going back to the point you just mentioned about vapes, where the Government are looking at tightening the definition to stop the reliefs that vape shops may receive, are you against the idea of the definition, like what you are saying, or is it going to mean that there will just be more loopholes within the system?

Dan Neidle: Business rates seems a really bad way to tax vapes more, because you are not taxing the vape. You are taxing the premises and they have a very indirect and complex link. If we want to tax vapes more, we could tax vapes more, so have a higher duty on them. We have had tobacco duties at various rates for centuries. You could do something similar with vapes. Doing it through business rates seems extremely suboptimal.

Q102 **Alan Strickland:** To come in on your points Dan and Tony, and Aditi, you made a similar point earlier, it would be helpful to hear from all of you in summary. As you say, Tony, given the incredible complexity, there is obviously genuine concern in Treasury about impacting this type of business or that type of business—relief, relief, relief. You have all made points about there needing to be fundamental reform. In terms of our concern here about how we attempt to get thriving high streets that function properly in the modern world, with all the complexities, what fundamentally do you think should change? If you could design a business rates system that dealt with the inefficiencies you described but fundamentally would drive genuine growth on high streets in various ways, not just retail but other high street premises and activity, how do you think it should look?

Professor Travers: I am not 100% sure that business rates are the problem. If you look around the country there are parts of the country—the Centre for Cities has done work on this—where a very large proportion of all businesses on high streets pay no rates and they are in trouble. There are other places, notably London, where virtually no businesses get relief, or a small proportion of businesses get relief, and high streets are thriving. That cannot just be because of different income levels. It is not only income levels.

There is something else—and the previous panel was discussing this to some degree—about the way high streets have changed and retail has changed. It seems to me that these factors, along with lower incomes in some places, must have led to a very different retail industry—I am slightly outside my comfort zone here—than the one that existed 50 or 60 years ago. There are more cars, more out-of-town retail and more online retail. Those three things together, I would have thought, are going far more one way negatively to smaller high streets than fiddling around with the business rates can ever go the other.

Aditi Sriram: All of us work on tax. The tax system is important, but the tax system is an incredibly blunt policy instrument and cannot really fix our

high streets. It is important to separate those two out when we think about rates reform. There are two important questions to ask when we think about rates reform. The first is how to protect productive business investment and tie taxes more to profits, instead of property, which many decades ago used to be a way better proxy for profits than it is now.

The second question is that a really big blocker in terms of reform is how tied business rates are to the local government settlement. There is an issue, when you move towards profits, that those revenues for local government become a lot more unstable. At least with how we have designed rates now, it keeps that revenue stable. When we move towards profits, it is hit a lot more by downturns. Those are the two most important questions to answer in terms of rates.

In terms of shaping our high streets, rates is a smaller part of that. We have to be thinking about planning, regulation and other pieces that I do not feel very confident answering about.

Alan Strickland: That is very helpful.

Q103 **Chair:** I just wanted to follow on on the planning and regulation, and I know it is not your area of expertise. Are there aspects of the planning and regulation that you see at the moment that are not adequate and need to be changed?

Aditi Sriram: I can add maybe just one question, especially around vape shops. I agree that using rates is a very blunt instrument. In terms of shaping our high streets, the feeling around vape shops is that it gives high streets the wrong vibe. There are all these shops that do not make our high streets feel like we want them to be. It does not make them feel like they are thriving. It is less the tax system that has to deal with that and more local government and councils that need the capacity to choose who is on the high street and shape their high streets. That involves not just the regulatory or planning permissions, but also the financial capacity within councils to do that work when they are overburdened with statutory duties.

Professor Travers: There is the issue of how we ended up with the particular mix of businesses in high streets, which clearly includes or is underpinned to some extent by organised crime, and how that was allowed to happen. That is not going to be sorted out by the business rates system or councils regulating shops. That is a separate issue that needs to be dealt with for and of itself.

Against that, if all the vape shops, betting shops and chicken shops disappeared, the question is, "Would there then be entrepreneurs waiting to move into those businesses?" I doubt that there are. There are two problems here and getting rid of one thing will not solve the other.

Chair: It moves it somewhere else.

Dan Neidle: I agree that using tax to solve complex social problems is usually not a great idea. There is a sense in which rates at the moment enable criminality. It can be good business for a landlord to let an empty property to someone who he suspects is not going to pay rates because then the property is no longer empty and the landlord will not have the liability. That creates a positive incentive for lawlessness.

The announcement of a general anti-abuse rule is not going to change that. You would need to put liability on the landlord to change it. That is the way to stop the criminal businesses. You can be sure that, if liability is on the landlord, they are going to suddenly start paying the rates and caring a lot more about who they let to.

Q104 **Mr Dillon:** On your comment, Aditi, about business rates and being a flat rate for local authorities, central Government, within the local government finance settlement, make massive changes to local councils. In west Berkshire, where my seat is, overnight they lost 17p. They used to keep 30p in the pound; they now keep 13p. They used to generate £100 million. That is a £17 million cut overnight that they now cannot spend on consultants, regen specialists or programmes to revitalise their high street. I wondered whether you had anything around the certainty for local councils to have longer-term retention of their business rates, with maybe the requirement that that is reinvested back into the high street more.

Aditi Sriram: I do not have too much to add on that. That makes sense. There is a question around devolution. That overnight change comes from shifting across councils in response to growth rates in business rates. Retention for some councils and mayoralties can be really positive, because then they are able to borrow against future revenues. In terms of how to actually reform the fact that this £17 million disappeared overnight, I do not have a good answer to that. I do not know whether either of you does.

Professor Travers: I will have a go. This is a national tax. Since 1990, the national non-domestic rates are a national tax. The way it is collected and its incidence is one issue, and the way the money gets to local government is a completely separate one. These are two completely separate things. In effect, MHCLG is using the business rate that is collected as an element in central support for councils. These are, in a sense, two different things.

Each time a relief is introduced, MHCLG and its predecessors will add something to central support to recognise the loss overall, but the amount that councils actually receive, now calculated within core spending power, is an artefact of the whole local government finance system, which, as Aditi says, is in the process of being quite radically changed by the devolution proposals that the Government have announced.

The problem that I suspect your council had is that, in the short term, between resets, which are themselves heavily centrally determined, it is possible that a council will lose income because of a change in policy at the local level, which may be accounted for at the next reset, but not in the

short term. That is what I am guessing will have happened here.

Q105 **Mr Brash:** We have naturally moved on to the topic of devolution. I would not necessarily call myself a full-throated devolution sceptic, but I sense that I am on a journey to that point as things develop. Fundamentally, there seems to be a disconnect between the concept of devolving fiscal power and devolving economic power. The Government are putting forward proposals to allow mayoral areas to retain business rates. That is going to create winners and losers in all of this, and I am afraid that the losers are going to be areas that are already struggling.

First, what do you think of those proposals? Given that there clearly are going to be losers in areas that cannot really afford to lose, how would you mitigate this?

Professor Travers: You have put me in the happy position of defending MHCLG for once. At the moment, mayoral strategic authorities, where they exist, will see the grants that they currently receive from central Government replaced by access to, first, part of or all of the business rate base locally, and then part of the income tax base locally. That is the way that that is going to work.

I am assuming, from what they have said, that it will be neutral at the point of change, so nobody will be better or worse off at the point of change. If your local mayoral strategic authority is in receipt of—I make this up—£1 billion of grants of various kinds through lots of different grant lines, they will no longer get them as separate grants. Instead, they will have access to business rates and, eventually or the year after, income tax, as part of the base, equivalent to that. They should be neither better nor worse off in year 1.

To your point, the question thereafter, because this is supposed to be an incentive to grow, is about what happens when some places grow more quickly than others. That is in the nature of the system. It is an incentive to grow.

MHCLG has said that there will be tapers on growth and protection for losers, but they are not complete. There will not be complete protection for those that do not grow as quickly as the average, or would have done if it was part of a national system. If it is to be an incentive at all, faster-growing regions will have to keep some of the uplift in the growth of the tax base. Otherwise, it would not be an incentive.

We do not know how that will all land yet, and so there is plenty of room for lobbying, because all the decisions about tariffs and tapers, and all of the jargon of how the system will operate, have not been announced in detail. There is plenty of time to lobby.

Q106 **Mr Brash:** The threat is that, 10 years hence, richer areas will be richer, and poorer areas will be poorer, is it not? That is the genuine underlying threat of this.

Professor Travers: That is the nature of the incentive that the Government are trying to offer here. It is worth saying that, in the current massively centralised system where councils' core spending power and the money that mayoral strategic authorities receive is, effectively, 100% set by central Government, it has led to the levels of inequality between households and areas of the kind that we now have. We have a very centralised system and very high levels of inequality by place and household.

In a sense, the problem is probably not the need for equalisation between areas, but to think more about why it is that some places' economies do not work as well as others'. At some level, all this equalisation between places that goes on automatically, through local government, healthcare systems, schools and whatever, distracts, to some extent, from the underlying problem of, "What is the economic problem in some places and why don't we solve that rather than using all these equalising mechanisms to do it?"

Q107 **Mr Brash:** Is there an argument to go further and give local mayoral authorities the power to cut tax, to reduce the multipliers and to incentivise the crowding in of companies' investment into an area that is struggling? Fundamentally, the problem in an area such as the north-east, which I represent, is the ability to crowd in that private investment, which it can do if its taxes are lower than in the next area.

Professor Travers: Mayor Ben Houchen wanted to do that. When he first heard of these proposals from the Government, before they had been detailed, he wanted to do that. My two colleague witnesses will know more about this than I do. There are all sorts of arguments that the Treasury would bring to bear on what would become tax competition.

America has a lot of tax competition between states, where states cut taxes in order to try to attract businesses. The Treasury would see that as inefficient and suboptimal, but it is not for me to defend the Treasury. Certainly, the Scots have had this degree of freedom, but they have used it to increase taxes, not to cut them, so they have a higher rate of income tax than the rest of the UK. The question of tax competition between areas is an interesting discussion to have in the context of what the Government are suggesting.

Q108 **Mr Brash:** We have entertained that principle. If you look at models such as freeports, that is an idea of creating tax competition. As it happens, now that our Conservative colleague has gone, I happen to agree with Ben Houchen on that point. The way that you create inward investment into areas that have struggled is by having that tax competition.

Professor Travers: Enterprise zones also have the same, to your point.

Aditi Sriram: In terms of winners and losers, there is this risk of divergence in tax revenues. Where this is especially significant is the fact that mayoral strategic authorities can then borrow against those tax

revenues to invest in infrastructure. We know that this disparity in infrastructure is foundational to why we see different growth rates across the country.

Where central Government can step in now is by investing in things such as infrastructure revolving funds, so that regions that are not able to borrow as much through their retained taxes can still borrow from that fund, invest into infrastructure, and build the capacity to invest into infrastructure.

In terms of what to devolve, I would agree that we might see a race to the bottom if we devolve taxes. Regions are just far too small. In the US comparison, the geographical size of states is just so much larger, and we would just introduce so much complexity because of how small our mayoral strategic authorities are. There might be reason to devolve the ability to target reliefs, because rates relief for certain sectors in different areas might look different. It might be manufacturing in some and high streets in others.

Q109 **Mr Brash:** A really interesting point that the Committee should take note of is the idea that we are devolving to the wrong entity, and that entity is too small. I particularly think about Tees Valley, which has a population of fewer than a million. The idea that you are devolving to that size of institution is a really important point for the Committee to pick up.

Dan Neidle: In a sense, we have had this devolution before. Before 1990, rates multipliers were set locally. That was changed by a Conservative Government, because they thought that there was a problem if the people paying the tax were not the people who were voting. That was causing some local authorities to shoot up rates in a way that was, in the long term, economically damaging, but, in the short term, beneficial for the council.

There are also potential problems the other way in terms of tax competition, and it is all complicated again by this miasma of confusion between the person who pays the business rates and the person who, in the long term, bears the economic incidence, so the landlord. If you combined those political incentives with a fundamental misapprehension by lobbyists and the lobbied, it would be a bit of a mess. I would be interested in what Tony Travers has to say about the pre-1990 position, because I am too young.

Professor Travers: Thank you for that. You are spot on. I am much older. It is true that there was a strong perception by the Conservative Government in office at the time—this was Mrs Thatcher's Government—in the run-up to the introduction of the community charge and the poll tax, and the nationalisation of business rates. At a time when there was no capping of council tax or business rates, councils with a big business rate base were able to put up the overall rate in the pound. That would bring in money from both business and council tax payers at the local level, which they could then spend locally.

Mrs Thatcher's Government nationalised the business rate, so it faced a single multiplier across the country, which is the thing that we were discussing earlier, and that has now been split into several. Dan's analysis is spot on. That is exactly why it was done.

Of course, the Treasury now finds itself under pressure from other parts of Whitehall, and politics more generally, not so much to put the tax up, although it does put it up for some bigger rateable value properties, but to try to hold it down for the lower rateable value properties, using both, by the way, as a proxy for profitability, which they are not at either end.

Q110 **Chair:** I have been reflecting on what you said earlier about tax reforms being linked to profits and not properties. There have been calls to look at how online sales should be taxed. It would be good to hear from all of you about what the Government should be looking at in this space and what the right approach is when it comes to online sales taxing in that way.

Aditi Sriram: Our argument for an online sales tax is just the fact that the business tax system has not really kept pace with how the economy has changed. If we think about business rates many decades ago, as I mentioned earlier, a shop front was just a way better proxy for how well a business was doing. If there was a bigger storefront and a bigger property footprint, there was more inventory and more turnover, and it made sense in a way that does not make as much sense any more.

Online retail is the best example of that because it can operate out of warehouses that do not occupy space on expensive high streets and are able to generate so much more turnover. The shift towards online sales is quite significant. In September 2026, 28% of sales happened online, which is almost double what it was a decade ago, so this trend is not going anywhere, and we are increasingly moving online.

What we have proposed is a 2% tax on online sales. There was a 2022 Treasury consultation around an online sales tax. We looked at that consultation closely, and we believe that a lot of the objections that came out in that report and consultation can be designed around. For example, we can have a reduced 1% rate on click and collect to recognise the benefit of driving footfall, even though it is click and collect. We can exempt essentials in line with VAT. We can also protect small businesses by having a small business threshold of £500,000, only beyond which the online sales tax would be paid. This is only one proposal.

The most important part of thinking about an online sales tax is just recognising where retail profits have moved and how the tax system can adapt accordingly. There is a lot of pushback in terms of creating new tax bases. As the economy has changed, we have always had to create new tax bases, for example defining what a litre would be for fuel duty. In the same way, we can think about online sales as a significant force in our economy and how we shape the tax system around that.

Dan Neidle: The basic proposition here is a non sequitur. The idea is that we need to level the playing field, but the playing field is not tilted in the way that it appears to be. Tenants pay business rates, but, over time, it is the landlords bearing the rates. There is not a problem to solve with an online sales tax. What you are doing if you create an online sales tax is creating a massive new tax, which applies, on the face of it, to every goods sale transaction in the country. You then have to exempt business-to-business sales. Even people who mainly sell to businesses would have to comply with an online sales tax.

You have new definitions. You have to decide what is and what is not online, and what is and what is not click and collect, with a significant degree of complexity across the whole economy, and for what? For peanuts—a couple of billion. There is a reason for why this proposal died in 2022. In principle, it makes no sense. In practice, it is a dream for a tax lawyer, and a nightmare for anyone else, so I do not think that we should be proceeding with this.

Q111 **Chair:** Aditi has mentioned a 2% tax on online sales. Do you not agree with that at all?

Dan Neidle: I do not understand what this is aiming to achieve if we accept, as we should, the proposition that there is currently not an unlevel playing field between online and offline. Business rates do not create a tilted playing field.

Q112 **Chris Curtis:** On the in-principle argument, regardless of the tax, there is an unlevel playing field in the sense that there is a cost of having a physical business over an online one. There are also positive externalities that come from a physical presence. There is all of the nice stuff that we talk about with the high street, but you are also providing a service to people, the ability to go and look at a thing, which is not captured in a sale if people later go and buy it online. Are those positive externalities not something that, in principle, we should capture in the tax system?

Dan Neidle: There are also lots of positive benefits from online sales. People choose it because it is convenient. They choose it because they live away from large stores. They choose it because they cannot get out of the house so easily. We should be very careful about trying to override people's preferences, which is what an online sales tax would do.

Chair: We have run out of time. I could stay here all day. I have found this really helpful. Thank you, Dan, Tony and Aditi, for coming in to speak to us. We will probably contact you as we are developing our report in terms of what we are feeding back to the Government, particularly on the models that you have suggested. You have given examples from Germany and France of how they are taxing very differently to how we are in the UK. We will certainly explore that and look at the recommendations that you suggested to us as well. Thank you for your time.