City of Westminster

Minutes

Minutes of a meeting of the **BUSINESS PLANNING AND TRANSPORT COMMITTEE** held at 7:00pm on Monday 12 June 2017 in Committee Rooms 3.6 and 3.7, 3rd Floor, 5 Strand, London, WC2 5HR

Members of Committee:	Councillors Tony Devenish (Chairman), Paul Dimoldenberg, Louise Hyams, Karen Scarborough and Jason Williams.
Also Present:	Councillor Danny Chalkley, Cabinet Member for City Highways.

1. MEMBERSHIP

1.1 Apologies for absence were received from Councillors Julia Alexander, Thomas Crockett and Cameron Thomson.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES AND MATTERS ARISING

3.1 **RESOLVED:** That the minutes of the Business Planning and Transport meeting held on Monday 8 May 2017 be signed by the Chairman as a correct record of proceedings.

4. UPDATE FROM CABINET MEMBERS

4.1 The Committee received written updates from the Deputy Leader and Cabinet Member for Business, Culture and Heritage, the Cabinet Member for City Highways and the Cabinet Member for Planning and Public Realm on significant matters within their portfolios.

4.2 The Chairman welcomed Councillor Danny Chalkley, Cabinet Member for City Highways to the meeting. Councillor Chalkley stated that other areas that he was particularly focussing on, in addition to the topics set out in his Cabinet Member Update such as the 20mph trial, included updating the car clubs offer and responding to market changes. He was also keen to make progress in terms of lobbying on regulating pedicabs.

4.3 The Committee put questions to and received responses from Councillor Chalkley on a number of matters that were relevant to his portfolio. These included the following topics:

- The Cabinet Member was asked about his rumoured plans to establish a highways panel. He replied that he was establishing it in honour of former councillor Alan Bradley whose Council task group had previously recommended doing so. In keeping with the recommendation, the highways panel would have some lay expertise which would scrutinise the annual highways programme. Councillor Chalkley added that he was looking for three or four individuals who could contribute and were not councillors or currently employed by the Council. He had written to the amenity societies to request that they put forward candidates. One individual who had expressed an interest in scrutinising the programme was an experienced civil engineer.

- Councillor Chalkley was asked how much say a local forum would have in Community Infrastructure Levy ('CIL') money being spent on a particular street such as Great Portland Street for the annual highways programme. It was believed that the Council managed 15% of the CIL money on the local forums' behalf. He replied that he would provide a written response to the question.

- How would the success of the 20mph trial be judged? Councillor Chalkley was also asked about the potential for residents to expect the 20mph speed limit to remain whatever the data suggested. He responded that the primary function of the pilot was to collect data at the thirty sites. There would be vehicle activated signs collecting the data. Average speeds would be measured prior to the trial and also during it and an assessment would be made as to whether there had been an improvement or not. Measuring average speeds pre-trial would provide evidence to residents as to whether the scheme was effective or not.

- Was it the intention for the 20mph trial to be in operation at all times, including when children were not at school? The Cabinet Member confirmed that it would be operational at all times. An assessment would be able to be made on a number of factors based on data from the trial. He informed the Committee that there was a Council communications campaign being developed to notify that the pilot was taking place at the specific sites and also a dedicated website with a map of the sites.

4.4 The Committee also discussed matters that related to the Cabinet Member for Planning and Public Realm and the Deputy Leader and Cabinet Member for Business, Culture and Heritage's Cabinet Member Updates. The Chairman requested that a copy of the report, potentially in draft form, on the 'Building Height: Getting the Right Kind of Growth' consultation was provided to the Committee as soon as it was available in order that Members would be able to scrutinise the policy. If this was before September when the Committee was next due to meet formally, Members could e-mail their comments. It was agreed that officers would check on the current timetable for the report.

4.5 The Committee noted that Councillor Astaire had included in his Cabinet Member Update that he had written to the Secretary of State requesting that the abuse of telephone kiosks for advertising was looked into. Concerns were also expressed about the state of telephone boxes and it was requested that BT were invited to address the Committee, potentially in the autumn.

4.6 Councillor Davis' written Cabinet Member Update had featured the Westminster Business Unit which aims to make it easier for businesses to navigate their way through council services and get the information, advice and guidance they need. The Westminster Business Unit had held a drop in session on 30th May. Information was provided on sources of finance, networking opportunities and business mentoring. The next drop in session was scheduled for 27th June at Paddington Library. The Committee requested that all Councillors and amenity societies were made aware of the drop in session at the end of June.

4.7 **ACTION**: The following actions arose:

- That a written response is provided to the Committee in relation to the CIL question set out in paragraph 4.3 (Councillor Danny Chalkley, Joe Penny, Cabinet Officer and Andrew Barry-Purssell, Place & Investment Policy Manager).

- That a copy of the 'Building Height: Getting the Right Kind of Growth' consultation report, potentially in draft form, is provided to the Committee as soon as it is available (Councillor Daniel Astaire, Cabinet Member for Planning and Public Realm, Madeleine Hale, Senior Cabinet Officer and Barry Smith, Head of City Policy & Strategy).

- That BT be invited to address the Committee, potentially in the autumn (Muge Dindjer, Policy and Scrutiny Manager / Jonathan Deacon, Senior Committee and Governance Officer).

- That all Councillors and amenity societies were made aware of the Westminster Business Unit drop-in session on 27 June (Greg Ward, Director of Economy).

4.8 **RESOLVED**:

That the contents of the Cabinet Member Updates be noted.

5. BUSINESS RATES – THE IMPACT OF THE NNDR REVALUATION AND RECENT GOVERNMENT LEGISLATION CHANGES ON WESTMINSTER BUSINESSES

5.1 The report was introduced by Martin Hinckley, Head of Revenues & Benefits. He stated that it covered three areas, the 2017 Business Rate (NNDR) Revaluation, the NNDR Transitional scheme and the changes announced in the Spring 2017 budget. Generally every five years (it had been seven years since the last occasion), Central Government revalues all the properties and the rateable value which is linked to rents. Westminster's overall rateable value had increased by 25% at the 2017 Revaluation. 25% was the average increase with a number of individual properties increasing by over 100%. This compared with a national average of 9%.

5.2 Mr Hinckley advised that Central Government was required when it carried out a revaluation to introduce a transitional scheme. Previous transitional schemes had limited year one increases to 12.5%. This year the Government had originally proposed an increase for large properties with a rateable value of over £100,000 of 45%. There had then been lobbying by the Council and New West End Company. The Government subsequently reduced the increase for year one to 42% and also reduced the increase from what was originally proposed in future years.

5.3 Mr Hinckley said that the Revaluation and the Government's Transitional Relief scheme generated a significant amount of media interest relating to the negative effect on businesses in London. The Government in the Spring Budget introduced three changes. These were a small business rate relief support scheme, relief for all public houses with a rateable value of less than £100,000 (the Government was understood to be preparing a consultation paper on this which had been delayed due to the General Election) and the new Revaluation Discretionary Fund. The Revaluation Discretionary Fund had been set up to support the businesses which are most affected by the revaluation. The Council had been granted a figure of over £11m for the current year. This funding was equal to around 0.5% of the Council's annual NNDR collection. Mr Hinckley believed there was likely to be a further Government response to their consultation paper published in the near future. Officers from across the Council were working together prior to setting out how the funding would be allocated. Officers would be talking to Business Improvement Districts ('BIDs'), business organisations and Members. Any views from the Committee on who should be supported under the Revaluation Discretionary Fund would be welcomed.

5.4 The Committee in considering matters relating to this topic heard evidence from Sir Peter Rogers, Chairman, New West End Company ('NWEC'). Sir Peter, when asked about the best way forward, recommended the proposals set out in the 'Committee of Inquiry into Local Government Finance (Layfield Committee)'. He expressed the view that the business rate tax was flawed and outdated. Patterns of retail had changed whilst business tax remained constant. He did not believe the tax rates were fair. They were levied on occupiers when they were already paying more through rents. The owner was not taxed, it was the occupier. It was not based on ability to pay as some large multi-national companies were able to pay much less in business rates despite much greater turnover. There was no reflection on performance or profit. It was also an incorrect myth that it funded local authority services. The Council is only retaining (£78m) of the £2bn business rates it collected from businesses in Westminster. Sir Peter also referred to the fact that businesses paid or would pay the apprenticeship levy, towards Crossrail through the Business Rate Supplement.

5.5 Sir Peter stated that NWEC had been requesting a fair transitional relief scheme and to look at alternatives to assist businesses that suffer. There was the danger that the current system would result in homogeneous high streets which would destroy the unique character of London. Small independent London businesses when faced with large business rate increases either had to pay it or close whilst large national chains had the ability to net off the London increases against decreases in rateable value for their properties outside of London.

5.6 Sir Peter emphasised the extent of the business rate increases for large businesses in the West End and the limited time they would have to adjust to the new system. He did not believe that the Government's proposals reflected the economic cycle. The impact of Brexit or the General Election was being reflected in tills now. It was not reflected at the time of the revaluation. The entire process resulted in appeals. These, Sir Peter said, took years to resolve and the new system put the onus on the stores to prove their rateable value was wrong rather than the Valuation Office being required to prove their valuation is correct. Sir Peter's view was that business rates failed as a proper tax for Government.

5.7 Sir Peter specifically commented on the Government's consultation response to the comments received in response to their original document relating to the 2017 Transitional scheme. Even with the re-adjustments, the percentage increase for large businesses would still be 74% over the next two years, including 42% in year one. Previous Transitional schemes had limited year one increases to 12.5% and it had been impossible for businesses to predict such an extensive increase. Sir Peter stated that it was the view of New West End Company that appropriate relief should be targeted to large businesses in order to mitigate the extensive business rates increases that had been unpredictable. It was the position of NWEC that all businesses should pay their fair share of tax.

5.8 The Committee asked a number of questions and received a number of responses from Sir Peter Rogers and Mr Hinckley, including the following:

- What more could be done to get across how damaging business rates were for the large independent retailers? Sir Peter expressed a personal view (it had not been put before the NWEC Board) that a turnover based tax should be promoted for all businesses based on point of delivery rather than a business rates tax based on the premises where the business was located. He was also of the view that a turnover based tax was likely to provide additional revenue for the Government and would be fair. It would be reflective of the economy. If turnover went up or down, so would the level of tax. Sir Peter considered that online businesses were not currently paying their fair share. He did not advocate a dual business rate tax and online tax as a remedy.

- Sir Peter was asked whether a turnover based tax could be more open to fraud. He replied that it would not if it was assessed on the same basis as VAT.

- Sir Peter was asked what his response would be if the Government said that a new system of assessment was not justified as it only affected the large businesses in London and there was greater infrastructure being provided in the capital such as Crossrail. These were the best performing retail streets in the country. Sir Peter replied that the turnover based tax would provide more money for the Government to invest elsewhere than just West End retail streets. He was of the view that under the current business rates system, if the flagship retail stores had their profits reduced, this would slow their investment in the rest of the United Kingdom. The impact on the West End was felt nationally not just locally.

- Sir Peter was asked how he planned to publically promote changes to the current position regarding business rates. He replied that this matter required cross party support and he was interested in working with selected think tanks. NWEC believed it was in the interests of business, the economy and the unemployed. There was no reason why growth in the West End should not be reflected in improved employment in the deprived wards in the north of Westminster. He added that the impact of the turnover tax would need to be researched by an independent source before it was fully advocated by NWEC.

- Sir Peter was asked what NWEC was doing now to assist employment in the deprived wards in the borough. He replied that NWEC were lobbying for Sunday trading and had said that it intended to sign up fifty employers to generate two thousand new apprenticeship jobs in retail and that the employees would be from local areas. Sunday trading would act as some mitigation in relation to the increased business rates. It would also put physical stores on the same footing as online businesses. NWEC was involved with an apprenticeship programme currently via the Cross River Partnership and that had local placements.

- Mr Hinckley said that he generally agreed with Sir Peter on most of the points he had made regarding the problems of the 2017 NNDR Revaluation and NNDR Transitional Scheme. This was reflected in the fact that the Council and NWEC had worked together in providing responses to the Government's consultation on the Transitional scheme. He did have some concerns about the collection rate for a turnover based tax rather than a business rates tax (where the Council had a good collection rate) on the basis that there were companies who never file returns and other companies that seek to evade taxes via "accountancy" rates. Mr Hinckley believed that there were two elements that had been missed in the 2017 NNDR Revaluation and NNDR Transitional Scheme. Firstly areas that were doing well (such as London) were being penalised as set out in paragraph 3.3 of the report and this could have been resolved by setting the multiplier based on the Revaluation change in rateable value within the London area alone. Secondly, the maximum increase that a large business could face for the 2017 Transitional scheme had jumped from 12.5% to 42.5%. This again adversely affected the area producing the growth.

- How much did it cost the Council to administer business rates collection? Mr Hinckley replied that the Council was given around £3m in allowance to collect business rates. The contracted service cost approximately £3m.

- Mr Hinckley responded to a question as to whether gentlemen's clubs in St James's Ward could be designated a special case in terms of being a type of business that the new Revaluation Discretionary Fund could potentially seek to assist. He informed the Sub-Committee that some of the clubs had already approached officers on this issue. Mr Hinckley advised that the State Aid rules mean that not more than £160,000 could be paid over three years to an individual business, but could be paid in one lump sum.

5.9 **RESOLVED**: That (i) the Council continue to work closely with NWEC on matters relating to business rates; and

That (ii) the contents of the report be noted.

6. UPDATE ON THE WORK PROGRAMME

6.1 The Committee considered the Work Programme for the next meeting on 13 September and the following meetings in 2017/18. The 'Building Height: Getting the Right Kind of Growth' consultation report was currently due to be scrutinised at the next meeting on 13 September 2017. An update on broadband coverage in Westminster was also scheduled for the September meeting.

6.2 The Committee noted that there were a number of items scheduled for the meeting on 15 November. It was agreed that the report authors of the proposed items would be consulted as to whether the appropriate timing for the Committee to scrutinise the items would still be November. There would also be a focus on which items would be topical at that time. Councillor Crockett would be consulted as to whether the 'Assets of Community Value / Pubs' item should proceed in November. Ms Dindjer, Policy and Scrutiny Manager, advised that there was the option for the Committee to receive written updates in respect of certain items rather than full reports to be scrutinised.

6.3 The Committee requested that the current position in respect of Nine Elms Bridge was ascertained. Members also asked that officers monitor when it would be appropriate to scrutinise the Cycling Strategy and a review of the Cycling Superhighways. It was agreed that any scrutiny of the night tube only took place following relevant data being received.

6.4 The Committee expressed interest in taking forward a joint task group with the Adults, Health and Public Protection Policy and Scrutiny Committee in respect of the Evening and Night Time Economy. This would potentially commence in the autumn. Councillors Hyams and Williams offered to be Members of the Task Group.

6.5 **ACTION**: The following actions arose:

- That the current timetable for the 'Building Height: Getting the Right Kind of Growth' consultation report be checked (Muge Dindjer, Councillor Daniel Astaire, Cabinet Member for Planning and Public Realm and Madeleine Hale, Senior Cabinet Officer).

- the report authors of the proposed items for the November meeting be consulted as to whether it was still appropriate for them to be considered then (Muge Dindjer / Jonathan Deacon).

- Councillor Crockett would be consulted as to whether the 'Assets of Community Value / Pubs' item should proceed in November (Muge Dindjer / Jonathan Deacon).

- the current position in respect of Nine Elms Bridge was ascertained (Muge Dindjer / Jonathan Deacon / Graham King, Head of WEP Place Programme).

- that it is monitored when it would be appropriate to scrutinise the Cycling Strategy and a review of the Cycling Superhighways (Muge Dindjer / Jonathan Deacon / Stuart Love, Executive Director, City Management)

6.6 **RESOLVED**: That (i) the work programme be noted and actions in relation to the work programme be taken forward; and

That (ii) the action tracker be noted.

7. ANY OTHER BUSINESS

7.1 There was no additional business for the Committee to consider.

8. DATES OF FUTURE MEETINGS

8.1 The dates of future meetings are 13 September 2017, 15 November 2017, 8 February 2018 and 12 April 2018.

9. CLOSE OF MEETING

9.1 The meeting ended at 8.08p.m.

Chairman: ______________________________ Date: __________