

Trading Board Report

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Briefing on the “Supermarket Levy”

Purpose

The purpose of this paper is to provide background to the potential levy that could be imposed on large retail units, the ‘Supermarket Levy’ which is being considered by some local council’s across England.

Background Information - What is the Supermarket Levy?

- The Sustainable Communities Act 2007 provides an opportunity for local people to ask central government via local government to remove legislative or other barriers that prevent them from improving the economic, social and environmental well-being of their area.
- ‘Local Works’, an organisation set up by ‘Unlock Democracy’, is campaigning for local authorities to have the power to put an 8.5% levy on large retailers, called the ‘Supermarket Levy’
- The Sustainable Communities Act enables local authorities to be able to ask the Secretary of State if they can charge a levy to large retailers in their area. It is suggested that this be those with a rateable annual value not less than £500,000; and requires that the revenue from this levy go directly to the Local Authority in order to be used to improve local communities in their areas by promoting local economic activity, local services and facilities, social and community wellbeing and environmental protection.

Examples of the Supermarket Levy being applied

Currently Northern Ireland operates a large retail levy. There has been a 15% retail levy on properties with a rateable value of £500,000 or more since April 2012.

Scotland has recently introduced a ‘public health supplement, a 9.3% levy on retail outlets with a rateable value over £300,000 that sell alcohol and tobacco.

Examples of Local Authorities currently considering applying a Supermarket Levy

Lambeth Council – Resolved in February 2014 to make a formal proposal to government to give them the power to put a levy on large supermarkets

Derby Council – A 4 week consultation with residents and businesses has recently been concluded. The results will be used to inform whether, or not, to progress a formal proposal to government

Oxford City Council – April 14th 2014 decision to actively lobby 114 UK Labour Council Leaders to support the 'Local Works' campaign – Oxford has pledged to push for the power to apply the levy

Wiltshire County Council – Task Group set up in March 2014 to consider the proposal alongside the Community Infrastructure Levy as part of its 2014/15 work programme.

Examples of Local Authorities who have considered and rejected the application of a Supermarket Levy

Dover District Council - October 2013 agreed by Cabinet that no further action should be taken for the following reasons:

- (a) It would be anti-competitive for the Council's position in relation to its neighbouring districts
- (b) It would be inflationary
- (c) It would deter inward investment to the District from larger retailers
- (d) The financial benefits are too uncertain and appear too minimal to make a significant difference.

Other examples of areas that have looked at this proposal and rejected it are Bristol, Leeds and Gloucestershire.

Applying the levy in Colchester

Applying the levy in 2014/15 of 8.5% to large retailers in Colchester with a rateable value of more than £500,000 would realise £1.42m.

Planning Policy perspective on the Supermarket Levy

The Supermarket Levy may not sit comfortably with the Community Infrastructure Levy (CIL). CIL has the advantage of being a general method of spreading infrastructure costs and would be seen to be more equitable than just targeting supermarkets, particularly since CIL goes through an examination process.

Colchester will be developing a CIL charge, which is currently expected to cover new retail developments as follows;

- 1. Convenience (food) Retailing - £240 per sq m
- 2. Comparison Retailing – a. £0 in Town Centre
b. £90 per sq m elsewhere

In terms of future growth of supermarket capacity in Colchester, the NLP Colchester Retail Study (March 2013) projections indicate that there is scope for one large food store in the Colchester Urban area in the short term (up to 2016). In the medium to long term (up to 2021) there is a requirement for 1-2 large food stores in the borough.

For and Against

For the Levy

- To provide a fairer marketplace for local retail.
- To use the revenue from this rate to assist smaller local businesses, for example independent shops, and the local services that support the smaller businesses, for example local bus services, to enable a wireless town centre or support independent retailer initiatives such as the 'Colchester Walls' project.
- The report 'High Street Britain: 2015' by the All-Party Parliamentary Small Shops Group found that over 3 million people were employed in retail, accounting for one in nine of all jobs. It showed that small, family owned retail businesses create more jobs, in terms of sales, than the big stores. The largest supermarket chains control over 80% of the grocery market and employ 770,000 people whilst small grocery shops which made up less than the remaining 20% of the market, employed 500,000.

Against the Levy

- The biggest risk is that implementation of a supermarket levy in Colchester could place the borough at a competitive disadvantage versus its neighbours leading to a potential impact on investment, jobs and spend.
- Exact financial benefit is unclear and there would also be a cost involved in collecting and distributing the levy
- Could create a confusing two-track system with CIL (new) and supermarket levy (existing)

Additional Information

- No support for this could be found on the Federation of Small Businesses or Chamber of Commerce websites in England
- Many large retailers such as Sainsbury's and Tesco are opposed to the scheme
- Planning contributions can deliver the same benefit for the community without impacting upon regeneration areas in a negative way.
- In the UK as a whole, small businesses make up around 99% of all enterprises

Links

Link to Local Works web pages

<http://localworks.org/pages/supermarkets>

Newsletter explaining more about the levy from Local Works

http://b.3cdn.net/unlockdem/b1e531a66fa199e8ca_xxm6iy4qa.pdf

Link to proposal document with supporting information

http://b.3cdn.net/unlockdem/e828d68f91231e06d3_q6m6bxrty.doc