FDF Scotland Response: Barclay Implementation - A consultation on non-domestic rates reform

Please find below, FDF Scotland's summary response to the Scottish Government (SG) consultation on the implementation of the elements of the Barclay Review in to non-domestic business rates. The full consultation can be accessed here: https://consult.gov.scot/local-government-and-communities/non-domestic-rates/user_uploads/00537324.pdf

Kind regards

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FDF Scotland Response to the Consultation on Implementation of the Barclay Review: A Consultation on non-domestic rates reform

1. This submission is made by the Food and Drink Federation (FDF) Scotland. FDF Scotland represents the food and drink manufacturing industry in Scotland. We are Scotland's largest manufacturing sector, accounting for 30% of total manufacturing turnover and our gross value added to the economy is £3.8bn, representing 29.7% of Scottish manufacturing value added. We have 1,015 food and drink manufacturing businesses, employing 45,000 people, which represents 25% of the Scottish manufacturing workforce. In 2017, all food and drink exports from Scotland have increased by 11% to £6bn.

2. FDF Scotland welcomes the opportunity to make comments on issues relevant to industry that are raised in the Barclay Implementation consultation.

3. There are two recommendations that are of particular - interest to the food and drink manufacturing sector in Scotland

Recommendation 1 – The Business Growth Accelerator

4. The 12-month delay before rates are increased when an existing commercial property is expanded or improved came into effect in April 2018, and we note the commitment to make this change permanent. The proposal to remove the need for

ratepayers to apply annually for this relief is welcome, and legislating for this would helpfully replicate it across Scotland's 32 local authorities.

5. We add a cautionary note that we do not think the Business Growth Accelerator has been well-publicised - further promotion of details of the scheme to businesses and business organisations would be helpful.

Recommendation 5b – A Pilot Scheme to enable councils to impose an additional levy on rates in certain circumstances

6. FDF Scotland has concerns over the proposal to pilot a scheme which could ultimately give all local authorities the power to levy additional business rates surcharges on out of town businesses. We urge the Scottish Government not to proceed with this pilot scheme.

7. We remain unclear as to what types of businesses would be liable for this new levy, its scope, what the definitions of out of town or 'predominantly online' are, how it will work, how much it is expected to generate in tax revenues, what the implementation and administration costs for councils will be, how much it might cost firms, how long it would apply for, and what any revenues would be used for.

8. Our understanding is that this could apply to any business including food and drink manufacturing.

9. We assume the aim of this new levy proposal is to encourage businesses to locate in town centres. Obviously it is not practical for most food and drink manufacturers to locate in town centres and it is anti-competitive that an out of town business should be supplementing rates for unrelated businesses in town centres.

10. It is inconsistent with the purpose of the Barclay report which was about ensuring competitiveness and about minimising complexity in the rates system. The current system is already complex without adding further complexity with this new levy, in the process undermining transparency and competitiveness.

11. A new Scotland-only rates levy on out of town or online businesses is incongruous with the stated ambition of having a competitive rates regime compared to the rest of the UK. It could make it more expensive for manufacturers to operate in Scotland, many of whom often compete internally with other parts of the UK or overseas.

12. If Government is determined to press ahead with empowering councils to introduce a new rates levy then we agree there must be safeguards built in to the legislation and do not believe that food and drink manufacturing should be in scope.

13. We are concerned that the three pilots could be implemented from Spring 2020, yet Ministers expect to maintain a higher large business rates supplement than England until Spring 2021. This could see firms in Scotland in 2020-21 facing two extra taxes over and above that faced by competitors and counterparts in England.

The Scottish Food and Drink Manufacturing Industry

- Employs around 45,000 people, 25% of the Scottish manufacturing workforce
- Adds £3.8bn GVA to the Scottish economy, 29.7% of Scottish manufacturing value added

- Is Scotland’s largest manufacturing sector, accounting for 30% of total manufacturing turnover
- 95% of our 1015 businesses are SMEs

The following Associations actively work with the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
ACFM	Association of Cereal Food Manufacturers
BCA	British Coffee Association
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers’ Association
EMMA	European Malt Product Manufacturers’ Association
FCPPA	Frozen and Chilled Potato Processors Association
FOB	Federation of Bakers
GFIA	Gluten Free Industry Association
PPA	Potato Processors Association
SA	Salt Association
SNACMA	Snack, Nut and Crisp Manufacturers’ Association
SSA	Seasoning and Spice Association
UKAMBY	UK Association of Manufacturers of Bakers’ Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

FDF also delivers specialist sector groups for members:

Biscuit, Cake, Chocolate and Confectionery Group (BCCC)
Frozen Food Group
Ice Cream Committee
Meat Group
Organic Group
Seafood Industry Alliance