



## **Pub is The Hub submission for All-Party Parliamentary Beer Group inquiry into pubs' business rates**

### **Pub is The Hub:**

Pub is The Hub is a not-for-profit organisation, which offers independent specialist advice to publicans on rural services diversification so they can all provide viable local services at the heart of their community.

With a proven track record of rural project development and delivery over the last 20 years, Pub is The Hub has worked with great publicans to open shops, libraries, cafes, community cinemas, allotments, play areas and much more. Since 2013, the organisation has also been able to offer small grants through its Community Services Fund.

Pub is The Hub has helped over 600 pubs diversify, with almost 200 of these benefitting from help through its Community Services Fund.

### **General Principles of Property Tax:**

One of the major obstacles in setting up a fair property-based taxation system for pubs is the cost of identifying and understanding the trading information and the specialist range of properties where the values are based on evidence of turnover. This can create a negative perception of the system especially during a changing economic and customer environment.

### **Increases and reductions in rateable value:**

In lobbying for change we should call for the increases to be justified as well as reductions to reflect the true ability to pay or affordability.

A 'material change in circumstances' should reflect a decline in customer trade or changes within the local economic environment. This should also mean that pubs that have had physical improvements made should be given a reasonable time to settle.

Future investment in the sector does need to be encouraged rather than penalised. To avoid a disincentive to invest post Covid-19 there could remain a two-year deferral until the next revaluation. In a changing and competitive market this will also allow more time for operators to recoup an investment.

There is also a need to bring to an end the hostility towards rating within the licensed trade and also illustrate that local authority services are supported.

### **Impact of the business rates changes:**

As pubs have suffered due to the Covid pandemic Pub is The Hub believes this is not the right time for onerous requirements to be put onto publicans. The impact of Covid has had a drastic effect on the net profitability of the sector overall as well as individual publicans.

The new arrangements for 2023 require the venues to inform the Value Office Agency (VOA) of rents and trade changes. Pub is The Hub understands the VOA wanting more information. The forms of return, which ask for details such as rental and lease details, will give the valuer annual turnover for 2019, 2020 and 2021, so the VOA can calculate the rateable value (RV). With the Covid pandemic pubs were closed for a significant amount of time which will not be an indication of Fair Maintainable Trade (FMT). It's always a challenge to determine what the FMT should be and with the impact of Covid-19 is going to continue.

We also feel that the high outgoings of pubs of wages, heat, light and power as well as additional costs of cleaning and sanitising need to be taken into account in the RV calculation.

## **VOA expertise:**

The VOA is reported to no longer have the expertise to arrive at an FMT given its current reduced involvement in the pub field.

Thought needs to be given to how to make the pub rating system more easily understood and that ratepayers understand the connection between rateable value, the uniform business rate, their own bill and the level of services they receive.

There is a challenge for both Government and the professional bodies involved, such as the Royal Institution of Chartered Surveyors, to agree promptly a pub's RV at the right level and overcome this reduced expertise in both the VOA and the advice available for the ratepayer.

There is also the problem that it currently takes 16 months for a business rates challenge to be resolved. We would suggest in the light of these challenges that a revaluation of pubs could be delayed to give the industry time to recover from Covid-19.

But if this does go ahead we would support a three-month turnaround for 2023 similar to the plans for the 2026 Revaluation. And there should be a quicker response to checks and challenges including the need for more professional and adequately trained staff.

If a revaluation is delayed to give the industry time to recover we would suggest a detailed valuation being undertaken of one or more pubs in a city, urban and rural location on an accounts basis taking a bid on the divisible balance after allowing for interest on tenants capital to arrive at the RV. Then we can see what this represents as a percentage on turnover which could provide a guide that could be expanded and used as a short cut method going forward to arrive at the RV. i.e use a percentage of turnover to arrive at RV.

## **Pub is The Hub Proposals:**

### **RV Relief:**

For Pub is The Hub projects that offer other services such lending libraries, IT hubs, community cafes or village stores we would suggest that these receive more RV relief. Currently there is 100% relief for pubs

where RV is below £12,000 with the relief tapered between £12,001 and £15,000 and we would suggest broadening this. For those operations which provide community services the costs of running these additional services need to be reflected in the RV assessment.

### **Public house diversification-rating support for provision of local services:**

Previous VOA guides on the valuation of public houses for rating have recommended that Pub Is The Hub type schemes of diversification to offer local services or activities within their local area should be encouraged.

In the 2017, the VOA guide on page 27, stated that diversification schemes carried out by publicans may not always generate a significant profit contribution to the business but they provide an important social value and facilities to their local community area.

We have currently seen a substantial increase in local services, such as village stores, being provided by publicans, especially during the Covid-19 lockdown. Publicans should not be penalised for stepping forward to support people in local communities.

### **Turnover rating:**

To conclude we believe it may be fairer with fluctuating changes in trade and competition in licensed property that rates are based on a % of turnover rather than the less flexible FMT, particularly as areas may recover at different speeds following the pandemic effects.

For more information please contact:

Pub is The Hub, chief executive, John Longden on [jlongden@geraldeve.com](mailto:jlongden@geraldeve.com) or Michelle Perrett on [michelleperrett@pubisthehub.org.uk](mailto:michelleperrett@pubisthehub.org.uk)