

Schemes for Reduction and Remission of Non-Domestic Rates

Report by Ian Johnson, Head of Communities and Economy

1.0 Purpose of Report

- 1.1** This report advises Cabinet of new powers granted to local authorities to instigate schemes in their area for the relief of non-domestic rates; and the relevant matters to be considered in contemplating such a scheme.

2.0 Background

- 2.1** As its name suggests, non-domestic rates are levied on business, commercial and retail premises. The rates are set nationally. Local authorities collect the rates and place these in a 'national pool', following which they are distributed back to the local authorities. Virtually all business/commercial/retail premises pay rates, although there are some exceptions, such as small business premises below a certain rateable value, and charity shops.

- 2.2** Section 140 of the Community Empowerment (Scotland) Act 2015 provides for "*Schemes for reduction and remission of non-domestic rates*". Neither the Act nor the accompanying Explanatory Notes indicate the reasons or circumstances under which a scheme would be considered; other than a reference to "*schemes which may be defined by categories of property, areas, activities or any other matter.*" However, it is reasonable to assume that the basis for most schemes would be to promote economic development.

- 2.3** Councils appear to have been cautious in considering the use of those new powers. At the time of preparing this report, the only known example is the introduction by Perth and Kinross Council of a scheme of rates relief to support businesses in the centre of Perth.

3.0 Considerations

- 3.1** In Midlothian the most likely reasons to consider the introduction of a scheme would revolve around support for business, attracting inward investment, and promoting town centre regeneration; all as part of the Council's overall strategy of boosting economic growth. The Council already has a range of measures and actions which are used to pursue this strategy. They include:-

- i) Direct advice and support through the Business Gateway service;
- ii) Business loans of up to £50,000 (and in limited cases to £100,000);

- iii) The provision of Council-let industrial, business and retail premises;
- iv) supportive planning policies;
- v) Townscape Heritage Initiatives and Conservation Area Regeneration Schemes in town centres;
- vi) Business Improvement Districts;
- vii) Regional Selective Assistance to encourage inward investment;
- viii) Enterprise Areas (such as at the Biocampus, Easter Bush); and
- ix) Simplified Planning Zones.

3.2 In contemplating any scheme of non-domestic rates relief there are a number of matters that it would be relevant to consider and assess:-

- i) Clarity of purpose and clearly defined intended outcomes;
- ii) The actual effectiveness of any such scheme in achieving those outcomes;
- iii) A check on the consistency of approach across the Council area;
- iv) The operational demands of the scheme on the Council;
- v) Any unintended consequences arising from the scheme which could detrimentally impact on areas or activities outwith the scheme; and
- vi) The likely impact on businesses when the period of the scheme ends and rates are then charged.

3.3 A further key consideration is the financial impact on the Council of a scheme. The Explanatory Notes which accompany the Act state,

“Section 140(2) amends Schedule 12 of the Local Government Finance Act 1992 (payments to local authorities) to ensure that the arrangements for pooling income from non-domestic rates and funding of rating authorities will accommodate and remain unaffected by the authority’s power to create relief schemes, so that any loss of income from non-domestic rates incurred by the scheme must be funded from the local authority’s wider budget.”

Therefore, in drawing up a scheme, the Council would need to quantify the direct costs to the Council of meeting the non-domestic rates charges for the exempted premises. It would also need to consider whether incurring those costs was not only acceptable in budgetary terms, but that it was demonstrably effective in enabling the overall economic development outcomes of the scheme to be achieved.

3.4 In assessing the merits of any potential rates relief schemes in Midlothian the state of the local economy is relevant in considering the level of impact it would have in supporting those economic outcomes. Whilst there remain significant issues facing the Midlothian economy it is, in relative terms, performing well and improving. The number of registered enterprises in Midlothian has increased by around 15% between 2010 and 2016. The unemployment rate is reducing (currently 4.1%) and is below the average for Scotland (4.9%) (at September 2016). Data for 16-19 year olds who have positive destinations has improved to stand at 88.7% (August 2016).

Occupancy rates on the Council's industrial estates are at 96% (mid 2016) with a ready list of potential occupiers for premises that became vacant. There has been a steady increase in business start ups, as well as in the survival rates for start ups. In terms of town centre vacancy rates the more concerning is Penicuik, but the effects of the new Business Improvement District and the forthcoming investment through Townscape Heritage Initiative, and Conservation Area Regeneration Scheme should result in a notable decrease in the vacancy rate in that town centre.

- 3.5** Accordingly, it is not considered that there are compelling reasons to instigate a scheme within any part of Midlothian at present. However, that position could be kept under review in the context of inevitably changing national trends and local circumstances.

4.0 Report Implications

4.1 Resources

There are no financial implications arising directly from this report. If a scheme were contemplated then the significant financial implications noted in paragraph 3.3 of this report would be particularly relevant.

4.2 Risk

There are no risks arising directly from this report.

4.3 Key Priorities within the Single Midlothian Plan

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

4.4 Impact on Performance and Outcomes

Any scheme to grant non-domestic rates relief would need to be very clear in articulating its specific and measurable outcomes.

4.5 Adopting a Preventative Approach

A scheme could have the potential to reverse town centre decline, and to attract inward investment.

4.6 Involving Communities and Other Stakeholders

Not required in the preparation of this report. However, in keeping the matter under review, and in the preparation of any scheme, relevant and adequate consultations would be required.

4.7 Ensuring Equalities

In the preparation and instigation of any scheme there would need to be a robust equalities impact assessment.

4.8 Supporting Sustainable Development

Any scheme would need to demonstrate how it was contributing to sustainable economic development in Midlothian.

4.9 IT Issues

None arising from this report, although it should be noted that non-domestic rates in Midlothian are collected by the City of Edinburgh Finance Service. Accordingly, any scheme of rates relief in Midlothian would need to be accommodated through the City Council's IT systems.

5.0 Summary

- 5.1** The Community Empowerment (Scotland) Act 2015 grants new powers to local authorities to introduce schemes of reduction and remission of non-domestic rates. The primary value of such schemes would be to support economic development within an area. There would be a number of matters to consider in drawing up a scheme, particularly the financial implications for the local authority itself. At present there is no compelling case for the introduction of a scheme in Midlothian, although that would need to be kept under review.

6.0 Recommendation

- 6.1** Cabinet is recommended to note:-

- i) the relevant provisions of the Community Empowerment (Scotland) Act 2015 which grant powers to local authorities to introduce schemes for the reduction and remission of non-domestic rates within all or parts of their administrative area;
- ii) the matters to be considered in preparing any such scheme; and
- iii) that whilst no scheme is currently proposed, the matter will be regularly reviewed by Council officers, with any scheme proposals submitted to Cabinet for consideration.

Background Papers: None

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