

**PERTH AND KINROSS COUNCIL****Strategic Policy and Resources Committee.****13 September 2017****ASSISTANCE TO BUSINESS OCCUPATION OF KEY  
VACANT PROPERTY IN PERTH & KINROSS THROUGH  
NON DOMESTIC RATES RELIEF****Report by Depute Chief Executive and Chief Operating Officer**

The Council is committed to supporting the growth of existing business and attracting new business into the area and currently provides a range of targeted support and action to encourage the re-use of vacant property as part of the Vacant Property Initiative, primarily via grants for development advice, housing and heritage repair and improvement. This report seeks approval for targeted non-domestic rates relief assistance to further support business expansion or new business investment in certain vacant property in Perth & Kinross on the basis of business need and economic benefits.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 Promoting a prosperous, inclusive and sustainable economy is a key objective of the Council. Significant progress is being made in relation to investment in new and existing infrastructure and property to sustain growth of the city and key settlements. This is complemented by business and employment support, marketing and promotion to encourage innovation, business growth, and inward investment to support key economic sectors and grow the economy. However one of the key challenges facing the Council is how to develop, and return to use, the many long term vacant buildings which are in poor condition and a blight on the area.
- 1.2 Assistance is currently provided locally to support the re-use of key vacant property as part of the Vacant Property Initiative. The Initiative provides assistance to owners towards feasibility studies to determine the viability of proposals for re-use, advice and planning and building standards advice, building and tenant management advice and potential funding via heritage and housing grants. A corporate wide group has been established to prioritise assistance and tackle key vacant properties throughout the area on the basis of potential economic benefit, public risk and condition. This includes the potential use of discretionary powers under the Planning, Building or Housing Acts to protect public safety, undertake works or acquire property where owners are unwilling to act to bring properties back into use. A copy of the list of priority vacant properties is attached indicating, priority, status and current action highlighting those that would benefit from support to encourage business occupation, housing investment or heritage assistance. (Appendix 1). It should be noted that not all of the properties on this list will qualify for the proposals outlined in this report.

- 1.3 Work is currently being progressed to identify potential new business occupiers on the basis of evidence of continued local and visitor expenditure capacity and policy support for investment in new retail, leisure and commercial uses through planning and economic development frameworks.
- 1.4 National and local retail and city and town centre representative bodies, market analysts and agents continue to report on challenging market conditions to sustain and secure new investment in existing property in our city and town centres. The industry suggests that support to reduce business overheads through assistance towards property costs through immediate non-domestic rates relief or funding for repair and improvement would do much to stimulate and encourage business growth and investment, particularly in relation to securing new or expanded retail or commercial leisure offers.
- 1.5 In 2016, the Council took the innovative step of committing to use discretionary powers from Part 11 of the Community Empowerment (Scotland) Act 2015 to assist businesses pending the outcome of the non-domestic rates revaluation in April 2017. These powers allow a local authority to create a scheme to reduce or remit rates by reference to any category or subject, any area, any activity or any other matter provided that the scheme was self-financing by the Council. Relief was targeted to support existing mid-range retail premises in central Perth and surrounding towns but was also made available to new occupiers of long term empty properties where a rateable value of over £65,000 excluded them from relief through the Fresh Start Scheme. (Report No. 516/266 refers)
- 1.6 The number of town centre properties that benefited from this scheme was 93 and the cost to the Council was £127,527.54.
- 1.7 Broadly, the result of the national revaluation was that rateable values of retail premises were reduced to reflect rental values. This resulted in many of those retail properties, that had benefited from the local scheme, now benefitting from the new national framework but with increases in rates on commercial leisure uses. This sector has argued that this is impacting on business overheads reducing profitability and limiting capacity for investment. Support would not have been provided under the previous scheme because of restrictions to assistance to businesses selling alcohol.
- 1.8 There are currently over 350 premises in the commercial leisure sector (i.e. hotels, restaurants, public houses, guest houses and bed & breakfast establishments), with a combined rateable value of over £16m and a gross charge of around £8m.
- 1.9 Many, with rateable value values up to £18,000, will be supported by the Small Business Bonus Scheme and others will see their increases capped at 12.5% (in real terms) under the Scottish Government's Transitional Relief Scheme, in place for financial year 2017/18 only.

- 1.10 Relief remains available from national schemes to those liable for rates on vacant listed buildings and for new occupiers of vacant property via the Fresh Start Scheme for certain properties with a rateable value of up to £65,000.
- 1.11 Both of these relief schemes are deemed to be de-minimus aid under EU State Aid rules and any additional discretionary support given is also likely to be deemed to constitute de-minimus aid.
- 1.12 This means that any such support is limited to a €200,000 equivalent over a three year rolling period.
- 1.13 Support is available to owners to convert vacant property into residential or part residential use via Empty Homes Initiative grant funding and housing development grant funding via the Strategic Housing Investment Plan.
- 1.14 Support is also available to owners of listed buildings for repair and improvement via national grant funding from Historic Environment Scotland and the Heritage Lottery Fund and locally via the Perth City Heritage Fund.
- 1.15 Encouraging and supporting investment in vacant property for a variety of uses is fundamental to achieving sustainable development and growth through the re-use of existing assets. Residential investment and additional housing creates additional local spend on local services. Commercial investment in retail, leisure and offices use supports the retention and growth of existing and new businesses improving property values and rents encouraging further development interest.
- 1.16 Vacant property is also frequently highlighted as a major concern of local communities and re-use important where possible to retain cultural identity and civic pride linking with cultural regeneration initiatives.
- 1.17 Existing support is being provided towards development costs, primarily for housing investment, and towards the repair and re-use of those properties of architectural and historic interest. Providing further support to reduce business overheads associated with property costs through non-domestic rates relief, providing there is demonstrable need taking account of other assistance and a realistic prospect of viable re-use and longer term economic benefits, would help stimulate investment in retail and leisure uses on key eyesore vacant properties.
- 1.18 Agreement is required on the priorities and criteria for future assistance on potential non domestic rates relief to key vacant properties to provide clarity and consistency to assist potential targeting of business growth to respond to current requests for assistance from existing businesses and to those wishing to expand or invest in potential new businesses in these properties.

## **2. PROPOSALS**

- 2.1 The Council has previously been commended for its innovative use of its discretionary powers to assist businesses in Perth city centre and town centres throughout the area through rates relief in advance of the outcome of non domestic rates revaluation effective from 1 April 2017. Many businesses that were supported have benefited from reduced rates following national revaluation and the Transitional Relief Scheme.
- 2.2 There are current live investment enquiries in relation to several of the most important vacant properties. The immediate need for broad area based or thematic relief schemes should therefore be re-assessed within this context. Consideration should be given to more immediate targeted investment aligning with other support measures to maximise impact. There is a need to respond to current specific property opportunities associated with growth and new business investment in these properties in advance of potential national changes if these opportunities are not to be lost.
- 2.3 It is recommended that the following assistance, priorities and criteria are applied in terms of offering non domestic rates relief to those currently wishing to invest in key vacant properties.

### Assistance to be provided

100% rates relief for one year only from date of entry

### Priorities for assistance

Assistance will be targeted to

- Support re-use of key eyesore vacant properties
- Retain and support growing businesses through integration and/or improvement of premises
- Development of new business which improves or extends the retail and leisure market

### Criteria for assistance

Assistance will be provided where there is

- Evidence of ownership and / or tenancy interest in property – the Council require to be satisfied that the applicant has authority to make decisions about improvements to the property.
- Evidence of any other assistance secured via national and local grants and business support.
- Evidence of business need and funding relative to business case, development costs and values and other assistance secured via national and local grants and business support. The provision of an acceptable business plan is crucial to demonstrating the actual business need for awarding the relief.
- Evidence of direct and indirect benefits in relation to re-use of property and the performance of the city or town centres in relation to value and scale of development, employment, expenditure and predicted impact on city and town centre performance. The provision of an economic assessment is crucial to demonstrating the actual benefits to the area of awarding the relief.
- Limited to de-minimus state aid threshold.

- 2.4 100% relief should be available for a maximum of one year only and reviewed thereafter within the context of potential new national relief frameworks and any further immediate local needs that may not be supported through national schemes. Initial estimates suggest that the potential maximum cost of this support would be £100,000 and this can be funded, on a non-recurring basis, from within the existing Revenue Budget of the Environment Service for 2017/18. It is proposed that this sum is therefore earmarked in the Council's Reserves and drawn down as required with future updates to the Strategic Policy and Resources Committee.
- 2.5 It is recommended that the authority to offer the discretionary non-domestic rates relief set out in this report be delegated to the Depute Chief Executive & Chief Operating Officer to consider applications on a case by case basis.

### **3. CONCLUSION AND RECOMMENDATIONS**

- 3.1 The Council is committed to supporting the growth of existing business and attracting new business into the area and currently provides a range of support and action to encourage the re-use of key vacant property in a poor condition as part of the Vacant Property Initiative.
- 3.2 Evidence suggests that support to reduce business overheads through assistance towards property costs through immediate non domestic rates relief would help secure business growth and current investment interest in key eyesore vacant property and complement other support for housing investment and repair and improvement.
- 3.3 This report seeks approval for targeted non domestic rates relief assistance for one year to support business expansion or new business investment in decaying vacant property in Perth & Kinross where there is demonstrable evidence of need and economic benefits.
- 3.4 It is recommended that the Council agree to
- i) Provide non domestic rates relief support for up to one year during Financial Year 2017-18 for growth of existing business and attracting new business in key vacant properties in a poor condition according to the priorities and criteria for assistance contained in this report.
  - ii) Delegate authority to the Depute Chief Executive & Chief Operating Officer to assess and agree requests for assistance for rates relief on the basis of the priorities and criteria for assistance contained in this report.
  - iii) Note that support will be reviewed thereafter within the context of national relief frameworks and local needs.
  - iv) Note that proposed funding of £100,000 will be met from the 2017/18 Environment Service Revenue Budget and earmarked within the Council's Reserves to be drawn down as required.

**Author(s)**

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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Jim Valentine	Depute Chief Executive and Chief Operating Officer	4 September 2017

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## IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes/None</b>
Community Plan / Single Outcome Agreement /Perth City Plan	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>None</b>
Asset Management (land, property, IST)	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>None</b>
Strategic Environmental Assessment	<b>None</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>None</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

- 1.1 The Perth and Kinross Community Plan / Single Outcome Agreement in terms identifies the following priorities:
- (i) Giving every child the best start in life
  - (ii) Developing educated, responsible and informed citizens
  - (iii) Promoting a prosperous, inclusive and sustainable economy
  - (iv) Supporting people to lead independent, healthy and active lives
  - (v) Creating a safe and sustainable place for future generations
- 1.2 The activities contribute to the Community Plan's strategic objectives of 'Promoting a prosperous, inclusive and sustainable economy', and a 'Safe Welcoming Environment' and the outcomes of 'a thriving, expanding economy' and 'employment opportunities for all'.

#### Corporate Plan

- 1.3 Perth and Kinross Council Corporate Plan 2013/2018 sets out five strategic objectives:
- (i) Giving every child the best start in life;
  - (ii) Developing educated, responsible and informed citizens;
  - (iii) Promoting a prosperous, inclusive and sustainable economy;
  - (iv) Supporting people to lead independent, healthy and active lives; and
  - (v) Creating a safe and sustainable place for future generations.

- 1.4 This report relates to Objective No (iii) 'Promoting a prosperous, inclusive and sustainable economy' and the outcome of 'Thriving, expanding economy' by encouraging and supporting business growth and Objective No (v) 'Creating a safe and sustainable place for future generations'.

## **2. Resource Implications**

### Financial

- 2.1 Revenue funding of £100,000 will be met within the Environment Service Revenue Budget and earmarked within the Council's Reserves to be drawn down as required.

### Workforce

- 2.2 There are no workforce implications arising from the recommendations of the report.

### Asset Management

- 2.3 There are no asset management implications arising from the recommendations of the report.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA.

### Strategic Environmental Assessment

- 3.3 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS). The proposals have been considered under the Act and will have no or minimal environmental effects, it is therefore exempt and the SEA Gateway has been notified. The reason(s) for concluding that the PPS will have no or minimal environmental effects is that it is part of a strategic approach to invest in the re-use of property assets as part of broader collaborative action via the Perth City Plan and economic development frameworks and approved resource allocations which have already been assessed.



### Sustainability

- 3.4 The proposals have been considered under the provisions of the Local Government in Scotland Act 2003 and the Climate Change (Scotland) Act 2009 using the Integrated Appraisal Toolkit and will contribute to the sustainable development of Perth and Kinross.

### Legal and Governance

- 3.5 No issues as the proposals will use established legal frameworks for assistance.

### Risk

- 3.6 Risks and the controls required to mitigate any risks will be managed through proposed priorities and criteria for assistance.

## **4. Consultation**

### Internal

- 4.1 The Heads of Legal and Governance, Democratic Services and Finance have been consulted in preparation of this report.

## **5. Communication**

- 5.1 Communications promoting opportunities for participation will be undertaken via Perth City Centre Management media channels and Invest in Perth programme.

## **2. BACKGROUND PAPERS**

Report to Strategic Policy and Resources Committee, 15 June 2016, Rates Relief, Use of Community Empowerment Act 2015 to Expand Provisions of Small Business Bonus and Fresh Start Schemes (Report No. 16/266)

## **3. APPENDICES**

Appendix 1 – List of Vacant Properties