

## PERTH AND KINROSS COUNCIL

## 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 by the Depute Chief Executive, Environment  
(Sustainability, Strategic and Entrepreneurial Development) and  
the Head of Finance**

This report outlines potential immediate actions to support Perth city centre in respect of potential rates relief following requests for assistance by the business community. Approval is sought for rates relief to support businesses in town centres and Perth City centre

**1. BACKGROUND**

- 1.1 Perth and Kinross is an area of Scotland which despite the economic challenges being faced across the United Kingdom performs well, in many areas, alongside its comparators.
- 1.2 However one area which is facing significant challenges is retail, as pressure grows on individual consumers budgets and shopping patterns evolve in the new digital age.
- 1.3 As city and town centres evolve and adapt to a new model of retail this may bring pressures resulting in reduced margins on goods for sale and overall lower consumer expenditure levels than in the past. These issues have been raised in the regular meetings the Council have with retailers across the area.
- 1.4 Current levels of business rates and rents have not necessarily adjusted to reflect current consumer expenditure patterns resulting in high business overheads relative to income generated squeezing margins and profitability although measures already exist to provide support in certain circumstances and opportunities exist to offer further assistance.

**Business Rates Overview and Powers to Award Relief**

- 1.5 The Community Empowerment (Scotland) Act 2015 allows a Local Authority, in accordance with a scheme made by it, to reduce or remit any rates leviable by it by reference to;
  - Such categories of lands and heritages as may be specified in the scheme,
  - Such areas as may so be specified,
  - Such activities as may be so specified
  - Such other matters as may be so specified.

- 1.6 Any reductions must be fully funded by the Local Authority therefore any scheme created to reduce or remit rates must have regard to the authority's expenditure and income and the interests of persons liable to pay council tax set by the authority.
- 1.7 From liaison with other Local Authorities it appears that there is no current use of these powers to introduce Rates relief schemes. It is believed that this is primarily due to financial constraints.
- 1.8 It should also be noted that any such relief may be considered to be state aid and, if so, will be subject to the maximum total award of all state aid received of €200,000 sterling equivalent in a three year rolling period.
- 1.9 The creation of any scheme must be set in the context of rates relief measures already in place, and should therefore be seen as a measure of additional support.
- 1.10 The support provided to ratepayers through current business rates relief measures is detailed in **Appendix A**.
- 1.11 A more comprehensive document is contained within Scottish Government Finance Circular No. 5/2016, issued 31 May 2016, available at;  
<http://www.gov.scot/Topics/Government/local-government/17999/11203/nondomratesinfo>
- 1.12 The amount of Non-Domestic Rates collected for Financial Year 2015/16 was £52,593,985.06, being 98.04% of the total sums billed.
- 1.13 There will be a Non-Domestic Rates revaluation taking effect from 01 April 2017 with Rateable Values being set using rental evidence from 2015. The last such revaluation was carried out in 2010 meaning that current rateable values have been set using information from 2008.
- 1.14 The purpose of the revaluation is to redistribute the rates burden to reflect changes in market conditions. This may mean that this will see a rateable value reduction for properties in the city or town centre retail sector.
- 1.15 However it should be noted that there may be a rise in the rate poundage and the potential ending or changes to certain relief types and qualifying criteria, such as rateable value thresholds, may mean that the reduction in amounts payable may not be as significant as hoped.
- 1.16 There is also the potential for a transitional relief scheme to be introduced and this may restrict or phase in any reductions in rates liability.
- 1.17 Due to uncertainty of rates charges beyond 31<sup>st</sup> March 2017, given the anticipated changes to the rating system next year, any scheme proposed within this report is to be for Financial Year 2016/17 only.

## **Rates Relief for Perth City Centre**

- 1.18 As any scheme for Rates relief under The Community Empowerment Act 2015 must be fully funded by the Council it would not seem reasonable, giving regard to the Council Tax payers, to introduce any blanket policy where relief is given to all businesses.
- 1.19 In order to understand the take-up of current relief schemes and identify where relief would be most appropriate and effective, analysis of the Perth City Centre ratepayers has been undertaken using the broad City Centre area within what is commonly referred to as the “inner ring”.
- 1.20 This area has been selected in order to include and support as many businesses as possible.
- 1.21 A map showing the area within the scope of the proposal is attached as **Appendix B**
- 1.22 This analysis has been undertaken with the aims of;
- Providing support for existing businesses
  - Encouraging occupation of empty properties
- 1.23 There are difficulties in providing general support measures for City Centre businesses with the challenge being to ensure that support is given to those who need it most.
- 1.24 From the analysis undertaken it seems clear that the Small Business Bonus scheme gives a good degree of financial protection to those with rateable values up to £12,000 and those at the higher end of the valuation spectrum are well established High Street names where financial support from Council Tax payers may not be viewed as being appropriate.
- 1.25 This leaves a core of properties with a range of rateable values from £12,000 to around £25,000/£30,000, which appear to be predominately occupied by medium sized independent businesses that, due to their City Centre location (and corresponding rateable value) are only supported with 25% relief or none at all. This is thought to be the key group that the Council should be looking to support to assist to remain in occupation.
- 1.26 For illustrative purposes, the address and rateable value of a small selection of city centre premises is given below;

Type of Premises	Address	Rateable value
Shop	10 George Street, Perth	£12,600
Shop	10 St John’s Place, Perth	£14,800
Shop	196 High Street, Perth	£17,100
Restaurant	33 George Street	£19,200
Shop	12a St John’s Centre, Perth	£26,500
Shop	8 King Edward Street, Perth	£34,500

### **Rates Relief for other towns within Perth & Kinross**

- 1.27 While the main call, so far, has been to offer support to Perth city centre properties, any scheme introduced may create demand from other town centre businesses for similar support.
- 1.28 Further analysis has been carried out to consider where the above proposals should be extended into the towns of;
- Aberfeldy
  - Alyth
  - Auchterarder
  - Blairgowrie
  - Coupar Angus
  - Crieff
  - Dunkeld
  - Kinross
  - Milnathort
  - Pitlochry
- 1.29 From this analysis it appears that restrictions upon relief are also having an impact in these areas therefore it is believed to be appropriate to extend similar support for Perth City Centre into these town centres.

### **Proposals for Expansion of Small Business Bonus Scheme**

- 1.30 It is proposed that the Council use its discretionary powers to enhance the principles of the Small Business Bonus Scheme, for occupied retail properties within the defined area, from the following options;
- 1.31 In all proposals it must be stressed that numbers are an estimate only, based on current relief take up and valuations. As rates liability and thereby entitlement to relief can change on a daily basis these figures cannot be guaranteed.
- 1.32 In all instances, relief under existing national schemes would be considered before making any discretionary award under any of the proposed options.
- 1.33 For these proposals it is recommended that the cumulative rateable value aspect that exists within the Small Business Bonus scheme to restrict it to smaller independent ratepayers is retained, and this is assumed in the calculation for each option.
- 1.34 The Small Business Bonus scheme cannot be awarded where pay day lending takes place and it is proposed that this discretionary enhancement retains this condition.

- 1.35 It is further recommended that any discretionary scheme taken forward is for occupied retail premises and specifically excludes premises where off-sales, the sale of legal highs, bookmaking or gaming, i.e. arcades take place.
- 1.36 The Council may also wish to consider the exclusion of any other business activity where it feels financial support cannot be justified. It is therefore requested that powers to exclude any such business from any rates relief scheme are delegated the Depute Chief Executive, Environment.
- **Proposal 1** - Top up existing awards of 25% Small Business Bonus with further relief, under one of the following options;
    - Option a) a 20% top-up
    - Option b) a 15% top-up
    - Option c) a 10% top-up
    - Option d) a 5% top-up

It is estimated that this may provide additional support to approximately 200 businesses.

Overview of Proposal 1			
Description	Option	Top-Up Amount	Approximate Maximum Cost
Provide a “top-up” to those already receiving 25% relief through the Small Business Bonus Scheme.	a)	20%	£240,000
	b)	15%	£180,000
	c)	10%	£120,000
	d)	5%	£60,000

- **Proposal 2** - Award relief to properties, that are not eligible for any other form of relief, with a rateable value between £18,000 and £25,000, under one of the following options;
  - Option a) a 20% award
  - Option b) a 15% award
  - Option c) a 10% award
  - Option d) a 5% award

It is estimated that this may provide support to approximately 85 businesses.

Overview of Proposal 2			
Description	Option	Relief Amount	Approximate Maximum Cost
Consider Relief where rateable value is above £18,000 up to a maximum of £25,000, subject to ratepayers' cumulative total rateable value limit of £35,000.	a)	20%	£172,000
	b)	15%	£129,000
	c)	10%	£86,000
	d)	5%	£43,000

- **Proposal 3** Award relief to properties, that are not eligible for any other form of relief, with a rateable value between £25,000 and £30,000, under one of the following options;
  - Option a) a 20% award
  - Option b) a 15% award
  - Option c) a 10% award
  - Option d) a 5% award

It is estimated that this may provide support to approximately 35 businesses.

Overview of Proposal 3		
Description	Relief Amount	Approximate Maximum Cost
Consider Relief where rateable value is above £25,000 up to a maximum of £30,000, subject to ratepayers' cumulative total rateable value limit of £35,000.	20%	£92,000
	15%	£69,000
	10%	£46,000
	5%	£23,000

- 1.37 From the proposals outlined above, in relation to the expansion of the Small Business Bonus Scheme, it is recommended that the Council select each of the following options, for all qualifying premises;

- **Proposal 1**
  - Option a) – Top-up of 20% - Maximum Cost £240,000
- **Proposal 2**
  - Option a) – Award of 20% - Maximum Cost £172,000
- **Proposal 3**
  - Option a) – Award of 20% - Maximum Cost £92,000

- 1.38 Overall total maximum cost for all proposals to expand provisions of the Small Business Bonus Scheme of £504,000.
- 1.39 Putting this into context for the properties listed in 1.27 above, this would provide the following financial support;

Type of Premises	Address	Rateable value	Recommended Relief Award
Shop	10 George Street, Perth	£12,600	Top-up of £1,219.68 taking total relief to £2,744.28
Shop	10 St John's Place, Perth	£14,800	Top-up of £1,432.64 taking total relief to £3,223.44
Shop	196 High Street, Perth	£17,100	Top-up of £1,655.28 taking total relief to £3,724.38
Restaurant	33 George Street, Perth	£19,200	Award of £1,858.56
Shop	12a St John's Centre, Perth	£26,500	Award of £2,565.20
Shop	8 King Edward Street, Perth	£34,500	No Award

### Expansion of Fresh Start (Empty Properties) Scheme

- 1.40 For empty properties, some support is already available through statutory relief schemes such as Small Business Bonus and Fresh Start, and entitlement to any such relief would be considered for incoming occupants as a matter of course.
- 1.41 There is positive news in that there are relatively few empty properties in the designated city centre and town centre areas, however the few that there are tend to be very large, i.e. St John's Centre units, therefore difficult to reoccupy.
- 1.42 The existing Fresh Start scheme is sound in principal, offering 50% relief to new occupants of previously empty properties, but its parameters of a property having to be empty for a full year and having a rateable value of £65,000 or less do not help address city or town centre issues where a quicker turnover is important and properties often exceed the valuation threshold.
- 1.43 There is therefore scope to use discretionary powers to expand the principals of the scheme by awarding 50% relief for the new occupier of any previously empty property within the designated areas, regardless of rateable value.
- 1.44 There is also scope to reduce the time that a property has lain empty to qualify for relief. However it is felt that there should be some set time limit to avoid misuse of the scheme where a business may close with a connected

business immediately replacing it. A practice sometimes referred to as “Phoenixing Companies”.

- 1.45 Please note that there is no recommendation to provide additional relief for empty properties, the relief is for new occupants only.
- 1.46 As with the proposed expansion of the Small Business Bonus Scheme, the following proposals are for premises used for retail purposes excluding any premises where off-sales, the sale of legal highs, bookmaking or gaming, i.e. arcades take place
- 1.47 For off-sales, this relates to premises where off-sales are a substantial part of the business and does not include premises where small amounts are sold as gifts or similar.
- 1.48 The Council may also wish to consider the exclusion of any other business activity where it feels financial support cannot be justified. It is therefore requested that powers to exclude any such business from any rates relief scheme are delegated the Depute Chief Executive, Environment.
- 1.49 As with Proposal 1 the option presented are for awards of relief during Financial Year 2016/17 only.

### **Proposal for Expansion of Fresh Start Scheme**

- 1.50 It is proposed that where a property cannot access relief under the Small Business Bonus Scheme due to having a rateable value exceeding £18,000 and cannot access Fresh Start relief as it either has a rateable value in excess of £65,000 or has not been empty for a full 12 months, discretionary relief is considered.
- 1.51 It is further proposed that any such relief is awarded for a maximum period of 6 months, starting on the day of occupation and ending no later than 31 March 2017.

Overview of Proposal 2		
Description	Relief Amount	Approximate Maximum Cost
Award 50% relief for a maximum of 6 months to properties that are out with the qualifying thresholds for Small Business Bonus or Fresh Start relief	50% for a maximum of 6 months	£116,000

- **Option 1** – Relief considered for eligible new occupants of any property within the defined area that has been empty for a minimum period of 42 days.

Please note that “occupants” assumes that some form of new retail business is carried out and this relief will not be awarded where an empty property simply changes hands.

- **Option 2** – As option 1 but restricted to new occupants/businesses that do not already have a presence within the city/town.

It should be noted that the maximum cost assumes reoccupation of all properties and it is estimated that the actual cost is likely to be nearer £50,000

- 1.52 It is recommended that the Council select Option 1 on the grounds that it provides greater potential for reoccupation.

## **2. FINANCIAL IMPLICATIONS**

- 2.1 As stated earlier within this document, unlike other discretionary rates relief schemes, the Council must fully fund any scheme introduced under the provisions of the Community Empowerment Act 2015.

- 2.2 The potential maximum costs of the recommendations contained within this report are as follows;

- Expansion of the Small Business Bonus Scheme

- Proposal 1 = £240,000
- Proposal 2 = £172,000
- Proposal 3 = £92,000

- Total = £504,000

- Expansion of Fresh Start Scheme = £116,000

Total estimated maximum cost = £620,000

- 2.3 In order to fund these initiatives, it is proposed that £620,000 of additional Council Tax income collected in 2015/16 be earmarked within the 2015/16 Unaudited Annual Accounts and utilised in the current financial year. The 2015/16 Unaudited Annual Accounts will be considered by the Audit Committee on 29 June 2016.

- 2.4 It is reiterated that all figures are maximum cost estimates based on current rateable values and relief awards already in place.

- 2.5 It is recommended that the cost of any awards made under the proposed scheme is reported to Committee along with all other discretionary rates relief awarded for Financial Year 2016/17 by September 2017.

### **3. RISKS AND CHALLENGES**

- 3.1 There are a number of risks inherent with any discretionary relief scheme.
- 3.2 In particular there is the likelihood of a challenge from those just out with the parameters of the scheme either geographically or by virtue of the rateable value of the premises they own or occupy.
- 3.3 It should therefore be clear that we are proposing a scheme that is set within such defined boundaries and no discretion should be introduced to accommodate those who do not meet the given criteria.
- 3.4 There is a further risk that businesses will seek further support should the 2017 revaluation exercise not provide the outcome that they hope for.
- 3.5 Again it should be made clear that the proposed scheme is for Financial Year 2016/17 only.

### **4. CONCLUSION AND RECOMMENDATION**

- 4.1 It is acknowledged there is potential to assist many businesses in the short term and to encourage broader investment through the reduction of rates.
- 4.2 It is recommended that the Strategic Policy and Resources Committee agree to:-

- (i) The proposals outlined above, namely;
  - a. Expansion of the Small Business Bonus Scheme by;
    - i. Awarding a further 20% relief to those currently receiving 25% relief through the existing scheme
    - ii. Award, where eligible, 20% to those with a rateable value of up to £25,000
    - iii. Award, where eligible, 20% for those with a rateable value up to £30,000
  - b. Expansion of Fresh Start Scheme to all Perth City Centre and town centre properties that have been empty for a minimum of 42 days and who are out with the scope of existing rates relief schemes.
- (ii) In doing so, the Committee is asked to approve the earmarking of £620,000 in the 2015/16 Unaudited Annual Accounts to fund Non Domestic Rates measures in 2016/17.
- (iii) Delegate powers to exclude any business from any rates relief scheme to the Depute Chief Executive, Environment.

**Author(s)**

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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Jim Valentine	Depute Chief Executive, Environment (Sustainability, Strategic & Entrepreneurial Development)	7 June 2016

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	
Community Plan / Single Outcome Agreement	<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>Yes</b>
Legal and Governance	<b>None</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

- 1.1 The Perth and Kinross Corporate Plan has five outcomes which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. The following are relevant to this report:

- Developing a prosperous, inclusive and sustainable economy
- Creating a safe and sustainable place for future generations

### 2. Resource Implications

#### Financial

- 2.1 The financial implications are detailed within the body of the report.

#### Workforce

- 2.2 There are no direct workforce implications regarding this report. Administration of any scheme(s) brought forward will be carried out by existing staff resources.

#### Asset Management (land, property, IT)

- 2.3 None.

### 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 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 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. However, no action is required as the Act does not apply to the matter presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

#### Sustainability

- 3.4 These proposals meet the following sustainability criteria: -
- Re-use of existing resources.

#### Legal and Governance

- 3.5 The Head of Legal Services has not been consulted as there are no direct legal implications of this report.

### 4. Consultation

#### Internal

- 4.1 The Finance and Support Services, Head of Legal Services have not been consulted on this report.

#### External

- 4.2 No external parties have been consulted in the preparation of this report but it has been informed.

## **5. Communication**

- 5.1 Enhanced communication is required to ensure strategy and actions are understood and there is business input and opinion via the City Development Board

## **2. BACKGROUND PAPERS**

Perth City Centre Update Report - Enterprise and Infrastructure Committee, 20 January 2016 (Report No. 16/3, Art. No. 27).