
Report To:	Environment & Regeneration Committee	Date:	14th January 2016
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	FIN/01/16/AP/CM
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Subject:	Business Rates – Community Empowerment (Scotland) Act 2015		

1.0 PURPOSE

- 1.1 The purpose of the report is to advise Committee of new power that came into effective on the 31st October 2015 regarding the ability of Local Authorities to devise schemes which reduce rates levied by them within their Council area.

2.0 SUMMARY

- 2.1 The Community Empowerment (Scotland) Act 2015 contains provision which allows Councils to develop schemes to reduce or eliminate Non-Domestic Rates levied by them from 2015/16.
- 2.2 The Scottish Government has confirmed that such schemes are to be administered and funded locally and will be operated in addition to current national rate relief schemes and the centrally set national poundage rate.
- 2.3 The legislation advises that before exercising the power to offer local rates relief, the Local Authority must have regard to the interest of persons liable to pay Council Tax set by the Authority and given the current financially challenging environment within which the Council is operating then any scheme will need to be carefully targeted. As an indication a 1% reduction in the amount of Non-Domestic Rates levied within Inverclyde would cost £282,000 whilst a 1p reduction in the Non-Domestic Rates poundage would cost £593,000.
- 2.4 Further matters which the Council would need to consider prior to implementing a targeted Non-Domestic Rate Relief Scheme would include:-
- The expected impact of the Scheme on the local economy, including any local displacement.
 - Whether the level of funding lost as a result of the Non-Domestic Rates Relief Scheme could be better targeted if allocated for general economic development/regeneration initiatives.
 - How such a scheme would be funded.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Committee note the contents of this report and the proposals contained in the Community Empowerment (Scotland) Act 2015.
- 3.2 It is recommended that the Committee note that officers will bring an appropriate report back for Committee consideration in the event that there is an economic requirement which would benefit from such a scheme which cannot be dealt with through existing business support schemes.

4.0 BACKGROUND

- 4.1 The Community Empowerment (Scotland) Act 2015 contains a statutory provision which allows Local Authorities to develop schemes to reduce or eliminate Non-Domestic Rates levied by them from 2015/16 and any subsequent year. The Scottish Government recently announced that this legislation would come into effect from 31st October 2015 and mirrors a similar announcement, announced by the Chancellor for England.
- 4.2 At present Councils in Scotland levy and collect Non-Domestic Rates on behalf of the Scottish Government and are guaranteed a level of income as part of the overall Local Government Grant Settlement.
- 4.3 The Council operates a number of mandatory and discretionary relief schemes on behalf of the Government and has a Non-Domestic Rates Relief budget of £110,000 which is largely used to provide discretionary relief to registered charities.

5.0 NEW STATUTORY PROVISION

- 5.1 Part 11 of the Community Empowerment (Scotland) Act 2015 allows Local Authorities to devise schemes which reduce or eliminate Non-Domestic Rates charged by them from 2015/16 and for any subsequent year. This allows Councils to create localised relief schemes to respond to local needs and demands.
- 5.2 It should be noted that such schemes are to be administered and funded locally and operate in addition to current national rate relief schemes and centrally set national poundage rate. There is no power for a Local Authority to levy additional rates on any property or rate payer.
- 5.3 Legislation advises that before exercising the power to offer local rates relief the Local Authority must have regard to the interests to persons liable to pay Council Tax set by the Authority.
- 5.4 The current financial climate makes the funding of any relief offered use these provisions challenging and as an example a 1% reduction in Non-Domestic rates relief would cost the Council approximately £282,000 whilst a 1p reduction in the rate poundage would cost the Council £593,000. Therefore to make a material difference to specific businesses then any relief scheme would need to be closely defined.
- 5.5 In addition to the significant financial challenges in implementing such a scheme the Council would need to consider other factors including:-
 - a) Whether providing Non-Domestic Rates Relief is the best form of business support which the Council could provide or whether a similar level of funding targeted at different economic development initiatives could have a higher impact.
 - b) Whether providing support to a small geographical location could have an adverse impact on other geographical areas within Inverclyde.
- 5.6 Examples which officers are aware of other Councils considering include:-
 - a) Targeting local businesses (no national chains) who do not benefit from the small business bonus scheme (SBBS).
 - b) Targeting specific business sector such as the Post Offices and Chemists who provide local services within a specific geographical area.
 - c) Targeting a specific geographical area to encourage business regeneration and growth.
 - d) Granting relief to local businesses who pay the living wage.
- 5.7 The Council through economic interventions, supports local businesses with products which include development grants and loans for Business Development and Property Development. Whilst these products are available year round, in times of hardship access to these products would normally be maximised to supplement business activity. In the case of the West of Scotland Loan Fund loans of up to £100,000 can be obtained for a variety of uses including

working capital. Any intervention has to consider State Aid and displacement issues. As part of the health check carried out by Economic Development Officers during times of hardship there have been recent examples where businesses have been able to maximise NDR rates relief by re-profiling their operational space requirements whilst working with Renfrewshire Joint Valuation Board. It is only after these considerations have been exhausted that hardship relief is considered.

6.0 IMPLICATIONS

6.1 Finance

There are no financial implications unless the Council approves a localised relief scheme.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
N/A					

6.2 Legal

The proposals within this report outline a new statutory provision contained in the Community Empowerment (Scotland) Act 2015.

6.3 Human Resources

There are no HR implications arising from this report.

6.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

6.5 Repopulation

The recent Scottish Government legislations provides a further economic regeneration tool for Councils however detailed consideration would be required prior to any scheme being developed to ensure that the expected benefits from the scheme outweighs the impact of further budget cuts required in order to fund the scheme.

7.0 CONSULTATIONS

7.1 This report has been produced in consultation with the Chief Financial Officer, the Revenues and Customer Services Manager and the Head of Regeneration and Planning.

8.0 LIST OF BACKGROUND PAPERS

8.1 Community Empowerment (Scotland) Act 2015.