Renfrewshire Council

To: **Council**

On: **29 September 2016**

Report by: **Director of Development and Housing Services**

Heading: **Scottish Government's Review of Business Rates**

1. Summary

1.1 Renfrewshire Council has been offered the opportunity to submit representations to the Scottish Government's recently announced Review of Business Rates led by Ken Barclay, and also to provide comments to a consultation in the 2017 Non-Domestic Rating (NDR) revaluation, possible transitional arrangements. The proposed submissions from the Council are attached. Annex 1, is the proposed response to the review led by Ken Barclay, this focuses on some of the key town centre regeneration issues facing the authority and makes recommendations to the Government Panel in terms of how the business rates system could be used to attract new investment to and reduce existing levels of vacancy within Renfrewshire's town centres. Annex 2, provides the proposed response to the 2017 NDR revaluation, possible transitional arrangements.

2. Recommendation

2.1 It is recommended that the Council:-

i. Approves the consultation responses from Renfrewshire Council as detailed in Annex 1 and Annex 2 attached and agrees that the responses be made publicly available via the Government's website.

3. Background

3.1 In July 2016 the Scottish Government announced it was setting up an expert Panel (led by Ken Barclay) to examine, enhance and reform the present business rates system in Scotland. The Panel have called for submissions to inform their review and wish to receive comments by 7 October 2016. The Panel will report to Scottish Government in July 2017.

3.2 The request for submissions to the Panel asks respondents to consider a number of points:

- How your suggestion will support business and investment;
- Whether the impact will be universal or sector / region specific;
- If it will carry a cost to the Scottish Government and how this could be met from within the rating system;
- Whether your suggestion will reduce or increase costs for some or all ratepayers;

3.3 The basis of the review by Government is for solutions to be devised that are cost neutral i.e. if they carry a cost to the current level of business rate revenue then the cost of this could be met from within the rating system.

3.4 The Community Empowerment (Scotland) Act 2015 (which came into force on 31st October 2015) allows for local authorities to approve a local relief scheme which reduces or remits any rate leviable by it in respect of non-domestic property. However, the regulations are clear that any loss of income from non-domestic rates as a result of implementing a local relief scheme must be funded from the Council's wider budget.

3.5 Officers are currently assessing the financial implications if such a local rate relief scheme was applied in Renfrewshire, potentially linked to the Council’s town centre strategies.

3.6 The proposed revaluation of Scottish Business Rates (postponed from 2015) is planned to go ahead from April 2017. This review process sits separate from that process.

---

4. Glasgow City Region

4.1 We understand that Glasgow City Region (GCR) Cabinet intend to also make a submission to the Government’s review. It is anticipated that this submission will focus principally on the existing business rates system as it applies to vacant industrial and commercial property. In April 2016 the Government amended the system to make empty commercial properties liable for 90% of their applicable business rates after the first 3 months (previously vacant industrial buildings did not pay business rates).

4.2 We understand the GCR response will make reference to potential implications if this issue is not addressed in the Governments review, including:

- Suppression of speculative developments;
- Increased demolition of older properties;
- Risk of increased rental rates;
- Constraints on economic growth;

---

5. **2017 Non-domestic rating revaluation - consultation on possible transitional arrangements**

5.1 The above consultation was issued on 16 August 2016 with responses due by 11 October 2016. The consultation seeks views on whether, following the revaluation taking effect from 1 April 2017, there should be a period of transitional relief in order for businesses to manage the impact of any large changes in their rates bill.

5.2 Transitional relief is not a government subsidy – it is funded entirely by businesses through their rates payments. So, while those businesses who have an increase in their rates bill would see this phased in over a specified period, businesses who have a reduction in their rates bill would not receive the full benefit of this reduction until the end of the phasing period.

---

6. Proposed comments

6.1 The Council's proposed responses are attached at Annexes 1 and 2 to this report.

Implications of the Report

1. **Financial** – No financial implications as a result of this report. Will depend on outcomes of Scottish Government's Business Rates Review.

2. **HR & Organisational Development** – None

3. **Community Planning –**

Community Care, Health & Well-being – None

Jobs and the Economy – Changes to the business rates system in Scotland could have a positive impact on the current levels of vacancy of commercial property in Renfrewshire and may result in increased investment and additional employment.

Safer and Stronger – Reducing vacancy in commercial properties could lead to citizens having a more positive attitude to their community.

4. **Legal** – None

5. **Property/Assets** – None

6. **Information Technology** - None

7. **Equality & Human Rights**

   The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – None

9. **Procurement** – None

10. **Risk** – None as a result of this report

11. **Privacy Impact** - None

List of Background Papers
None

Author: Alasdair Morrison, Head of Regeneration
Tel: 0141 618 4664, email: alasdair.morrison@renfrewshire.gov.uk

Annex 1

Scottish Government - Barclay Review of Business Rates 2016

<u>Response on behalf of Renfrewshire Council</u>

29 September 2016

Renfrewshire Context

1. The regeneration of Renfrewshire's town centres is one of the Council's top priorities and we are committed to encouraging higher levels of investment in its town centres. One of the objectives that have emerged from this is strategies to reduce the level of vacancy of both commercial and residential properties in each of the town centres. The average vacancy rate in Scottish town centre is about 10% of all retail units. Renfrewshire has some town centres which are well below this average and some which have higher rates of vacancy.

2. Renfrewshire currently has some 6,310 properties that are subject to a business rates valuation.

3. In 2015/16 the Council collected approximately £93 million in business rate income.

4. Renfrewshire Council estimate at 2016 the retail vacancy rate in its 6 principal town centres is a combined average of 11.5%. This ranges from virtually no vacancies in Erskine to 16% in Paisley. Johnstone and Braehead centres have the next highest vacancy rates at 9% and 10% respectively, both close to the Scottish average.

Renfrewshire Submission

Renfrewshire's historic town centres (especially Paisley and Johnstone) have suffered from a downturn in demand for commercial space as compared to their historical supply.

Renfrewshire's historic town centres have a concentration of listed buildings (with Paisley having 122 listed buildings in its town centre alone). Unlike other commercial properties which are eligible for 10% rate relief, listed buildings benefit from 100% rate relief when empty and therefore the owners have little financial incentive to invest in their properties to encourage new tenants to occupy.

Of the approximately 76 currently vacant units in Paisley Town Centre, many have been vacant for a number of years and many of these are listed. Consequently the built fabric and appearance of these listed buildings at ground and upper floors is deteriorating. This has knock-on effect on perceptions of and demand to occupy these buildings. As a result owners are less willing to invest in both the listed and neighbouring unlisted buildings in these town centres.

Recommendation 1

Renfrewshire Council would advocate that the current system is revised to bring **listed buildings** into line with other types of commercial buildings when it comes to application of rate relief. As set out above, traditional town centres in Renfrewshire are disadvantaged by the current system due to having a concentration of listed buildings. Removing the present 100% rate relief for listed properties could incentivise owners to re-invest in their vacant properties.

Recommendation 2

Given the particular challenges faced in our historic town centres, it is suggested that Renfrewshire Council could become a **"pilot" local authority** for the Scottish Government to test a set of revisions to the current business rates system. Many of these vacant town centre properties are currently contributing zero in business rates. Therefore, it is proposed that a **pilot incentivisation scheme** be considered whereby landlords are provided with a financial benefit for bringing currently vacant properties back into use. We suggest that in traditional town centres 100% rates relief can be provided to landlords for a period of 2 or 3 years subject to various caveats about length of lease and net additionality to NDDR in the local area.

This could have the effect of making investment more viable and given the long term vacancy of many of these properties would not result in a net reduction in NDDR at a national level. [This is similar to the system advocated by the Government's Advisory Group on Town Centres in 2013]. A modification of this would be to offer a sliding scale whereby vacant properties that are invested in and occupied with new tenants get 100% rate relief for 12 months and then 50% for the next 6 months and so on until they are a net contributor once again.

Recommendation 3

Another regeneration aim of the Council is to encourage more owners to consider **refurbishment of upper floors** of buildings in town centres which are currently vacant. Many of these properties have commercial premises at ground floor. Many of these premises are occupied but a large proportion are not in use. In instances where the ownership is one and the same (ground and upper floors), it is suggested that the owner be incentivised through reduced business rates for a fixed period (eg. 3 years) in return for investing in the refurbishment of the upper floors of the building for active use, either commercial or residential. Clearly if the new use is commercial there will be an increase in the NDDR payment for the property. Alternatively, if the end use is residential this would meet the regeneration aims for both national and local government in terms of traditional town centres.

Recommendation 4

Renfrewshire Council would extend a welcome and encourage the **Expert Panel to visit Renfrewshire** and see some of the practical issues facing this local authority first hand in overcoming vacancy in town centre commercial properties, particularly in listed buildings. The Council would be more than happy to facilitate such a visit and arrange site visits to Paisley and Johnstone town centres and arrange meetings with the Paisley First (Business Improvement District) and local property owners and agents who can illustrate the context they face in these town centres. We believe this may be a useful exercise for the Panel in formulating their views on the above recommendations of Renfrewshire Council.

Annex 2

Scottish Government – 2017 Non-domestic rating revaluation – consultation on possible transitional arrangements

<u>Response on behalf of Renfrewshire Council</u>

29 September 2016

<u>Question 1</u>
Should the Scottish Government introduce a transitional scheme for the 2017 Revaluation?– Yes or No

Renfrewshire Council Response - **Yes**

<u>Question 2</u>
Do you have views on how long any transitional relief should be in place?
Responses available: No scheme; 3 years; 4 years; 5 years

Renfrewshire Council Response – **3 years** (but see comments below)

<u>Question 3</u>
Do you have any views on how transitional relief should be funded?
Responses available: Either; Cap on bill reductions or Supplement on other ratepayers

Renfrewshire Council Response – **Cap on bill reductions**

<u>Question 4</u>
Do you have any other comments on transitional relief?

There are, as the consultation outlines, pros and cons to any transitional relief scheme. Whilst those businesses who have an increase in their rateable value following the April 2017 revaluation exercise would benefit from this increase in their rates bill being phased in over a period, businesses whose bill reduces do not see the full benefit of this reduction immediately.

The interaction of any relief scheme and other existing reliefs (SBBS, empty property etc) is complex; as is the impact of any relief scheme for local authorities themselves, who may potentially benefit from a transitional scheme.

On balance, it is viewed that a transitional relief scheme is desirable. However this should be for a relatively short period in order that those small and medium sized business who potentially could benefit from a decrease in their rates bill (but do not currently qualify for SBBS) actually receive this benefit as soon as possible as for these businesses in particular, their rates bill could be a significant proportion of their running costs.

A period of 1-2 years suggested as reasonable as opposed to the 3-5 year term outlined in the consultation.