

## ABERDEEN CITY COUNCIL

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COMMITTEE: Finance and Resources Committee  
DATE: 25 April 2013  
DIRECTOR: Stewart Carruth  
TITLE OF REPORT: Business Rates Incentivisation Scheme  
REPORT NUMBER: CG/13/053

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### 1. PURPOSE OF REPORT

In response to the Motion of 10 October 2012 by Councillor McCaig, a report was put forward to the Finance and Resources Committee on 6 December 2012. The December Committee resolved to instruct officers to report back on the terms of the motion and the Council's current position in relation to the Business Rates Incentivisation Scheme (BRIS).

This report is to update members regarding the current position on the Business Rates Incentivisation Scheme and the financial impact on the council.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

- a) note this report; and
- b) agree to receive a further report on the current position of the scheme, and in conjunction with the Director of Enterprise, Planning and Infrastructure address the remaining aspects of the Motion.

### 3. FINANCIAL IMPLICATIONS

This report relates to the financial implications of the Business Rates Incentivisation Scheme (BRIS) and the detail is therefore explained in detail within section 5 of this report.

### 4. OTHER IMPLICATIONS

The main implications of the BRIS are that any additional income would be used for investment in infrastructure that would further enhance the economic development of the city.

## **5. BACKGROUND/MAIN ISSUES**

### **5.1 Background**

The Motion by Councillor McCaig was “In order that Aberdeen City Council reaps the financial benefits of the Scottish Government’s Business Rates Incentivisation Scheme, Council instructs the Director of Enterprise, Planning and Infrastructure to consider measures to boost the city’s business rates income and agrees that 50% of any additional funding received by the Council as a result of this scheme be reinvested in economic development.”

Following an update on the scheme being presented to the December meeting of the Committee it was resolved to instruct officers to report back on the terms of the motion and the Council’s current position in relation to the BRIS. This report has been prepared to continue to update the Committee in relation to the current position on the BRIS.

The Scottish Government introduced a scheme called the Business Rates Incentivisation Scheme in the financial year 2012/13 which set a target level of Non-Domestic Rate Income target for each Local Authority in Scotland. If the collection of Non-Domestic Rate Income exceeds the target then the Council can retain 50% of the excess.

The target that was set for Aberdeen was £164.0 million and the mid-year estimate showed that we anticipate collecting £175.5 million which is significantly higher than the target set by the Scottish Government. A number of Local Authorities found themselves in a similar position while others were significantly below the target set.

There were a number of appeals across Scotland sitting behind a lodged appeal in relation to the Mercat and Overgate Non-Domestic Rate level set. There has been a delay in the settling of appeal cases caused by the need to await the outcome of the Mercat/Overgate Shopping Centre appeal cases.

This appears to have had the effect of artificially increasing the income councils are collecting in 2012/13 (thereby creating an unjustified windfall this year), the cost of which would need to be met by Government in 2013/14.

The Scottish Government has therefore identified this as being a “significant event” and it is proposed the BRIS targets be revised.

The scheme itself is based on an ‘All Scotland’ set of data, rather than specific to individual Local Authorities, however the impact varies from Council to Council.

The proposed adjustment takes account of Business Rate Reliefs, which has a positive impact on the overall position for Local Authorities.

Following the agreed methodology the revision impacts upon the whole of Scotland in so far as to show total collectable Rate Income now of £2,410 million (£2,252 million originally) for 2012/13, an increase of 7.02%.

The increase of 7.02% has been applied to each Local Authority original target.

Aberdeen City Council's original target was £164.0 million.

Aberdeen City Council's revised target is £175.5 million.

Aberdeen City Council's Mid-Year estimate was £176.1 million

50% share for Aberdeen City Council of excess is now £0.3 million (£176.1m - £175.5m \* 50%) compared to £5.8 million originally. This is a reduction in potential benefit of £5.5 million.

The revised target figures is a proposal from the Scottish Government, for acceptance or otherwise by local authorities. This was discussed at the recent Directors of Finance meeting where it was agreed that more time to understand the proposal was required and that this would be discussed again at the next Directors of Finance/CoSLA meeting which is planned for 24 April 2013.

The revised target figures require to be agreed by the end of April 2013 for the purposes of allowing all local authorities to prepare their Annual Statement of Accounts.

At this time the potential still exists for the figures to be revised again should the Scottish Government, COSLA, or an individual Local Authority identify another significant event.

This is further complicated as it is unclear what would happen if something else were discovered in completing the final audited Non-Domestic Rate returns for 2012/13, which will not be audited until the end of the calendar year.

As the situation remains fluid it is recommended that the Committee receive a further report to address the outstanding aspects of the motion, in conjunction with the Director of Enterprise, Planning and Infrastructure, and provided a further update on scheme to the next meeting.

## **6. IMPACT**

The main impact is the council's ability to firmly access the additional income through the BRIS and approve additional investment within the city.

**7. BACKGROUND PAPERS**

N/A

**9. REPORT AUTHOR DETAILS**

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