

COMMITTEE	Finance, Policy and Resources
DATE	01 December 2017
REPORT TITLE	National and Local Business Rates Relief Schemes
REPORT NUMBER	CG/17/125
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**1. PURPOSE OF REPORT:-**

- 1.1 The purpose of this report is to update Committee in relation to Business Rates relief granted under both the national Transitional Relief Scheme and the local rates relief scheme.

**2. RECOMMENDATION(S)**

It is recommended that the Committee:

- 2.1 Note the position relative to the number and value of relief cases granted under the national transitional relief scheme and the local rates relief scheme.; and
- 2.2 Note that 8 applications for the local relief scheme were received after the deadline and will therefore not be considered for approval.

**3. BACKGROUND/MAIN ISSUES**

- 3.1 Aberdeen City Council, acting as the Rating Authority, is responsible for the levy and collection of business rates from all non-domestic properties within the Aberdeen City Council area. This currently extends to around 9,500 properties with business rates income of £240 million for 2017-18 (based on the 2017-18 mid-year estimate dated 06 October 2017).

- 3.2 Business rates are levied according to two main factors:

- I. The rateable value (RV) of the property, determined by the local Assessor.
- II. The rates poundage set annually by the Scottish Government.

Following a statutory general rates revaluation carried out by the Scottish Assessors effective from 01 April 2017, many businesses faced an increase to the rateable value of their properties. Whilst this was partially off-set by a

reduction to the rates poundage, the overall effect for some was an increase to the amount of rates payable.

- 3.3 This increase to rateable values was particularly noticeable in the North East of Scotland due to the tone date of revaluation (the rateable values were based on the levels of rental value that prevailed at 01 April 2015) which was concurrent with the overall economic downturn in the Oil and Gas sectors in the area.
- 3.4 In recognition of the effects of revaluation on a national basis, the Scottish Government introduced a Transitional Relief Scheme from 01 April 2017 for properties in the hospitality sector. This relief scheme capped any rises in rates bills to 12.5% in real terms when compared to the rates charge for 2016-17.
- 3.5 In addition, the Scottish Government extended the Transitional Relief Scheme for properties within the office sector for Aberdeen City Council and Aberdeenshire Council areas, also effective from 01 April 2017 and restricting any rise in rates bills to 12.5% in real terms.
- 3.6 Transitional Relief for both hospitality and office sectors is not automatic and ratepayers must apply to the Council. The relief scheme was announced for a one year period only, covering rates charges in 2017-18 (01 April 2017 to 31 March 2018).
- 3.7 In June 2017, following Committee approval, Aberdeen City Council introduced a local rates relief scheme broadly following the provisions of the Transitional Relief Scheme but open to all business ratepayers (with certain exclusions \*) which gave relief on the following basis:
  - 3.7.1 For properties where the rateable value is below £60,001, the increase to the rates bill is capped at 12.5%.
  - 3.7.2 For properties where the rateable value is above £60,001, the relief is calculated on the same basis but is restricted to a maximum award of £3,500.(\* the exclusions extend to any Aberdeen City Council property, Government Departments, properties already in receipt of Transitional Relief and empty properties)
- 3.8 Following advice from Legal and Democratic Services, the local rates relief scheme was also application based. The Committee decision was to have an application closing date of 30 September 2017.
- 3.9 Transitional Relief and Local Relief – Position at 30 September 2017

The initial projection for eligible properties for the Transitional Relief scheme was based on the draft Valuation Roll compiled by the Grampian Assessor in December 2016. Final revaluation figures were not released until 17 March 2017 by which time the scope of the Transitional Relief scheme had been announced. The projected figures used the most up to date information (from

December 2016) but later valuation adjustments reduced the number of eligible properties together with the confirmation of the eligibility criteria when the relief regulations were received from the Scottish Government.

The projected number of eligible properties for the local rates relief scheme was based on the actual revaluation data released in March 2017. However, this could not account for the interaction of other rates relief types which had the potential to diminish the actual number of eligible properties nor the reduction to the projected uptake as a result of agreed eligibility criteria e.g. those businesses already in receipt of Transitional Relief, empty properties and properties classed as occupied by central or local government bodies.

<b>Transitional Relief</b>			
Applications processed	Value of Relief	Projected number of eligible properties	Financial provision (Scottish Govt.)
466	£3,501,227	1347	£7.5 million
<b>Local Rates Relief</b>			
Applications processed	Value of Relief	Projected number of eligible properties	Financial provision (ACC)
532	£1,441,235	1,400	£4.2 million

- 3.10 It is clear that the uptake for the Transitional Relief Scheme has not been as expected, with less than half of the projected eligible properties receiving relief totalling around half of the allocated provision. However, this relief has a closing date for applications of 31 March 2018 and it is feasible that further applications will be received up to that date, increasing the overall number and value.
- 3.11 The local rates relief scheme has also not reached projected figures and the closing date of 30 September 2017 has now passed. 8 applications were received after this date and will therefore not be considered for approval.
- 3.12 It should also be noted that the Scottish Government announced their intention to extend the Transitional Relief Scheme into 2018-19 to allow continued relief for affected businesses over a two-year period as opposed to the current one-year scheme that is currently in force. That decision will not be made until December 2017 when the Scottish Government sets its budget for 2018-19 and nor will the exact terms of the extension be known until that time.
- 3.13 The Grampian Assessor is responsible for dealing with Revaluation appeals against the revised rateable values and ratepayers had until 30 September to lodge appeals with the Assessor. The current level of appeals lodged against property valuation in the Aberdeen City Council area is 5,073. Settlement of appeals may not lead to any reduction to the rateable value and even if an appeal is successful, this may not be settled within 2017-18 and indeed, it may be well into 2018-19 or beyond until all appeals have been settled or disposed of.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The cost of granting Transitional Relief and any extension to the current scheme is funded by the Scottish Government. In terms of the local rates relief scheme, provision has already been made in the 2017-18 year for £4.2 million of relief, of which less than half has currently been awarded.
- 4.2 Given the current uptake of local rates relief and the re-appraisal of eligible properties, it is anticipated that the initial projection can be revised to around 1,000 properties. Given that 532 applications with a value of £1.4 million have already been received, there is the potential for a further 400 – 500 applications with a similar financial value as those already granted.

## **5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

## **6. MANAGEMENT OF RISK**

### **Financial**

- 6.1 There is a risk to the Council that if the local rates relief scheme application end-date is extended, the level of new applications will increase the amount to be committed from the current allocated provision. However, this is currently within budget.

### **Reputational**

- 6.2 There is a risk that if the local rates relief scheme application end-date is not extended, this will affect the reputation of the Council in terms of promoting and encouraging local businesses.

### **Employee; customer/citizen; environmental; technological and legal**

- 6.3 Consideration has been given to employee; customer/citizen; environmental; technological and legal risk. No risk or impact was identified.

## **7. IMPACT SECTION**

### **Economy**

- 7.1 The Council must consider the potential impact of business rates increases on the viability and sustainability of local businesses and the possible loss or down-sizing of any business in terms of the local economy, employment and the general effects this will have on the reputation of the City.

### **People**

- 7.2 The Council should consider the impact of how rates relief may support businesses and the direct impact this will have on employment within the area.

### **Place**

- 7.3 There are no direct implications on the environment arising from the recommendation of this report.

### **Technology**

- 7.4 There are no implications on technology arising from the recommendation of this report.

## **8. BACKGROUND PAPERS**

- 8.1 None.

## **9. APPENDICES**

- 9.1 None

## **10. REPORT AUTHOR DETAILS**

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