
HAWICK HIGH STREET - NON-DOMESTIC RATES REVIEW AND LOAN PROPOSAL

**Joint Report by Corporate Transformation & Services Director and
Service Director Neighbourhood Services**

EXECUTIVE COMMITTEE

4 October 2016

1 PURPOSE AND SUMMARY

- 1.1 This report provides a review of Hawick Town Centre Non Domestic Rates and proposes a Business Loan & Grant Scheme.**
- 1.2 Officers have undertaken a detailed review of Non Domestic Rates payable by businesses in Hawick High Street, and the Reliefs already in place. Officers have also reviewed a submission from Future Hawick on the matter. The review concluded that a pilot Non Domestic Rates Local Relief Scheme for Hawick High Street should not be pursued. The extensive reliefs from non domestic rates already available such as Small Business Bonus Scheme, Empty Relief exemption for listed buildings and Fresh Start Relief would, it is considered, largely negate the effectiveness of the scheme. Instead, a scheme based on business loans and grants should be put in place.
- 1.3 The High Street Loan Scheme proposed would be targeted at the subdivision of existing larger retail units, improving their attractiveness for letting, as well as a grant incentive for businesses to relocate to the newly formed premises.

2 RECOMMENDATIONS

- 2.1 **We recommend that the Executive:**
 - (a) Agrees that a new initiative as an initial pilot for 2017/18 should be put in place to support property owners in Hawick to appropriately divide key vacant units in order to make them more lettable in the new economic climate as proposed in section 7; and**
 - (b) Asks the Corporate Transformation and Services Director to present a report in due course on the success of the new initiative.**

3 BACKGROUND

- 3.1 In February 2016 the then Business Minister, Fergus Ewing MSP, hosted a business breakfast in Hawick to meet with local businesses and discuss what they might do in response to the announcement of the closure of Hawick Knitwear and the loss of approximately 180 jobs. A range of business people from Hawick and other parts of the Scottish Borders took part in workshop sessions to consider potential opportunities for growing the economy.
- 3.2 A range of ideas and potential projects were highlighted by the gathered businesses. Following further meetings involving Council officers and representatives from Scottish Government, Scottish Enterprise and Skills Development Scotland, an Initial Hawick Action Plan was produced and circulated to all of the businesses and other attendees of the original business breakfast.
- 3.3 One of the strategic themes in the Initial Hawick Action Plan focuses on making Hawick a 'Great Destination to Visit' and aims to make a Hawick a great place to visit and stay. As part of that aim, the Action Plan details the need to work with local businesses to address the issues facing the High Street, particularly shop closures and the attractiveness and condition of the buildings.

4 NON-DOMESTIC RATES

- 4.1 Local authorities have been given discretionary powers under the Community Empowerment (Scotland) Act 2015 to reduce Non-Domestic Rates (NDR) from 31 October 2015. Under the new provisions local authorities can, if they choose, reduce or remit the NDR burden on certain properties. The properties must fall into the criteria of a Local Relief Scheme as defined by the local authority. The relief will cease to apply at a time determined by the authority or when there is a change in the occupation of the premises.
- 4.2 The aim of the new powers is to promote business growth in Scotland and to allow every local authority to reduce business rates in their area as they see fit. As this is a new provision the legal implications of any new schemes have not yet been tested. Before implementing any new Local Relief Scheme a clear policy needs to be defined to minimise the risks of legal challenge. In addition officers must consider the wider implications of any scheme by assessing scheme conditions against the comparative positions within the various Borders communities. To date only one or two other local authorities in Scotland have exercised these powers.
- 4.3 The Council has been working with Future Hawick to support actions in the town centre, aiming to improve the attractiveness of the town centre. One of the initiatives that Future Hawick has flagged as a potential benefit to the town is the use of the Council's new powers under the Community Empowerment Act 2015 to introduce additional reliefs from non-domestic rates for businesses. Recognising the significant challenges faced by Hawick High Street in terms of footfall and vacancy rates, Council officers have been working with Future Hawick to identify whether these new powers could be used to facilitate the regeneration of the High Street.

5 PROPOSAL FROM FUTURE HAWICK

- 5.1 Future Hawick has submitted a plan showing the clusters involving vacant shops and individual vacant premises which they consider currently to have the most detrimental effect on Hawick High Street. They argue that two issues require to be addressed in the case of these vacant shops: their appearance and occupancy.
- 5.2 As far as appearance is concerned, Future Hawick have suggested a limited Non Domestic Rates relief period for these properties, in return for an improved quality shop front appearance and regular evidence of a concerted marketing effort in respect of the premises. They suggest that failure to comply should result in rates being applied. Future Hawick also proposes that a sliding scale system of rates from zero to full payable value, perhaps over a five year period, should be introduced to assist new business start-ups in these vacant premises. Future Hawick believes that such an initiative would help improve occupancy prospects.
- 5.3 Future Hawick is also concerned that a policy that targets only vacant premises is limited, and that existing small local traders should also receive rates relief. They argue that if an initiative in respect of vacant properties is to be introduced, then there must be some sort of balance for the existing small traders. Future Hawick acknowledges that many traders currently qualify for varying degrees of rates relief, so they believe that a full "rates holiday" for a six month period for these businesses would have minimum impact on Council finances.
- 5.4 Future Hawick notes that the rates review in 2017 may bring an entirely different business rates system into being, but they feel that effective action is required now. Future Hawick believes that their proposed scheme could be introduced quickly and with minimum effort for the current financial year. They believe that it would help to bring High Street traders together, and at the same time, do much to help the regeneration of the town centre area.

6 REVIEW OF SUTURE HAWICK PROPOSAL

- 6.1 As set out in Section 5, a proposal has been submitted to Scottish Borders Council asking that it exercises its powers to reduce NDR chargeable within Hawick High Street. Council officers met with Future Hawick and discussed their proposal on a number of occasions, as well as providing support in collating information and building their business case. Officers have been working to consider how changes in Non-Domestic Rates may be used to influence business decisions and encourage businesses to occupy and use vacant properties on the High Street whilst bearing in mind a full Borders wide revaluation of NNDR will be applied from 1 April 2017 which may render any local scheme redundant.

- 6.2 There are currently 6811 properties with an NDR liability in the Scottish Borders although 66.73% of the 6811 properties already receive some form of exemption or relief. Of these, 3566 properties are fully remitted ie they pay no NDR. At present on the High Street in Hawick there are 134 properties with an NDR liability and 63% of those properties are fully remitted from rates, with a total of 83% of those properties receiving some form of reduction. It is not possible to cost the individual proposal in the absence of specific definitions however Officers estimate that to allow 100% Rates relief to High Street traders for 6 months during 2016/7 would cost the Council £94,000.
- 6.3 Currently empty rateable properties attract 50% relief for the first three months reducing to 10% thereafter. If the property is classed as industrial, a 100% relief applies for 6 months, reducing to 10% thereafter. Whilst these businesses are not trading they can still apply for Small Business Bonus Scheme (SBBS) relief as they have a right to rateable occupation. SBBS will be awarded relative to the Rateable Value (RV) of the premises, which means in most cases 100% of the liability is remitted. A range of empty properties are exempt from NDR even after the first three months of vacancy, including Listed Buildings and properties owned by a company that is being 'wound up'.
- 6.4 It is clear that under current provisions a high percentage of properties subject to NDR liability in the Scottish Borders are already in receipt of one or more of the existing reliefs, in particular the Small Business Bonus Scheme which gives 100% relief to properties with a RV of £18,000 or below. It can be strongly argued that all of the existing reliefs and exemptions are already effective in assisting local businesses and limit the potential impact that implementing a scheme under the Community Empowerment Act may provide. As the cost needs to be fully met by the Council's own finances, this will put a strain on other Council services.
- 6.5 Officers have been concerned since the Future Hawick proposal was first raised that it may prove unsustainable and unaffordable without delivering significant change. In view of the open-ended approach suggested in the proposal (which officers cautioned against), and particularly the suggestion of wider provision of relief to all existing businesses, officers consider that the proposal is unaffordable in the short term and unsustainable in the longer term for Hawick.
- 6.6 There are also serious concerns about the precedent that this relatively ambiguous approach would set in relation to other Borders towns, which also may make justifiable calls to implement a similar scheme in their town centres. On balance, these factors strongly suggest that new Local Reliefs should not be introduced in Hawick or any other town in the Scottish Borders at this time. A range of small scale town centre initiatives have been delivered by Future Hawick and the Council since 2010 including Shop Front Improvement Grant Schemes, a Shop jackets project, retail support seminars and website development improvements.

7.1 **SCOTTISH BORDERS COUNCIL RESPONSE**

Although officers consider that a NDR Local Relief Scheme is not an appropriate solution in Hawick, there is a need for a new initiative to address some of the key issues that Hawick, and other towns' High Streets are facing. Officers consider that it is particularly important to target the issue of larger shop units that have been vacant for long periods. These units have usually been occupied previously by national multiple retailers, but due to their changing business models, demand has diminished from this type of operator. Unfortunately, these units are often too large for more local businesses' needs, and because of their Rateable Value, they are not generally eligible for existing NDR reliefs.

- 7.2 Officers are proposing to implement a new initiative that would target these larger shop units, firstly in Hawick as an initial pilot for 2017/18. The pilot will be reviewed and rolled out to other Border towns where considered applicable. The new 'High Street Loan Support Scheme' would use the Council's existing Business Loan Fund allocation to provide loans to the owners/landlords of these key larger premises to allow work to be undertaken to sub-divide the larger space into smaller retail units. These units would then be easier to let as they would have lower rents and would be likely to be eligible for NDR Reliefs, assuming they are designed to the correct floor plan.
- 7.3 The High Street Loan Support Scheme would be complemented by an allocation from the Council's Business Grant Fund that would provide small one-off grants to the micro businesses that would be relocating to, or starting up in, the newly formed shop units. It is considered that this approach of encouraging owners to convert their premises and encouraging small traders into those spaces with a grant will be a more effective and targeted tool to encourage change than the use of an NDR Local Relief Scheme.
- 7.4 It is recognised that the convertibility of some premises may be an issue. The initiative will be tackling buildings in Conservation Areas and there are also likely to be a number that are Listed Buildings. With this in mind, it is recommended that the Council procure an appropriate architects/ building surveyor's practice to undertake feasibility work on the potential properties. Where owners agree, the consultants could provide sketch feasibility work to demonstrate to the owners what the implications would be of sub-division and conversion. Building Standards regulations will also be an important factor in working through successful conversions. This additional support would provide owners with a clearer view of the implications of the change and should help encourage them to undertake the work.
- 7.5 Buildings are most likely to be in Hawick and Galashiels Town Centres, but where there are appropriate buildings in other town centres in the Borders, these would also be eligible for this new type of support.

8 IMPLICATIONS

8.1 Financial

- (a) Before creating or amending an NDR relief scheme the Council must be mindful of its expenditure and income and the interests of those liable to pay Council Tax, as any loss of income must be funded by its wider budget and must not affect the income of the Rates Pool. A significant range of Government funded reliefs are already in place so any Local Reliefs that are introduced need to be targeted and the Council needs to be sure that they will deliver value for money. The proposal promoted by Future Hawick does not provide best value for the Council and Council Tax payers because of its wide targeting and open ended nature.
- (b) The proposed High Street Loan Support Scheme will be run under the existing Council Business Loan Fund as an initial pilot for 2017/18. This provides loans to small and micro businesses of up to £20,000. An allocation will also be made in the Business Grant Fund to ensure that a minimum of £25,000 per annum is ring-fenced to support small businesses seeking to let one of the newly formed units supported by the High Street Loan Support Scheme. Grants of up to £5,000 will be available to these businesses. Decisions on these loans and grants will be made by the existing officer panel.

8.2 Risk and Mitigations

There is a reputational risk to the Council if it does not use its new powers under the Community Empowerment (Scotland) Act 2015 as a way of encouraging local economic activity and growth. However, the proposal made by Future Hawick will not deliver its stated objectives. The alternative solution proposed in the report addresses the key issue of large, vacant shop premises in a more targeted and cost effective way. There is also a financial risk to the Council of introducing a pilot Local Relief scheme that would be unaffordable were it to be subsequently rolled out across other parts of the Borders. This risk will be mitigated by not initiating any new Local Relief Scheme at this time.

8.3 Equalities

It is anticipated that an Equalities Impact Assessment would be required in relation to the operation of the Loan Scheme to ensure that there are no adverse impacts due to race, disability, gender, age, sexual orientation or religious/belief arising from this report.

8.4 Acting Sustainably

The introduction of the High Street Loan Support Scheme could help to make local economies more sustainable by encouraging additional economic activity and growth.

8.5 Carbon Management

It is not anticipated that the proposal in this report would have any adverse impact on carbon emissions. There could be a positive impact as any conversion will be undertaken to modern building standards, which should ensure that the premises become more energy efficient than they are at present.

8.6 Rural Proofing

Rural Proofing is not required as the proposal does not relate to new or amended Council policy or strategy.

8.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to be made to the Scheme of Administration or Scheme of Delegation arising from this report.

9 CONSULTATION

- 9.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council are being consulted and their comments will be incorporated into the final report.

Approved by

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Signature

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Background Papers:

Previous Minute Reference:

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