

**NE SCOTLAND FISHERIES DEVELOPMENT PARTNERSHIP –
16 FEBRUARY 2018**

**REPORT: BUSINESS RATES LETTER TO DEREK MACKAY, CABINET
SECRETARY FOR FINANCE AND THE CONSTITUTION**

1 Recommendation

- 1.1 It is recommended that the Partnership considers the draft letter attached as Appendix 1 to this report and approves the final text.**

2 Discussion

- 2.1 The meeting of NESFDP on 17 November 2017 featured a presentation by Ian Milton, Grampian Assessor on the Non-domestic revaluation 2017 (business rates) and was followed by Alan Wood, Aberdeenshire Council's Head of Finance who advised members on the role of local authorities in collecting business rates and applying local relief schemes.

- 2.2 The above agenda items led to the following action point:

Derek McDonald to engage with seafood industry representatives, the Assessor and Scottish Government to try to mitigate the high business rates burden being borne by large and medium-sized seafood processing businesses in NE Scotland.

- 2.3 Since 17 November representations have been made to the Assessor's office and clarifications sought on the comparators used to set the Rateable Value for individual seafood processing businesses in NE Scotland. Some processors have experienced business rates increases of over 40%. Regular contact has also been established with the Revenues team within Aberdeenshire Council Finance on the scope and uptake of local relief schemes. A meeting between the Regional Assessor, the Head of Food and Drink Industry Growth at Scottish Government and representatives from Aberdeen and Grampian Chamber of Commerce (AGCC) and the council was hosted in Woodhill House in January. And in consultation with AGCC and the Scottish Seafood Association, the Economic Team at Seafish has been approached and asked to carry out further analyses in support of efforts to mitigate the rates increases.
- 2.4 The State Aid de minimis ceiling for the seafood sector stands at €30,000 over 3 years. Outwith State Aid compliant programmes such as EMFF, this is the maximum financial support seafood industry businesses can draw down from public funds – including rates relief from local authorities. Even within councils' relatively limited resources to offer local rates relief to seafood processors, de minimis is a major constraint.
- 2.5 In early 2017, Scottish Government announced a rates increase cap of 12.5% for offices and the hospitality sector in NE Scotland. The following quote was attributed to Derek Mackay, Cabinet Secretary for Finance and the Constitution:

'.....it has become clear that there are some sectors and regions where the increase in rateable values is out of kilter with the wider picture of the revaluation. I have listened and decided that we will act nationally to tackle the impact.'

No such support has been offered to the local seafood sector despite – in particular - large processors experiencing much higher rates rises than offices/hospitality, and Humberside processors' significant competitive disadvantage on business rates (as evidenced by Seafish study).

- 2.6 A draft letter making the case for intervention by Mr Mackay is attached as Appendix 1 to this report. Members are invited to consider the draft letter attached as Appendix 1 to this report and to agree the final text.

3 Scheme of Governance

NE Scotland Fisheries Development Partnership is able to consider this item in terms of its remit to provide a NE Scotland focus to enable issues and concerns across the fisheries and related sectors to be addressed. This includes strengthening economic development links between fisheries science, catching and processing sectors and the wider seafood industry, contributing to regional and local priorities for the fisheries sector, improving links between marine environment and biodiversity and contributing to policy development and consultations.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because there are no differential equalities impacts arising from this report.
- 4.2 There are no staffing and financial implications for the council arising from this report.
- 4.3 No risks arising from this report have been identified for the council at Corporate Level
- 4.4 No issues have been identified in relation to the Town Centre First Principle

Stephen Archer
Director, Infrastructure Services

Report prepared by Derek McDonald Industry Support Executive (Rural & Maritime) on 6th February, 2018

APPENDIX 1

NORTH EAST SCOTLAND FISHERIES DEVELOPMENT PARTNERSHIP

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Derek Mackay MSP

Cabinet Secretary for Finance and the Constitution
Parliamentary Office
The Scottish Parliament.
Edinburgh
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16th February, 2018

Dear Mr Mackay

I write as Chair of North East Scotland Fisheries Development Partnership (NESFDP), a cross party, cross-sectoral group hosted by Aberdeenshire Council which seeks to provide a communication channel between the wider fisheries industry located in NE Scotland and its political representatives at all levels including MEPs, MPs, MSPs and local Councillors.

The most recent meeting of the group featured a presentation on business rates by the Regional Assessor for Grampian, followed by an explanation of local mitigation measures by Aberdeenshire Council's Head of Finance. The onerous increase in business rates for seafood processors in NE Scotland was then discussed in detail by members. Seafood is highly perishable. Investment in premises to maintain quality and comply with food hygiene regulations invariably triggers increases in ratable values.

The quantum of local relief is vastly outweighed by the scale of the business rates increases in 2017 – over 40% for some operators - and relief is in any case severely constrained by the seafood industry's State Aid *de minimus* ceiling of €30,000 over 3 years. Some of the rates increases are well in excess of £100,000.

Chairman
Councillor John Cox

Vice Chairman
Ian Gatt

Business rates are but the latest significant on-cost for large and medium-sized enterprises which have also had to bear the financial burden of the Apprenticeship Levy, Living Wage and costlier pension provision, but the local rates increase – which in some cases also includes the large business supplement - is by far the most significant issue. Many companies supply major retailers on long-term contracts and have little prospect of recovering the additional costs from their customers.

NE Scotland hosts two of Europe's largest landing ports and – with around 3700 employees – is the very heart of the Scottish seafood processing sector. But due to the large increase in business rates it is becoming an increasingly uncompetitive business environment for processors at the very time the industry should be investing to exploit the post-Brexit 'Sea of Opportunity'. A recent independent assessment by the Seafish Industry Authority confirmed that NE processors are typically paying 100% more in rates than Humberside competitors in comparably sized factories.

Since the significant downsizing of the Young's factory in Fraserburgh in 2015 there has been a southward drift of seafood employment and prosperity, to the extent that it is now not at all unusual for over 50% of daily whitefish sales at Peterhead Fish Market to be trucked south for added value processing, largely because buyers from lower cost locations in Humberside and the continent are in a position to outbid local processors.

In a very positive move in March 2017, Scottish Government and Scotland Food & Drink launched Ambition 2030, the essence of which is a strategic plan to double the value of Scotland's food and drink sector. Seafood is by far the most significant component of Scotland's food sector and its prospects post-Brexit are bright (in anticipation of higher fish landings). And yet despite the Scottish Government's apparent commitment to Ambition 2030 no rate-cap concessions were offered to the seafood industry in NE Scotland (whereas offices and hospitality businesses were).

The larger, retail-facing processors in the NE are the very companies with scale, technical efficiency, marketing expertise and accreditation standards to absorb, add value to and market higher volumes of seafood arising from increased landings in future – and in so doing make a very significant contribution to delivering Ambition 2030. But they operate in an extremely competitive marketplace. Due to the magnitude of business rates rises and other recent cost increases, some have indicated they will make a loss this financial year.

Chairman
Councillor John Cox

Vice Chairman
Ian Gatt

On behalf of the Partnership, I urge you to introduce a business rates cap of 12.5% specifically for the seafood sector in NE Scotland, to free up processors' financial resources to enable them to invest for the once-in-a-lifetime post-Brexit opportunity - to help generate higher levels of employment, economic growth and in turn, government revenue.

You are very welcome to visit and speak directly to affected businesses.

Yours sincerely

Cllr John Cox
Chair of North East of Scotland Fisheries Development Partnership

Chairman
Councillor John Cox

Vice Chairman
Ian Gatt

