

**NORTH EAST SCOTLAND FISHERIES DEVELOPMENT PARTNERSHIP –
22 JUNE 2018**

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

1 Recommendation

The Group is recommended to:

**1.1 Note the letter to Mr Mackay attached as Appendix 1 to this
bulletin, and his reply attached as Appendix 2.**

2 Discussion

- 2.1 The meeting of NESFDP on 17th November 2017 featured presentations by Ian Milton, Grampian Assessor on the Non-domestic revaluation 2017 (business rates) and by Alan Wood, Aberdeenshire Council's Head of Finance on the role of local authorities in collecting business rates and applying local relief schemes. A report was presented to NESFDP at the subsequent meeting of the group on 16 February 2018 recommending that a letter be sent to Derek Mackay, Cabinet Secretary for Finance and the Constitution, seeking a business rates increase cap of 12.5% for the seafood processing sector in North East Scotland.
- 2.2 Following lengthy discussions at the meeting of 16 February, the wording of the proposed letter was changed. Instead of seeking a rates cap, the letter sent to Derek Mackay (attached as Appendix 1) sought parity for North East processors' business rates charges with Humberside. An independent assessment undertaken by Seafish and presented to the NESFDP meeting in November 2017 had revealed that business rates in Humberside were typically 50% lower for comparable premises, putting processors in North East Scotland at a significant competitive disadvantage.
- 2.3 A response was received from Mr Mackay and is attached as Appendix 2. No further correspondence has been received.

3 Scheme of Governance

North East Scotland Fisheries Development Partnership is able to consider this item in terms of its remit to provide a North East 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 bulletin.
- 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 of Infrastructure Services

Report prepared by Derek McDonald, Industry Support Executive (Rural & Maritime)
Date: 12th June, 2018

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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20 February 2018

Dear Mr Mackay

We write as Chair and Vice 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 November 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 again discussed in detail on 16 February 2018 and members agreed the matter should be raised directly with you.

Notwithstanding the fact that Aberdeenshire Council and Aberdeen City Council are amongst the lowest funded authorities per head in Scotland, both have provided local relief schemes but the quantum of local relief is vastly outweighed by the scale of the business rates increases in 2017 - over 40% for some operators. And as you know, council support for the sector is constrained by the seafood industry's State Aid de minimus ceiling of €30,000 over 3 years. Some rates increases are well in excess of £100,000.

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

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Vice Chairman
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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 recent rates increases from their customers. To do so would make them uncompetitive.

The business rates burden is exacerbated by sector specific requirements. Seafood is highly perishable. Investment in premises and cold stores to maintain quality and comply with food hygiene regulations and accreditation standards invariably results in the Assessor setting even higher rateable values.

NE Scotland hosts two of Europe's largest landing ports – an enormous economic advantage which helps to sustain c.3700 jobs locally in the seafood processing sector. But due to the large rise 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 business rates than Humberside competitors in comparably sized factories. This is an inequitable situation and it is unsustainable.

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 and due to the magnitude of business rates rises and other recent cost increases, some have indicated they will make a loss this financial year.

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Ian Gatt

On behalf of the Partnership, we urge you to act now to put the seafood processing sector in NE Scotland on the same business rates footing as Humberside to free up processors' financial resources and enable them to invest for the once-in-a-lifetime post-Brexit opportunity. This will help to secure higher levels of employment and economic growth in line with Ambition 2030 and in turn, government revenue.

Yours sincerely



Cllr John Cox
Chair
North East of Scotland Fisheries Development Partnership



Ian Gatt
Vice Chair
North East of Scotland Fisheries Development Partnership

Cc Mr Fergus Ewing
Cabinet Secretary for the Rural Economy and Connectivity

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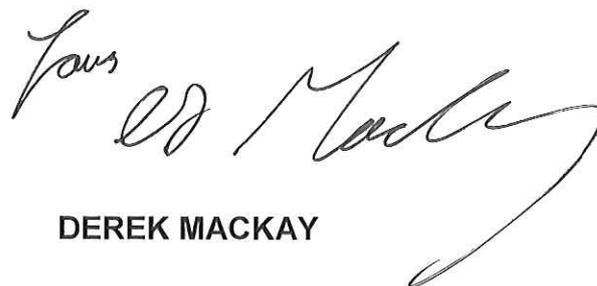
Our ref: 2018/0006763
15 March 2018

Dear John,

Thank you for your letter dated 20 February regarding business rates and north-east fisheries.

I note that you are aware that State aid rules would limit the amount of assistance the council could give to any business. Those same limits apply equally to the Scottish Government and indeed all sources of public funding whether from a sole source or combined will be capped by the same EU rules.

However, as you may be aware my colleague Fergus Ewing recently met with a number of seafood processors in Fraserburgh and heard about their concerns at first hand. He sought further information from the processors on some specific issues and, once received, this will be considered by the Scottish Government.


DEREK MACKAY

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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