'Let's keep business rates so we can grow the city's economy'

Glasgow City Council chief speaks out as report calls for new business body By Business Editor Colin Donald

GLASGOW City Council's leader has demanded that the city be allowed to retain all of its income from non-domestic rates following the launch of the city's new blueprint for growth, published today.

In an interview to mark the Glasgow Economic Commission's report on the future prosperity of Scotland's largest city, Councillor Gordon Matheson said retaining business rates made "sound economic sense" and would allow the city to "continue to develop and achieve the vision we have set out".

Glasgow's new hopes to retain income from non-domestic rates, rather than to have them distributed by the Scottish Government, aligns the city with Edinburgh, whose business leaders have long argued for a greater share of business rate income.

Matheson said: "At the moment Glasgow contributes £70 million more to the Scottish Government than we receive back. It doesn't make sense. Let us keep our business rates so we can continue to grow our economy."

He also highlighted the GEC's call to make the most of "innovative financing" to help incentivise private investment in the city's infrastructure.

Matheson called on Finance Secretary John Swinney to permit a tax increment finance scheme to finance an extension to Buchanan Galleries, a key component of Glasgow's business improvement district. TIFs, widely-used in the US, allow public bodies to borrow against future rental income.

Although the council leader is a leading member, the GEC is an independent body, chaired by Strathclyde University principal Professor Jim McDonald. Its participants are mainly drawn from the city's senior business leadership, including Keith Cochrane of Weir Group, and the commission's report follows a nine-month consultation.

As well as identifying the city's key industrial strengths and remaining weaknesses, the Commission's key recommendation is the establishment of a powerful new, private-public leadership body containing corporate "big hitters", who will meet regularly to focus economic development efforts in Glasgow, to deliver on the city's economic potential and to ensure that Glasgow is "open for business".

McDonald stressed the report's aims to "help the city harness its strengths, renew its economy and identify new trade and investment opportunities over the next decade".

He said: "The principal recommendations are a sectoral focus on Glasgow's key industries to allow us to compete more effectively on the international stage; a strong partnership of civic and industry leadership to drive Glasgow's economy; and a convergence of public and city agencies to support the delivery of jobs, economic growth and international impact."

The 60-page report identifies the areas of excellence whose consolidation and growth will allow Glasgow to "make its living" in the future including low carbon industries – where the city is a recognised international hub – engineering, design and manufacturing, life sciences, financial and business services, and tourism and events sector, catalysed by the 2014 Commonwealth Games.

Welcoming the report, Stuart Patrick, chief executive of Glasgow Chamber of Commerce, said: "It is undoubtedly a staging post in Glasgow's economic renaissance".

In 2010-11 Glasgow raised £304.3m in business rates, and was granted back £233.7m, a contribution of £70.6m. In the same period Edinburgh raised £285.8m and was granted back £188.7m a net contribution of £97.1m.