

The Highland Council
Resources Committee – 26 August 2015

Agenda Item	25
Report No	RES/ 81/15

Review of Non Domestic Rates Discretionary Relief

Report by Director of Finance

Summary

This report outlines the policy regarding discretionary relief. It also proposes a policy change with the financial impact detailed and asks Members to consider this proposal and decide if they wish this policy change to be implemented.

1. Background

- 1.1 Following a Non Domestic Rates (NDR) Appeal hearing (which was not upheld) in February 2015 the Appeal Committee asked for a review of the Council's discretionary relief policy in light of treatment given to Sports Clubs.

2. Non Domestic Rates and Relief Awarded

- 2.1 Non Domestic Rates are a charge against each rateable subject within the Council Area. There are currently 17,617 non domestic subjects in the valuation roll. Monies collected by the Council are held centrally by the Scottish Government and redistributed to Councils on a per population basis. In 2015 it is estimated that The Highland Council will contribute a maximum of £119.2m to the Non Domestic Rates Pool. Total Gross billed for 2015/16 will total £150.6m with reliefs awarded to businesses totalling £30.1m.
- 2.2 The Council currently awards a variety of reliefs to qualifying businesses. Reliefs are very important for businesses particularly during challenging times. They can also provide businesses with an opportunity to invest such cash instead of having to pay higher than necessary rates bills.

Mandatory Relief

This relief is fully funded by the Scottish Government.

- 1,002 non domestic rate subjects currently receive 80% mandatory charitable relief totalling £7.098m. Mandatory relief is awarded where the occupier of the subject is a registered charity, listed on the register maintained by the Office of the Scottish Charity Regulator (OSCR), or has a tax exemption certificate and the property occupied by the organisation is used "wholly or mainly for charitable purposes"
- 26 subjects are registered Community Amateur Sports Club (CASC) and receive 80% mandatory sports relief totalling £0.174m
- 196 subjects receive 50% mandatory rural relief totalling £0.161m. Mandatory rural relief is awarded to single post offices, general stores or filling stations in a rural settlement with a population below 3,000.

Small Business Bonus Scheme (SBBS)

This relief is fully funded by the Scottish Government.

- 9,131 subjects currently receive up to 100% SBBS totalling £11.537m. This Scheme provides relief to ratepayers with properties in Scotland with a combined rateable value of £18,000 or less. The latest available data for Scotland (Sep 14) shows Highland Council as the highest take-up of SBBS.

Discretionary Relief

The Council has to fund 25% of any discretionary relief awarded. The Scottish Government funds the remaining 75%. (There is one exception to this in relation to Sports Clubs from April 2015 and this is discussed further at 3.1).

- 1,472 subjects currently receive discretionary relief totalling £2.765m

The Council has the discretion to “top-up” relief to 100% for those subjects currently receiving 80% charitable relief and 50% rural relief. It can also award discretionary rural relief to lifeline businesses in rural communities as well as discretionary relief to premises occupied by non-profit making organisations and clubs for activities related to education, social welfare, science, literature or the fine arts and community halls and Sports Clubs.

- 2.3 The table below highlights the actual cost to the Council from awarding discretionary relief against the current budget. This analysis indicates that the actual cost to the Council has exceeded the budget position in each of the last three years, and for some years previously.

Detail/Year	13/14	14/15	15/16
Budget	£606,000	£606,000	£606,000
Outturn	£695,000	£690,000	£681,000*

*The Scottish Government has recently confirmed discretionary relief to sports clubs will be fully funded for 15/16 resulting in a lower estimated spend compared to prior year.

- 2.4 This position is not sustainable and either has to be addressed through an additional budget provision or an amendment to the current discretionary policy.

- 2.5 An amendment to current discretionary policy could be done by:

- (i) Reduce rural discretionary relief which is currently awarded to Post Offices, chemist shops, council owned properties, village stores and pubs (which offer community facilities).
- (ii) Reduce top up discretionary for charities in receipt of 80% mandatory and 100% discretionary for community/village halls and properties used for quasi charitable organisations.

Either of these options would result in businesses across all Highland seeing an increase in their rates bills compared to previous years and a detrimental impact on rural communities.

2.6 As reported at 2.2, reliefs support businesses and such an increase in their rates bills could be damaging to their business. On that basis, this report proposes additional budget provision and this is discussed in detail in sections 3 and 4 of this report.

3. Current Position on Sports Clubs Reliefs

3.1 Relief to Sports Clubs can be awarded on the following basis. Since April 2015, both mandatory and discretionary reliefs for Sport Clubs are fully funded by the Scottish Government.

- Clubs which are registered as Community Amateur Sports Clubs (CASC) will receive 80% mandatory relief and a further 20% discretionary relief can be awarded if the club is unlicensed.
- Any Sports Clubs relief which are unlicensed can receive 100% discretionary relief (if their constitution includes three standard clauses)
- Sports Clubs which are licensed can receive 80% discretionary relief if their constitution includes three standard clauses and the net profit from any bar takings is greater than 30%. The objective is to discourage such establishments selling alcohol at a significantly lower price than others by including the costs incurred by licensed Sports Clubs to purchase alcohol.

3.2 Currently, licensed non-Sports Clubs receive no relief. Following the Non Domestic Rates Appeal hearing as reported at 1.1, although the committee upheld the Council's decision not to award relief, they felt that a review of the policy was merited in that the current policy may place Sports Clubs in a *more advantageous* position and thought that discretion could be wider. Any increase in discretion in relation to non-Sports Clubs would result in additional costs and Council funding would be required. The remainder of section 3 discusses a proposed change, including the likely additional costs.

3.3. In recognition of the charitable or community work certain licensed non-Sports Club establishments can undertake, it is recommended that an award of 50% discretionary relief be made if the establishment in question can evidence the following:

- Their premises are used by non-profit making community/local organisations at a reasonable cost.
- Turnover from bar takings must not exceed 20% of the total turnover of the business.
- The rateable occupier must not be a closed membership organisation.

It is recognised that these premises are licensed and will be in direct competition to local licenced premises etc. and as such it is felt that in the interest of fairness, relief awarded should **not** compare to that awarded to charitable premises.

- 3.4 The de-minimus level for commercial income when determining mandatory/ discretionary relief is currently £4,000. This figure has remained unchanged since 1996; a comparative figure at today's prices would suggest £6,700 is more appropriate. It is recommended that this figure (£6,700) is now used.
- 3.5 It is difficult to estimate the cost of awarding discretionary relief under these circumstances. However an analysis of licensed premises which may meet the criteria would suggest a cost to the Council of approximately £20,000 based on an award of 50% relief.
- 3.6 With the current policy outturn for 15/16 costing £0.681m, the proposed change in policy would result in a total outturn of £0.701m. A budget feed of £0.095m would therefore be required and Members will note from an earlier report on the agenda (*Corporate Revenue Monitoring to 30 June 15*) that there is an estimated year end surplus on council tax income as a result of prior years' debt collections being better than anticipated which could be used to provide the necessary funding to support businesses located in Highland.

4. Implications

- 4.1 There will be additional costs to the Council if this proposal is approved. Such a change to the discretionary policy will result in some additional efforts by our NDR staff to review any applications but such costs will be absorbed within current staff establishments. The direct costs of the relief increase are as reported at 3.5.
- 4.2 There are no legal, risk, equalities, climate change/Carbon Clever or Gaelic implications to highlight. This change in policy will support some businesses across Highland, including rural areas.

Recommendations

Members are asked to:

1. Note the current NDR reliefs available to businesses.
2. Note the current policy on NDR discretionary reliefs.
3. Consider the proposal to update the NDR discretionary reliefs policy in respect of non-licensed Sports Clubs to award 50% discretionary relief where certain qualifying criteria are satisfied.
4. Approve an increase to the Non Domestic Rates Discretionary Relief budget to £0.701m.

Designation: Director of Finance

Date: 17 August 2015

Authors: Allan Gunn, Head of Revenues and Business Support (01463 702491), Brian Murison, Revenues Manager (01463 254976) and Roz Wheeler, Rating Officer (01463 702469)