



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 12 FEBRUARY 2019

SUBJECT: DISCRETIONARY NON-DOMESTIC RATES RELIEF

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To consider whether awards of discretionary Non-Domestic Rates relief which have been made previously should be amended.
- 1.2 This report is submitted to the Committee in terms of Section III (B) (7) of the Council's Scheme of Administration relating to the administration of the levy, collection, payment and recovery of Non-Domestic Rates.

2. RECOMMENDATION

2.1 It is recommended that the Committee:

- (i) **consider the options detailed in Section 4 of the report and agree to either withdraw or amend awards which it has previously made of discretionary rates relief to Scottish charities, not-for-profit organisations and any other organisations identified by Members;**
- (ii) **agree the timescale in which to implement any changes; and**
- (iii) **agree that this decision will represent a policy decision for all future applications for discretionary rates relief.**

3. BACKGROUND

Legal Framework

- 3.1 In terms of Section 4(5) of the Local Government (Financial Provisions *etc.*)

(Scotland) Act 1962 rating authorities have powers to grant additional discretionary rates relief in respect of premises:

- (a) occupied by charities and used for charitable purposes;
- (b) occupied for the purposes of organisations which are not established for profit and whose principal aims are charitable and are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
- (c) occupied for the purposes of a club, society or other organisation not established or conducted for profit and which are wholly used for the purpose of recreation.

Financial Cost of Discretionary Rates Relief

- 3.2 Moray Council currently makes 158 awards of discretionary rates relief to registered Scottish charities, not-for-profit organisations and organisations identified by Members. The majority of these awards are a twenty *per cent* discretionary rates relief 'top-up' of the eighty *per cent* mandatory rates relief to which registered Scottish charities are entitled by statute. There are six awards of one-hundred *per cent* discretionary rates relief.
- 3.3 The awards of twenty *per cent* discretionary rates relief made to registered Scottish charities total £224K. The cost to the council of making these awards is £56K, the remainder of the award, which totals seventy-five per cent of the total amount of discretionary rates relief award, is borne by the Scottish Non-Domestic Rates 'pool'.
- 3.4 The awards of one-hundred per cent discretionary rates relief made to not-for-profit organisations and organisations identified by Members total £39K. The cost to the council of making these awards is £10K, the remainder of the award, which totals seventy-five per cent of the total amount of discretionary rates relief award, is borne by the Scottish Non-Domestic Rates 'pool'.
- 3.5 **Appendix 1** sets out a list of all the recipients of an award of twenty per cent discretionary rates relief.
- 3.6 Those recipients who receive an award of one-hundred per cent discretionary rates relief can be found in **Appendix 2**.
- 3.7 A list of all organisations or groups in receipt of significant funding from the council is set out in **Appendix 3**.
- 3.8 Those organisations which have entered into a Community Asset Transfer can be found in **Appendix 4**.
- 3.9 In reviewing the content of this report, Members should be aware that a number of organisations which currently receive an award of discretionary rates relief may be eligible for a relief award under the Scottish Government's

Small Business Bonus Scheme. This scheme, the cost of which is borne entirely by the Scottish Non-Domestic Rates 'pool', ensures that any ratepayer which occupies a property or properties in Scotland which has a total rateable value of up to £15,000 is entitled to full relief from the payment of rates.

Moray Council 2019 Budget

- 3.10 The council has already made a decision to seek to identify savings from discretionary rates relief. At a meeting of Moray Council on 23 January 2019 it was agreed that the council would reduce this item of expenditure by £10K in 2020-21.

Other Scottish Local Authorities

- 3.11 In the process of writing this report, a number of Scottish local authorities were contacted to gauge the manner in which they administered applications for an award of discretionary rates relief. The following results were obtained:
- i. Aberdeenshire Council – do not award 'top-up' relief to charity shops. Other properties occupied by charities receive an award of 'top-up' relief where it is appropriate to do so. At present they are not looking to review that policy;
 - ii. Angus Council – do not award 'top-up' relief to charity shops and only award fifty *per cent* discretionary rates relief to licensed premises. Other properties occupied by charities receive an award of 'top-up' relief where it is appropriate to do so. At present they are not looking to review that policy;
 - iii. Argyll and Bute Council – award 'top-up' relief where it is appropriate to do so. At present they are not looking to review that policy;
 - iv. Highland Council – award 'top-up' relief where it is appropriate to do so. If there is evidence of commercial activity, they do not award relief. At present they are not looking to review that policy;

4. PROPOSED COURSES OF ACTION

- 4.1 In reviewing the status of awards of discretionary rates relief, Members may wish to consider the following options:
- (a) termination of all awards of discretionary rates relief;
 - (b) reduction of all awards of discretionary rates relief by an amount determined by Members;
 - (c) termination, or reduction by a percentage determined by Members, of all awards of one-hundred *per cent* discretionary rates relief made to non-charitable organisations;

- (d) termination, or reduction by a percentage determined by Members, of all awards of discretionary rates relief made to organisations headquartered outside the boundaries of Moray;
 - (e) termination, or reduction by a percentage determined by Members, of all awards of discretionary rates relief made to charity shops in Moray;
 - (f) termination, or reduction by a percentage determined by Members, of all awards of discretionary rates relief made to office accommodation occupied by Scottish charities and not-for-profit organizations in Moray;
 - (g) termination, or reduction by a percentage determined by Members, of all awards of discretionary rates relief made to licensed premises.
- 4.2 Members should be aware that, with the exception of option (a), they may choose to combine these options if they are minded to do so.
- 4.3 The Committee is also invited to consider whether, in coming to a decision, it may wish to continue to award discretionary rates relief to some organisations. Examples of such instances may be:
- organisations or groups in receipt of significant funding from the council;
 - organisations which have entered into a Community Asset Transfer.
- 4.4 The Committee is also invited to consider, whether in coming to a decision, the timescale on which it would like to implement any change that it is minded to make. Members may wish to implement any change:
- (a) from 1 April 2019, bearing in mind that such a timescale would present little opportunity for effected ratepayers to prepare for the need to pay rates;
 - (b) over an extend period (for example introducing part of the change in 2019-20 and part of it in 2020-21), thereby reducing the impact of the change.

5. POTENTIAL IMPACT

- 5.1 The following paragraphs, 5.3 – 5.12 inclusive, detail the potential impact of each of the courses of action detailed above.
- 5.2 Members should bear in mind that if they are minded to reduce the amount of the reduction of relief or phase any such change over a number of years, an option detailed in paragraph 4.4 above, this will reduce any immediate saving accruing to the council.

Termination of all awards of relief

- 5.3 Number of accounts effected: **158**;
Value of discretionary rates relief withdrawn: **£262,777**;
Budget saving accruing to the council: **£65,694**.

Reduction of all awards of relief by an amount determined by Members

- 5.4 Illustrative examples of the impact of a seventy-five, fifty and twenty-five *per cent* reductions in relief awards are detailed below.

Seventy-five *per cent* reduction in relief.

- 5.5 Number of accounts effected: **158**;
Value of discretionary rates relief withdrawn: **£197,083**;
Budget saving accruing to the council: **£49,271**.

Fifty *per cent* reduction in relief.

- 5.6 Number of accounts effected: **158**;
Value of discretionary rates relief withdrawn: **£131,389**;
Budget saving accruing to the council: **£32,847**.

Twenty-five *per cent* reduction in relief.

- 5.7 Number of accounts effected: **158**;
Value of discretionary rates relief withdrawn: **£65,694**;
Budget saving accruing to the council: **£16,424**.

Termination of Relief Awarded to non-charitable organisations

- 5.8 Number of accounts effected: **6**;
Value of discretionary rates relief withdrawn: **£39,120**;
Budget saving accruing to the council: **£9,780**.

Termination of relief awarded to non-Moray headquartered organisations

- 5.9 Number of accounts effected: **54**;
Value of discretionary rates relief withdrawn: **£51,077**;
Budget saving accruing to the council: **£12,769**.

Termination of relief awarded to charity shops

- 5.10 Number of accounts effected: **21**;
Value of discretionary rates relief withdrawn: **£23,885**;
Budget saving accruing to the council: **£5,971**.

Termination of relief awarded to office accommodation

- 5.11 Number of accounts effected: **38**;
Value of discretionary rates relief withdrawn: **£28,402**;
Budget saving accruing to the council: **£7,100**.

Termination of relief awarded to licensed premises

- 5.12 Number of accounts effected: **4**;
Value of discretionary rates relief withdrawn: **£32,640**;
Budget saving accruing to the council: **£8,160**.

6. SUMMARY OF IMPLICATIONS

(a) Moray 2026: A Plan for the Future and Moray Corporate Plan 2015 - 2017

No council/community planning priority implications for the local authority arise from the content of this report.

(b) Policy and Legal

If Members choose to make a policy decision in regard to discretionary award of rates, as sought in paragraph 4.1 above, this will be applied to all applications for relief from similar ratepayers.

(c) Financial Implications

If Members choose to exercise their discretionary powers to amend the awards of discretionary rates relief which have been made previously, this will result in budgetary savings for the council. The maximum potential saving is £65K. The savings which are available are detailed on paragraph 5, above.

(d) Risk Implications

No risk implications for the local authority arise from the content of this report.

(e) Staffing Implications

No staffing implications for the local authority arise from the content of this report.

(f) Property

No property implications for the local authority arise from the content of this report.

(g) Equalities

No equalities implications for the local authority arise from the content of this report.

(h) Consultations

No consultation has been carried out in the preparation of this report.

7. CONCLUSION

- 7.1 This report has laid before Members some of the options open to them to amend the award of discretionary rates relief to charities and to not-for-profit organisations and organisations identified by Members. It also enumerates the potential savings which may accrue to the council from each course of action.**

Author of Report: James Taylor, Taxation Manager (ext. 3160).

Background Papers

Ref.: JGT/LJC/