

## **ANALYSIS OF RESPONSES**

# **NON DOMESTIC RATES: DEFINITION OF RURAL AREAS FOR RATE RELIEF & RATING EXEMPTION PURPOSES – A CONSULTATION PAPER**

## **INTRODUCTION**

1. *Non Domestic Rates: Definition of rural areas for rate relief & rating exemption purposes - a consultation paper* sought views on the need to retain the “1 kilometre rule” and whether the locating of “communal establishments” e.g. prisons in settlements is an issue from the perspective of the 3,000 population threshold limit which is set out in statute. The 1 kilometre rule impacts on: (a) localities which individually or because they are associated with (i.e. located within 1 kilometre of) other localities, have populations of more than 3,000 and as such are considered urban and ineligible for rate relief/exemption; and (b) smaller localities of less than 1,000 population, but which are associated with (i.e. located within 1 kilometre of) localities or settlements with a population of more than 3,000 and thus ineligible for rate relief/exemption.

2. Over 100 copies of the consultation paper were issued to a variety of organisations including local authorities, business organisations and rating associations on 2 July 2004. It was also available on the internet and open to all to contribute. The consultation period ended on 24 September 2004. The following link takes you to the paper <http://www.scotland.gov.uk/consultations/rural/ndrdra.pdf>.

3. We would like to thank all those who responded to the consultation. The responses received will help inform the decision making process with regard to whether the “1 kilometre rule” should be retained and whether there is a need to make a legislative change to exclude communal establishments from the population of a settlement at this time.

4. A list of the 17 respondents is provided at Annex A. 2 respondents asked for their responses to be kept confidential. 70 per cent of respondents were in favour of removing the “1 kilometre rule”. Some respondents thought residents of communal establishments should be excluded from the population of a settlement whereas other respondents were not convinced a case had been made. All respondents thought it would be helpful if GRO(S) could provide local authorities with a copy of the rural settlement list compiled by GRO(S) and a list of excluded rural settlements and their associated postcodes.

5. Copies of individual responses (except those marked confidential) can be seen/are available from the Scottish Executive library at Saughton House, Broomhouse Drive, Edinburgh EH11 3XD (telephone 0131 244 4565).

## **SUMMARY OF RESPONSES**

### **Number and class of respondents**

<b>Class</b>	<b>Number</b>	<b>Percentage</b>
Business Representatives	4	24%
Local Authorities	12	70%
Individuals	1	6%
<b>Total</b>	<b>17</b>	<b>100%</b>

6. The tables below give a breakdown of responses received to the questions posed in the consultation paper. Examples of the views expressed are also provided.

#### **Q1. Do you consider that the 1 kilometre rule should be removed?**

<b>Class</b>	<b>Yes</b>	<b>No</b>	<b>No Comment</b>
Business Representatives	2 (17%)	2 (50%)	-
Local Authorities	9 (75%)	2 (50%)	1 (100%)
Individuals	1 (8%)	-	-
<b>Total</b>	<b>12 (100%)</b>	<b>4 (100%)</b>	<b>1(100%)</b>

#### *Examples of views expressed –in favour*

- The market for an individual community store tends to be limited and restricted to immediate local residents.
- Scottish Executive has accepted Western Isles Council's representations and unamalgamated Stornoway and Coll (including Tong) for Grant Aided Expenditure purposes and it follows this should also affect the rural designation.
- Equally important to maintain local services in suburbs of small towns or adjoining small towns.
- Would reduce the need to travel which is good for the environment and would assist those who find it difficult to travel.
- Additional cost of providing relief would be off-set by a reduction in Small Business Rate Relief.

#### *Examples of views expressed –against*

- Small localities within 1 kilometre of a larger settlement are not truly rural and should not benefit from the relief scheme.
- Small Business Rate Relief Scheme provides small businesses with a substantial measure of relief.

- Rural rate relief should be targeted at the rural businesses most likely to be affected by low population density.
- Can see no valid reason for the removal of the rule.

**Q2. We would welcome views on whether consideration should be given to excluding “residents” of communal establishments from the population of a settlement.**

*Examples of views expressed*

- Prisons should be excluded as they are not part of the local community and do not themselves contribute to the economy of the local area.
- Little factual evidence available regarding the impact on business performance for commercial enterprise operating in rural areas around such establishments.
- Communal establishments have potential to create local employment but can also create pressure on scant resources.
- Inequitable if rural businesses lost out on rural rate relief just because of a nearby communal settlement.
- Unlikely residents of communal establishments would be making use of local facilities –would need to handle carefully any decision to exclude such persons from population figures as may be viewed as discriminatory.
- Communal establishments should be included within settlement figures given the indirect benefits these establishments offer the community.
- Depends on extent to which communal establishment employs local people and other staff and residents use local facilities which are subject to non domestic rates; will vary depending on size and type of establishment; not convinced case for change has been made.
- Would be necessary for affected settlements to be easily able to be identified by GRO(S) and notified to local authorities.

**Q3. Would it be helpful if local authorities were provided with a copy of the rural settlement list compiled by GRO(S)?**

<b>Class</b>	<b>Yes</b>	<b>No</b>	<b>No Comment</b>
Business Representatives	4 (24%)	-	-
Local Authorities	12 (70%)	-	-
Individuals	1 (6%)	-	-
<b>Total</b>	<b>17 (100%)</b>	-	-

*Examples of views expressed –in favour*

- Would assist local authorities with the statutory requirement of compiling a rural settlement list.
- Of particular assistance would be the identification of additions and deletions to the list by GRO(S).
- Would provide a starting point for local authorities but full weight should be given to the views of local authorities.
- Would not however remove obligation on local authority to carry out work locally due to lack of settlement data below 500 residents.

**Q4. Would it be helpful if GRO(S) were to provide local authorities with a list of excluded rural settlements and their associated postcodes?**

<b>Class</b>	<b>Yes</b>	<b>No</b>	<b>No Comment</b>
Business Representatives	4 (24%)	-	-
Local Authorities	12 (70%)	-	-
Individuals	1 (6%)	-	-
<b>Total</b>	<b>17 (100%)</b>	-	-

*Examples of views expressed –in favour*

- Would assist local authorities in maintaining rural settlement list.
- Provision of data could serve as a cross check on the compilation by local authorities of the rural settlement list.

**LEGISLATION**

7. If Ministers decide to remove the “1 kilometre rule” then we would require to amend the Non Domestic Rating (Rural Areas and Rateable Value Limits) (Scotland) Order 1997. Whilst the rule itself not set out in legislation, the Schedule to the Principal Order as amended contains details of localities which are affected by the “1 kilometre rule”. An amending Order will require to be brought forward to delete these localities from the Schedule. This means that (a) any qualifying property within these localities would become eligible for 50 per cent mandatory rate relief and (b) the sites of qualifying ATMs (cashline machines) within these localities would be exempt from paying rates. If Ministers decide to exclude residents of communal establishments from the population of a settlement then an amendment would require to be made to the Non Domestic Rating (Rural Areas and Rateable Value Limits) (Scotland) Order 1997.

**OTHER ISSUES**

8. One respondent indicated they were concerned at the current restrictions on rural rate relief in terms of the 3,000 resident criteria. The respondent is concerned this is denying settlements which are clearly rural in terms of their geographical locality from benefiting from relief as they have a settlement of greater than 3,000

inhabitants. The respondent proposes that consideration should be given to amending the current population threshold criteria to “remove an obstacle to support.”

9. The Scottish Executive introduced a rate relief scheme for small businesses on 1 April 2003. Since that time all non domestic subjects with a rateable value of £10,000 or less receive a discount of between 5 per cent and 50 per cent on the rate poundage. Non domestic subjects with a rateable value of less than £10,000 which do not qualify for rural rate relief will benefit from Small Business Rate Relief.

## **POST CONSULTATION**

10. Ministers will carefully consider the responses received prior to reaching a decision on whether to remove the “1 kilometre rule” and whether there is a need to make a legislative change to exclude communal establishments from the population of a settlement. Scottish Executive officials will liaise with GRO(S) and local authority revenue staff regarding the provision of information relating to rural settlement lists.

## LIST OF RESPONDENTS

### **Business Representative Bodies**

Confederation of British Industry  
16 Robertson Street, GLASGOW, G2 8DS  
Royal Institution of Chartered Surveyors  
9 Manor Place, EDINBURGH, EH3 7DN  
Scottish Licensed Trade Association  
10 Walker Street, EDINBURGH, EH3 7LA  
Scottish Retail Consortium  
Dolphin House, 4 Hunter Square, EDINBURGH, EH1 1QW

### **Local Authorities**

Aberdeenshire Council  
Viewmount, Arduthie Road, STONEHAVEN, AB39 2DQ  
Argyll and Bute Council  
Council Offices, Witchburn Road, CAMPBELTOWN, PA28 6JU  
Dumfries and Galloway Council\*  
Financial Services, Carruthers House, English Street, DUMFRIES, DG1 2HP  
East Lothian Council  
P O Box 13264, HADDINGTON, East Lothian, EH41 3YG  
Falkirk Council  
Municipal Buildings, FALKIRK, FK1 5RS  
Highland Council  
Glenurquhart Road, INVERNESS, IV3 5NX  
North Lanarkshire Council  
166 Park Street, MOTHERWELL, ML1 1PF  
Orkney Islands Council  
Council Offices, KIRKWALL, Orkney, KW15 1NY  
Perth and Kinross Council  
Pullar House, 35 Kinnoull Street, PERTH, PH1 5JD  
South Lanarkshire Council  
Brandongate, 1 Leechlee Road, HAMILTON, ML3 0XB  
West Lothian Council  
Revenues Unit, St David House, South Bridge Street, BATHGATE,  
Western Isles Council  
Council Offices, Sandwick Road, STORNOWAY, HS1 2BW

### **Individuals**

One individual\*

\*responses treated as confidential