

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy and Resources
DATE	16 February 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	Non Domestic Rates Relief for Credit Unions
REPORT NUMBER	CG/16/002
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to recommend that members approve an amendment to the current operational policy for Non Domestic Rates relief to enable charitable relief to be awarded to Credit Unions.

2. RECOMMENDATION(S)

It is recommended that the Committee approves:

- a) the amendment to the Non Domestic Rates relief operational policy to award charitable relief to Credit Unions;
- b) that the amendment applies from 1st April 2015; and
- c) to continue to decline requests from other Not for Profit (NfP) organisations.

3. FINANCIAL IMPLICATIONS

The current rating legislation allows Local Authorities to grant up to 100% discretionary Non Domestic Rates relief to organisations who do not meet the definition of a charitable organisation.

The cost of the proposal to grant 100% discretionary relief to all Credit Unions would be as follows:

North East Scotland Credit Union (current property which would be retained)	£1,837.50
North East Scotland Credit Union (new property)	£2,190.00
St Machar Credit Union	£1,770.00
Grampian Credit Union	£1,500.00
Total Cost	£7,297.50

4. OTHER IMPLICATIONS

While it is recommended that the current policy is amended to include Credit Unions, it is further recommended that the Council continue to decline any other requests from Not for Profit organisations. This will allow the policy to be manageable and to restrict financial implications for the Council. This is consistent with the historic position of Aberdeen City Council due to the dilution of the definition of a “charitable organisation” and also the cost to the Authority.

It is further proposed that the granting of discretionary relief to Credit Unions will be effective from 01/04/2015 to allow all three Credit Unions operating in the City to benefit from the amended operating policy and to ensure that the new property for NESCU is included in this policy. If the proposal is agreed, the Council will contact all three Credit Unions to confirm the operating policy and to amend current rating liability for the 2015-16 year and on-going.

5. BACKGROUND/MAIN ISSUES

Aberdeen City Council is responsible for the billing and collection of all Non Domestic Rates (Business Rates) for non-domestic properties in Aberdeen. This extends to around 8,500 business and commercial subjects.

A range of reliefs are available in accordance with the provisions of various rating legislation. For properties occupied by charitable organisations, the Council grants relief in terms of The Non Domestic Rating (Financial Provisions, etc) (Scotland) Act 1962 where by a combination of Mandatory Relief (80%) and Discretionary Relief (20%), it is possible to reduce rating liability for such organisations by up to 100% (no rates charge).

The current operational policy for Aberdeen City Council is to consider (and grant where appropriate) charitable relief where the organisation is registered with the Office of the Scottish Charity Regulator (OSCR). Such registration is taken to be definitive proof that the organisation is of a charitable nature. This operational procedure has been in place since 2006/2007 when the definition of a charity (as above) was agreed by all Local Authorities.

Prior to that, Aberdeen City Council granted charitable relief if the organisation was recognised in terms of Section 505 of the Income and Corporation Taxes Act 1988. That policy was agreed by the former Grampian Regional Council and ratified by its successor, Aberdeen City Council in 1997.

The Council’s current operational policy excludes granting charitable relief to Credit Unions and any other organisation which is not OSCR registered, even if the organisations are considered to be Not for Profit (NFP). The exception to this is for sports clubs, although the rating legislation specifically allows the Local Authority to exercise

discretionary provisions for such organisations and at no cost to the Council.

Due to the expansion of the services offered by North East Scotland Credit Union (NESCU), they are moving to new, larger premises within Aberdeen but the matter of Non Domestic Rates relief has been raised as any additional charge will have a detrimental effect on their operating capability.

The services delivered by Credit Unions are increasingly important in the context of ongoing welfare reforms and the implementation of Universal Credit. Universal Credit is designed to make a single, household monthly payment on the basis that claimants manage and budget their money in the same way that most people in work do. Personal budgeting support is offered to help people in this respect.

Many people however currently use Post Office Card Accounts (POCA) which while designed to allow people to receive benefits, allowing people to withdraw cash, they cannot accept BACS salary payments, so have been deemed by DWP as not acceptable for people claiming Universal Credit, on the basis that they represent a barrier to employment by not being suitable to receive wage payments. Claimants eligible to claim UC who hold a POCA account will be able to continue to claim, but will be referred for budgeting support and expected to open a suitable bank account. Credit Unions are well placed to offer suitable accounts which also help people manage the single monthly payment. In addition they offer valuable and affordable credit services to help clients.

There are currently three Credit Unions operating within Aberdeen City:

- North East Scotland Credit Union Ltd
- St Machar Credit Union Ltd
- Grampian Credit Union Ltd

None of the Credit Unions currently receives charitable relief although they all receive full or part Small Business Bonus due to the rateable values of the properties occupied.

The new property being considered by NESCU has a rateable value above the Small Business Bonus threshold and therefore, no reduction to the Non Domestic Rates charge would be applicable without this change in current operational policy.

The amended operational policy also integrates with the “Shaping Aberdeen” vision of the Council ensuring the region continues to prosper economically and also prospers in terms of well-being.

6. IMPACT

Improving Customer Experience –

Granting discretionary relief to Credit Unions will demonstrate the Council's willingness to support such organisations which benefit the financially vulnerable in the community, particularly with the imminent roll-out of Universal Credit in Aberdeen and the effects that this Government policy is expected to have.

Improving Staff Experience –

This amended policy will continue to develop the range of affordable banking and credit options available to help those staff involved in advising and supporting clients in respect of financial inclusion across the Council, as well as further reinforcing effective partnership working relationships through financial inclusion and employability work.

Improving our use of Resources –

The amended policy, while having a financial cost to the Council, will ensure overall effective use of resources by ensuring that people and communities continue to have access to affordable banking and credit facilities, with encouragement and access to save; in particular, those people facing DWP requirements to have suitable banking facilities will continue to have an affordable and accessible option, through Credit Unions which can also offer further advice and support services.

Corporate -

This proposal contributes to Aberdeen – the Smarter City through Smarter Living (Quality of Life) and in particular:

- We will enhance the physical and emotional wellbeing of all our citizens by offering support and activities which promote independence. Resilience, confidence and self-esteem; and
- We will work with partners to reduce levels of inequality in the City.

While the Community Planning Single Outcome Agreement is being revised, this proposal will contribute to employability and wellbeing objectives across the City and at neighbourhood level, while also contributing to the emerging Inclusion and Welfare service plan.

Public –

This report is likely to be of interest to the public and not for profit organisations that may remain ineligible for relief. There is no requirement for an EHRIA or PIA.

7. MANAGEMENT OF RISK

The financial risk to the Council is minimal and if approved this proposal recommends a managed extension to the Council's Non Domestic Rates Relief policy.

8. BACKGROUND PAPERS

There are no background papers to consider.

9. REPORT AUTHOR DETAILS

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