

Local Government, Housing and Planning Committee

10th Meeting, 2024 (Session 6)

Tuesday 26 March 2024

SSI cover note for: The Non-Domestic Rates (Islands and Remote Areas Hospitality Relief) (Scotland) Regulations 2024

SSI 2024/55

Title of Instrument: The Non-Domestic Rates (Islands and Remote Areas Hospitality Relief) (Scotland) Regulations 2024

Type of Instrument: Negative

Laid Date: 22 February 2024

Circulated to Members: 22 February 2024

Meeting Date: 26 March 2024

Minister to attend meeting: No

Motion for annulment lodged: No

Drawn to the Parliament's attention by the Delegated Powers and Law Reform Committee? No

Reporting deadline: 15 April 2024

Recommendation

1. The Committee is invited to consider any issues which it wishes to raise on this instrument.

2. An electronic copy of the instrument is available at: <https://www.legislation.gov.uk/ssi/2024/55/contents/made>

3. Copies of the Scottish Government's Explanatory and Policy Notes are attached at **Annexe A**.

Purpose

4. The Policy Note states that the purpose of the Regulations is to provide for temporary non-domestic rates relief for the 2024-25 financial year only. The Policy Note further explains that “the regulations provide for a 100% non-domestic rates relief for eligible properties used for specified hospitality purposes on Scottish islands and in specified remote areas, capped at a maximum of £110,000 per ratepayer.”

5. Prior to the instrument being laid, the Minister for Community Wealth and Public Finance wrote to the Committee on 9 February 2024 to advise that “this relief will additionally be extended to eligible hospitality premises in three locations - Knoydart, Scoraig, and Cape Wrath”. The text of the letter can be found at Annexe B and the Policy Note confirms that the instrument gives effect to this extension which is being made “in recognition of the unique circumstances of these areas which are not connected to a main road network and are only accessible by boat or on foot.”

Delegated Powers and Law Reform Committee consideration

6. At its meeting on 5 March 2024,¹ the DPLR Committee considered the instrument and agreed not to draw it to the attention of the relevant lead committee.

Procedure for Negative Instruments

7. Negative instruments are instruments that are “subject to annulment” by resolution of the Parliament for a period of 40 days after they are laid. All negative instruments are considered by the Delegated Powers and Law Reform Committee (on various technical grounds) and by the relevant lead committee (on policy grounds). Under Rule 10.4, any member (whether a member of the lead committee) may, within the 40-day period, lodge a motion for consideration by the lead committee recommending annulment of the instrument. If the motion is agreed to, the Parliamentary Bureau must then lodge a motion to annul the instrument for consideration by the Parliament.

8. If that is also agreed to, Scottish Ministers must revoke the instrument. Each negative instrument appears on a committee agenda at the first opportunity after the Delegated Powers and Law Reform Committee has reported on it. This means that, if questions are asked or concerns raised, consideration of the instrument can usually be continued to a later meeting to allow correspondence to be entered into or a Minister or officials invited to give evidence. In other cases, the Committee may be content simply to note the instrument and agree to make no recommendation on it.

**Clerks,
Local Government, Housing and Planning Committee**

Annexe A

Scottish Government Explanatory Note

(This note is not part of the Regulations)

These Regulations make provision for relief from liability to non-domestic rates for lands and heritages located on islands in Scottish waters and in certain remote areas in Scotland, and operating in specified areas of the hospitality sector, for the financial year 2024-25.

Regulation 3 makes provision for how an application to obtain the relief in regulation 4 must be made.

Regulation 4 provides for relief in respect of lands and heritages wholly or mainly used for one or more of the purposes specified in schedule 2 that are situated on an island (as defined in regulation 2) or in an area falling within the boundaries described in schedule 1. The boundaries in schedule 1 are described using Ordnance Survey National Grid references, along with a topographical description of the course of the boundary between each grid reference. Together these boundaries enclose the three areas in question.

The areas form part of peninsulas, namely Cape Wrath, Knoydart and Scoraig, which are not accessible via the public road network. Illustrative maps of the areas falling within the boundaries accompany this explanatory note. Copies are also available for inspection at the Scottish Government Local Government and Analytical Services Division, Victoria Quay, Edinburgh, EH6 6QQ.

Regulation 4(2), as read with regulation 4(1), provides that 100% relief is granted for the financial year 2024-25, with the qualification in regulation 4(3) that the relief may not reduce the rates liability of any particular ratepayer by more than £110,000.

Policy Note

The Non-Domestic Rates (Islands and Remote Areas Hospitality Relief) (Scotland) Regulations 2024

The above instrument was made in exercise of the powers conferred by section 153 of the Local Government etc. (Scotland) Act 1994. The instrument is subject to the negative procedure.

Summary Box

These Regulations provide for temporary non-domestic rates relief for the 2024-25 financial year only. The regulations provide for a 100% non-domestic rates relief for eligible properties used for specified hospitality purposes on Scottish islands and in specified remote areas, capped at a maximum of £110,000 per ratepayer.

Policy Objectives

This instrument provides for Islands and Specified Remote Areas Hospitality Relief in financial year 2024-25. This is a temporary relief that will provide 100% rates relief to eligible hospitality properties on islands which are surrounded by the sea on all sides, or in specified remote areas, up to a maximum value of £110,000 per ratepayer. The award of this relief must be compatible with the Subsidy Control Act 2022.

The specified remote areas are prescribed locations within Cape Wrath, Knoydart and Scoraig (as noted in Schedule 1) in recognition of the unique circumstances of these areas which are not connected to a main road network and are only accessible by boat or on foot. Maps illustrating the prescribed areas are available in the Explanatory Note.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Consultation

There is no statutory requirement to formally consult on these Regulations.

The policy provided for in these regulations relating to islands was set out in the Scottish Budget 2024-25 and that relating to the additional specified remote areas was confirmed to Parliament on 9 February 2024.

Impact Assessments

An Island Communities impact assessment has been completed on the policy and is attached. The assessment has identified that the relief is unlikely to have any significantly negative impacts for island communities, businesses or local authorities, and is appropriately targeted to benefit hospitality businesses - a key sector of island business and a key source of employment that has been particularly affected by the qualifying areas' reliance on ferries.

Financial Effects

The Minister for Community Wealth and Public Finance confirms that no BRIA is to be carried out on the basis that the relief is application-based and, if awarded will financially benefit the recipient, and the annual cost of applying the policy additionally to Cape Wrath, Knoydart and Scoraig is expected to be low compared to total non-domestic rates revenue. This instrument will therefore have minimal financial effect on the Scottish Government and local government.

The decrease in the amount of non-domestic rates payable as a result of the reliefs is in line with the policy objectives as outlined above.

The Scottish Fiscal Commission's Scotland's Economic and Fiscal Forecasts¹ published on 19 December 2023 included a cost estimate of £4 million in 2024-25 for the policy as applied to islands, excluding the three areas in mainland Scotland also included in the policy. This estimate will be updated when the Commission publishes new forecasts to accompany the 2024 Medium-Term Financial Strategy.

The Commission's view is that the annual cost of applying the policy additionally to Cape Wrath, Knoydart and Scoraig will be below the negligibility threshold of £2 million.

Scottish Government
Local Government and Housing Directorate

February 2024

Letter from Minister for Community Wealth and Public Finance, 9 February 2024

Dear Ariane

The Scottish Budget announced, in the package of non-domestic rates relief for 2024-25, a new 100% non-domestic rates relief in 2024-25 for hospitality businesses located on islands as defined by the Islands (Scotland) Act 2018, capped at £110,000 per business.

I am writing to advise you that this relief will additionally be extended to eligible hospitality premises in three locations - Knoydart, Scoraig, and Cape Wrath. This recognises the unique circumstances of these three areas which are not connected to a main road network and are only accessible by boat or on foot.

Regulations to provide for this relief will be laid before the Scottish Parliament later this month.

I am copying this letter to Clare Baker as Convener of the Economy and Fair Work Committee. I hope this is helpful.

TOM ARTHUR