

Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	4 December 2017
Report by:	Assessor and Electoral Registration Officer

Subject:	Summary of the Barclay Report on the Review of Non Domestic Rates
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Update Joint Board members on the content of the Barclay Report on the Review of Non Domestic Rates.

2. Recommendation(s)

2.1. The Board is asked to approve the following recommendation(s):-

- (1) that the content of the report be noted.

3. Background

3.1. The review of non domestic rates was led by Kenneth Barclay who was Chair of RBS Scotland until February 2016. The review has been ongoing since the middle of 2016 and has now concluded with a list of 30 recommendations.

3.2 The remit of the review was as follows:-

"To make recommendations that seek to enhance and reform the non-domestic rates (also sometimes referred to as business rates) system in Scotland to better support business growth and long term investment and reflect changing marketplaces, whilst still retaining the same level of income to deliver local services upon which businesses rely."

4. Summary of Recommendations

4.1. The 30 recommendations are categorised into 3 specific areas:-

- Measures to support economic growth (7)*
- Measures to improve ratepayer experience and administration of the system (12)
- Measures to increase fairness and ensure a level playing field (11)

*indicates number of recommendations

4.2 A full list of the recommendations is shown at Appendix 1.

5. Response from Scottish Assessors Association to the Recommendations

- 5.1 The Cabinet Secretary for Finance and the Constitution (Derek Mackay MSP) made a statement to the Scottish Parliament in response to the Barclay Review on 12 September 2017, advising of which recommendations were to be implemented immediately, and providing information on proposed implementation in respect of other recommendations. The Scottish Assessors Association has maintained dialogue with the Scottish Government on the implementation of the recommendations which specifically affect Assessors' offices, and in turn (where applicable) Valuation Joint Boards. As a first step, the SAA has developed an Action Plan in response to recommendation 12, which is contained in Appendix 2 to this report.

6. Employee Implications

- 6.1 The additional workload for Assessors' offices, in particular those outlined at recommendation 2 (*There should be three yearly Revaluations from 2022 with valuations based on market conditions on a date one year prior (the 'Tone date')*), is very likely to require a recruitment exercise to ensure that suitably qualified staff are in place in order to carry out the additional duties. The Barclay Review refers to the issue of the requirement for additional resources for Assessors within the report.

7. Financial Implications

- 7.1 In the short term, there are no significant funding issues which are identified as a result of the Barclay Review recommendations for the Board. However, longer term, the introduction of three yearly revaluations in particular, will have a significant impact on resources, both financial and staffing. The introduction of a tone year one year before a Revaluation (currently two years before a Revaluation) will add to the challenge of adequately resourcing three yearly Revaluations. The Board will be kept updated on the likely financial implications of the implementation of the Barclay Review recommendations.

8. Other implications

- 8.1. There are no implications for risk or sustainability in terms of the information contained in this report.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.
- 9.2 There is no requirement for consultation in respect of this report.

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Assessor and Electoral Registration Officer

16 November 2017

Previous References

None

List of Background Papers

Report of the Barclay Review of Non Domestic Rates, published 22 August 2017

Contact for Further Information

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Recommendation Area 1 Measures to support economic growth.

Purpose of recommendations: to identify any ways in which the rates system could improve and stimulate economic performance:

1. A Business Growth Accelerator - to boost business growth, a 12 month delay should be introduced before rates are increased when an existing property is expanded or improved and also before rates apply to a new build property.
2. There should be three yearly Revaluations from 2022 with valuations based on market conditions on a date one year prior (the 'Tone date').
3. The large business supplement should be reduced.
4. A new relief for day nurseries should be introduced to support childcare provision.
5. Town Centres should be supported by expanding Fresh Start relief.
6. There should be a separate review of Plant and Machinery valuations with particular focus on renewable energy sector valuations and statutory improvements to property including sprinkler systems.
7. The effectiveness of the Small Business Bonus Scheme should be evaluated.

Recommendation Area 2 Measures to improve ratepayer experience and administration of the system.

Purpose of recommendations: to improve the administration system which supports the NOR service:

8. The Scottish Government should provide a 'road map' to explain changes to the rating system and should consult whenever possible on those changes, prior to implementation.
9. There should be better information on rates made available to ratepayers - co-ordinated by Scottish Government.
10. A full list of recipients of rates relief should be published to improve transparency.
11. A "rateable value finder" product should be used - to identify properties that are not currently on the valuation roll, so as to share the burden of rates more fairly.
12. Assessors should provide more transparency and consistency of approach. If this is not achieved voluntarily, a new Scotland wide Statutory Body should be created which would be accountable to Ministers.
13. The current criminal penalty for non-provision of information to Assessors should become a civil penalty and Assessors should be able to collect information from a wider range of bodies.

14. Standardised rates bills should be introduced across Scotland.
15. Ratepayers should be incentivised to sign up for online billing where available except in exceptional circumstances.
16. A new civil penalty for non-provision of information to councils by ratepayers should be created.
17. Councils should refund overpayments to ratepayers more quickly.
18. Councils should be able to initiate debt recovery at an earlier stage.
19. Reform of the appeals system is needed to modernise the approach, reduce appeal volume and ensure greater transparency and fairness.

Recommendation Area 3

Measures to increase fairness and ensure a level playing field.

This section proposes improvements to the rules claiming various reliefs to reduce the incidence of anti-avoidance tactics being used to unfairly claim reliefs. The report makes the following recommendations:

20. A General Anti-Avoidance Rule should be created to reduce avoidance and make it harder for loopholes to be exploited in future.
21. To counter a known avoidance tactic, the current 42 days reset period for empty property should be increased to 6 months in any financial year.
22. To counter a known avoidance tactic for second homes, owners or occupiers of self-catering properties must prove an intention to let for 140 days in the year and evidence of actual letting for 70 days.
23. The Scottish Government should be responsible for checking rates relief awarded, to ensure compliance with legislation.
24. Charity relief should be reformed/restricted for a small number of recipients.
25. To focus relief on economically active properties, only properties in active occupation should be entitled.
26. To encourage bringing empty property back into economic use, relief should be reformed to restrict relief for listed buildings to a maximum of 2 years and the rates liability for property that has been empty for significant periods should be increased.
27. Sports club relief should be reviewed to ensure it supports affordable community-based facilities, rather than members clubs with significant assets which do not require relief.
28. All property should be entered on the valuation roll (except public infrastructure such as roads, bridges, sewers or domestic use) and current exemptions should be replaced by a 100% relief to improve transparency.

29. Large scale commercial processing on agricultural land should pay the same level of rates as similar activity elsewhere so as to ensure fairness.
30. Commercial activity on current exempt parks and Local Authority (council) land vested in recreation should pay the same level of rates as similar activity elsewhere so as to ensure fairness.

Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
Rec 12	Assessors should provide more transparency and consistency of approach. If this is not achieved voluntarily, a new Scotland wide Statutory Body should be created which would be accountable to Ministers	Detail provided for 4.63(a)-(j)	Immediate
4.63(a)	All ratepayers should have access to consistent levels of service and advice, regardless of where they are located in Scotland	SAA will undertake an audit to identify variations in current service standards. Where significant differences are identified an issues log shall be created, maintained and action taken to provide mitigation and remedy. In addition the SAA shall undertake consultation with key stakeholders with a view to identify perceived service standard inconsistencies with a view to establishing a suite of national service standards.	Issues log established 1 October 2017. Initial consultation with stakeholders 1 November 2017 to 31 December 2017 Progress to be reported to the Scottish Ratepayers Forum and anticipated Scottish Rating Surveyors Forum. Outcome to be reported in SAA Annual Report.
4.63(b)	Assessors should consider an account manager based approach with named individuals in an Assessor's office given the role of key contact for individual sectors or property types within an individual area	At the national level a system of property category coordinators who could be considered "national account managers" is already in place through the SAA committee structure, working groups and practice note authors. SAA will publish on the SAA website the contact details for each national property category coordinator. At the local level Assessors shall provide contact names for each locality.	National property category coordinators list updated and checked for publication by 1 November 2017. Local contact names for each locality to be published online by 1 November 2017. Online publication may involve website development costs.
4.63(c)	Where local practice notes are used for valuation of any property, these must be made available online to all ratepayers	Currently where they exist Local Practice Notes are in the main made available on individual Assessor web sites. In order to improve the stakeholder journey the SAA shall conduct an audit of all existing Local Practice Notes with a view to making these accessible on the SAA website as an overall suite of national and local Practice Notes.	Audit completed by 1 November 2017. Publication by 1 January 2018. Online publication may involve website development costs.

Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
4.63(d)	Where the Assessors propose to change valuation practice notes this must be done in consultation with relevant external bodies and draft notes must be published online for comment for an appropriate period before they are finalised;	In advance of revaluations the SAA commits to undertake consultation, within the limitations which the revaluation timetable imposes, on proposed SAA Valuation Practice Notes, drawing particular attention to instance of significant change. Where published Practice Notes are subject to change following representation, appeal activity, or harmonisation requirements the SAA shall give notification of these changes through the SAA web site.	Notification of changes will be made from 1 October 2017. Consultation will precede the 2022 revaluation and will be timetabled as part of the R2022 plan.
4.63(e)	The point at which new build property is added onto the valuation roll should be consistent	The SAA has provided its support to the policy to see new build properties enter the Valuation Roll on occupancy and action on this matter has already been taken. The SAA would welcome the opportunity for discussions with the Government in order to establish clarity and examine the practical implications of this policy.	Immediate hold on new entries for unoccupied properties. Clarity on policy proposals required for 1 October 2017 with the practical implications closely examined in the short term. Legislative measures are likely to be required in the medium of long term
4.63(f)	The Scottish Assessors Association (SAA) should produce and publish an annual report on valuation practice and outcomes. This is particularly important in a revaluation year where the report should be substantive and highlight the average and range of movements in rateable value across council areas and sectors, any changes to valuation methodologies and summarise engagement with national and local trade bodies.	The SAA shall publish its first annual report during June 2018. In addition a report specifically reflecting on revaluations and their implications shall also be published at the appropriate time.	30 June 2018

Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
4.63(g)	Assessors should work through the SAA to standardise the level of service they provide, in particular to assist those ratepayers looking to build new or improve existing property to help them determine the potential estimated rateable value that will result	While the provision of estimated values is currently a non-statutory activity the SAA recognises the significance and potential benefits to both small and large non-domestic property occupiers. The capacity to meet this requirement is limited due to the requirement to continue to operate statutory functions in a challenging budgetary environment.	Clarity on the legal mandate to provide estimated values and indemnity for Assessors providing estimates is required and the SAA will work with Government and RICS to reach this clarity with immediate effect. As soon as this issue is resolved all Assessors will provide estimated values. SAA will monitor demand and timeframe for delivery which will be conditional upon resources with particular reference to the willingness of valuation authorities to fund non-statutory activities.
4.63(h)	The Assessors should provide more information on the evidence used at each revaluation to support valuations. While we appreciate that this will require detailed consideration in terms of what can be made available within the boundaries of data protection and commercial sensitivity, at the minimum ratepayers should be informed which comparator rental properties were used to inform their valuation	SAA recognises the need to make more information surrounding the valuation levels adopted accessible and shall, following detailed consideration of data protection and commercial sensitivity issues along with consultation with stakeholders provide details of how this may be taken forward.	Online publication will involve website development costs and may require a legal gateway.
4.63(i)	Appointments to the SAA should be more transparent	The current Constitution of the SAA that provides for the appointment of office-bearers shall be made available on the SAA website along with the names and contact details of the present office-holders.	1 October 2017

Barclay Review Group Report published 22 August 2017 – SAA Recommendation 12 Action Plan

Para	Recommendation	Action Plan 29 September 2017	Action Plan Timeline
4.63(j)	Minutes of meetings with sector representatives should be published (with any commercially sensitive data redacted as necessary).	Minutes of meetings held between the SAA and the Scottish Ratepayers Forum are already published on the SAA website. The SAA intends to overhaul its consultation framework to increase accessibility and widen reach. SAA shall review the current position with the intention of publishing minutes of all meetings with external bodies, organisations and stakeholders, subject to the approval of parties present.	Complete review of consultation framework by 1 December 2017 Publication of minutes of all meetings held after 1 October 2017. Online publication may involve website development costs.