

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 20 NOVEMBER 2017

REPORT ON: NON-DOMESTIC RATING - UPDATE

REPORT BY: ASSESSOR

REPORT NO: TVJB 25-2017

1 PURPOSE OF REPORT

1.1 The purpose of this report is to update the Joint Board on the position concerning Non-Domestic Rating.

2 RECOMMENDATIONS

2.1 The Joint Board is asked to note that:

- 6,279 Revaluation appeals have been received and arrangements are being made for each of these to be dealt with in accordance with the statutory timetable. Further appeals will be received in due course.
- Valuation Notices were issued on 29 September 2017 with regard to 1,289 new entries in respect of shooting rights and deer forests. It is anticipated that appeals will be lodged for a significant number of these entries and that further entries will be made in the Roll during the course of the financial year.
- Key Performance Indicators in relation to non-domestic rating are currently above target, however, the additional workload of re-introducing shooting rights and deer forests to the Valuation Roll, together with a temporary hold on making new entries in the Valuation Roll, is likely to result in a lower than target level of performance at the year end.
- The Scottish Government's response to the recommendations contained within the Barclay Report as detailed in the attached Appendix. Among the recommendations accepted is the proposal that there should be three yearly revaluations from 2022 onwards.

3 FINANCIAL IMPLICATIONS

3.1 Significant additional workload pressures will arise from the re-entry of shooting rights to the Valuation Roll, the resolution of appeals arising from the Revaluation coming into force on 1 April 2017 and the immediate issues arising from the Barclay Review. Whilst these will present financial challenges it is nevertheless anticipated that these will be met from the existing Revenue Budget for financial year 2017/18. It is expected however that going forward the position will require to be reviewed, particularly in the run up to a move to three yearly Revaluations, as is currently proposed by the Scottish Government.

4 POLICY IMPLICATIONS

4.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

5 BACKGROUND

5.1 The Assessor has a statutory duty to carry out a Revaluation of all non-domestic property in the Valuation Area every five years. The Assessor's task is to revalue each property at a Rateable Value which represents the rent at which that property might reasonably be expected to let at the specified date (1 April 2015). The Assessor is required to compile a new Valuation Roll with an entry showing the relevant details of each property and to send a formal Valuation Notice to each

Proprietor, Tenant and Occupier shown within the Roll containing details of that entry together with information on how they may appeal against the assessment.

- 5.2 The latest Revaluation came into effect on 1 April 2017 and contained some 19,358 entries with a combined Rateable Value of £425,825,644. Appeals against the individual assessment of each Rateable Value contained in the Roll as compiled required to be lodged by 30 September 2017. Where alterations are made to the Valuation Roll by inserting new entries or by amending existing entries after the Roll has come into force, each Proprietor, Tenant and Occupier may lodge an appeal within 6 months of the date on which the Valuation Notice was issued.
- 5.3 The Land Reform (Scotland) Act 2016 removed a previous exemption whereby shooting rights and deer forests had been excluded from the Valuation Roll since 1995. The re-entry of these subjects to the Roll with effect from 1 April 2017 represented a major challenge which involved sourcing new information for all such subjects, identifying the incorporeal shooting rights that exist, creating a model valuation scheme and applying the scheme to those subjects. Assessors undertook to ensure that the bulk of Rateable Values for shooting rights and deer forests were completed by the end of September 2017.
- 5.4 Key Performance Indicators in relation to the Valuation Roll are maintained and reviewed by management on a monthly basis and are submitted to the Scottish Government annually. Key Performance Indicators are measured by how quickly new or altered entries are shown on the Roll.
- 5.5 The Barclay Review Group undertook a wholesale review of the system of Non-Domestic Rates and reported on its findings in August 2017. Its Report can be read in full on the Scottish Government's website. There are 30 recommendations in total.

6 CURRENT POSITION

6.1 Non-Domestic Rating Appeals:

- 6.1.1 Subsequent to the 2017 Revaluation some 6,279 appeals had been submitted by the deadline of 30 September 2017 and this compares with 6,017 appeals at the 2010 Revaluation. The total combined Rateable Value of subjects under appeal in 2017 is £304,044,275, which compares with £304,130,708 at the 2010 Revaluation. These figures exclude any appeals which may be lodged as a result of the recent re-introduction of entries for shooting rights and deer forests to the Valuation Roll.
- 6.1.2 Each appeal will be cited for hearing before the Local Valuation Appeal Committee and each appellant will be given 105 days notice of the date of the hearing. Although each appeal will be formally cited for hearing, it is normally the case that, following issue of the citation, discussions will take place concerning the merits of the appeal and in the majority of cases a resolution can be found without the need for a formal presentation to be made to the Committee.
- 6.1.3 Arrangements have been made with the Secretaries of each Local Valuation Appeal Committee to schedule Valuation Appeal Hearings on a rolling programme (generally one hearing per month in each Local Authority area) commencing from February 2018. The statutory deadline for the disposal of all revaluation appeals to be heard by Local Valuation Appeal Committees is 31 December 2020.

6.2 Shooting Rights & Deer Forests:

- 6.2.1 In Tayside additional Valuation Notices were issued on 29 September for some 1,289 new entries relating to shooting rights and deer forests, primarily in the Angus and Perth & Kinross areas. The combined additional Rateable Value of these entries is £1,817,045. It is anticipated that a significant number of appeals will be lodged in respect of these entries.

6.2.2 Whilst this represents the bulk of subjects, considerable work remains to be done to identify other shooting rights and deer forests and it is likely that additional entries will continue to be made throughout the remainder of the financial year.

6.3 Key Performance Indicators:

6.3.1 The target is to process 75% of alterations within 3 months and 88% within 6 months. The level of performance as at 30 September 2017 is as shown below.

Local Authority Area	No of new and altered entries	Percentage entered of amended within		
		3 months	6 months	More than 6 months
Angus Council	206	76.2%	93.2%	6.8%
Dundee City Council	235	77.0%	99.1%	0.9%
Perth & Kinross Council	397	76.6%	91.5%	8.6%
Total	838	76.6%	94.0%	6.0%

6.3.2 Whilst the current level of performance is slightly above target, this level of performance is notably below the equivalent period for 2016/17 (80.9% within 3 months). It is clear that a number of factors (including the work involved in creating additional entries for shooting rights and deer forests together with a freeze on the insertion of new entries to the Valuation Roll following the Government's response to the Barclay Review) will affect the final performance and year-end figures are likely to be below target. Management will continue to review the position on an ongoing basis.

6.4 Barclay Review:

6.4.1 The Barclay Report on Non-Domestic Rating has been widely welcomed and the Scottish Government has moved quickly to announce its response. The Government's individual responses to the various recommendations are set out in the attached Appendix.

6.4.2 Of particular note among the Scottish Government's responses are the following:

- The proposal to have three yearly revaluations from 2022 has been accepted.
- The proposal that there should be a review of the Plant & Machinery Regulations has been accepted.
- The proposal that Assessors should provide more transparency and consistency of approach has been accepted. This will include a requirement for an upgrade of the Assessors' Portal, greater provision of information and services and the provision of estimated provisional valuations on request. NB In pursuance of a proposal that new properties should not enter the Roll until complete (as opposed to entering the Roll upon coming into existence) Assessors have placed a hold on making any new entries in the Valuation Roll (other than for shooting rights and deer forests) until the exact details of this request are refined.
- The proposal that all property (including farm-land and agricultural buildings) should enter the Valuation Roll has not been accepted.

The Scottish Government is currently preparing a detailed implementation plan in respect of the various actions arising from the Review.

7 CONSULTATION

7.1 The Clerk and Treasurer to the Joint Board have been consulted on this report.

8 BACKGROUND PAPERS

8.1 Report of the Barclay Review of Non-Domestic Rates.

ALASTAIR KIRKWOOD
Assessor

November 2017

SUMMARY OF BARCLAY RECOMMENDATIONS AND SCOTTISH GOVERNMENT POSITION

NB - Recommendations numbered as per Barclay report

RECOMMENDATIONS ACCEPTED BY SCOTTISH GOVERNMENT

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').
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.
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 – coordinated 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.
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 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.

RECOMMENDATIONS WHICH THE SCOTTISH GOVERNMENT CONSIDERS REQUIRE FURTHER CONSIDERATION & ENGAGEMENT

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.
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.

RECOMMENDATION WHICH THE SCOTTISH GOVERNMENT WILL CONSIDER IN THE CONTEXT OF FUTURE BUDGETS

3. The large business supplement should be reduced.

RECOMMENDATIONS WHICH THE SCOTTISH GOVERNMENT PROPOSES NOT TO TAKE FORWARD

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.