Local Government and Communities Committee

Non-Domestic Rates (Scotland) Bill: Meeting at the Engine Shed, Stirling
10 September 2019

Note by the Clerk

MSPs present: James Dornan (Convener), Annabelle Ewing, Kenneth Gibson, Graham Simpson, Alexander Stewart

1. The meeting took place with help of Forth Valley Chamber of Commerce. Attendees included representatives of the local business community (retail, commercial property, not-for-profits), people who help start-ups, and the third sector. The purpose of the meeting was to discuss participants' views on the Non-Domestic Rates (Scotland) Bill, as well as views on the ratings system generally.

Before the visit began, officers from Stirling Council accompanied the Convener on a walk through the city centre, discussing some of the challenges facing the high street and how the Council was responding to them.

Topics discussed at the meeting

State of the commercial property market in the Stirling area

2. The retail sector is not in a great state. Rates have played their part in this but so have wider trends in retail and changing consumer behaviour, as well as rent levels. There were calls for online retailers to pay a fairer share, but recognition that aspects of this were reserved matters, which made radical reform hard to achieve.

General views on the ratings system

3. The ratings system is bureaucratic and not well understood. It is not easy for the "ordinary" ratepayer to navigate. Moving to a more digital system would help.

4. Some participants felt it was a fundamental problem of the way the system works that lots of people are not paying rates. Conversely, some felt the system captured too many social enterprises and not-for-profits. Was it really the purpose of a ratings system to charge these bodies rates? There was also recognition that some small businesses in small communities are not-for-profits in all but name and are probably being kept afloat only because of the small business bonus scheme.

The effect of the ratings system on local businesses

5. The view was that the current ratings system to some extent distorts the commercial property market and affects business decisions. There needs to be more tapering of the system and more of a sliding scale with fewer sharp "cliff edges".

6. The system has created a slightly overheated market in smaller properties (those with a rateable value of £15,000 or less) because, under the small business bonus scheme, these do not pay rates. Start-ups sometimes tend to get "stuck": they do not move to larger premises because they do the sums and decide the financial risk is too large.

7. Larger properties are becoming harder to shift. Sometimes charities end up moving in because charitable relief makes the property affordable. There is a concern with high streets losing "anchor tenants": the bigger shops that have been around for a while. Footfall is lost creating further downward pressures.

8. There were views that it is time for a rethink on larger premises' place within the ratings system – maybe rather than paying a supplement, there should be reliefs to encourage occupancy of larger premises in town centres?

Revaluations and appeals

9. The Bill will change the revaluation cycle from 5 to 3 years and bring forward the tone date (the date of valuation) from 2 to 1 year before the date revaluation takes place. This was welcomed.

10. It was agreed that there are too many revaluation appeals, which block up the system. Appealing is seen as an almost automatic part of the process. One participant said a key message at a recent seminar for local ratepayers had been "always appeal". Change is needed but any reforms should not put beyond reach the ordinary ratepayers' right to query a revaluation that seems wrong and arbitrary.

Other changes in the Bill: avoidance, independent schools, parks, sports clubs

11. Participants did not feel they had a strong understanding of how the Bill would deal with some types of avoidance but they supported the principle. However, one participant said the distinction between avoidance and evasion should be

recognised. Enhanced powers to gather information and to enforce payment were also tentatively welcomed. Ratepayers do not like to see others cheating the system and don't like seeing rates bills being written off every year.

12. Most participants did not see a clear justification for independent schools not to pay rates and welcomed the change the Bill would make. However, one participant said that any school receiving relief is a registered charity that has met all the criteria. They said it was important to be objective when changing the law and to think through the potential consequences, positive and negative.

13. Some participants viewed a few aspects of the Bill as "tinkering" when there were bigger issues to prioritise, such as those highlighted earlier. One participant said the provisions on parks were part of this example. (The Bill will make commercial properties in public parks subject to rates for the first time). The participant said returns would likely be small and it would take up assessors' time.

14. This person took the same view on provisions on the Bill to clarify the circumstances where sports clubs should and should not get rates relief. They said this would likely mean more paperwork for small bodies with limited sources and possibly larger Bills. Another participant said the proposal was not objectionable, provided any guidance didn't make assumptions about "elite" and "grassroots" sports. The focus should be on whether the club provided real community benefit.