OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government and Communities Committee

Wednesday 21 February 2018

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 21 February 2018

CONTENTS

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
6th Meeting 2018, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Monica Lennon (Central Scotland) (Lab)

COMMITTEE MEMBERS

Kenneth Gibson (Cunninghame North) (SNP)
*Jenny Gilruth (Mid Fife and Glenrothes) (SNP)
*Graham Simpson (Central Scotland) (Con)
*Alexander Stewart (Mid Scotland and Fife) (Con)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Marianne Barker (Scottish Government)
Marina Curran (Scottish Government)
Ross Henderson (Scottish Government)
Alastair Kirkwood (Scottish Assessors Association)
Stuart Mackinnon (Federation of Small Businesses)
Richard Marsh (4-consulting)
Ian Milton (Scottish Assessors Association)
David Torrance (Kirkcaldy) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Local Government and Communities Committee

Wednesday 21 February 2018

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Bob Doris): Good morning, and welcome to the sixth meeting of the Local Government and Communities Committee in 2018. I remind everyone to turn off mobile phones. As meeting papers are provided in digital format, tablets may be used by members during the meeting.

We have apologies from Kenneth Gibson, who cannot make it today, but we are delighted to have David Torrance MSP as his substitute.

Item 1 is a decision on taking business in private. The committee is asked to agree to take item 5, which is consideration of correspondence from the Equalities and Human Rights Committee, in private. Are we agreed?

Members *indicated agreement.*

Small Business Bonus Scheme

10:01

The Convener: Item 2 is for the committee to take evidence on evaluating the small business bonus scheme to inform its response to the Scottish Government on the proposed terms of its review of the scheme. We have quite a few witnesses this morning, so I will run through them all at the same time. I welcome Stuart Mackinnon, external affairs manager in Scotland at the Federation of Small Businesses; Ian Milton, president, and Alastair Kirkwood, vice-president of the Scottish Assessors Association; Marianne Barker, non-domestic rates policy manager, Ross Henderson, assistant economist, and Marina Curran, statistician, all from the Scottish Government; and Richard Marsh, director at 4-consulting.

You are all welcome. I am sure that you will appreciate that, with so many witnesses, we will not ask for any opening statements. I will start off with an obvious question about the small business bonus scheme. What measures would you use if you wanted to evaluate the impact of the scheme in relation to, for example, boosting economic growth?

Richard Marsh (4-consulting): In my submission, we ask what the objective of the small business bonus scheme is. You have asked how its contribution to economic growth can be measured but, before we start to go into specific questions about what the scheme has achieved, it is important for any evaluation to set out what the scheme is meant to do. If it is meant to boost economic growth, that is a clear objective. If it is meant to help small businesses to survive longer, thrive and establish themselves in rural communities, we can also evaluate that. Before we go into the data and say how we measure these things, it is important to say what we are trying to measure.

On the scheme's contribution to economic growth, the Scottish Government has access to a vast reservoir of data on the performance of businesses and the different units within them, their turnover, their value added, their contribution to the economy of Scotland, investment, wages paid and how much they pay in business rates. We can access that data and we have tried to give you a couple of short examples of how to do that. We can measure the characteristics of the businesses that receive the small business bonus against those that do not, or against those that might cross above or below the threshold, and see what differences can be recorded. That would be a good first step.

The Convener: Okay. We will have a discussion about the purpose of the small business bonus scheme, but we should bear two things in mind: the impact, positive or otherwise, that it has had on small businesses at the margins in keeping them trading or allowing them to expand, and the impact on economic growth more generally. What would other witnesses look at in evaluating whether the scheme has been successful? Mr Marsh is right that we must identify at the outset the outcomes that we are trying to achieve before we can quantify that.

Stuart Mackinnon (Federation of Small Businesses): We welcome the committee's interest in the small business bonus scheme and we recognise the good work of the Barclay review in looking at how to improve the rates system at large.

Small business rates relief was one of the first measures that this Parliament implemented, because of the evidence that business rates made up a larger proportion of smaller firms' turnover than that of their larger counterparts. That introduced an element of fairness into the system, and similar schemes were then established in England and Wales.

We accept that it might be time to look at the scheme to see whether it is working as well as it can. Any review or evaluation should not just be backward looking but should look to the future and ask how we can best support our small business community. Our submission suggests three principles. The first is that the small business bonus scheme should always be about small businesses and how best to help as many small businesses as possible to thrive. Secondly, we highlight that, because the measure directly affects local communities, town centres and high streets, which I know are important to members of the committee, any review should consider how we best ensure that the scheme and other elements of the rates system help our local town centres and communities to thrive. Finally, any review should have the broadest possible perspective and should consider the rise of the digital economy, new ways of trading and home-based businesses, in the context of a likely difficult economic period on the horizon.

The Convener: How would you quantify what success would look like, looking back and forward? You mentioned that greater fairness vis-à-vis tax reliefs and support between small and larger businesses was key to this form of rates relief. I think that you said that that has been achieved but that how to sustain it has to be looked at again. I do not want to put words in your mouth, so I will let you come back on that. You also mentioned how small businesses survive and thrive—I think that that was your expression. What data would you look at to make sure that they have survived and thrived?

Stuart Mackinnon: We could look at business population statistics. We know that the number of small businesses in Scotland has been at a record high in the past few years, although it has come down in the past year. We could look at occupancy rates in town centres and high streets, as Mr Marsh has mentioned. It is really important for any study to get qualitative data from business owners to try to understand what difference the scheme has made to them.

Marianne Barker (Scottish Government): I can clarify the original policy intention behind the small business bonus when it was introduced in 2008. As Stuart Mackinnon said, because non-domestic rates constitute a higher proportion of overheads for smaller businesses than they do for larger ones, the intention was to introduce fairness to the rates system and to sustain and grow small businesses.

The Convener: How would the Scottish Government measure the success of the scheme in terms of small businesses that are in receipt of the relief surviving and thriving? I use that phrase, as it is a good tagline.

Marianne Barker: We have not made any predetermined decisions on how we would evaluate. When Derek Mackay was before the committee on, I think, 17 January, he made an offer for members to feed into that decision. My analytical colleagues may have views on the different methodologies that they could use.

Ross Henderson (Scottish Government): The approach to take to any policy is to carry out a cost benefit analysis to compare the results against the original objectives, and also perhaps to establish a counterfactual of what might have happened if the policy had not been implemented. You would probably want to establish some non-market benefits of the policy, too. If the committee considers it important to keep high streets alive, as people might value the existence of shops on their high street, that could be evaluated through qualitative measures, such as a survey of businesses.

The Convener: I have heard about the approach that you "would" take, but the small business bonus has been about for a few years. Do not get me wrong; I am a huge supporter of it, but all my support comes from anecdotal information. I apologise to Mr Marsh, because that is not the sort of evidence that he is looking for, but let me give one bit of anecdotal information that I think has not been captured anywhere.

A new large gym has been set up in my constituency called New Life Gym. It qualified for the small business bonus in Finnieston and, given the commercial rents and the success of that area, it wanted to expand. However, it could not afford to, because it would then not qualify for the small business bonus, so it moved to a fantastic new gym in Maryhill, which has breathed a bit of regeneration into an area of my constituency. I welcome the fact that the small business bonus has allowed that business to move from one area of Glasgow to another, to boost my constituency. However, I do not know whether to view that as displacement or success, whether that is relevant in the slightest or whether the business response from companies that move to seek those reliefs is tractable generally. What has happened in my constituency would seem a reasonable index of success, and there has been success for Finnieston, which is thriving. Who is monitoring those issues and capturing that information?

Stuart Mackinnon: I can speak about the survey work that the FSB has done over the years. We took evidence from our members on the value of the small bonus business scheme on a couple of occasions. It is great to hear about a business that is doing well in your constituency, but I would highlight that most businesses are not mobile and are rooted to their community and their high street.

Our most recent survey work is detailed in our submission to the Barclay review, which I highlighted to the committee. We asked our members what would happen if the scheme was cancelled. About one fifth said that they would amend their plans for growth, another fifth would consider downsizing and a similar proportion would cancel plans for investment. Obviously, we are a small business membership body and campaign on behalf of our members but, if the committee is looking for evidence from small businesses, we have done our bit.

The Convener: Plans for growth could mean taking on a second or third employee or a new part-time member of staff. Is that information monitored?

Richard Marsh: I have a very brief point. Your example about the gym is superb. Earlier, we talked about a similar example from my home town of Kirkcaldy. A larger small business on the High Street moved to a property on a side street because the rates were too high to expand where it wanted to.

From the outset, we need to record all that anecdotal evidence. The vital part of the evaluation is setting down the stories across Scotland and how the system has worked in reality. There might be some disagreement among the panel, but one issue is whether the scheme helps small businesses to survive and thrive. It possibly does. I would suggest that by far the biggest impact is that it encourages businesses to take a different property than the one they would otherwise take. Businesses might be rooted in their community, but I certainly encourage them to operate from different premises from the ones where they might otherwise have operated. What is the impact on businesses from that? Is that gym operating better in the different unit than it would have done had there been an open market?

The Convener: I do not know whether that question is for me. You would have to ask the gym—I am sure that it would be delighted. I do not want to explore the anecdotal story that I provided because, as the constituency MSP, that would be indulgent. The point is that there is anecdotal story after anecdotal story about the success of the small business bonus scheme for individual businesses, but information does not seem to be being captured to allow us to make sense of the story across Scotland. There could be anecdotal stories in which the scheme has not been successful, and those stories perhaps have not been captured. How is the Scottish Government trying to capture some of that information?

Marianne Barker: We have a lot of anecdotal evidence in support of the small business bonus scheme, but we have not done any formal evaluation of it since it was introduced. However, we have accepted the Barclay recommendation to do that.

10:15

The Convener: Before I let other members in, I ask the panel what success would look like. It could be a business being able to expand, as in the anecdotal evidence that I gave to the committee, or it could be taking on a second employee. What would success look like to the witnesses? If we can work that out, we can start to work out how to monitor some of that stuff. I have given two examples: businesses growing rather than being squeezed out because of a market heating up in one part of the economy, and businesses taking on additional members of staff. Do you all accept that those are positive examples? Would those indicate success?

Stuart Mackinnon: Those could be some measures of success, but I highlight that it is not all about growth. In the upcoming difficult economic period, we might need to play defensively with the economy. An awful lot of the businesses out there are single-person enterprises that do not have stratospheric plans for growth, but they should still be treated fairly by the rates system. For us, one of the key measures is whether the scheme introduces fairness into the rates system and makes it easier for small ratepayers to navigate. Although there is clear evidence from our members that it helps those with growing businesses to expand, we would caution against growth being the only measurement in the review.

The Convener: Absolutely. Resilience during tough economic times and the ability to continue to trade may be one of the measures. I am not sure how we capture that, but it is one thing that we could use as evidence of success. Fairness could be an overarching principle. What else are we looking at to show success, Mr Marsh?

Richard Marsh: I am conscious that I am making a lot of contributions, so I will keep it brief.

The point that you raise is right. The scheme has been in place for about 10 years and it is probably fair to say that there has been no systematic evaluation of it, which is deeply worrying. All the data that we could look at to see what has happened to those businesses has been sat there for 10 years. We have the data to look at the wages that are paid by some of those businesses and to see whether they differ from those that do not receive the small business bonus.

Because the small business bonus scheme is almost a universal benefit—it is simply given to businesses based on the rateable value of the property—I would be surprised if we saw wages rising or other good things happening to those businesses, because those are not a condition of scheme. If it was made a condition of people receiving the small business bonus that they must pay their employees the living wage—it would not need to involve traumatic form filling; people would just have to tick a box or say in another light-touch way that they would do it—we could measure whether wages increase more quickly in the businesses that are in receipt of the scheme than in those that are not.

The Convener: My colleagues have lots of technical questions about the collection and analysis of data, but I am holding them back, because I am trying to get a more general feel for the scheme. Are there any additional comments before we move on?

Graham Simpson (Central Scotland) (Con): I have a quick question. Why has the scheme not been evaluated until now? I do not get that, when it has been around for 10 years.

Marianne Barker: There has not been any big call for an evaluation and we have not done one, but we have accepted the Barclay recommendation to do one.

Graham Simpson: You are handing out an awful lot of money. Are we not even seeing whether we are getting value for money? Surely some work has been done.

The Convener: I am going to leave that hanging, in case someone wants to grapple with that comment. Alexander Stewart has been very patient, so I will take him first unless Monica Lennon's question is specifically on that point.

Monica Lennon (Central Scotland) (Lab): It is on that point. Further to Graham Simpson's question, I ask Marianne Barker whether it is typical for Government policy of the scale and reach of this scheme not to be evaluated 10 years on, or is there a particular reason why the policy has not been evaluated?

Marianne Barker: I lead on rates policy in the Scottish Government, so I can talk about only that. I am not an expert in any other policies of the Government in which expenditure has been committed but not evaluated.

Monica Lennon: Okay. Is that good practice under "The Green Book"? Evaluation is a pretty fundamental part of policy making.

Marianne Barker: That is why the Government readily and quickly accepted the Barclay review's recommendation to evaluate the scheme.

The Convener: I suspect that those are questions that we will have to ask of the political leads on the subject, as much as of the officials. We will certainly return to those issues.

Alexander Stewart (Mid Scotland and Fife) (Con): As others are, I am amazed and staggered that we have not had a review of the scheme. We have heard already—and the evidence shows—that it has helped businesses to thrive and survive. It has been a lifeline to some organisations and groups, but no real evaluation has been done of it.

My question is about business start-ups. Do we have anything on those? They have been seen as a growth area over the past decade. We need to ensure that small business start-ups get up and going and are supported in their first three to five years. The bonus scheme must have had a massive impact on that sector.

Stuart Mackinnon: We know that Scotland has a lower start-up rate than the United Kingdom average, which is a problem that we need to address. Not every business will immediately leap into premises, but making more premises affordable and suitable will be a benefit for businesses that are starting up. We need to recognise that the SBBS is a property-based relief, but a business may not have a property-based system. I accept that, from our point of view, a measurement in relation to the number of businesses that are started could be a part of any review.

I am reflecting on committee members' calls for an evaluation. I highlight that, ahead of the last revaluation, the FSB was looking for the rates system to be examined in the round because we felt that many parts of it could have done with reform. We welcomed the Barclay review. Naturally, we accepted its recommendation to look at the SBBS, but we said that other parts of the rates system could also be looked at more urgently than that scheme.

Alexander Stewart: Following on from that, has the scheme been seen as an incentive for, for example, a business that is looking at property—perhaps at specific premises—because it gives it an advantage over other businesses that do not fall into that category?

Stuart Mackinnon: Yes. For a manufacturer such as a keen baker, for example, who is working out of their kitchen and considering whether to leave there and get premises, rates will be a factor. If we want more people to take the leap from home to premises, we need to keep the policy.

Alexander Stewart: What benefits do you think would come out of reviewing it?

Stuart Mackinnon: In our submission to the Barclay review, and in other representations that we have made to the Government, the FSB has said that we hope that the value of the scheme is recognised and that we can try to address some of its imperfections. For example, we are aware of smaller businesses that occupy expensive property and do not get help: we would like more help for them.

In our representations to the Barclay review, we made the suggestion that businesses could keep the relief as they grow, so that in the case that Mr Doris mentioned, at the point of revaluation that business could have stayed in the premises in Finnieston and kept its relief despite the revaluation. That has changed slightly into the business accelerator relief, but the principle is the same: we would like to minimise disincentives to growth that are a consequence of the SBBS.

The Convener: I will run through a few technical questions before we come to the broad themes that members want to explore. The Scottish annual business statistics survey is one of the key ways in which data is collected, so it is important. How should it be improved?

Marianne Barker: I will give way to my colleague Marina Curran, who runs the annual business survey.

Marina Curran (Scottish Government): The annual business survey is a UK-wide survey that is conducted by the Office for National Statistics, and the Scottish Government funds a sampling boost to the survey to improve the results for Scotland. As Richard Marsh said, the survey contains information on turnover, purchases, costs to business and rates. We do not publish the business rates figures as part of the Scottish annual business survey, because we have compared what we get from the ABS against the rates income figures. Although, at the headline level, the figures are what we would expect, given that the ABS is not a full-economy survey—it excludes the financial sector and parts of the agriculture and public sectors—when we break it down by local authority area for example, there are stark differences between what the rates income figures show for local authorities and what the ABS figures show for rates.

The Convener: I would like other witnesses to think about that, too. Additional questions could be asked or you could further boost the sample size to get a greater understanding of what is happening regionally and locally. Have either of those been considered by the Government?

Marina Curran: We already boost the sample. What is driving the differences could be down to modelling. How the annual business survey works is that businesses are asked at UK level for their company information. A big supermarket, for example, would be asked what rates it is paying as a public limited company; it will come back with a figure that is then modelled out for the shops. There could be issues with the modelling, so there is that to contend with, as well as the sampling effects.

The Convener: Does anyone else have suggestions on how to improve the data or get a better understanding?

Richard Marsh: I will make a quick point. Marina Curran has highlighted that the annual business survey is a stand-alone survey that can produce results for you now. As we have highlighted in our submission, it is fairly straightforward to get results, although they are imperfect. Car parks, for example, are not included in the annual business survey because they do not quite come into the rateable system. There are other surveys, however, such as the interdepartmental business register, which is a far broader survey. Instead of dragging data out, different sets of data could be linked: for example, data sets from the assessors—from local authorities—could be linked together in order to produce a bespoke database on which to base evaluation. That would be in addition to everything that Marina Curran has outlined.

The Convener: I will take your word for that, because it is outwith my knowledge and expertise. I would appreciate a Government response on that.

Ross Henderson: We have had a chat about that and we think that it is theoretically possible to link the assessors' data to the interdepartmental business register. At the moment, there is no unique identifier that lets us do that easily. We think that there is potential to use postcodes to link data from the interdepartmental business register to our valuation roll data.

The annual business survey does not survey the same businesses every year, so you would not be able, for example, to see whether a business had received relief in 2007, or to follow its results over time. I am not sure how much benefit there would be in linking to data from the annual business survey.

The interdepartmental business register is a comprehensive list of all businesses in the UK, so it is probably possible to do some analysis of business start-ups. If they received relief, how did that affect their employment or turnover, for example? There is potential there, but it would probably require a large manual exercise, and I do not know whether the Scottish Government or an independent contractor would do it. It would be quite a bit of work, but it is possible.

The Convener: I have learned something today. It is encouraging that the Scottish Government is open to that suggestion.

We were going to ask about how the valuation roll could be improved and how it fits in with what we have been discussing. Are there any issues with the valuation roll that create challenges in assessing business rates? What do the assessors who are present think needs to be done in order that we can become more sophisticated at collecting data for better analysis?

10:30

Ian Milton (Scottish Assessors Association): We have been silent until now because, essentially, we are providers of the base data on property assessment for taxation purposes. That is where our role starts and finishes.

The valuation roll consists of the details of the 233,000 non-domestic properties in Scotland. It comprises an address, the unique property reference number, the proprietor, tenant and occupier data and the rateable value and the date on which that came into effect. That is it: it is a very property-specific database.

An issue with trying to compare property data with business data—business data was referred to in earlier evidence—is that the latter might relate to groups, because a business might have more than one property. Therefore, the challenge for those who want to evaluate the success or otherwise of businesses is to link property data with business data.

The Convener: I will ask one more question—I want to make sure that we have covered all the ground—and then we will move on. In doing so, I will, again use terminology with which I am not totally familiar. To what extent would the Office for National Statistics' virtual microdata lab, which is a secure research service that provides secure access to sensitive detailed data, be appropriate for assessing non-domestic rates? I do not know whether that links to what Mr Marsh mentioned. Are we talking about the same thing?

Richard Marsh: Yes—that service is a vehicle for accessing what we have talked about.

The Convener: That refers to the interdepartmental connections. We have covered that, so we will move on.

Graham Simpson: My question is for Richard Marsh. Are you able to assess non-domestic rates using information that is publicly available?

Richard Marsh: We are, but I say that with the significant caveat that it depends on the purpose of the evaluation and what the scheme is trying to achieve. I do evaluations and appraisals of public policy and for the private sector all the time. We have to start with the best available data. Today, I have said that we have not used the data as well as we could have used it. It was suggested that we could use the annual business survey, but that does not survey the same companies year on year. A longitudinal survey tracking the same companies all the time is the premier league of evaluation, but we are starting from nothing.

I think that Marianne Barker's point was that there has been no call to evaluate the SBBS: every penny the Government spends should be evaluated at some point. The question is how often a scheme should be evaluated and how much resource should be put into that evaluation, dependent on how much resource is going into a scheme or a policy. It could be a light-touch exercise, or it could be more in-depth, as has been described.

At any point over the past ten years, we could have drawn simple data from the business survey and the assessors and drawn those together to reach a broad conclusion about roughly what is happening. Some evaluation could be done now on the data that we have. Would it be perfect? No: evaluation is never perfect.

Graham Simpson: You make the point that all the information is there, but no one is collecting it or putting it in one place. If you were to evaluate the scheme, you would need to do that, so how would it be done?

Richard Marsh: As the convener said, I will try to steer away from wider issues and instead focus on the practical one. The SBBS is important and it is well resourced. However, as Ian Milton said, the assessor's job—quite rightly—starts and finishes with the base data for commercial properties. Local authorities are responsible for delivering the scheme and the Scottish Government is responsible for setting the broad policy. There is little connection between the three.

Like most people, I think, I was pleasantly surprised at how good the Barclay review was and at the response of the Scottish Government, which deserves credit for taking on board most of the suggestions. However, one of the criticisms related to the way in which assessors put out their data; I think that part of the problem is reflected in Ian Milton's comment that the assessors' job starts and finishes with the process that they carry out. The assessors' data could be far better linked with local authority data and the policies that the Government puts forward every year. There are three different elements involved in the policy, but even though all of them are delivering their processes well and professionally, the broader picture is being missed.

Ian Milton: I am not sure about the criticism about how assessors put out the information. All the valuation rolls for Scotland are available in combined form on the joint website—saa.gov.uk—that the assessors operate through the SAA. All the information about our assessments, addresses, reference numbers and the names of proprietors, tenants and occupiers is available to private individuals and corporate bodies, and we also have a private area where public institutions can download the whole valuation roll for Scotland, or parts of it, to analyse as they see fit.

Graham Simpson: What information does that give?

Ian Milton: As I said, it gives the address and the name of the proprietor, tenant and occupier, and it gives the rateable value, the effective date of that value and a description of the property—shop, workshop, warehouse, museum or whatever.

Graham Simpson: Would there be any value in the Government publishing a breakdown of the total taxes in the scheme?

Richard Marsh: When you say "total taxes", do you mean the total business rates that are paid?

Graham Simpson: Yes.

Stuart Mackinnon: I believe that those statistics are already available.

I will reflect on what has already been said. I think that for the FSB one of the key points with regard to the Barclay review and data sharing more generally is that more effective data sharing between tax authorities could have a range of benefits for ratepayers, too, with more accurate valuations and statistics on the cost of the policy versus the total rates pot.

However, I would be careful in talking about the notional cost of the policy. The assumption is that if we were to get rid of the policy, we would get every single penny back, there would be no additional administrative cost and we would not replace it with anything. We need to bear it in mind that a relief of that kind exists everywhere else in the UK.

The Convener: Andy Wightman has a number of follow-up questions about assessors. Do you want to ask them just now, Mr Wightman?

Andy Wightman (Lothian) (Green): Yes—although I also have broader questions to ask.

The Convener: Go for it.

Andy Wightman: It seems to me that there is a distinction between evaluating a tax relief scheme against the objectives that were set for it at the outset, and evaluating the impact of that scheme regardless of its objectives. I believe that Marianne Barker said that the scheme was introduced because it had been noted that smaller businesses paid a higher percentage of their turnover in property taxes.

Marianne Barker: That is right.

Andy Wightman: I presume, in that case, that a formal evaluation of the scheme would simply look at whether such a differential still existed or had been evened out. Would that be the end of any formal evaluation against policy intention, or am I missing something else that was set at the beginning of the process?

Marianne Barker: As I said, the scheme is also about sustaining and growing small businesses.

Andy Wightman: That is the tricky part to evaluate.

Marianne Barker: Yes.

Andy Wightman: In 2014, the National Audit Office produced a report called "Tax reliefs" that highlighted the quantum of such reliefs that are provided by her Majesty's Revenue & Customs and was very critical of the lack of evaluation of the benefits of those reliefs, some of which have been around for decades. It is therefore not unusual for Government not to evaluate such reliefs.

I have a few questions. First, how should we do that? I sat in the Economy, Jobs and Fair Work Committee yesterday talking to people from Scottish Development International about their recent evaluation of foreign direct investment. They evaluated relatively small sums of money quite comprehensively through work tendered from the private sector. The private sector evaluated the investment and told SDI how much benefit it provided to the Scottish economy. Should the review of the SBBS be done by tender by the private sector, should we involve Audit Scotland in it or should it be done wholly internally by the Scottish Government?

Stuart Mackinnon: I do not have a strong view on that. In my experience, such exercises are usually put out to tender, although I imagine that the Scottish Government would feed into it. Before that, there could be a formal Scottish Government consultation on the methodology for a review. The Government could go about that in a number of ways.

Andy Wightman: That is helpful. I am interested in evaluating the SBBS because it is a property tax relief. Tax reliefs and taxes on property have impacts on property values and rental values. I have an anecdote about a retail property in Musselburgh. When the threshold for the 100 per cent relief was raised to £15,000, it was an empty unit. The landlord just charged the new occupant £15,000 in rent because they were paying no rates. They were no better off than they were before when they paid £10,000 in rent and £5,000 in rates. They still paid £15,000, but the whole £15,000 went to the landlord.

Could we include an evaluation of where the millions of pounds that the Government spends to compensate local authorities for not receiving those rates goes? How much of it just ends up in the pockets of landlords? Could we do that with the assessors' data and data from the Registers of Scotland?

Ian Milton: It is certainly worth exploring that. There has been research elsewhere—in England, for example—on the impact of enterprise zones where a rating relief of 100 per cent was granted for five years. That research suggested that a significant amount of that benefit passed to the owner of the property rather than the occupier. I am not aware of any research on whether there is a similar outcome in Scotland, but that would help to inform any debates on any evaluation of any relief scheme.

Stuart Mackinnon: I highlight the fact that many small businesses own the property that they occupy so they would not be bound in that scenario.

Occasionally, the argument that landlords benefit from the small business bonus scheme comes up. We have not seen any evidence of that on a wide scale. If the scheme were to be abolished tomorrow, I do not imagine that the landlords would cut their rents in half. We need to be careful when we make such arguments, and any evaluation needs to recognise the difficult situation that smaller firms are in when they deal with their landlords. It might be interesting for this or another committee to consider the position of smaller firms when they deal with large landlords.

Richard Marsh: I agree with Stuart Mackinnon. I would be sceptical about the benefits being passed to landlords. The broader point is that we should not focus solely on the occupants of the commercial property. It is vital that an evaluation should consider the impact on landlords and how the scheme impacts on commercial property markets.

Ian Milton: As a lands valuation assessor, I assess property for local taxation purposes. I am aware that the research that I mentioned is being carried out elsewhere. If the committee is interested in evaluating the impact of a particular relief scheme, it might wish to follow that up.

It is true that, as Stuart Mackinnon said, many small businesses are owner occupied, but we must remember that, at each revaluation for non-domestic rating purposes, we assess the annual value of all properties, whether they are owner occupied or not. If, for example, the SBBS means that the benefit of some or all of that relief passes to the landlord in the form of higher rents, at the next revaluation those higher rents will inform the assessors who determine the rateable values. There is a possible cycle of cause and effect that might be worth exploring.

10:45

Andy Wightman: That is helpful. As I understand it, the valuation roll also includes information about whether the ratepayer is the occupier or the landlord. That is narrated in the roll, so we know all that information.

Ian Milton: Yes, that information is available.

Andy Wightman: I have some technical questions about the roll. You mentioned that it is available online. I have analysed it, and you have been very helpful in sending me some of the raw data to do some analysis on short-term lets and non-domestic rates. Is there any reason why it cannot be made available as a block download for anyone to look at? It seems to me that, when we evaluate public policy on things such as tax reliefs, having as many people as possible analysing the data is no bad thing.

Ian Milton: We provide block download facilities to bodies that approach us.

Andy Wightman: I am talking about making a block download available on the website for any citizen to download.

Ian Milton: We have selective download procedures that are available to the public. I am not quite sure precisely how much information is available and whether there is any limitation on that. There are a quarter of a million records, so there might be capacity issues as well.

Alastair Kirkwood (Scottish Assessors Association): The valuation roll is available. I should qualify that by saying that we have been researching data protection issues associated with the valuation roll. However, the current position is that we will make it available for minimal cost—for whatever it costs to provide a compact disc or whatever data format is available. There is not a general download facility for the general public on the website, although such facilities are available to Government users and so on.

Richard Marsh: That is the point that I was making earlier about the data. The SAA portal is very good. If a person is involved in the assessment of commercial property, it is a great place to go, but there are real limits to how a person can analyse that database. It is based on the addresses of the properties, which might not be where people want to start. For example, someone might want to know how the valuation of their pub in Fife stacks up against those of pubs in Glasgow or in the Highlands, and then they might want to know something about the ownership to work out whether they are getting a fair deal.

Those are the sorts of questions that occur to me in relation to the limitations. All the metadata that is sat behind the information is available, and it is quite right that anyone can download the information tomorrow, but they would have to go in section by section and address by address. There should not be any reason why I could not click a button, get the metadata and download the whole thing, and then throw it out to some university hackathon—the kids seem to love playing around with that kind of data.

The real value comes when as many people as possible are crawling over the data and drawing out interesting messages. That might have nothing to do with commercial properties; it could be to do with something that no one around this table has thought of yet. That is where the real value comes in. The bright young things who go to those hacking events come up with really good ways of presenting the data in a fresh way that is quite visual and stimulating.

Ian Milton: We already have a download facility available, so all the details of all the pubs, shops or whatever in a particular locality can be downloaded. However, it is still restricted to the data that the law mandates us to publish, which is a description of the property, the address, the proprietor, tenant and occupier—as appropriate—and rateable value.

That data is already available, but we are working on ways of widening access. There are data protection issues—for example, once you get into information on sole traders, you are in a personal data situation. We are working with the Scottish Information Commissioner to advise us on how much data we can make available because, in my view and the association's view, the more data that we have available, the better.

Stuart Mackinnon: The assessors' data will show how many properties could notionally apply for the small business bonus, but they will not have the data that is held by the local authority about the number of properties. For any meaningful analysis of the kind that we have discussed, you would need to have multiple data sets combined. From a ratepayer's point of view, the gap—as Mr Marsh puts it—between the various parts of Government involved in rates policy has been a bit of a frustration.

Ross Henderson: I would like to add a small point about the transparency of data. As you will know, convener, we committed to publish details of relief recipients as part of the Barclay review, to allow more transparency on the data on reliefs that are provided to ratepayers. That publication is forthcoming.

Andy Wightman: That was going to be my final point. I had noted that commitment. It is my understanding that your intention is for that information to be displayed on the roll. Is that correct?

Marianne Barker: No. The valuation roll has a set statutory requirement. Relief is not part of that. You would need to change the law if you wanted that to be done relatively quickly, and I think that it is fair to say that the Scottish Government wants to implement the Barclay recommendations quickly. That would not link to the valuation roll; it would be a separate entry. However, there is a unique identifier for each property, which would allow a linkage to be done.

Andy Wightman: That is what I was going to say. When that data is published, it will have that identifier and, if anyone has the valuation roll, they can link it up.

Marianne Barker: We are not sure exactly what the format will be, but we certainly envisage that there will be a linkage with the valuation roll data.

Jenny Gilruth (Mid Fife and Glenrothes) (SNP): On the FSB's own research, Stuart Mackinnon said in his opening remarks that nearly 20 per cent of the FSB's members said that, if the scheme were cancelled, they would cancel any planned investment. On the same data set, 18.3 per cent said that they would amend plans for growth. Obviously, that is quite concerning in the context of town centres. That survey was conducted in August and September 2016, and there were 960 responses. Mr Mackinnon, would you talk us through the process for gathering that data? How do you gather information from your members? Is that done online, or do you go door to door?

Stuart Mackinnon: The FSB is a membership organisation with around 17,000 members in Scotland. We have email addresses for about two thirds of our members, and we invite them to take part in surveys on any number of issues.

For that particular survey, we invited members who occupied properties to give us views on their overheads, looking specifically at the small business bonus. That data set informed our submission to Barclay, and we followed it up with some qualitative work with individual business owners. We asked them what would happen if the scheme were cancelled. In such discussions, our members often talk about their very tight margins. Average savings of between £2,000 and £7,000 may not seem a lot, but to some people they can be the difference between continuing in business and closing down. Members have to remember that, for a business to make £2,000, it could have to turn over up to £6,000 or £7,000. In strained economic times, with limited household spending, that is a real challenge.

Jenny Gilruth: The FSB has also carried out research on how bank closures are affecting town centres. I know that a bank closure in one of the towns that I represent has had a really detrimental impact on that town. I also know that, earlier this year, you made a representation to the UK Government, in relation to on-going work in the House of Commons, to stop communities being left without a banking service.

Your submission recommends that the

"review should look at new ways to ensure that all sorts of smaller operators get proportional help."

It is interesting that your submission also points out that the review should look at how it can "support local places". Does a review need to look at the local economic conditions in an area, such as whether it suffers from adverse rates of deprivation? What about child poverty levels? What about new towns? Do we need to target an appraisal of the scheme as it currently stands and look at how it helps to drive inclusive economic growth?

Stuart Mackinnon: We could take a place-based approach. As the relief is on lower-value properties, we have to recognise that areas that are poorer will have more lower-value properties and will get disproportionate help already. If you were to go further and look at ways to inject new life into high streets and town centres that have lost their bank branches or other local amenities, you could look at changing the small business bonus or topping it up.

In follow-up work to the Barclay review, additional measures that could augment the effectiveness of the small business bonus to address town centre and high street issues are being looked at. For instance, with problem units in town centres, we could say, "Right, in these exceptional circumstances, we will give rates relief to this empty bank branch so that a local business or group of businesses can take it over and run a business incubator." If a local amenity is going to be built, that could be done in a town centre.

One of the key issues that public bodies point to and argue about in relation to relocating services to town centres is business rates. Could we ensure that our business rates policy encourages more public bodies and organisations such as banks to continue to have a presence in our local communities?

Jenny Gilruth: I have a specific local point about how the policy works in new towns, when a private company might own the new town itself, as is the case in Glenrothes. Has the FSB carried out any research into how new towns can be supported in driving growth and getting the start-ups that Alexander Stewart alluded to, or is that something that you might do in the future?

Stuart Mackinnon: I will look at what feedback we have had from our members in new towns and see if there is any data on that. It is not just a relief for shops or high streets, as there are offices and other sorts of properties. We cannot get fixated on the high street but, whenever there is an empty unit, it is so important for us to stretch every sinew to make sure that it is filled.

Monica Lennon: Let us stick with town centres. Over the period of the policy, you have carried out a lot of surveys with your 17,000 members. Are you getting a sense of whether your members have been more or less optimistic about the vibrancy of their high street or town centre during the period that they have been receiving the small business bonus? Are you getting that feedback from your survey work?

Stuart Mackinnon: In our written submission, we highlight the point that we cannot look at the policy in isolation. The world is changing: we have seen the rise of the digital economy and there is a range of challenges such as bank branch closures and large public and private bodies pulling out of our town centres and high streets. Independent businesses cannot win the fight for the high street on their own; they need the support of big organisations and efforts such as the small business bonus scheme to make units in our town centres more attractive in comparison to staying at home or in a warehouse on the edge of town.

It is not a magic bullet for town centres and high streets, and not every property in a town centre or local high street gets the small business bonus. However, it is a tool in our armoury and many of our retail members have spoken about how important it is, especially when they face enhanced competition from online businesses.

Monica Lennon: It has been quite encouraging that, when the cabinet secretary Derek Mackay has come to the committee, he has been open to the remit and the breadth of analysis. We have touched on other policies that affect small businesses and town centres, and I am mindful that the Scottish Government has a policy of putting town centres first. Is the panel aware of how tax policy sits in the overarching policy for promoting town centres? Do you have any sense of whether local government and other public bodies are playing their part? We have the town centres first policy, but how should we drive it?

11:00

Stuart Mackinnon: The Scottish Government's town centre review highlighted the many levers that are available to the Scottish Government and other public bodies for turning around our town centres and high streets, one of which is business rates. It is disappointing that a lot of public bodies are still not investing in either reserved or devolved ways in our town centres and high streets; after all, if we are going to turn them around, we will need to make them affordable, accessible, clean and safe, and that will require an awful lot of work. The fact is that a sympathetic rates policy, although necessary, will not in isolation be sufficient to turn around our town centres and high streets.

Monica Lennon: A theme that was raised with me when I was a local councillor—and which has been raised with me again now that I am an MSP—is that very small businesses with perhaps one or two people need the capacity to train staff, engage in social media and be involved in marketing. Business improvement districts have been seen as a vehicle in many towns across Scotland; indeed, Hamilton, where I am based, is a BID town. From your survey work with your members, can you see any synergy between the benefits derived from the small business bonus scheme and being part of a BID?

Stuart Mackinnon: Yes. You will still contribute to the BID even if you get the small business bonus. Broadly, we support BIDs that are business led and where businesses themselves decide where the money should be spent. They play an important role in town centres and high street areas. They do not need to be geographic; you could, for example, set up a sectoral BID. The relationship between BID functions and local government functions is a bit of a grey area—indeed, some of our members have voiced concerns in that respect—but one could argue that BIDs are more attractive to smaller firms that are getting this relief, because ultimately the BID levy is more affordable.

Monica Lennon: I think that the FSB has 17,000 members, but another 87,000 or so small businesses must be benefiting from the small business bonus scheme. Does the panel have anything to say about non-FSB members? Do we have any idea of their views on the matter? If we were able to capture all recipients of the scheme, would we get different results and feedback? Perhaps someone from the Government can address that issue.

Marianne Barker: Anecdotally, I can tell you that the Scottish Grocers Federation was recently in touch. It was interested in the evaluation because it has a lot of smaller members. We also get the view of bigger business organisations as well as smaller ones, and their membership can be quite broad and wide. Although the FSB has 17,000 members, some might have several properties, and because of the way in which the small business bonus scheme works, someone with three or four properties could be getting the bonus for all of them. I know that some FSB members might not have any properties at all, but a number of members could have a disproportionate number of properties. The difficulty, of course, is the link between properties and businesses, which we have already discussed at length.

Andy Wightman: I have a few supplementary questions on this. The survey on which the FSB based its response to the Barclay review had 960 respondents, or about 5 per cent of a membership of 17,000.

Stuart Mackinnon: That is right.

Andy Wightman: Did you weight those responses on the basis of geography, type of business or whatever, or could anyone just respond to the survey?

Stuart Mackinnon: No. We did not weight the responses to the survey because we wanted a good response rate. However, I can provide the committee with the full survey data, if that would be useful.

Andy Wightman: I am sure that it would be of interest to the review of the small business bonus scheme. My concern is that a 5 per cent return might not reflect all the views of the scheme because there might have been a disproportionate response from, say, people in Glasgow, people who have shops or whatever.

Stuart Mackinnon: Absolutely. There are 360,000-odd businesses in Scotland, and 100,000 recipients of the small business bonus scheme. As Marianne Barker points out, only a share of them will be our members. If you were going to do an evaluation, you would want to involve as many businesses as possible. I highlight that the FSB has more members than any of the other business membership groups and that we regularly see data sets being presented that are far smaller than that. In that circumstance, I think that a sample size of 900-plus is a reasonable one.

Andy Wightman: Okay—thank you.

The Convener: David Torrance is next.

David Torrance (Kirkcaldy) (SNP): My question has been asked.

The Convener: Okay. I want to follow up on a couple of matters, but before I do that, are there any other questions from committee members?

Monica Lennon: I have a brief question. One of the reasons that the Barclay review gave for saying that there should be a review of the SBBS was that some misuse of the scheme is apparent. Can anyone say a bit more about that? How widespread is it? In what ways is the scheme misused?

Marianne Barker: I was secretary to the Barclay review, so I can explain the rationale. It made a recommendation on self-catering properties where there is abuse. For example, if I have a second home, I may claim that it is a self-catering property to avoid payment of council tax, get it put on to the non-domestic rates roll by the assessors, and claim the small business bonus. Barclay suggested a reform to close off that loophole, and the Scottish Government has accepted it.

Barclay also made a separate recommendation about empty property relief. If I have a small empty property, I would tend to claim the small business bonus and not pay rates, whereas a neighbouring property that was larger and outwith the small business bonus scheme would pay a greater proportion because it would qualify only for empty property relief. Barclay made a recommendation that people should not be able to claim the small business bonus for properties that are under a certain threshold and empty.

Monica Lennon: Okay. Thank you.

Marianne Barker: I am sure that there are other loopholes that others might wish to talk about.

The Convener: That was really helpful, Monica, because that was exactly what I was going to ask about. I contend that there might be businesses out there where people are getting the 10 per cent rates relief on empty properties that they own, so they open a business, but they are not really trading. They are just doing it as sleight of hand to get the small business bonus. It might be legal abuse of the system, but it is still abuse. Do you recognise that situation? Are you keen to have assessors, local authorities or Government interrogate it?

Ian Milton: “Abuse” might be a strong term to use. There might be some restructuring of some business operations to benefit from the small business bonus scheme. I do not have any quantitative data on that, but assessors have experienced situations where a single business entity with a large property has been subdivided and restructured into several smaller, separate rateable occupiers. What was a large assessment of, say, a warehouse at a rateable value of £40,000 ends up being several smaller units with lower values that could benefit from relief through the small business bonus scheme. There is some acknowledgement that that has happened, but we cannot quantify it.

The Convener: Okay. Perhaps I should have rephrased that and talked about gaming the system rather than abuse, but I have had anecdotal information on it. Again, if we are not collecting the data in a certain way, we can only ever get anecdotal information on it.

I also wonder about the thresholds in the rates relief system, which used to be more tapered and graduated. I have looked back, and in 2014 rates relief was 100 per cent up to a rateable value of £10,000, 50 per cent up to £12,000, and 25 per cent up to £18,000. It is currently 100 per cent up to £15,000 and 25 per cent up to £18,000. That is much more of a cliff edge, if you like.

Has anyone given consideration to or done an analysis of those thresholds and of whether the lack of tapering in the system distorts how the small business bonus scheme works in practice and affects its ability to support businesses and to enable them to grow and thrive? Has any consideration been given to why the relief is now 100 per cent, 25 per cent or nothing? Why has the Scottish Government not taken a more graduated approach, as used to be the case?

Marianne Barker: In designing any tax relief scheme or benefit, it is necessary to balance affordability with the aim of helping the maximum number of recipients. That is one of the reasons for the disappearance of the 50 per cent band of relief.

Elsewhere in the UK, there are different variants of the scheme. For example, in England there is a taper, whereby a business can get anywhere between 100 per cent and 0 per cent relief—one business might get 56 per cent relief; another might get 47 per cent relief—but the pay-off is that, under that scheme, the 100 per cent relief ends at a rateable value of £12,000. There are various models that could be used for the scheme. As part of an evaluation process, we would be open to considering any recommendations that were made.

The Convener: I have a question for Mr Mackinnon or the assessors. The process of assessing a property cannot possibly be an exact science. I bet that you do not get valuations of £15,020—I bet that you get valuations of £15,000 or £15,500. There are grey areas in which a slight difference in valuation results in a significant difference in the benefit to the property owner or business that is being assessed. Would a more finessed system of tapering be more helpful to small businesses or to the assessors?

Stuart Mackinnon: We would have to do some research with our members about a preferable system. Intuitively, tapering sounds like a sensible idea. An upward tapering from the current thresholds might be preferable to a tapering below the current thresholds.

I make the key point that we need to get the administration of the system right—it needs to work. When the Scottish Government introduced measures to cushion the revaluation last year, local authorities across the country had a huge amount of difficulty in implementing them, primarily because of their relationship with their information technology supplier. We can invent the most perfect system of tapering and make all sorts of tweaks, but if we do not have the capacity to implement them, it will be a paper exercise.

The Convener: Would Mr Milton or Mr Kirkwood like to comment? You do not have to.

Alastair Kirkwood: You are quite correct, convener—there is a very sharp focus on the thresholds. Assessors see that regularly in appeal situations, in which there is an ambition to have a rateable value below the thresholds. The cliff-edge nature of the relief is mentioned regularly by the ratepayers to whom we speak. There is a significant difference between the 100 per cent relief that someone will receive if the value of their property is just below the threshold and the rates bill that they will receive if the value of their property is just above the threshold.

The other aspect that flows from the current system is that ratepayers below the threshold tend to lose sight of the ratings system and perhaps do not appreciate the impact of thresholds. We meet ratepayers who were below the threshold at the previous revaluation and are now above it who did not appreciate the impact of the cliff-edge nature of the scheme. We see the effects of that on the people whom we meet on a daily basis.

The Convener: I appreciate you putting that on the record.

Do you have something to add, Mr Marsh?

Richard Marsh: The point has been made that anything that is done on the policy must take into account the fact that there are much wider issues for town centres. The ability of the small business bonus scheme to have an impact on some of the stuff that is going on is pretty limited.

I was struck by something that was said earlier. If I caught it correctly, the point was made that the assessors—of whom I do not want to be too critical—have a mandate and that more legislation would be required to make people put stuff out into the public domain. If you look at the rates information that is published on recipients, you will see that it includes a unique property reference number, which is also on the assessors' roll. That makes my head spin—only in Scotland would that be done.

If we were a limited company sitting round this table, the assessors would have a fantastic set of data on us, including the property reference number, which is included when information on recipients is published. People have a legal obligation to produce a certain type of data in a certain way, but could we not say that the biggest improvement to public policy would be for data sets to be published in a different way and linked together?

11:15

The Convener: If you have a second point, I will absolutely allow you to make it, but, for clarity, will you tell me whether it goes back to Mr Wightman's questions on having all the information out there in a systematic way? Before we wrapped up questioning, we were going to ask, if all the information is already available and its availability does not break data protection rules, how would disaggregating that information into more localised and usable bite-size chunks compromise data protection? Does your point focus on that release of information?

Richard Marsh: Yes, it absolutely does. That data could be released. The assessors do very good work, so I do not want to—

The Convener: If we are talking about that area, we should let the assessors answer. If the information is already publicly available but not user friendly, what are the barriers to the assessors disaggregating that information? Mr Wightman asked whether data protection protocols are barriers to releasing the information but, if the information is already out there, what are the barriers?

Ian Milton: At present, we do not have the facility to do a bulk download on demand. People can download data, but there are limitations. We need to do some more development, but there is, of course, always a resource issue with that.

In terms of the reference number, all our properties bear a corporate address gazetteer code. Local authorities are responsible for maintaining the master list of addresses for properties throughout Scotland, which includes a corporate address gazetteer reference number. That number is also carried on our database and should be carried on other public databases, so there should be reasonable read-across. A little more resource might be required to open the data up to complete download facilities, but I do not think that there is any real barrier to doing that.

The Convener: It is a technical resource issue. You are not restricted by legislation or data protection but by the technology, the system and the resources that are needed to get the information to which Mr Wightman referred. Is that reasonable to say?

Ian Milton: Yes—in terms of the valuation roll data that we are obliged to publish.

The Convener: I apologise, Mr Marsh. Do you want to make an additional point?

Richard Marsh: My point is that the person in charge of the board of a limited company would say, “Get together and produce that database next week.” There is a cliff edge with valuations, such as those at £12,000 or £15,000, because those are nice round numbers.

On the back of our submission, we produced a chart on the very basic annual business survey data, because the system is disparate. It showed that the burden of business rates is higher for smaller companies in the hospitality sector. Medium-sized companies are also squeezed a little. However, no one has a joined-up set of data that explains what happened to the burden on businesses, based on their profitability, turnover and business characteristics, when the threshold was set at various levels. The databases are separate from one another because the system is administrated by three separate entities.

The Convener: This is your line of questioning, Mr Wightman. Would you like to add anything?

Andy Wightman: I have a couple of slightly different points.

I am struck by Mr Marsh’s point. When we set income tax rates, we look at who benefits and all the rest of it.

On the broader point of how to do the evaluation, I noted that Northern Ireland has, I think, evaluated its small business rates scheme—although that is not exactly what it is called. Is anyone aware of any other specific evaluations that have been done of tax relief systems—they need not be of non-domestic rates; they could be of other tax relief systems—in the United Kingdom that represent best practice and from which we could learn?

Ian Milton: I mentioned a study of enterprise zones by Her Majesty’s Revenue and Customs. I could provide the committee with a reference to that.

Andy Wightman: That would be helpful. My other question is not so much to do with the evaluation—although maybe it is. We have been talking about thresholds for reliefs. Another way of doing things is to get rid of all reliefs and to change the rate itself. Instead of being a flat rate of 48.6p or whatever it is now, we could do it in a similar way to income tax and have 10p for the first £10,000 of rateable value, 20p for the next, or whatever. Those are tax design issues. Should they be included in an evaluation, or should it look solely at why the scheme was set up and whether it has achieved the ambitions that were set for it?

Stuart Mackinnon: In our submission to the Barclay review, one of our suggestions was an idea like a tax threshold for a business, such that the first X thousand pounds of its RV would be rates free and everything above that would be rated. That concept was discounted by Barclay. If we are going get on with the review, we have to accept that it will probably look narrowly at the small business bonus scheme as it is and not at every opportunity to change it to another sort of tax system. I have heard no indication from the Scottish Government that it is up for having a large variety of poundages. The Government will decide what is in scope when it develops the review.

Ross Henderson: That was considered as part of the Barclay review. Although the review did not recommend doing that, in annex C there is some modelling that was done on setting some marginal rates of tax within business rates. That is the position on that.

Andy Wightman: I understand that.

Going back to the question of data, my understanding was that the Scottish Government had announced the creation of something called the Scottish land information system, which Registers of Scotland was going to run. Something very minimal has been launched, but I think that it was conceived to try to link up planning data, land-use restrictions, ownership, occupation, valuation and so on. Is that the kind of system that Richard Marsh was alluding to—a set of joined-up data that would allow more sophisticated analysis of properties and businesses?

Richard Marsh: I am not hugely familiar with the source that you mentioned, but in principle, yes, that is what I am alluding to.

Ian Milton: Our website’s senior responsible officer has been engaged with a project called unify, I think—I forget all the various acronyms—but we have been at the table and we wish to continue to be there. We know that we are the guardians of valuable data and our position is that, if it can be used legally and effectively and providing that we can tick all the legal boxes, the public purse has paid for it to be produced so there should be a benefit from it.

The Convener: Does the data that the assessors have allow you to assure yourselves that the aggregated value of someone's business property does not take them above the threshold and that therefore they are not claiming the small business bonus inappropriately? Is a cross-check done on applications to make sure that people are not doing that?

Ian Milton: I do not want to give a buck-passing sort of answer, but that would be the responsibility of the levying authority that awards the relief. The relief is granted on application and that is up to the directors of finance of the 32 local authorities. I am not familiar with exactly what arrangements they make to ensure that fraud does not take place.

The Convener: I think that the Government officials are going to come in on that, but before I pass it to Mr Henderson, can I check whether you have the data that would allow you or someone else to cross-check that?

Ian Milton: The assessment roll that the levying authority uses is a mirror of the valuation roll, but it will show the person who is responsible for paying rates. Sometimes that will be different from the occupier data that we have because, for some reason, there is a difference between the occupier and whoever is being assessed for rates. The assessment rolls are the source, and I believe that the Barclay review made recommendations about information on reliefs being available and recommended that assessment rolls should be published. That is the direction of travel that must be taken in order to avoid fraud.

The Convener: I support that. Mr Henderson, would you like to come in?

Ross Henderson: My point is on the question of whether we can check whether a business has a combined value of over £15,000. We have a data set of all the individual properties in Scotland and how much relief is awarded to each individual property. The valuation roll does not have a consistent set of business names. The naming conventions that are used for different businesses vary across local authorities. For example, we know that Morrisons uses different names across different local authorities. However, we can use various checking methods to look into whether a business is claiming SBBS relief where it should not be.

The Convener: I am raising it not as an issue but in order to find out whether it is an issue. Is there any concern about it or have I got that wrong?

Stuart Mackinnon: There is an issue—not just with the small business bonus, but generally—in that there is no Scotland-wide database of ownership of property, which, as I understand it, causes all sorts of problems in the allocation of relief. Earlier, we were talking about high street and town centre issues. Who owns ghastly falling-down properties in our high streets is of concern to many small businesses. At present, many local authorities simply do not know, which is a problem that is related to the issues that we have been talking about today.

The Convener: Obviously, the Scottish Government review will happen. Before we end our evidence session, I will give people a last opportunity to give their thoughts on what the remit of that review should be, which stakeholders should be actively involved in it and what the timing of it should be. Those are three separate aspects. I am happy for the Scottish Government officials to comment on them if they wish, but I appreciate that the decisions on them might be made by the cabinet secretary rather than by officials. Do our other witnesses any comments in relation to them?

Stuart Mackinnon: We want any review to focus on the best ways to support Scottish small businesses and to make sure that they are treated fairly by the rates system. On timing, I would make an argument that there are more urgent elements of the rates system that need to be addressed before we look at the small business bonus, some of which we have talked about today. We suggest that the initial timescales that the Barclay review recommended would be sensible.

The Convener: Are there are any other comments on that?

Ian Milton: No and yes. If I may just—

The Convener: Is that, "I have no comments but I will say something anyway"?

Ian Milton: I would just like to say that the SAA is willing to work with partners to assist as it can.

Richard Marsh: I have a brief comment. Earlier, a comment was made about the form that the review should take. I am fairly open as to how it should be done. The only form that it should not take is for it to be done solely by the Scottish Government. There has to be an element of external involvement, because this is a flagship policy. Any evaluation could come out with some pretty difficult and challenging messages, and it is important that those are aired appropriately.

The Convener: Thank you. I certainly was not excluding our witnesses who are Scottish Government officials. Do they have any comments that they would like to make?

Marianne Barker: No, but I have taken on board all those views—as will ministers.

The Convener: I thank everyone for attending. Before we move on I say, for the benefit of anyone who is watching at home, that we are finished with this agenda item and there are no more questions for our witnesses.

Before the committee moves into private session, I mention that Graham Simpson and Andy Wightman made a fact-finding visit to Linlithgow on Monday, to meet people who had worked on the Linlithgow plan for the future, which is a local place plan that has been developed by community groups. They also met representatives of West Lothian Council. As we have done for previous community visits, I ask Graham Simpson and Andy Wightman whether they want to make brief remarks on the public record about how that event went. Graham, would you like to go first?

Graham Simpson: Yes, very briefly. You are right, convener. We went to Linlithgow and met community groups who had been involved in drawing up their own local place plan, which, I have to say, was a very impressive and thorough document. They shared with us their experience of producing it and also, it is fair to say, their frustrations around the reaction to it from the local council. On behalf of Andy Wightman and me, I thank those who came along, and the representatives of West Lothian Council, who met us later to give us their perspective. A paper will be produced for the committee, so I will not give chapter and verse on what we discussed, but I think that committee members will be very interested to see that paper. Given that local place plans form part of the Planning (Scotland) Bill that we will be scrutinising, it was a very useful session.

The Convener: We appreciate that you had it. As Andy Wightman has nothing to add, I thank Mr Simpson for putting that on the record.

We have completed agenda item 2 and we move to agenda item 3, which we previously agreed to take in private.

11:31

Meeting continued in private until 12:34.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@parliament.scot

The Scottish Parliament
Pàrlamaid na h-Alba