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Local Government and Communities Committee Comataidh Riaghaltas Ionadail is Coimhearsnachdan

Report on the Valuation (Postponement of Revaluation) (Coronavirus) (Scotland) Order 2020



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Local Government and Communities Committee

To consider and report on communities, housing, local government, measures against poverty, planning and regeneration matters falling within the responsibility of the Cabinet Secretary for Communities and Local Government.



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Introduction

1. The Local Government and Communities Committee reports to the Parliament as follows-
2. The [Valuation \(Postponement of Revaluation\) \(Coronavirus\) \(Scotland\) Order 2020](#) was laid before the Parliament on 15 October 2020 and referred to the Local Government and Communities Committee for consideration.
3. The [Policy Note](#) accompanying this Order explains that the Scottish Government announced in its [Programme for Government 2020](#), published on 1 September 2020, that it would make legislation to delay the non-domestic rates revaluation to 2023, with a one year tone date (1 April 2022). The decision to delay the revaluation and move to a one year tone date is to allow for market conditions to adjust to any post-Covid-19 or Brexit effects. The Scottish Government considers that this will reduce shocks and provide stability and certainty on rates bills during the recovery period. It considers that an earlier tone date could create uncertainty and increase the risk to public finances and public services.
4. The policy note further explains that previous revaluations have had tone dates of two years prior to the revaluation date. The independent Barclay Review of non-domestic rates recommended a move to a one-year tone date. The Scottish Government accepted this, and originally planned for this to happen from the revaluation then scheduled in 2025. This will however now be brought forward two years to the 2023 revaluation and will apply to all revaluations after that year.

Consideration by the Committee

5. The Delegated Powers and Law Reform Committee considered this instrument at its meeting on [27 October 2020](#) and [determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit](#).
6. In advance of its consideration, the Local Government and Communities Committee agreed to seek views from interested bodies on the proposals set out in the instrument. The Committee received [12 responses](#).
7. At its meeting on 18 November 2020 the Local Government and Communities Committee took evidence on the instrument from:
 - Ben Macpherson, Minister for Public Finance & Migration
 - Ian Storrie, Head of Non-Domestic Rates Policy
 - Anouk Berthier, Non-Domestic Rates Team Leader, Scottish Government
8. In his opening statement, the Minister for Public Finance & Migration explained that the option of a maintaining a 2022 revaluation with a 2021 tone date was rejected on the basis of risk and a lack of robust evidence to justify a 2021 tone date. Their decision took into account the following factors:
 - the operational impacts of the pandemic on assessors, due to restrictions on travel and social distancing, resulting in temporarily fewer professionals to do

- the job of revaluation; and
- since Covid, 50,000 appeals have been lodged claiming a material change of circumstances, but there has been no requests for an expedited hearing, indicating that appellants do not yet hold the evidence to support their cases.
9. The Minister stated that he believed that it is important to give the market time to stabilise, and that delaying the revaluation date is the majority view of business organisations in Scotland. He said that the Scottish Government gained no political or financial benefit from delaying revaluation.
 10. During evidence, the Minister was asked to provide more information on the following:
 - that the Committee had received evidence from some Scottish businesses that they do not support a delay to the tone date;
 - the economic assessment that has been carried out to date; and
 - the difference between a tone date of 2021 and a tone date of 2022.
 11. The Minister stated that he had read all the submissions received from the business sector with interest and that the Scottish Government had engaged appropriately with the business community. He agreed that whilst some business organisations do not agree with the proposition there is no unified position on the change to the tone and revaluation dates. He did believe that there was a unified position that the status quo should not remain and that the dates "should change from the current tone date of 1 April 2020 with a revaluation in 2022."
 12. In relation to the evidence base for a tone date of 2021, the Minister said that, with the number of Covid-19 cases still rising and the continued uncertainty around Brexit, he took the view "that the structural deficit between the economic reality and the market rental evidence will persist into 2021-22".
 13. The Minister stated the Federation of Small Businesses (FSB) survey revealed that 70 per cent of those who were surveyed said that there had been no renegotiation between tenants and landlords of commercial property, based on the current situation. He said that the tone date of 2022 offers the chance that the evidence base will have caught up in order to make sure that there is a robust position on which to base the next three-year revaluation.
 14. On the impact assessment, Anouk Berthier said that it "would need different rents on different dates across 2020, 2021 or even 2022, if we are thinking ahead, to be translated into revaluation rateable values". She said that there is a concern that the rental evidence will not be available in 2021, and that it will not be robust in reflecting revaluation. She said introducing a one-year tone period with a revaluation on the basis of post-Covid values would deliver on the Barclay Review's recommendation.
 15. The Minister was asked why some businesses did not feel that they were consulted in the normal manner by the Scottish Government. He was also asked what impact of making decisions on a revaluation tone date will have on certain regions in the north east of Scotland, given the economic downturn in the economic gas and oil

industry.

16. The Minister said there had been engagement with business organisations, but the tight timeframe, including the Parliamentary timetable, meant that consultation had been more limited than would have been the case under different circumstances. He went on to state that businesses in the north-east argue that the current position does not reflect the reality of the situation for businesses there and that there is a detachment between business rates and rental values. He stated that it would be sensible to have a revaluation in 2023 with a 2022 tone date in order to give both the market and the evidence base the best chance to catch up.
17. The Minister was asked whether, if the committee rejected the proposal, he would come back with a different tone date following further engagement with the business community.
18. The Minister reiterated that a tone date of 2021 would be extremely challenging for practical reasons. He urged the Committee to consider the issues the [Scottish Assessors Association](#) had raised in their submission to the Committee and the FSB survey indicating that 2021 would be too early to catch up with the reality of what businesses are facing. He said he was not persuaded, on a balance of risk, that a 2021 tone date be advantageous.
19. Ian Storrie stated that evidence shows that the risks are broadly similar between 2020 and 2021, but the operational risks associated with 2021 are significantly greater for assessors. He explained that the 50,000 material change of circumstance appeals are significant, as assessors normally have 70,000 appeals to deal with over a three-year to five-year period. The workload and human resource dedicated to addressing these appeals will be large and the Scottish Government would like to know the outcome of those material change of circumstances appeals because the results are likely to set some tone for the next revaluation. He said a lot of relevant evidence held by assessors is in their offices and might not currently be readily accessible.
20. Following the evidence session, the Minister moved motion [S5M-23058-](#)
That the Local Government and Communities Committee recommends that the Valuation (Postponement of Revaluation) (Coronavirus) (Scotland) Order 2020 be approved.
21. During the debate on the instrument, Andy Wightman, said that the Committee was in an "unfortunate place", given that the proposal was announced as part of the programme for Government. He added that the Committee may have ended "up in the same place as the minister" on today's proposal, but the process was "not ideal" as the Committee had a "binary choice and there is no scope for the committee to explore options." Sarah Boyack and Alexander Stewart were also critical of being provided with a binary choice of a revaluation in 2023 with a 2022 tone date.
22. Andy Wightman also did not agree with some of the evidence presented in the Scottish Government's submission, including those around revenue neutrality, which he stated depended on rates being set. He said that whilst it was unfortunate that the proposals meant that the process would rely on an outdated valuation base from 2015 for the next two years, he found the additional evidence from the Minister, the Scottish Government and witnesses helpful and was persuaded, on

the basis of risk, that the Scottish Government's approach was the right one to take.

23. Sarah Boyack agreed that it had been helpful to hear the Minister's evidence. She still had reservations around uncertainties and concerns raised by the business sector on the impact of delaying the tone date to 2022, rather than 2021; a lack of clarity around how reliefs will work, the impact of the delay in processing appeals, and Brexit. She said it would be vital to support assessors and that the Scottish Government should consider whether financial support was required to increase their capacity.
24. Alexander Stewart also agreed that the additional evidence from the Minister had been useful. He still had concerns that issues raised by business representatives, such as the Scottish Chambers of Commerce and the Scottish Licensed Trade Association, and their view that there should be a revaluation in 2022 and a tone date of 2021, had not been supported.
25. The Minister stated that he would consider all the points raised and indicated that there is strong support in the business community for their proposal. He went on to state that the Government was determined to work with the business community on considerations around reliefs, which are subject to Barnett consequential, and moving forward towards a robust revaluation .
26. After debate, the motion was agreed to (by division: For 4, Against 3, Abstentions 0).

Conclusion

27. The Local Government and Communities Committee recommends that the Valuation (Postponement of Revaluation) (Coronavirus) (Scotland) Order 2020 be approved.

