

**MINUTE OF THE SCOTTISH
RATEPAYERS' FORUM
Held at 17A South Gyle Crescent,
Edinburgh
On 20 June 2016**

Present

Marshall Bain (SLTA), Andrew Cairney (Scottish Government), Katy Dickson (Scottish Land & Estates), Cameron Gold (Petrol Retailers Association), Kevin Fraser (IRRV), Philip Glenwright (UK Petroleum Industry Association), Julie Hesketh-Laird (The Scotch Whisky Association), Joan Hewton (SAA Past President), Alastair Kirkwood (SAA Secretary), David Lonsdale (Scottish Retail Consortium), Susan Love (Federation of Small Business), Ken McCormack (CBI/RICS), Alasdair MacTaggart **Chair** (SAA President), Douglas McLaren (Scottish Government), David Melhuish (Scottish Property Federation), Ian Milton (SAA Vice President), Jamie Rafferty (Scottish Government), David Smythe (Scottish Self Catering Association), Paul Togneri (Scottish Beer Pub Association), Gareth Williams (SCDI).

1. Welcome & Introductions

The Chair extended a warm welcome to all present and invited attendees to introduce themselves.

2. Apologies

Roger Littlewood, Hew Edgar (RICS), Stuart Mackinnon (Federation of Small Business).

3. Minute of Meeting of 11 January 2016

The Minute was approved without change.

There were no matters arising from the previous Minute that were not on the Agenda.

4. 2005 and 2010 Appeals Progress and Running Roll

2005 Revaluation

A MacTaggart advised that the 2005 appeals outstanding primarily include mobile and fixed line telecommunications subjects, which have been referred to the Lands Tribunal for Scotland. The Tribunal is keen to clear these appeals and discussions are underway.

2010 Revaluation

A MacTaggart further advised that the 2010 Revaluation appeals which remain outstanding have also been referred to the Lands Tribunal. Of these telecoms subjects represent the biggest single category and are under discussion. A revised scheme of valuation has been prepared and it is hoped these can be resolved without the need for a formal hearing. Other subjects currently awaiting a hearing of the Tribunal include Roseisle distillery, Stena Ferry Terminal and Ikea.

Lands Valuation Appeal Court

It was noted that a decision in the case concerning micro hydro subjects, which was heard by the LVAC on 10 November 2015, has been referred back to the Valuation Appeal Committee. It was also noted that the LVAC has recently issued a decision in respect of Show-houses.

5. 2017 Revaluation

A MacTaggart intimated that work on producing draft valuations for the 2017 Revaluation is progressing. These values will reflect a "tone" date of 1 April 2015 and it is important that all available rental, cost and other relevant information is made available to the Assessor to ensure that Valuations were as accurate as possible.

Draft values will be produced over the latter part of the year and will be made publically available via the Assessors' Portal. The exact timing of when they will be made available will depend upon how the work progresses and will be discussed with the Scottish Government. It was noted however that work on contractors based valuations cannot begin until an announcement is made by the Scottish Government regarding the decapitalisation rate to be adopted. D McLaren indicated that this would be issued shortly.

A MacTaggart indicated that whilst draft valuations may be made publically available later in the year, these will remain draft and will continue to be revised until they become effective on 1 April 2017. Formal Valuation Notices will be issued with the new Rateable Values to each Proprietor, Tenant and Occupier during March 2017.

In discussion it was noted that Assessors will continue to discuss schemes of valuation with relevant sectors of the industry.

With regard to Shooting Rights, it was noted that these are expected to be entered in the Valuation Roll at the 2017 Revaluation. D McLaren indicated that a commencement order has now been passed and that Assessors will now be able to ingather relevant information. A MacTaggart noted that this does create some work pressures, particularly for those Assessors with large areas of rural land. In response to a question from K Dickson, A MacTaggart responded that whilst all efforts will be made to deal with this timeously, whether entries for shootings are made by 1 April 2017 may depend upon the amount of information provided and the speed with which it was provided. K Dickson indicated that Scottish Land and Estates would do all they can to assist. In response to a question as to whether shootings which are not exercised would be assessed, A MacTaggart indicated that the detail of the legislation was being considered, however, many different factors will affect the valuation of these subjects and all will be given consideration.

With regard to the decision of the Supreme Court in the case of Woolway (VO) v Mazars, A MacTaggart indicated that, whilst this was not a relevant decision such as would disturb valuations in the current Valuation Roll, this was considered to be a persuasive decision and was largely based upon Scottish case law. It was likely that Assessors would seek, where possible, to reflect it in valuations for the 2017 Valuation Roll. I Milton noted that where properties are subdivided for the 2017 Revaluation these will appear separately in the Valuation Roll and on the Assessors' Portal. D McLaren noted that this would also require the issue of separate Valuation Notices and rates bills to occupiers. P Glenwright noted that this was an important decision which will, in all probability, lead to ratepayers modifying their approach to subletting parts of larger properties.

M Bain noted that an e-letter had been issued to all members of the Scottish Licensed Trade Association encouraging timeous response to questionnaires and intimated that this will be reposted. However, he identified that the industry perceived particular problems with licensed properties as valuations were based upon turnover which, in his view, did not reflect various cost increases over the period. He believed this resulted in licensed properties paying a higher proportion of their income in rates (as compared to e.g. supermarkets). He also referred to various other problems concerning minimum pricing policy, competition from supermarkets and the fact that supermarkets paid no VAT on food sales as compared to public houses which are required to pay VAT. I Milton responded that the valuation method was to compare turnover to the amount of rent paid and that the relationship arrived at should reflect these various factors. Notwithstanding, the SAA would be pleased to meet with industry representatives to discuss these issues.

K McCormack raised the issue of the renewable energy sector (Wind Farms) and suggested that there was confusion as to the approach which would be adopted at the forthcoming Revaluation (i.e. whether the approach should be based upon receipts and expenditure or site rents with additions for rateable plant). J Hewton noted that the industry has matured and that more site rents were now available, the SAA is currently examining this information and will consider the valuation approach. A Kirkwood noted that the argument put forward by the ratepayers in the small hydro cases had very much been in favour of a site rent approach.

P Glenwright highlighted that the UK Government was presently consulting on the Revaluation timetable and that consideration was being given to adopting a three yearly cycle. D McLaren indicated that this issue may be raised by stakeholders with the Barclay Review.

6 Scottish Government

D McLaren provided an update on the work of the Scottish Government since the last meeting. In particular, he highlighted that the Government's budget had been agreed and that the rate poundage matched that in England although the large business supplement had been increased.

The level of empty property relief for industrial subjects is now curtailed to 100% for the first 6 months and 10% thereafter. The relief for renewable generation subjects has been restricted to certain properties with profit-share arrangements with community organisations and new build properties. D McLaren noted that these matters will be looked at again following the 2017 Revaluation.

In response to a query raised by K McCormack as to whether any analysis had been done regarding the impact of reducing empty property relief for industrial subjects, D McLaren responded that whilst no new data collection mechanism has been instituted the impacts on rates income are being monitored and engagement continues with stakeholders to understand impacts.

Looking forward, D McLaren indicated that Ministers, including the new Cabinet Secretary, are focussed on the need for a buoyant economy; are committed to ensuring fairness and are committed to maintaining competitive business rates. There are a number of decisions to be made by the Scottish Government including, for example whether parity will be maintained with England, whether there will be a transitional relief scheme and these will be considered in more detail once the valuation impacts of the 2017 Revaluation are known.

D McLaren also noted that:

- 1 The Land Reform Bill has been passed and a commencement order has been made. The inclusion of Shootings in the Valuation Roll will come into effect on 1 April 2017.
- 2 The NDR provision in the Community Empowerment (Scotland) Act 2015 had been commenced and the first use of the ability to apply local reductions has been utilised by Perth and Kinross Council to support retailers in certain areas.
- 3 The Scottish Government is still considering its response to the various submissions made to the consultation on the Non-Domestic Rates Valuation Appeals System. The response will require to take into account future changes to the Scottish Tribunals structure. However, some matters may also be raised with the Barclay Review of the Non-Domestic Rates System.
- 4 In respect of the localisation agenda, the Scottish Government is aware that changes are being made in England with regard to retention of NDR income by local authorities, although it is noted that circumstances are different in Scotland as currently Council's already retain all NDR income.
- 5 It was noted that in England the Government has committed to expand small business rates relief from 2017, and the Scottish Government will consider whether any further changes should be made in Scotland.
- 6 With regard to the 2017 Revaluation, the Scottish Government is analysing information as it emerges and this will support decisions made as to rates poundage etc.
- 7 Further consideration is ongoing regarding the decapitalisation rate(s) to be applied at the 2017 Revaluation. It is hoped that an announcement will be made soon.
- 8 The Government will consult on whether there should be a Scheme of Transitional relief for the 2017 Revaluation.
- 9 The Government is aware of the decision of the Supreme Court in the case of Woolway (VO) v Mazars and is monitoring developments in Scotland.

With regard to the Barclay Review of Non-Domestic Rates, D McLaren indicated that the membership of the Committee to be chaired by Mr Ken Barclay is currently being finalised. It is anticipated that the review will be seeking widespread engagement, the details of which will be confirmed shortly. The Committee will report on its findings in summer 2017.

7. AOCB

None.

8. Date of next meeting

To be confirmed.