

### **Barclay Review of Non-Domestic Rates**

#### **Strategic Proposal**

Following the publication of the Barclay Review on Non-Domestic Rates and the Scottish Government's response to the Review recommendations, Leaders are being asked to agree COSLA's engagement with the Government around implementation of the recommendations.

#### **Summary and Recommendations**

This paper invites Leaders to:

- i. Note the outcome of the Barclay Review and the Scottish Government's response, COSLA's position and proposed next steps; and
- ii. Agree COSLA's engagement over the coming months, with a further report on progress back to Leaders in due course, as the Scottish Government's implementation plan is developed.

#### **References**

- Resources & Capacity Executive Group 8/9/16 Item 13: COSLA's response to the Barclay Review

**Jonathan Sharma**  
**Policy Manager**  
**0131 474 9233**  
**jonathan@cosla.gov.uk**

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## **Barclay Review of Non-Domestic Rates**

### **Report**

1. This report is to inform Leaders of the outcome of the Barclay Review of Non-Domestic Rates and the Scottish Government's response to the Review recommendations. The report invites Leaders to consider the Government's response and how COSLA should engage in the implementation of the recommendations.

### **Current COSLA Position**

2. COSLA has long argued that non-domestic rates should be subject to greater local democratic control in order to ensure local democratic accountability and to support local economic development. COSLA has always recognised that this is a long term journey and that the implications for overall stability of the rates system and for local government funding of any substantial move to local control would need to be fully understood and worked through. COSLA's view is that non-domestic rates is broadly a fair system of taxation, is reasonably well understood by rate payers and that the principle of a property tax as an appropriate form of taxation for non-domestic properties is sound.

### **What is changing**

3. The Scottish Government commissioned Kenneth Barclay to oversee an independent review of non-domestic rates in 2016. The review group published its report on 22<sup>nd</sup> August 2017. It is worth pointing out that the scope of the review was to look at the rates system from the perspective of business rate payers and that any recommendations were to be revenue neutral with regard to the totality of the rates income.
4. The review report lists 30 recommendations covering measures to support economic growth; to improve ratepayer experience and administration of the system; and to increase fairness and ensure a level playing field.
5. The review group invited views from stakeholders on the non-domestic rates system during 2016 and earlier this year. COSLA provided evidence to the review group and attended roundtable sessions, along with Directors of Finance and IRRV members. It is fair to say that the review group was unwilling to share any pointers with regard to its recommendations, not even when questioned by the Scottish Parliament's Finance Committee at an evidence session during the summer. Therefore the outcome of the review only emerged very late in the day, giving little or no time to prepare for its publication.
6. On 12<sup>th</sup> September the Scottish Government announced its response to the review report's recommendations. The Government accepted the majority of the recommendations, with a number of measures being proposed and a commitment to bring forward proposals with engagement from stakeholders and an implementation plan by the end of the year.

### **Proposed COSLA Position**

7. COSLA welcomed the report from the Review Group, albeit with some disappointment that the review did not seek to strengthen local democracy or enhance the relationship

between local economic development and national business rates, as COSLA has been calling for.

8. In welcoming the report, COSLA nonetheless expressed deep concerns over one of the review's recommendations, to remove the charitable relief for arms-length organisations (ALEOs) set up by a number of Councils. These organisations were set up as charitable trusts up in good faith by Councils to deliver leisure and other community services, whereby the ability to access charitable relief allowed for the resultant savings to be fed back in to delivering front line services to communities. COSLA was particularly concerned at the tone of the report which seemed to imply that Councils were deliberately seeking to avoid paying rates and that the creation of ALEOs created an uneven playing field with private sector leisure services.
9. COSLA's Resources Spokesperson, Gail MacGregor, therefore wrote urgently to the Cabinet Secretary for Finance, Derek Mackay, calling for a meeting at the earliest opportunity to discuss COSLA's concerns about the charitable relief removal, as well the outcome of the review more widely. At the meeting with the Cabinet Secretary some assurance was given around clarification of the Government's intentions for implementing the recommendations that the removal of the relief would be given further consideration. This assurance was confirmed in the Cabinet Secretary's announcement in the Scottish Parliament, which stated that further consideration and engagement would come to ensure an informed position on the recommendations and this is therefore welcomed.
10. COSLA officers have subsequently followed up how the Government intends to take forward the engagement around the charitable relief and ALEOS, recognising that this is an issue of real concern to Councils. However at this stage Government officers have stated that this is still to be worked out and no specific timescale has been determined yet. COSLA will nonetheless continue to press for early engagement, as a key stakeholder, with regard to this specific area of concern, along with engagement on the wider recommendations over the coming months.
11. Recommendations around standardising the rates system were also put forward without consideration of the financial implications for Councils, including changing complex IT systems and changes to administrative processes, and no cost benefit analysis undertaken. In the announcement, the Government committed to work with delivery partners and wider stakeholders to take forward the recommendations on administration of the rates system.
12. COSLA did however welcome the recommendation for more frequent revaluations, albeit recognition is needed of the financial and resource implications of this. COSLA therefore expects further engagement as part of developing the implementation plan with regard to the implications of having more frequent revaluations. COSLA also welcomed the recommendation for reviewing the Small Business Bonus Scheme and the possibility of exploring Councils having some local control of the Scheme.

### **Next Steps**

13. The Scottish Government has undertaken to produce its implementation plan by the end of 2017 and, with Leaders agreement, COSLA will seek to ensure early engagement with Scottish Government officers in the development of the plan.
14. As a first stage of this work, COSLA has been invited, as a key stakeholder, to join an advisory group of senior officers, to look at the review recommendations on administration of the rates system, including standardised billing, online services and provision of information.

15. Leaders are therefore invited to agree COSLA's engagement over the coming months, with a further report on progress coming back to Leaders in due course.

### **Conclusion**

16. The Barclay review of non-domestic rates has now reported its recommendations and the Scottish Government has responded to these, with a majority of the recommendations being accepted. Whilst broadly welcoming the review outcomes, COSLA has specific concerns with regard to a number of the recommendations, in particular the recommendation to end charitable relief for arms-length organisations set up by Councils. COSLA has therefore called for further clarification from the Scottish Government with regard to its intentions for implementing the review recommendations. The Government in turn has responded with an offer to have further engagement on these, including the areas of concern highlighted by COSLA.

**Jonathan Sharma**  
**Policy Manager**  
**0131 474 9233**  
**[jonathan@cosla.gov.uk](mailto:jonathan@cosla.gov.uk)**

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