



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 15 March 2022

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
9th Meeting 2022, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Miles Briggs (Lothian) (Con)

*Graeme Dey (Angus South) (SNP)

*Meghan Gallacher (Central Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Paul McLennan (East Lothian) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Tom Arthur (Minister for Public Finance, Planning and Community Wealth)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament
Local Government, Housing and
Planning Committee

Tuesday 15 March 2022

[The Convener opened the meeting at 10:30]

Decision on Taking Business in
Private

The Convener (Ariane Burgess): Good morning and welcome to the ninth meeting in 2022 of the Local Government, Housing and Planning Committee. I ask all members and witnesses to ensure that their mobile phones are on silent and that all other notifications are turned off during the meeting. Graeme Dey joins us remotely this morning.

Agenda item 1 is a decision on taking business in private. Do members agree to take in private item 8, which is consideration of the evidence on the Non-Domestic Rates (Coronavirus) (Scotland) Bill?

Members indicated agreement.

Non-Domestic Rates
(Coronavirus) (Scotland) Bill:
Stage 1

10:30

The Convener: Agenda item 2 is an evidence-taking session at stage 1 of the Non-Domestic Rates (Coronavirus) (Scotland) Bill. We are joined remotely by the Minister for Public Finance, Planning and Community Wealth, who is accompanied by the following Scottish Government officials: Sandra Reid, bill team leader; and David Smith, lawyer. I welcome our witnesses to the meeting. As all the witnesses are appearing remotely, I would be grateful if Mr Arthur could make it clear if he wishes one of his officials to respond to a specific point.

Before I open up the session to questions, I invite the minister to make a short opening statement.

The Minister for Public Finance, Planning and Community Wealth (Tom Arthur): I am grateful for the opportunity, convener. Good morning and thank you for the opportunity to participate remotely.

The aim of the bill is to ensure fairness for all ratepayers. Members might recall that, when I gave evidence on 16 November 2021 on the Valuation and Rating (Coronavirus) (Scotland) Order 2021, I commented that subordinate legislation could apply only to the period beginning on or after 1 April 2021 and that to go back further would require primary legislation.

The bill builds on that order and extends similar provisions to matters arising on or after 2 April 2020 by ruling that the effect of coronavirus on or after that date cannot be considered when calculating a property's rateable value or net annual value in the current valuation roll. The significance of that date is that it aligns with the date from which the definition of

"a material change of circumstances"

was clarified by the Non-Domestic Rates (Scotland) Act 2020.

The bill provides ratepayers with clarity and consistency on the policy. Typically, the term "material change of circumstances" has been used to reflect either physical changes to a property, such as an extension or demolition, or certain major changes in a specific area, such as the tram works in Edinburgh. The intention of the change in definition was to reflect recent case law and the move to a three-year revaluation cycle by restricting the circumstances in which general

economic factors can be regarded as being relevant to a change in valuation.

Since the start of the coronavirus pandemic, more than 40,000 non-domestic properties have been appealed on the basis of an MCC. Given the timing, it is likely that those appeals were lodged as a result of the pandemic. The Scottish Government is of the view that economic changes to rateable values that have resulted from Covid-19 should be considered not under the MCC provisions but at revaluation, at which point the impact across all properties will be taken into account. That view, which is shared by the United Kingdom and Welsh Governments and in Northern Ireland, ensures fairness to all ratepayers by ensuring that any effects of Covid-19 are considered for all properties at the next revaluation in 2023, rather than through the use of the MCC provisions.

The bill under discussion provides that, when net annual values or the rateable value of any property on the 2017 valuation roll are calculated, no account can be taken of any matter arising on or after 2 April 2020 that is directly or indirectly attributable to coronavirus. It does not apply to changes to the physical state of a property or whether a property should or should not be included on the valuation roll if, for instance, someone had started working from home as a result of the pandemic.

Although appeals were submitted for more than 40,000 properties in 2019-20, that is still less than a fifth of all non-domestic properties in Scotland and, as the Federation of Small Businesses has previously pointed out, there are not many small businesses among them. That situation might reflect our generous existing support package for small businesses, but the likelihood is that it also reflects the fact that well-resourced and professionally advised property owners and occupiers are more likely to know about the material change of circumstances provisions and to have appealed as a result.

Meanwhile, a number of large and multinational firms, which have been largely unaffected or have even been successful during the pandemic, have made appeals in relation to their properties. As was discovered in the evidence-taking sessions on the order, there is a disconnect between how Covid has felt to businesses and how it has impacted rents in the commercial property market. That issue is hugely complex and the outcome is uncertain, so it cannot be assumed that those appeals will be successful or their outcomes fair.

We believe that the right time for reflecting market-wide economic changes is at revaluation. Following the independent Barclay review of non-domestic rates, we have strengthened revaluations to ensure that they more closely

reflect market circumstances. First, we have increased the frequency of revaluations from five to three years and reduced the time between the tone date and revaluation, and secondly, with the support of your predecessor committee, we delayed the next revaluation by one year to 2023 and also brought forward that commitment to a one-year tone date, which will be 1 April 2022. Both measures have been universally welcomed by the business community in Scotland.

Covid-19 has had a major impact on the economy, and we responded swiftly and on an unprecedented scale to support businesses throughout the pandemic. We introduced 100 per cent retail, hospitality, leisure and aviation relief in 2020-21 and were the first Government to confirm a full extension of that relief for 2021-22. In 2022-23, we responded to a key ask from the business community to prevent a cliff-edge return to full liability on 31 March 2022. For businesses in the retail, leisure and hospitality sectors, we are continuing relief at 50 per cent for the first three months of 2022-23, which will be capped at £27,500 per ratepayer. Since the start of the pandemic, businesses have benefited from £4.5 billion of support, including £1.6 billion of Covid-related reliefs. We acted quickly to support the business community when it needed it most, and we have continued to support businesses through the pandemic.

Before closing, I will highlight one parallel development. As I have stated, more than 40,000 appeals were lodged following the outbreak of the pandemic. When the committee considered the previous order, it raised with me the issue of workload around those appeals.

Appeals that were lodged between 1 January 2020 and 31 March 2021 currently have a disposal deadline of 31 December 2022, which is the date by which all appeals lodged between those dates require to be heard. Valuation appeal committees are required to provide appellants with a minimum 105-day notice period, which means that any request by one party to an appeal for referral to the Lands Tribunal for Scotland, as often happens in complex cases, would have to be made by the end of June.

Although the bill will provide clarity for ratepayers, I have been clear that it does not remove the right of appeal. It will be for appellants to decide whether they want to pursue or withdraw their Covid appeals, but as I am sure the committee will appreciate, appellants might not feel that they are in a sufficiently informed position to take such a decision until Parliament has finished its scrutiny of the bill. For that reason, we intend shortly to introduce legislation to extend the disposal deadline by a further year beyond 31 December 2022.

In closing, I return to my opening comment that the bill seeks to ensure fairness for all Scottish ratepayers while maintaining the integrity of the non-domestic rates system and the stability of Scottish public finances.

I look forward to any questions that the committee might have.

The Convener: Thank you very much, minister, and thank you for highlighting the parallel development and your intention to introduce legislation in that regard.

We now move to questions, and I will begin. What is the main driver for the bill? Is it the protection of the public finances, or is it the management of the volume of appeals relating to coronavirus?

Tom Arthur: As I attempted to convey when I was before the committee last November, we sought to clarify the definition of

“a material change of circumstances”

in the Non-Domestic Rates (Scotland) Act 2020, and the bill seeks to further clarify what we mean by that term. That is the bill’s primary driver: it provides that clarity and certainty for the users of the non-domestic rates system.

Of course, public finances are a consideration, too, and the bill’s financial memorandum illustrates particular scenarios and the potential impact on those finances. Were that impact to materialise, it would have to be factored into how we manage our budget, year in and year out. The key point that I come back to is that, fundamentally, there is uncertainty about the outcome of appeals on the basis of a material change of circumstances, their duration and any potential impact on ratepayers or the public finances.

Effectively, the reasons that I gave for introducing the Valuation and Rating (Coronavirus) (Scotland) Order 2021 back in November apply to the bill. I am conscious that, at stage 1, we consider the general principles of legislation. When the order that was before the Parliament in November was agreed, there was recognition of the general principle of the need to clarify and provide certainty around material changes in circumstances as being clearly delineated, local and specific, and recognition of the fact that broader considerations with regard to the general economy were best captured through revaluation. As a result, we changed the revaluation process from a five-year to a three-year cycle and put in place a tone date that precedes revaluation by a single year to ensure that revaluation means that rateable values and net annual values are more reflective of the market at the time that they are introduced.

I hope that that helps to clarify the intent behind the bill.

The Convener: Yes, that was helpful.

Is it the Scottish Government’s view that successful appeals would be unlikely to prove effective in targeting support at those businesses that have been affected by coronavirus?

Tom Arthur: We will all agree that, given the unpredictable nature of appeals, there is no guarantee that any outcomes would be fair. The Scottish Government’s approach to supporting businesses over the past two years of the pandemic has sought to focus on delivering support to where it is most needed. As I have stated, we have provided in the region of £4.5 billion of support to businesses in Scotland, which is more than £400 million more than we received in consequential from the UK Government, and as recently as December, we announced a £375 million support package in the wake of the emergence of the omicron variant. That has been delivered in tranches, the last of which was £80 million in discretionary support, which will be available for local authorities to administer in their own areas. That allows for a much more bespoke, tailored and needs-based approach to business support. The issue with MCC appeals is not only their unpredictability but the timescales involved, and our focus is on getting support to businesses as quickly as possible.

10:45

The Convener: I call Graeme Dey, who joins us online.

Graeme Dey (Angus South) (SNP): Good morning. When the committee considered the secondary legislation relating to the bill, a number of stakeholders raised concerns about what they considered to be a lack of consultation prior to the introduction of that secondary legislation. That was reflected in the committee’s report; in fact, the committee encouraged the Government to take the opportunity afforded by the bill to undertake further consultation with stakeholders on the proposed legislation. However, some stakeholders have told us that no specific consultation has been undertaken on the bill, and others have highlighted the lack of an accompanying business and regulatory impact assessment. How do you respond to those criticisms?

Tom Arthur: As you will be aware, we indicated our intention to act on this in late June. In other words, it preceded the order, which went before Parliament in the autumn. In the interim period, extensive consultation was undertaken by me and my colleagues, the Cabinet Secretary for Finance and the Economy and the Minister for Business, Trade, Tourism and Enterprise, and we met and

engaged thoroughly with all the major business representative organisations across Scotland. If memory serves, I conveyed to the committee that the issue that you have highlighted was not raised as a priority at that point.

Following that, the Valuation and Rating (Coronavirus) (Scotland) Order 2021 was considered, with Parliament taking extensive oral and written evidence, on which I was able to answer questions at a meeting of this committee in November. Throughout that process, we have been clear about what we are doing. Indeed, we even announced in the programme for government that we would introduce primary legislation in year 1 of this session, a commitment that I reiterated to this committee in November.

We have continuous and regular engagement with business. As I have said, in the period between announcing the intention to act on MCC and the order being considered in Parliament, we had extensive engagement with the business community, and—in my experience, at least—the issue that you are talking about was not raised to any meaningful extent.

Graeme Dey: Do you feel that the matters that are covered in the bill were covered in the extensive dialogue that you, Kate Forbes and Ivan McKee had with businesses?

Tom Arthur: Yes, I do. There was an opportunity for those matters to be covered in that dialogue.

I would also mention that although the bill does what was set out in the order, it uses the date of April 2020 rather than April 2021, and there was an opportunity for consultation and direct engagement on that issue between ministers and business organisations—and, importantly, the Parliament—when that order was considered. I am confident that there has been sufficient opportunity for engagement and consultation in the extensive process that I have outlined. The process has allowed issues to be aired and considered, and business has had the opportunity to feed into it.

Graeme Dey: What about the absence of a BRIA?

Tom Arthur: What we are doing, ultimately, is clarifying an existing provision in the 2020 act. The previous order sought to clarify what that provision meant in practice; what we are doing with this legislation is, effectively, what we could not do through subordinate legislation alone, which is to put the date back a year. It is important to note that the date that the legislation refers to—2 April 2020—is the date when the power in the 2020 act came into force. Of course, there was also an opportunity during the passage of the 2020 act to consider its policy intentions. The order and the bill are designed to provide greater clarity and

certainty, which I assume is something that would be welcomed.

Graeme Dey: Thank you.

The Convener: I bring in Paul McLennan for his questions.

Paul McLennan (East Lothian) (SNP): I refer members to my registered interest as a serving councillor on East Lothian Council.

Good morning, minister and panel. A key thing that stakeholders such as the Scottish Chambers of Commerce and CBRE have raised is that the bill will have retrospective effect. Do you recognise that concern?

Tom Arthur: An important point, which is pertinent to the line of questioning that Mr Dey just pursued, is that the bill will not remove any existing appeal rights—those rights will not be impacted. The bill will provide certainty and clarity about the definition of a material change in circumstances.

The policy intent was clear when Parliament passed the 2020 act. As the order that was made last autumn did, the bill will provide clarity, as I said.

On the point about being retrospective, the bill will not remove any appeal rights—it will provide clarity about the definition of a material change of circumstances. It is for individual appellants to consider whether they wish to appeal—*[Inaudible.]*—or to withdraw their appeal. That will not change; the bill just provides clarity about the definition of an MCC.

Paul McLennan: Would retrospective changes be considered again, if the circumstances justified that? Would the approach be the same? I know that it is hard to forecast the future but, if this happened again, would the approach be slightly different? Would this be considered again, going forward?

Tom Arthur: Any provisions that have retrospective effect must be given careful consideration. Our approach to tax is informed by our tax framework, which we published alongside the budget. That gives the best overview of how we will seek to proceed. Part of that is to have continuous engagement and dialogue. Our approach is also underpinned by the Adam Smith principles.

That informs our approach to taxation. As for any unknown unknowns and future hypotheticals, I do not want to speculate, other than to say that decisions about taxation policy are informed by and will be consistent with what we have set out in the tax framework.

Meghan Gallacher (Central Scotland) (Con): Good morning, minister and panel. I, too, refer

members to my registered interest as a serving councillor on North Lanarkshire Council.

I will continue with the theme of principles of taxation. Does the Scottish Government's proposed approach go against the principles of certainty and stakeholder engagement? I ask that because the committee has previously raised concerns about the issue. I seek from the Government the assurance that those principles will underpin the setting of non-domestic rates policy in the future. Will the minister provide reassurance?

Tom Arthur: I am happy to do that. I sought to address the point about consultation and stakeholder engagement in my response to Mr Dey. Certainty is at the heart of what the bill seeks to do.

On how we go forward, as I said in my opening remarks, the key ask on non-domestic rates from business ahead of the budget was to avoid the cliff edge on 31 March. That is exactly what we have avoided through the RHL 50 per cent relief for the first three months of the financial year.

The certainty that the bill will provide, the engagement that took place between the announcement of our intentions and the order being made, and the non-domestic rates policy for the forthcoming financial year, which was informed by the key ask from business, show that in relation to engagement and providing certainty, the Government is absolutely committed to being consistent with the principles that are outlined in the tax framework.

Mark Griffin (Central Scotland) (Lab): Good morning, minister. In your opening statement, you said that you are aware of concerns that have repeatedly been raised about pressure on the assessor workforce. In evidence given to the committee by the Scottish Assessor's Association, we heard about difficulties with recruiting staff to deal with revaluation. Do you think that assessors' offices are adequately resourced to deal with revaluation?

Tom Arthur: The question of resource helped to inform the decision that I referred to in my opening statement on the extension of the disposal deadline through the legislation that will be introduced shortly. That will provide opportunity for appellants to consider the progress of this bill through Parliament and decide whether it should inform their future decisions. It also helps to address the issue of pressures faced by assessors.

We are taking that approach in the subordinate legislation that we will introduce to allow more time for appellants and users of the system to consider their position in the light of how Parliament progresses the bill. Obviously, that has the knock-

on effect of helping to support assessors and free up resource.

I recognise that we have a time date in two weeks' time and that there is a revaluation process under way. I take your point regarding assessors' resource and capacity, which is why I took the opportunity to inform the committee of the legislation that will be introduced. As I said, there are two aspects to the approach, one of which will be supporting assessors' capacity management.

Mark Griffin: I appreciate you letting us know about the one-year extension to the disposal deadline. Will that mean that appeals will be smoothed out over a longer period, which would give assessors more time to deal with them, or will it simply move the backlog date to a year later and mean that assessors' offices will still be feeling workload pressure a year down the line?

Tom Arthur: That is a fair question, Mr Griffin. Of course, we have to recognise the independence of assessors and valuation appeal committees and, ultimately, how they choose to manage their workload and proceed is a matter for independent assessors.

Where we have sought to help is by extending the deadline by one year so that there is no longer a statutory requirement for disposal by the end of this year. As I said in my opening statement, given that 105 days' notice is required for citation, a deadline of 31 December 2022 would mean that a case would need to be referred to the Lands Tribunal for Scotland by the end of June. The deadline might be 31 December, but we are only three and a half months away from the end of June, which creates more immediate and proximate pressure.

By extending the deadline we have increased capacity and space, so to speak, for assessors. However, the way that they manage their workload and how valuation appeal committees operate are matters for them as independent bodies. As a minister, I do not think that it would be appropriate for me to say anything that could be misconstrued as commentary on how those bodies carry out their functions independently.

Mark Griffin: Finally, do you have any concerns about workload pressures regarding appeals that predate 2 April 2020?

Tom Arthur: I know that that point was conveyed in written evidence to the committee. Although I recognise the concerns about that, the key point of setting the date to 2 April is to be consistent with what was in the 2020 act.

The point I have sought to make in my responses to all of the questions that I have answered this morning is that this legislation is about providing clarity and certainty. That is why it

is very important that this bill aligns with the 2 April 2020 date that was in the 2020 act. Although I recognise that there are concerns, the reasoning and rationale behind setting the date at 2 April are very important, and that is why that date is in the bill that is before us today.

11:00

Miles Briggs (Lothian) (Con): Good morning to the minister and the panel, and thank you for joining us. I want to ask about targeted business support. How effectively has support for businesses been targeted in response to the pandemic? What information does the Scottish Government have about businesses that have fallen outside the criteria for support?

Tom Arthur: That is a good question and, in answering it, there must be recognition that it has not been possible to help every single business. We are restricted, to an extent, by the mechanisms for getting money out of the door that are at our disposal.

One of the ways that we are seeking to solve that is through the discretionary funding that we have provided to local government, and I have already referred to the latest tranche of £80 million. That reflects the recognition that councils have local knowledge that they can bring to bear in supporting businesses.

We have also sought a few other mechanisms, such as the Scotland loves local fund, to provide support for businesses in other localities more generally. However, the key point to come back to is the fact that we have provided a total of £4.5 billion, £1.6 billion of which responded to the key ask of business, which was to avoid the cliff edge on 31 March.

Obviously, the targeted business support covers a range of actions. Extensive and specific reliefs have been delivered through the NDR system in the past two financial years, and they will address the ask in the coming financial year to avoid the cliff edge. Various business programmes have also been in operation throughout the pandemic. Finally, there has been the discretionary money for local authorities, the last tranche of which is £80 million, and local authorities will have the discretion to decide how to apply it to their own areas.

I hope that that gives an overview of the support that has been provided and how it relates to what we have done on NDR relief. [*Interruption.*]

Miles Briggs: Thank you for that. It sounds as though your postman has arrived.

What monitoring has taken place since handing local authorities the power to distribute that money? For example, in Edinburgh, there are a

high number of hotel and bed and breakfast businesses. How did you monitor that support to see that it got into the hands of the different types of business that needed it most?

Tom Arthur: I do not have the details of that in front of me. We have published our most up-to-date statistics on the delivery of resource on the Scottish Government website, and local government provides the Scottish Government with returns on its spending for statistical analysis and monitoring.

On how funding is agreed with local government through the Convention of Scottish Local Authorities, the £80 million was subject to principles agreements about what we are trying to achieve. Whether it be through the publication of overall business support, monitoring the returns from local government, or the principles agreements that we have with COSLA for allocating funding, there is a range of ways in which we monitor the money, which is what Mr Briggs is driving at, and make sure that we can evidence that it gets to those who need it.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, minister. One of the reasons why our counterparts in the UK Government also decided not to allow appeals to be based on Covid was that it had put up a £1.5 billion business rates support fund, which was announced on 25 March last year, the day after the Scottish Parliament went into recess for the election. Scotland's share of that support fund was to be £145 million.

This committee has raised that issue with ministers several times during the year. Has that consequential money been received? What are our plans to deploy it to support business in Scotland?

Tom Arthur: That consequential was contingent upon the passing of the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021, which has happened since I was most recently before the committee to talk about this matter. That funding is included and committed as part of the budget process for the forthcoming year.

We have undertaken not to wait but to provide support in advance, so we provided the £375 million of support in relation to omicron to which I referred. The key point that I come back to is that, overall, our spending on business support equates to £4.5 billion, which is over £400 million more than we have received in consequentials. Therefore, even including the money to which you referred, in supporting businesses, we have gone above and beyond what was allocated to us via UK consequentials. The most recent element of

that was distributed through a tranche of £80 million to local authorities, which I touched on.

We have not hung about. We have been working to get the money to businesses as and where it is needed through a range of methods, whether by grants and support for specific sectors, such as wholesale or taxi drivers, or through discretionary funding for local authorities that they can use to support businesses in their areas in the way that they think is most appropriate.

Willie Coffey: I appreciate that, but it sounds to me as though that money is still assumed and has not been receipted yet.

Tom Arthur: No, the money has been committed as part of the budget process.

I will not get into the intricacies of the budget process but, as you will be aware, we have found ourselves in quite a challenging situation. I do not want to draw direct correlations between the MCC money and other parts of the budget, because it is quite complex. However, with, for example, the resources that we anticipated as supplementary estimates towards the end of last year and in the early part of this year, we have received less than we expected. Beyond that, we were led to believe that we would receive additional money to support the cost of living, but we did not receive that and we had to find that £290 million from within money that we had already committed.

Fundamentally, the UK Government gave us an indication of money that was going to come, but the money was less than indicated and new commitments had to be met from it that we had not been led to believe would have to be met from it, such as the cost of living package. To take an example, we expected to get £841 million of supplementaries. That went down to £827 million, if I remember correctly. Then, rather than getting £290 million of additional money for the cost of living, we had to take that £290 million from the £827 million.

We explored that situation last week at the Finance and Public Administration Committee in the spring budget revision. I mention it to give you an example of the complexity that is involved at this point of the year. The key point that I come back to is that we have delivered significantly more in business support than we have received in consequentials and we have worked to get that money out of the door as quickly and effectively as possible to the businesses that need it.

Willie Coffey: I presume that, until it is finally clarified, the Scottish Government will continue to press for that consequential to be transferred to Scotland.

Tom Arthur: To be clear on that, Mr Coffey, as I understand it, the consequential was contingent

on the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill being passed. It has now been transferred and incorporated into our existing spending plans.

The point that I am making is that, overall, it is important to look at the money that is made available to us via the Barnett formula in a broader context. With Barnett, you have to look at what the net amount is. Sometimes, a particular budget line can be identified as increasing but the net amount is reducing because of reductions in other budget lines. It can create a complex set of circumstances in which to operate.

Although that money has been received as part of the budget process, the key message that I want to convey is that we went above and beyond what we received in business support consequentials.

As I have said, we have spent £4.5 billion. The money that we have delivered is for a range of measures, from tailored packages of support for particular sectors to the 100 per cent RHL relief that we have had in the previous financial year and this financial year. We are delivering 50 per cent RHL relief for the first three months of the next financial year to avoid the cliff edge, we have delivered support for local government, and we have delivered £80 million for discretionary support. We have delivered in a range of ways—rates relief, sector-specific grants and discretionary funding for local government—and gone above and beyond the resource that was allocated to us, including the MCC consequentials to which you referred.

The Convener: We have come to the end of our questions. I thank the witnesses for their evidence on the bill. I will suspend the meeting briefly to allow a changeover of supporting officials.

11:11

Meeting suspended.

11:11

On resuming—

Subordinate Legislation

Non-Domestic Rates (Valuation Roll) (Modification) (Scotland) Regulations 2022 [Draft]

The Convener: Under agenda item 3, the committee will take evidence on the draft Non-Domestic Rates (Valuation Roll) (Modification) (Scotland) Regulations 2022 from the Minister for Public Finance, Planning and Community Wealth. For this session, Mr Arthur is joined by Anouk Berthier, who is non-domestic rates policy lead in the Scottish Government, and Susan Robb, who is a Scottish Government lawyer. I welcome the witnesses to the meeting.

I invite Mr Arthur to make a short opening statement before I open up the session to questions from committee members.

Tom Arthur: The draft instrument is purely technical. It is intended to assist councillors in administering business growth accelerator relief.

BGA relief, which is unique in the United Kingdom, provides 100 per cent relief on new properties for 12 months after they are first occupied and 100 per cent relief for 12 months on property improvements. In order to facilitate the identification of eligible properties by councils, the Non-Domestic Rates (Scotland) Act 2020 requires that the assessor put a mark on the valuation roll to flag new and improved properties.

We keep all our reliefs under review. In response to stakeholder feedback, BGA relief has been expanded a number of times since the Non-Domestic Rates (Scotland) Act 2020 was passed. The draft instrument that we are discussing merely takes that into account and aligns the definition of new and improved properties in the act with the properties that may be eligible for BGA relief from 1 April 2022. That will enable local authorities to distinguish the properties that are eligible for the relief.

The regulations specifically clarify that property improvements include a concurrent change of use in the property and improvements associated with the installation of certain plant and machinery, including the installation of solar cells or solar panels.

Business growth accelerator relief is a flagship relief that has been praised by the business community. It was even highlighted in response to the UK Government's recent review as a policy that should be replicated in England. I note for the committee's benefit that the UK Government has

chosen to replicate it with a relief only for property improvements from 2023. Business growth accelerator relief in Scotland has been available not only for property improvements but for new builds since 2018.

I hope that members will support the regulations.

The Convener: Thank you very much for outlining the purpose of the Scottish statutory instrument, minister.

As no one has any questions for the minister, I thank him and his officials for the evidence.

Item 4 is consideration of the motion on the instrument. I invite the minister to move motion S6M-02982.

Motion moved,

That the Local Government, Housing and Planning Committee recommends that the Non-Domestic Rates (Valuation Roll) (Modification) (Scotland) Regulations 2022 be approved.—[*Tom Arthur*]

Motion agreed to.

The Convener: Item 3 is to take evidence on the Non-Domestic Rates (Valuation Roll)—I am sorry. That is not the right agenda item. I am glad to see that Graeme Dey has managed to join us.

The committee will publish its report on the draft regulations after the meeting. I will now suspend the meeting to allow a changeover of supporting officials before we move to agenda item 5.

11:15

Meeting suspended.

11:16

On resuming—

Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 [Draft]

The Convener: Item 5 is to take evidence on the draft Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 from the Minister for Public Finance, Planning and Community Wealth. For this item, Mr Arthur is joined by Scottish Government officials Elanor Davies, who is head of local authority accounting, and, once again, David Smith, a lawyer. I welcome our witnesses to the meeting. Before opening up to questions from the committee, I invite Mr Arthur to make a short opening statement.

Tom Arthur: Last year, amendment regulations were laid in response to the financial pressures faced by local authorities as a result of the

pandemic. The Scottish Government worked jointly with the Convention of Scottish Local Authorities to identify ways for local government to address the funding pressure. The amendment sought through the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 allowed a local authority to reduce the amount of any of the statutory repayments that it was due to make to the statutory loans fund in either the financial year 2020-21 or 2021-22, but not both. That would reduce the expenditure of a local authority in that financial year, thus creating additional financial capacity to meet Covid-19 costs.

Given the on-going challenges of responding to the pandemic, COSLA requested a further one-year extension to that flexibility to allow a local authority to reduce repayments to the statutory loans fund in 2022-23. Again, councils can make use of that flexibility only in one financial year. Most councils did not utilise that flexibility in either 2020-21 or 2021-22, but they have indicated that they may choose to use this flexibility in 2022-23.

Under normal circumstances, that is not something that ministers would support. Requiring the repayments to be made in the financial year when they are due is prudent financial management. It ensures that both current and future taxpayers are charged for their share of the capital expenditure costs of assets being used to deliver services. However, these are not normal circumstances, and it seems right to allow the flexibility to be extended through the amendments made in the draft regulations before you. We have made it clear to local government that the flexibility should be used only as necessary to address funding pressures arising from the pandemic, and it may not be used to grow reserves.

The 2021 regulations include a provision to ensure that future changes to loans fund accounting arrangements can be delivered through statutory guidance, rather than requiring further amendments to regulations. That change, which was due to come into force on 1 April 2022, is to allow future harmonisation between accounting standards and statutory arrangements. In order to facilitate the extension to the loans fund repayment flexibility, the draft regulations defer by one year the effect of that provision in the 2021 regulations.

Separately, the draft regulations change the audit completion deadline for local government 2021-22 annual accounts, as requested by Audit Scotland, in order to address the continuing challenges resulting from the delay in auditing the 2019-20 and 2020-21 accounts. Both Audit Scotland and councils are keen to return to the original statutory deadlines for 2022-23.

In summary, the draft regulations provide a financial flexibility that has been asked for and will be welcomed by local authorities. The extension of the audit deadline will alleviate some of the strain on council staff and auditors.

I encourage the committee to support the instrument.

The Convener: Thank you, minister, for laying out the purpose of the draft amendment regulations before us. Members have no questions for the minister, so I thank him and his officials for their evidence.

Item 6 is consideration of the motion on the instrument. I invite the minister to move motion S6M-02977.

Motion moved,

That the Local Government, Housing and Planning Committee recommends that the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 be approved.—[Tom Arthur]

Motion agreed to.

The Convener: The committee will publish its report on the draft regulations after the meeting.

Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2022 (SSI 2022/47)

Non-Domestic Rates (Levying and Miscellaneous Amendment) (Scotland) Regulations 2022 (SSI 2022/48)

Non-Domestic Rates (Relief for New and Improved Properties) (Scotland) Regulations 2022 (SSI 2022/49)

Non-Domestic Rating (Unoccupied Property) (Scotland) Amendment Regulations 2022 (SSI 2022/51)

The Convener: Item 7 is consideration of four negative instruments. There is no requirement for the committee to make any recommendations on negative instruments. Does the committee agree not to make any recommendations in relation to the instruments?

Members indicated agreement.

The Convener: We agreed at the start of the meeting to take the next item in private. We have no more public business today. I thank everyone for joining us.

11:22

Meeting continued in private until 11:33.

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