

Supporting Business - Promoting Growth: Business Rates Consultation

Analysis of Consultation Responses

**SUPPORTING BUSINESS - PROMOTING GROWTH:
BUSINESS RATES CONSULTATION
ANALYSIS OF CONSULTATION RESPONSES**

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EXECUTIVE SUMMARY

BACKGROUND

1. In November 2012, the Scottish Government launched the consultation 'Supporting Business – Promoting Growth'. The consultation sought views on how the rating system can help stimulate sustainable economic growth and how to improve transparency and streamline the operation of the rating system, including the appeals process. The consultation ran from the 27 November 2012 until 22 February 2013. The Scottish Government accepted late responses up to 13 March 2013 and these have been included in analysis.
2. A total of 94 consultation responses were received, 21 were from individuals and 73 were from organisations. Many organisations who responded represent many members and, in the case of business representative organisations, have tens of thousands of members.
3. The consultation posed a series of questions relating to: reliefs and exemptions; other options to support growth; transitional relief; appeals; transparency and openness; and compliance.

OVERVIEW OF RESPONSES

4. The following paragraphs highlight the main themes that emerged in relation to each of the questions in the consultation document.

Reliefs and Exemptions

5. Respondents expressed wide-ranging views on current reliefs and exemptions and on individual reliefs and exemptions that they might or might not consider appropriate. The main themes related to empty properties, charity relief and the Small Business Bonus Scheme (SBBS). Many who commented on empty property relief did not want to see it reduced as they felt it would have a negative effect on owners and landlords. In relation to charity relief, many welcomed the continuation of this relief but several respondents were concerned about this relief being given to charity shops. Many respondents welcomed the SBBS, but some were concerned that many small businesses do not attract this relief due to the high rateable value of their property.
6. When asked whether councils should have flexibility to introduce and fund relief schemes to reflect local circumstances and priorities, many more respondents felt that they should have this flexibility than felt they should not. Respondents felt councils are best placed to understand and adapt to their local priorities and needs.
7. Many of the respondents who commented felt that confirming relief thresholds for a number of years in advance would be a positive step; it would be especially important in order to allow businesses to forward plan.
8. When asked whether the way reliefs are funded should change, for example the split between the Scottish Government and Councils for discretionary reliefs, there was a difference of opinion, although more said 'no' than said 'yes'.

9. More respondents said 'no' than 'yes' in relation to whether where relief is awarded to properties in the public sector it should be handled differently. The main theme to emerge in responses was that as these are subject to the same checks and audits as private sector properties there is no need to separate the two.

Other options to support growth

10. The consultation paper asked respondents to provide details of any other suggestions as to how the ratings system could be improved to support growth. The main points raised related to the need for measures to assist and encourage new business start-ups and the need for realistic and up-to-date rateable valuations for all businesses.
11. A follow-on question asked whether there would be any costs associated with the suggestions given at the previous question and, if so, how these could be recouped within the rating system. Many respondents who had made suggestions felt there were no associated costs or that their suggestions would be cost neutral, although for the most part no evidence was provided to support this statement.

Transitional relief

12. The consultation went on to ask respondents for their views on transitional relief at 2017 and future revaluations. Many of the respondents who commented felt that transitional relief should be re-introduced and that revaluations should be undertaken more regularly.

Appeals

13. Respondents were invited to give their views on the current appeal system and respondents described it as cumbersome, lengthy and time consuming. Several respondents commented that appeals could be costly for ratepayers who have limited understanding of the system and need professional help with an appeal.
14. When asked to provide details of any other reform of the appeals system that respondents felt would be beneficial to businesses, respondents again mentioned the need for more regular revaluations. Respondents also suggested extending or reducing the six month appeal time limit. Another key theme related to accessibility of information for ratepayers.

Transparency and openness

15. The consultation asked in what ways respondents think the transparency of the rating system could be improved and two themes emerged. These were that the system is already fair in terms of openness and transparency and that the more information that is in the public domain the more transparent the system will be.

Compliance

16. When asked whether they support the general principle that tax avoidance in the rating system should be closed where possible, all those who specified an answer said 'yes'. A key theme in responses was the belief that it is right and fair for everyone to pay relevant taxes in all forms including non-domestic rates. Respondents also commented that if reliefs and exemptions are fair then there should be no reason for tax avoidance.

Other comments

17. There were a number of other comments in responses and these included many respondents providing background information on their organisation and expressing gratitude for the opportunity to submit their views.
18. The issues and comments made were extremely diverse and often served to reiterate themes already identified at specific questions. However, one of the most consistent themes, on which many respondents from across different respondent groups made comment, related to the postponement of revaluation to 2017.

CONCLUSIONS

19. Main themes across respondent groups and consultation questions are summarised in Chapter 9 of this paper and included:
 - The need for firm timetables, distributed well in advance and for early confirmation of relief thresholds.
 - Some respondents felt that delay of the next revaluation to 2017 may cause difficulties.
 - That valuations should be at realistic levels and in the long term revaluations should take place more frequently.
 - The need to mitigate against large increases for businesses at revaluation, or following any other changes to business rates, reliefs or exemptions.
20. Findings from this consultation will be used to inform future Scottish business rates policy.

1 INTRODUCTION

BACKGROUND

- 1.1 On 27 November 2012 the Scottish Government launched Supporting Business – Promoting Growth¹, a consultation on business (non-domestic) rates. The consultation closed on 22 February 2013 although late responses were accepted up to 13 March 2013.
- 1.2 The consultation sought views on two main areas: how the rating and valuation appeals systems can support businesses and sustainable economic growth; and how to improve transparency and streamline the operation of the rating system, including the appeals process.
- 1.3 The consultation document explained that, while the consultation is set in the context of reforming the rating system, there is no proposal to change the underlying principle of business rates as a property based tax. It also noted that any proposal by respondents for a reduction in rates for any specific business sector would need to be met by increases for others or savings identified elsewhere in the rating system.
- 1.4 The consultation paper contained 12 main questions, including a mixture of fixed response (e.g. 'yes'/'no') and open text formats (e.g. comments boxes). A copy of the consultation questions is included at Appendix 1.

OVERVIEW OF RESPONSES

- 1.1 The consultation attracted 94 responses comprising 21 from individuals and 73 from organisations. While many used the consultation questionnaire or structured their response around the questions posed, some respondents did not use the consultation questionnaire and, instead, presented their views in a report or letter format.
- 1.5 The consultation Respondent Information Form (RIF) asked respondents to select from a list of respondent groups. These groups formed part of the analysis process, enabling analysis of whether differences, or commonalities, appeared across the various different types of organisations and/ or individuals that responded.
- 1.6 In a number of cases, respondents did not complete a RIF. These responses were included in the analysis and were assigned to the respondent group that the researchers judged best reflected each organisation.
- 1.7 The following table shows the numbers of responses in each group.

¹ The consultation can be found at <http://www.scotland.gov.uk/Publications/2012/11/6551>

Table 1.1: Consultation responses

RESPONDENT GROUP		Number
Individuals		
	Business Owner/ Ratepayer	7
	Other individuals	14
(Total individuals)		(21)
Organisations		
	Business Owner/ Ratepayer	11
	Business Representative Organisation/ Trade Body	20
	Local authority (Council)*	20
	Professional/ Representative body for professionals	12
	Third sector/ equality organisations	4
	Other	6
(Total Organisations)		(73)
GRAND TOTAL		94

* Throughout this report local authorities are referred to as councils for consistency with the wording in the consultation document, however, verbatim comments have not been altered.

- 1.8 A list of all organisations that submitted a response to the consultation is included in Appendix 2.

ANALYSIS AND REPORTING

- 1.9 Some consultation questions contained three tick-boxes with options for 'yes', 'no' and 'don't know/ no view'. The tables in this report show the results from responses to these closed questions.
- 1.10 Where respondents did not tick a box but stated within their text that they agreed or disagreed with a point, these have been included in the 'yes'/ 'no' counts.
- 1.11 The range of comments given at each open question were examined and main themes, similar issues raised or comments made in a number of responses, were identified. In addition, we looked for sub-themes such as reasons for opinions, examples or explanations, alternative suggestions or other related comments.
- 1.12 Comments in responses that did not follow the consultation questionnaire (non-standard responses) were assigned to the relevant question. Any comments which did not relate to the specific questions posed were assigned to the final question of the consultation (i.e. any other comments in relation to business rates) in order that all similar comments could be analysed together.
- 1.13 The main themes were examined in relation to respondent groups to ascertain whether any particular theme was specific to one particular group, or whether it appeared in responses across groups. When looking at group differences however, it must also be borne in mind that where a specific opinion is identified in relation to a particular group or groups, this does not indicate that other groups do not share this opinion, but rather that they have simply not commented on that particular point. Where no groups are specified in the

commentary this means the particular point was noted in responses from a variety of groups.

- 1.14 While the consultation gave all those who wished to comment an opportunity to do so, given the self-selecting nature of this type of exercise, any figures quoted here cannot be extrapolated to a wider population outwith the respondent sample.
- 1.15 The views presented in this analysis have not been vetted in any way for factual accuracy. Opinions and comments submitted to the consultation may be based on fact or on what respondents perceive to be accurate but which others may interpret differently. As it is important for the analysis to represent views from all perspectives, the report may contain analysis of responses that may be factually inaccurate or based on misunderstanding or misinformation but that, nevertheless, reflect strongly held views. In some instances, such inaccuracies and misunderstandings will be relevant findings in themselves.
- 1.16 The following chapters document the substance of the analysis and present the main views expressed in responses. Appropriate verbatim comments, from those who gave permission for their responses to be made public, are used throughout the report to illustrate themes or to provide extra detail for some specific points.

2 RELIEFS AND EXEMPTIONS

- 2.1 The paper detailed how business rates are collected and used to provide local services and explained how business rates reliefs can be used to stimulate growth. Annexes to the consultation provided data as to the costs and recipients of rates, reliefs that are uniform across the UK, the business rates reliefs that are more generous in Scotland than in England and reliefs receiving more generous funding from the Scottish Government.
- 2.2 The paper also explained that some types of property are exempt from rating entirely, including: agricultural land and property; public parks; roads; sporting estates (e.g. grouse shooting lands) offshore renewables; lighthouses; rural ATM machines; sewers; and oil and gas pipelines.
- 2.3 In the Respondent Information Form, respondents were asked to say whether they are in receipt of rates relief and, if so, which kind. Twenty-three respondents said that they receive rates relief(s) and reliefs included:
- Empty property (15).
 - Disabled (seven).
 - Rural (five).
 - Charity (four).
 - Small Business Bonus Scheme (three).
 - Renewable generator (one).
 - Other (two).

Question 1 in the consultation asked respondents: 'Are the current reliefs and exemptions offered appropriate?'

Table 2.1: Question 1. Whether the current reliefs and exemptions are appropriate

Respondent group	Yes	No	Don't know/ No view	No reply
Individuals				
Business Owner/ Ratepayer (7)	1	4	1	1
Other individuals (14)	-	5	1	8
Total Individuals (21)	1	9	2	9
Organisations				
Business Owner/ Ratepayer (11)	1	3	-	7
Business Representative Organisation/ Trade Body (20)	3	7	-	10
Council (20)	11	7	-	2
Professional/ Representative body for professionals (12)	-	7	2	3
Third sector/ equality organisations (4)	1	2	1	-
Other (6)	1	1	-	4
Total Organisations (73)	17	27	3	26
Total (94)	18	36	5	35

- 2.4 As can be seen in table 2.1, more of those who replied, especially individuals and professional representative bodies, felt that the current exemptions and reliefs are not appropriate than felt that they are appropriate. More Councils expressed the view that the reliefs were appropriate than did not.
- 2.5 The consultation invited respondents to provide additional feedback as to the reasons for their answer at Question 1. In particular, those who had answered 'no' and did not feel the current exemptions and reliefs to be appropriate were asked what refinements they would suggest and how these might be funded. Seventy-two respondents commented and comments related to reliefs in general or to specific reliefs.

GENERAL COMMENTS

- 2.6 Amongst responses from those who included general comments, several respondents commented that there are a large number of reliefs and that the system has become complex and confusing.

“In many instances these reliefs/ exemptions have continued for many years without review and government may wish to consider all or some of these exemptions and reliefs for review, in light of current policies and priorities.”

(representative body for professionals)

- 2.7 Although the consultation paper stated that there were no plans to change the basis of valuations from being property based, a few, particularly individuals and business owners, commented that business rates should be based on turnover rather than rateable value of the property, for example:

“A business in a small property doesn't pay any rates even if it has a great turnover (diamond shop doesn't need big space). A restaurant needs a bigger area (tables, kitchen, toilets etc...) doesn't have any chance to have a relief even if the turnover is low. So in the end the relief is not about the business but the size of the property and location.”

(business owner/ ratepayer)

- 2.8 Conversely, there were a few comments that the current system works well:

“[The respondent] considers that the current rating system broadly works and does offer support and incentives to Business, in particular small businesses. [The respondent] has some suggestions for improving areas such as collection which are outlined below, but in the main the present system is not overly bureaucratic and is relatively straightforward to understand by businesses, local authorities and wider stakeholders.”

(council)

- 2.9 A small number mentioned, at this question and at subsequent questions, that a Land Value Tax would be more suitable than business rates.

COMMENTS ON RELIEFS

Empty Property Relief

- 2.10 One of the main themes noted in responses related to Empty Property relief, which will change from the 2012-13 100% mandatory rates relief to properties empty for first three months and a 50% discount thereafter, to a 10% discount from April 2013. Many of those who commented did not want to see this relief changed as they felt it would have a negative effect on owners and landlords of empty properties.
- 2.11 One business representative organisation/ trade body described the relief as a “safety net” in the current economic climate when there are many vacant properties, especially retail properties.
- 2.12 A few respondents reported that landlords were already reducing rents to attempt to fill their properties and that the reason for the number of empty properties was a lack of demand. As one business representative organisation/ trade body commented, relief should be: “structured to support investment in vacant premises to ensure that it is of a scale suitable for market demand and, where necessary, to support the change of use of a property to better reflect current economic needs”
- 2.13 There were also suggestions from several respondents that there should be some form of stepped or phased in relief in relation to empty properties rather than a drop from 100% to 10%.
- 2.14 A few respondents called for greater discretion for councils to adjust the reliefs on vacant properties to allow these to be filled and there was a suggestion that relief should be extended to recently refurbished or changed properties.
- 2.15 A small number of respondents welcomed the change and the main reason given was that the owners of empty properties still rely on local services (such as fire and rescue) and therefore should pay rates towards provision of these.
- 2.16 There was also a suggestion that, in some areas, landlords can make more money by leaving properties vacant.
- 2.17 Many respondents who commented on empty property relief also mentioned the **Fresh Start initiative** (incentivising the occupation of some long-term empty properties). While the scheme was widely welcomed, these respondents still stressed the need to retain or even increase the relief for properties that remain empty. There were some comments that, while welcome, the scheme will not benefit large/ national retailers because of the qualifying criteria of less than £45,000 rateable value. There was also a comment from a representative body for professionals that this new scheme adds another layer of complexity to the system.
- 2.18 A representative body for professionals talked about shop fronts in empty properties:
- “Shop fronts for empty property needs to be clarified in legislation with regard to their treatment. Empty properties left untreated are

unattractive and undesirable for consumers, potential investors and surviving businesses.”

Charity relief

- 2.19 At present, properties occupied by registered charities attract 80% relief. Councils can top this relief up to 100%; they can also award relief of up to 100% to not-for-profit organisations.
- 2.20 Another theme to emerge was concern about relief given to charity shops. A small number of respondents, from business, professional and individual respondent groups, felt that these shops are in competition with other local retail outlets and that there should be a level playing field, especially in relation to those charity shops stocking new rather than second-hand goods. One respondent mentioned a similar situation, where charity or not-for-profit organisations operate a bar. In relation to the retail arms of charities, a few respondents felt that profitability should be a factor in charity relief awards and mentioned proposals by the Welsh Government on this issue which, they felt, should be considered.
- 2.21 In addition, a number of respondents commented that landlords may establish short term or partial leases by charities and there were suggestions that these may be being used to avoid liability, especially if the property is empty; respondents felt this area was in need of further consideration. Compliance issues are covered in more detail in Chapter 7 of this report.
- 2.22 However, respondents welcomed the continuation of relief to non-retail areas of charitable or not-for-profit organisations.
- 2.23 There were also some suggestions, mainly from bodies representing specific sectors, that other types of businesses should benefit from the same type of relief as charities, for example the mineral industry or private sector educational establishments such as nurseries.
- 2.24 There was also a request, especially from some respondents in receipt of charity relief, that all charities, including private schools and universities, continue to be treated in the same way.

Small Business Bonus Scheme (SBBS)

- 2.25 The Small Business Bonus Scheme (SBBS) provides stepped discounts of between 25% and 100% for properties up to a rateable value of up to £18,000 (or £25,000 for those with more than one premises). A small portion of this is funded by large business premises that pay a small supplement above the standard poundage rate towards the costs.
- 2.26 The SBBS also featured as a main theme, again across respondent groups, and was welcomed by many, for example:

“The Small Business Bonus Scheme should be maintained as we are informed by many stakeholders that this has been critical to supporting the grassroots of the business community.”

(representative body for professionals)

- 2.27 There was also a comment, from a business representative organisation, that as the scheme has been so beneficial to many small businesses, the Scottish Government should consider whether they need to take action to ensure that all who are entitled to the SBBS are claiming.
- 2.28 While the scheme attracted support, a number of respondents expressed concern over some aspects. The main theme to emerge in relation to SBBS was that many small businesses do not attract this relief due to the high rateable value of their property. Respondents, particularly individual respondents, suggested that a system based on business turnover or profitability would be more suitable.
- 2.29 A council expressed concern that small businesses receiving 100% relief do not pay rates and therefore do not contribute towards the services provided by councils.
- 2.30 There was also some concern that the scheme is overly generous and a suggestion to revise the scheme to make sure it is targeted at the correct locations and businesses. One respondent from the professional group wanted the Scottish Government to look at ways “to ensure discounts are appropriate and directed towards those most in need”. One council also commented that far more rural small businesses receive SBBS and felt that the scheme should be more equitable across regions; a rateable value index was suggested as means to achieve this.
- 2.31 A small number of respondents pointed out that there is a difference in eligibility for relief between time-share, guest houses, bed and breakfast and self-catering properties. There was a suggestion that this be examined in order to ensure equality between similar businesses. Another difference in access to relief related to pubs and hotels. One respondent said these types of properties had higher rateable values when compared to other businesses of a similar square footage which means that small pubs and hotels may not be eligible for SBBS relief.
- 2.32 A few respondents also discussed the way that the relief increases in stepped increments and there was a feeling that there should be a sliding scale to ensure that increases in rateable value do not lead to large jumps in the percentage rate relief received. A respondent from the business representative organisation/ trade body group “would advocate the modelling of a sliding scale of relief with a view to providing a smoother, progressive transition”.

Rural relief

- 2.33 Rural relief is available for properties providing key services in rural areas; councils can top up the relief to 100% and can also award 100% relief to properties with rateable values under £17,000 that are beneficial to the local community. Eligible properties include small general stores, post offices, petrol filling stations, small hotels and public houses.
- 2.34 The main theme in comments relating to rural relief was the need to ensure this is continued. One council commented: “The removal of reliefs that provide assistance to rural communities could lead to job losses, the loss of vital services and hardship for those communities.”

Disabled persons relief

2.35 Disabled persons relief of up to 100% is available for properties used for the care, training or education of disabled persons; this includes day care facilities. A small number commented on this relief and responses showed a difference of opinion.

“Disabled persons relief ensures that business can continue to provide care for people who are older, disabled or have poor health.”

(council)

“Disabled Relief should be reviewed; the majority of recipients of relief are nursing homes and hospitals. This leads to significant loss to the rating pool and it would appear that the bulk of relief (in monetary terms) is directed at organisations which it is considered should probably not qualify in the spirit of the 1978 Rating (Disabled Persons) Act.”

(representative body for professionals)

Other reliefs

2.36 The consultation document discusses a number of other reliefs; some of these were commented on by small numbers of respondents.

2.37 **Transitional relief** is applied at revaluations in order to cap any significant increases; a small number of respondents commented on this relief at this question. Chapter 4 of this report covers Transitional relief in more detail.

2.38 A member of the council group commented: “The decision to not have a scheme for 2010 had impacts both for business and Councils”. Other respondents wanted to see transitional relief following each revaluation.

2.39 **Renewable Energy Generator relief** (e.g. wind farms): most respondents who commented on this relief felt that this currently unique Scottish relief should be continued in order to help meet renewable targets and because it “offers incentives to business to invest in alternative methods of energy and reduce carbon footprint” (council). A small number of respondents suggested that relief be extended to other new energy technologies as well as to businesses that have their own biomass or similar facility to produce energy for their own use rather than for the national grid.

2.40 **Religious relief**: One representative body for professionals commented on religious relief:

“It is thought that where this relief extends to extensive church halls which are used for a multitude of non-religious events, meetings, nursery schools etc. the occupiers are again being given an operational advantage over similarly used halls not within church grounds. Perhaps an apportioned rateable value between religious building and hall/ non-religious parts would allow the Scottish government or local authority to have the power to vary reliefs awarded.”

2.41 **Enterprise Areas:** a small number commented on Enterprise Areas, including a respondent from the professional group that wanted to see enterprise areas extended, especially to “ailing town centres”.

2.42 **Hardship relief:** this was seen as too restrictive by the small number who commented with one council suggesting it be removed as “it is virtually never granted”.

COMMENTS ON EXEMPTIONS

Agriculture exemption

2.43 Agricultural land and sporting estates are exempt from business rates and the comments on this issue were mixed with some supporting the exemption because of the benefit to the rural economy, and others opposed because they felt all businesses should be treated in the same way. The following are examples:

“Rating agricultural land/ sporting estates would put many rural jobs/ businesses at risk and would ultimately lead to higher prices for consumers.”

(council)

“This is a valuable relief at time when the industry is suffering due to the economic climate and reduced profit due to inclement weather conditions. [The respondent] is strongly against any reduction or removal of this exemption, as it would have a substantial negative impact on the agricultural sector at a time when the industry needs support. [The respondent] considers that it would be extremely difficult to apply accurate and fair rates to agricultural property, on the basis that there are huge variations between them. This would make it very difficult to apply an accurate and consistent approach which would be fair to such businesses.”

(business representative organisation/ trade body)

“[The respondent] recommends that the Scottish Government considers whether agricultural land and buildings, along with other currently exempt non-domestic properties, such as elements of the oil and gas industry, should continue to remain exempt and therefore receive an unquantified benefit that is not available to other sectors of commerce and industry.”

(representative body for professionals)

Other exemptions

2.44 There were a small number of other comments on exemptions.

2.45 **Rural ATMs:** a small number of respondents commented on this issue with most supporting the exemption of rural ATM machines. Rural ATMs were also put forward as an example of part of the rating system that could be reconsidered.

“Exemption/ relief from non-domestic rates may be granted either by exempting subjects from entry in the Valuation Roll, or de-rating their Rateable Value shown in the Valuation Roll, or by maintaining the

entry in the Valuation Roll but granting relief from the amount of rates payable. This mixed approach is confusing and at times illogical. For example, ATMs located in rural settlements are exempt from entry in the Valuation Roll (S8C of the Valuation and Rating (Scotland) Act 1956) whilst qualifying general stores, food stores or post offices in rural settlements are granted relief from rates payable by virtue of the Non Domestic Rating (Rural Areas and Rateable Value Limits)(Scotland) Order 2005.”

(representative body for professionals)

2.46 **Oil and gas exemption** : some respondents acknowledged the importance of the oil and gas industry to Scotland and felt its exemption from business rates should continue, not least to ensure no additional price rises to consumers.

2.47 A small number commented on industrial exemptions and opinion was divided as to whether this should be retained or removed.

LOCAL FLEXIBILITY

2.48 The consultation document explains that councils receive most of their funding from the Scottish Government and that this is broken down into grants paid directly to the councils and business rates that the Councils collect. It also explains that the Scottish Government sets the framework for Scottish reliefs and that, while Councils determine eligibility, the Councils have limited scope to vary the relief they offer locally.

Question 2 asked Should Councils have a new flexibility to introduce and fund relief schemes to reflect local circumstances and priorities?

2.49 As table 2.2 shows, in the question of whether councils should have flexibility to introduce and fund relief schemes to reflect local circumstances and priorities, more respondents said ‘yes’ (41) than said ‘no’ (13). More councils said ‘yes’ (13) than said ‘no’ (five). Those in the professional/ representative body for professional group who replied were almost evenly split, four said ‘yes’ and three said ‘no’. Almost all individuals who replied said ‘yes’ (ten), one said ‘no’.

Table 2.2: Question 2. Whether Councils should have flexibility to introduce and fund relief schemes to reflect local circumstances and priorities

Respondent group	Yes	No	Don't know/ No view	No reply
Individuals				
Business Owner/ Ratepayer (7)	5	1	-	1
Other individuals (14)	5	-	1	8
Total Individuals (21)	10	1	1	9
Organisations				
Business Owner/ Ratepayer (11)	4	-	-	7
Business Representative Organisation/ Trade Body (20)	9	3		8
Council (20)	13	5	-	2
Professional/ Representative body for professionals (12)	4	3	1	4
Third sector/ equality organisations (4)	1	-	2	1
Other (6)	-	1	1	4
Total Organisations (73)	31	12	4	26
Total (94)	41	13	5	35

- 2.50 Respondents who answered 'yes' at Question 2 were then asked whether this new flexibility should be: a wide power to offer any type of relief to respond to local need; or limited to extension of current reliefs (e.g. by creation of a new discretionary element to the Small Business Bonus Scheme over and above current thresholds).
- 2.51 Twenty-eight of the 41 who said 'yes' said the flexibility should be a wide power to offer any type of relief to respond to local need. Seven said it should be limited to extension of current reliefs (e.g. by creation of a new discretionary element to the Small Business Bonus Scheme over and above current thresholds). Six did not reply.
- 2.52 All respondents were then invited to explain the reasons for their answers at either or both parts of Question 2.
- 2.53 Looking at responses from those who said 'yes' shows that many respondents feel councils are best placed to understand and adapt to their local priorities and needs. There were some comments that this would help councils to target and fill empty properties in their area and there were also comments that this would be useful for town centre or other regeneration areas.
- 2.54 Some respondents wanted to see this flexibility used to help a range of sectors or businesses e.g. rural industries, start-ups, new or struggling businesses, or businesses that do not receive other relief such as larger businesses. For example:

"Town centre regeneration is a particular problem that could be helped by enabling councils to help new businesses get established. 100% rates relief for 6 to 12 months for all genuine new start-ups would greatly assist new enterprises when help is most needed. There are

many town centre properties that have rateable values that fall outside the SBBS scheme”.

(council)

- 2.55 There were requests, from business representative organisation/ trade body respondents, that if this flexibility goes ahead there should be guidance on this issue provided by the Scottish Government.
- 2.56 A number of other respondents in various sectors asked for clarification as to how such flexibility is to be funded.
- 2.57 In responses from the 13 who said councils should not have flexibility to introduce and fund relief schemes to reflect local circumstances and priorities, the main theme to emerge was the need for uniformity across Scotland.
- 2.58 A member of the council group said that non-domestic rates are a national tax and, as such, there should be limited differences across Scotland while another felt this flexibility might favour large councils and another that it may lead to businesses playing councils against each other.
- 2.59 A representative body for professionals respondent pointed out that big businesses pay the bulk of business rates and that they require a consistent taxation system for budgeting purposes. One council, along with other respondents, cautioned that this flexibility should not be allowed to lead to large variations across the country.
- 2.60 A response from a member of the business representative organisation/ trade body group illustrates this theme:
- “Consistency between Local Authorities is important and we would not wish to see a return to the 32 Scottish Councils having flexibility to set their own poundage rates or fund relief schemes. We believe such flexibilities could only be funded by other local existing business rates payers, increasing their bills and acting as a disincentive to investment. This would create a competitive distortion.”
- 2.61 Amongst those respondents who did not say ‘yes’ or ‘no’, the need for consistency across Scotland was again the main theme to emerge and there were also queries and comments on funding flexibility for councils. For example, an organisation in the ‘other’ respondent group commented:
- “There are also questions to be answered about how these local reliefs will be funded, particularly at a time of severe resource constraints amongst local authorities. If the local reliefs to attract new businesses to an area would be subsidised, without their consent, by existing local businesses, then there is a risk that they could prove to be damaging to the broader local business base.”

CONFIRMED THRESHOLDS

Question 3 asked respondents what they think the impacts on recipients would be if relief thresholds were confirmed for a number of years in advance.

2.62 Responses from the 65 who commented were predominantly positive; positive responses came from across groups.

2.63 The main theme to emerge from many of those who replied, and from across respondent groups, was that confirming relief thresholds for a number of years in advance would be a positive step for businesses as this would allow them to forward plan and to budget. For example, a council commented:

“It would assist with planning and stability and it would be easier for administration purposes. Cash flow certainty would allow better decision making around investment opportunities which can generate jobs and wealth for local economies.”

2.64 Many commented that greater certainty would be beneficial by allowing businesses to be confident in future investment and in developing their business. It would also allow them to prepare for change.

2.65 Several of the respondents, across most respondent groups, who felt that confirming reliefs would be positive also suggested that the time period should coincide with the revaluation cycle. A council suggested:

“The impact would be a positive one provided there is no revaluation exercise during the fixed relief period.”

2.66 There were also calls for the Scottish Government to confirm existing reliefs until the next revaluation. Some respondents also asked that any changes be notified well in advance to allow for budgeting and planning, for example:

“Business demands certainty and confirmation that relief thresholds are set for a number of years in advance delivers this. Provided of course that the reliefs are set a level which genuinely assists businesses. Without this reassurance market confidence will continue to wane.”

(business representative organisation/ trade body)

2.67 While seeing confirmed thresholds as positive, a small number of respondents pointed out that the Government set poundage will still cause problems for planning and budgeting as this is linked to inflation, which, they said, businesses cannot accurately forecast.

2.68 A small number of business and professional respondents had concerns about confirming thresholds; the main reason for concern was that this could inhibit growth as knowledge of thresholds could deter businesses from expanding in order to keep a more favourable level of relief, especially in the run-up to any planned change in thresholds.

FUNDING RELIEFS

2.69 At present, most reliefs are funded in whole by the Scottish Government, some reliefs, however, have a small discretionary element. In these cases the Scottish Government meet 75% of the cost while councils meet 25%.

Question 4 asked: Should the way reliefs are funded change, for example the split between the Scottish Government and Councils for discretionary reliefs?

2.70 As table 2.3 shows there was a difference of opinion with 14 saying 'yes' and 19 saying 'no', 13 said 'don't know/ no view'. This difference was more apparent in the council group where five said 'yes' while 12 said 'no'. More organisations said 'no' (18, nine said 'yes'), while more individuals said 'yes' (five, one said 'no'). However, it should be noted that a large number (48) did not reply.

Table 2.3: Question 4. Whether the way reliefs are funded should change, for example the split between the Scottish Government and Councils for discretionary reliefs

Respondent group	Yes	No	Don't know/ No view	No reply
Individuals				
Business Owner/ Ratepayer (7)	2	-	2	3
Other individuals (14)	3	1	2	8
Total Individuals (21)	5	1	4	11
Organisations				
Business Owner/ Ratepayer (11)	1	-	2	8
Business Representative Organisation/ Trade Body (20)	1	2	3	14
Council (20)	5	12	1	2
Professional/ Representative body for professionals (12)	1	1	3	7
Third sector/ equality organisations (4)	1	1	-	2
Other (6)	-	2	-	4
Total Organisations (73)	9	18	9	37
Total (94)	14	19	13	48

2.71 Respondents who answered 'yes' to Question 4, were asked how they would suggest the funding of reliefs could be changed and 13 commented (mainly individuals and councils). Twenty-three respondents who had not specified or who said 'no' also commented.

2.72 Amongst those who said 'yes', a number of themes appeared, including some which were conflicting. For example, while a small number said that councils should fund discretionary relief (as it is they who make decisions), a few felt that key reliefs should be funded by the Scottish Government.

2.73 Other comments from small numbers of respondents included:

- That councils should have more flexibility (but also be subject to more scrutiny and accountability over their decisions and spending).

- That councils should keep non-domestic rates collected.
- That legislation and regulations around reliefs should be tightened (as many were introduced in a different time and economic climate); this would give more flexibility to councils to give relief where it is most needed.
- That the Scottish Government should make decisions in relation to granting discretionary relief.
- That the Scottish Government should fund a National Hardship Fund.

2.74 There was also a degree of concern over funding, for example one business representative organisation/ trade body commented:

“It is difficult to see how a major transition between the relief support by councils and government centrally could be achieved without a radical overhaul of the system. For example, it is difficult to see how many types of council could support reliefs due to their relatively poor tax bases. In fact this could lead to a perverse situation in which the poorest councils with the greatest need are unable to support hardship or attract growth, while the stronger councils are better able to do so.”

2.75 The need for consistency across Scotland was again important to several respondents.

PUBLIC SECTOR RELIEF

2.76 As reliefs are open to all properties and occupiers, public sector organisations can apply for relief providing they meet the eligibility criteria.

Question 5 asked: Where relief is awarded to properties in the public sector, should this be handled differently, for example subject to separate reporting arrangements?

2.77 As table 2.4 shows only around a third of respondents (30) specified an answer, 17 ticked the ‘don’t know/ no view’ box and 47 did not reply. More respondents said ‘no’ (21) than said ‘yes’ (nine). Over half of the councils (12) said ‘no’, relief to the public sector should not be handled differently. Four councils said that it should.

Table 2.4: Whether relief awarded to properties in the public sector, should be handled differently, for example subject to separate reporting arrangements

Respondent group	Yes	No	Don't know/ No view	No reply
Individuals				
Business Owner/ Ratepayer (7)	-	1	2	4
Other individuals (14)	2	1	2	9
Total Individuals (21)	2	2	4	13
Organisations				
Business Owner/ Ratepayer (11)	2	-	2	7
Business Representative Organisation/ Trade Body (20)	1	3	3	13
Council (20)	4	12	3	1
Professional/ Representative body for professionals (12)	-	2	3	7
Third sector/ equality organisations (4)	-	1	1	2
Other (6)	-	1	1	4
Total Organisations (73)	7	19	13	34
Total (94)	9	21	17	47

2.78 At Question 5a, respondents were invited to explain the reasons for their answer at Question 5 and 43 took the opportunity to comment.

2.79 Many of the comments from those who said 'no' came from council and public sector respondents and the main theme to emerge in these responses was that as these are subject to the same checks and audits as private sector properties there is no need to separate the two. One council respondent said that this would also be the case for Local Authority Trading Companies.

2.80 Other points made by councils included:

- That current reporting arrangements are sufficient or that there is no advantage to separate reporting.
- That for some public sector properties Assessors have to use an alternative valuation as there is little or no evidence of market rent; these valuations are prescribed by Scottish Government and therefore there is no requirement for reliefs to be different in the public and private sectors.

2.81 Responses from other respondent groups focussed on the need for equal treatment of the two sectors and these respondents could see no reason to have different arrangements. For example, a respondent from the business representative organisation/ trade body group said:

“To maintain the integrity, transparency and fairness of the business rate system, the award of reliefs (including reporting arrangements) must be handled in the same way for each business sector”.

2.82 A few of these respondents added that there was no need for additional bureaucracy or complexity.

- 2.83 There were a number of comments from those who said 'yes' and from others who did not specify. The main theme to emerge from these responses was for the need for greater transparency. Those councils who felt that relief awarded to properties in the public sector should be handled differently, commented mainly that separate reporting arrangements would increase transparency and scrutiny.
- 2.84 There were also comments from a small number of respondents on the need for greater transparency and clarity around relief in relation to Local Authority Trading Companies and premises that attract charitable relief.

"[The client] understands that some local authority services (sports and leisure in particular) have become 'arms length' quasi-private organisations enabling access more generous rates relief. It is not ideal that such organisations are treated differently 'in specii'."

(business owner/ ratepayer)

"What is of concern, however, is any potential change to arrangements for Local Authority Trading Companies (LATC's); in the majority of cases, these are arms length, constituted trusts or companies in their own right and the transfer of a local authority function to an LATC is seen as best practice in terms of service provision and financing. Being awarded rates relief is not the principle aim of any LATC, albeit this can be a by-product. There is therefore a dichotomy between the local authority continuing to provide a service via an LATC (and receiving rates relief) and the role of the local authority as a collector of rates, where any LATC is reducing the overall Non Domestic Rates Income (NDRI). We do not consider that the position with LATC's (if properly constituted and eligible for relief) should be prejudiced over what can occur in the private sector."

(council)

3 OTHER OPTIONS TO SUPPORT GROWTH

- 3.1 The consultation document explained that the reliefs currently offered could be adapted to refine or remove existing reliefs or to introduce new reliefs but that any change must be affordable and would need to be offset either by savings elsewhere or through increases for others.
- 3.2 The paper went on to state that the Scottish Government is looking at ways to bring empty and unused properties back into use and that landlords and owners of empty premises are currently the biggest single recipients of rates relief in Scotland. It detailed the Scottish Government's intention to reform empty property relief from April 2013 to encourage owners of empty properties to bring these back into economic use. This reform has now been introduced. The paper explained that this will offer savings to the Scottish Government and that these savings have already been allocated in future budgets

SUPPORTING GROWTH

- 3.3 Question 6 asked respondents to provide details of any other suggestions as to how the ratings system could be improved to support growth. Question 6a went on to ask whether there would be any costs associated with these suggestions and if so how these could be recouped within the rating system.

Question 6 asked: Please provide details of any other suggestions as to how the ratings system could be improved to support growth.

- 3.4 There were 61 responses to Question 6, drawn from across all respondent groups. Not all comments included specific suggestions as to how the rating system could be improved to support growth. The comments were extremely diverse and wide ranging, with some common themes emerging.
- 3.5 The two most common themes related to the need for measures to assist and encourage new business start-ups and the need for realistic and up-to-date rateable valuations for all businesses.
- 3.6 Large numbers of respondents commented that valuations based on rental evidence might currently be set at unrealistic levels due to changes in the economic climate in the period between revaluations.
- 3.7 Some respondents noted that in the current system valuations are out of date as soon as they come into force due to a two year delay; there were also suggestions that shorter periods between revaluations are needed to bring valuations in line with current market and economic conditions.

“The 5-yearly rates revaluations should be based on the most recent data available; the current system means a) the valuation is immediately out of date when set and b) in the latest revaluation that many properties are over-valued.”

(business owner/ ratepayer)

- 3.8 A small number of respondents, from across different respondent groups, commented that the delay in revaluation until 2017 was unhelpful.

- 3.9 Further, several respondents observed that many commercial leases contain standard clauses that rent reviews will only be upward; this is thought to result in a flawed method of calculating rateable values which in turn may result in large numbers of time-consuming and costly appeals.
- 3.10 There were a variety of suggestions made as to ways of encouraging and supporting new businesses and these included:
- Relief in the early stages of the business set-up, stepped liability or a deferral scheme for new businesses to help reduce early business failures.
 - Broadening and extending the Fresh Start scheme.
 - Discretionary relief by councils to new businesses or any businesses new to any geographic area.
- 3.11 There was relatively widespread comment and a number of suggestions relating to empty properties or to Empty Property Relief (EPR). Some of these were linked to encouraging owners to ensure properties were put into effective use and others were about lessening financial difficulties for owners unable to rent properties out. These included:
- Removing the 90% rates charge on certain empty properties to minimise financial difficulties when the financial climate makes it difficult to rent those properties out.
 - Redefining empty property relief related to charities so that relief is only offered when the owner is a charity (not linked to the previous occupier being a charity).
 - Removing the listed building exemption, which may disincentive owners from letting a property or putting it into use.
 - Generally structuring EPR to better support investment in vacant premises.
- 3.12 There were also a small number of suggestions, usually from business representative organisations that methods of calculating rateable values in certain sectors, such as the hospitality industry, are currently inappropriate and create unnecessary financial burdens, which then inhibit investment and job creation within the sector.
- 3.13 In addition to comments relating to specific sectors, there were a few suggestions from different respondent groups, both individuals and organisations, of the need to review rates for specific types of location, such as out of town properties compared with town centres. One or two of these respondents highlighted locations with a specific regeneration strategy for consideration.
- 3.14 A small number of other respondents, from different respondent groups, suggested reliefs linked to business investment in growth; for example, creating employment and training opportunities for young people or capital investment by businesses. There were also suggestions of relief linked to carbon footprint.
- 3.15 There were a number of suggestions that rates or rate increases should be capped, or fixed for reasonable periods of time, to facilitate forward planning by businesses and potentially encourage job creation through a more stable

environment. Several comments included suggestions of a move away from any link to Retail Price Index (RPI) in determining increases.

“Future rises must be affordable and provide earlier clarity on business rates. [The respondent] would like to see the Scottish Government provide that support and clarity by moving to a CPI-based escalator using a longer run average, rather than a single month’s RPI snapshot.”

(business representative organisation/ trade body)

- 3.16 A few respondents from different respondent groups commented that improved efficiency in collection of business rates, perhaps through centralised recovery rather than by individual councils, would be beneficial.
- 3.17 A small number of respondents commented that a streamlining of the system would make for greater efficiency and savings. For example, centralising the assessment process and consolidating assessors into one single assessor. However, one representative body for professionals commented positively on savings already made via shared services and expressed doubts that such consolidation would be cost effective.
- 3.18 Several respondents, particularly business representative organisations, commented that anomalies need to be addressed which currently result in businesses producing renewable energy for on-site use paying higher rates than those producing renewable energy for export into the national grid.

“We would like to reiterate our concerns regarding current policy that results in embedded generation facilities having a significantly higher rateable value compared to energy facilities that supply energy to the national grid. We believe that this is a serious anomaly in the current system, places disproportionate costs on the most forward-looking businesses and sustainable businesses, and clearly acts as a strong disincentive to investment and potentially be a significant barrier to useful renewables projects, which would have a positive impact on carbon savings in industry and also electricity users in remote areas.”

(business representative organisation/ trade body)

“(The respondent) has invested significantly in on-site renewables as part of the company’s global commitment to environmental sustainability. In the course of these developments it has become apparent that the current regime for business rates valuation in Scotland contains an in-built financial discrimination against renewable energy facilities which produce energy for use on-site, compared to those which supply energy to the National Grid. This means companies which are developing renewable energy facilities for on-site use are facing rates bills well in excess of those faced by comparable renewable energy facilities which sell their power to the National Grid.”

(business owner/ratepayer)

- 3.19 There were a number of comments that a much broader review of the rating system would be beneficial and that it will be important to monitor the impact

and effectiveness of existing initiatives. There were also general observations regarding the importance of harmony and collaboration between councils and the business community.

ASSOCIATED COSTS

3.20 Only 43 respondents went on to offer comments at Q6a (which asked whether there would be any costs associated with the suggestions given at Q6 and if so how these could be recouped within the rating system) and not all comments specifically addressed costs associated with suggestions made or how those costs could be recouped within the rating system. In addition, some comments referred to costs of implementation per se, some referred to reductions in revenue and some referred to both.

Question 6a asked: Would there be any costs associated with your suggestion and if so how could these be recouped within the rating system?

3.21 A relatively large number of respondents who had made suggestions felt there were either no associated costs or that, on balance, their suggestions would be cost neutral, but provided little or no explanation or evidence as to how this conclusion had been reached. Some noted that short term reductions in revenue to support business and encourage business growth would ensure greater rates revenue from prosperous, larger business in the future.

3.22 Others believed their suggestions would result in savings or increased revenue for example through a change to a Land Value Tax (LVT) or by a more general review and minimisation of existing exemptions.

3.23 Some comments referred to savings in other budgets; for example by supporting growth and increasing employment through rate reductions it would reduce revenue to Scottish Government but longer term it might reduce expenditure by UK Government departments such as Department for Work and Pensions

3.24 One of the more widely recurring themes amongst suggestions for recouping costs was a small increase to the poundage rate to offset specific reliefs and exemptions. This suggestion came from individuals and various types of organisations.

“To ensure the overall tax take was the same, the poundage rate would have to be adjusted if there was a fall in rateable values.”

(council)

3.25 As noted below, another suggestion would be to place the onus on councils to adjust discretionary policies to offset any increased costs.

“There would be cost associated with new local reliefs. [The respondent] would suggest that there are 2 options for recouping this cost: a) Factoring the reduced tax take into the calculation of the rate poundage and increasing it accordingly; or b) Obliging Local Authorities to adjust their local discretionary policies to ensure the overall total funding required for discretionary relief remains the same.”

(council)

3.26 Other individual comments typically referred to a trade-off of costs between one relief and another, resulting in a benefit to certain businesses being offset by an increase to others. Different criteria or combinations were each cited by only one or two respondents.

4 TRANSITIONAL RELIEF

- 4.1 The consultation paper explained when transitional relief is applied, how it operates and for how long i.e. the transitional period up to the date the next revaluation period comes into force. The paper also explained that it is entirely funded by businesses and applies equally to all sectors and areas.
- 4.2 The paper further explained that transitional schemes can have the unintended effect of one region or sector effectively subsidising another and that for the 2010 revaluation, the Scottish Government chose not to implement a Transitional Relief Scheme because there was evidence that the main beneficiary would have been the public sector at the expense of the private sector.
- 4.3 Question 7 asked respondents for their views on transitional relief at 2017 and future revaluations and 61 respondents commented.

Question 7 asked: What are your views on transitional relief at 2017 and future revaluations?

- 4.4 Two key themes were evident in the responses. The first was that transitional relief should be re-introduced, although this was not universal, and the second was that revaluations should be undertaken more regularly. A number of respondents believe that more regular revaluations, with every three years being frequently suggested as an appropriate interval, would negate the need for transitional relief.
- 4.5 Some common sub-themes were evident amongst both types of comment; notably, the importance of realistic and up-to-date rateable values and the need to help businesses to adjust to changing market conditions.
- 4.6 Many respondents who expressed support for the reintroduction of transitional relief commented that changes in RV at the point of revaluation can be dramatic and that the period of gradual adjustment afforded by transitional relief is less onerous and potentially less damaging to affected businesses. As shown in the comment below, any other measures that can assist businesses in forward planning, such as pre-setting of thresholds, are considered helpful.

“Changes in RV at the point of Revaluation can be considerable for the business affected. Consequently, it is preferable for a TR scheme to dampen out the scale of change over a slightly longer period i.e. 2 to 3 years. The operation of a TR scheme with known thresholds determined in advance (as per Q3) would provide a further element of certainty to affected businesses.”

(council)

“Businesses need stability, and the prospect of a five year revaluation cycle does not provide that, particularly as in the last one when there was no prior notice given of the large increases in RV, no cap on these increases and no Transitional Relief.”

(business representative organisation/ trade body)

- 4.7 Some respondents commented that transitional relief will be particularly important in 2017, due to the seven year interval since the last revaluation. Again, there are related comments that a move to more frequent revaluations might negate the need for transitional relief in the longer term.

“However, due to the length of time period between the 2010 and the 2017 Revaluations, it is our view some sort of transitional relief scheme should be put in place for a maximum of 3 years to lessen the impact the Revaluation may have on businesses which face substantial increases. If the frequency of Revaluations were reduced to say 3 years, no transitional scheme would need to be in place as it is likely increases and decreases in rates payments would fluctuate less.”

(professional/ representative body for professionals)

- 4.8 A number of respondents noted again at this question that they disapprove of the decision to delay revaluation until 2017.

- 4.9 Some respondents expressed mixed opinions about transitional relief, summarising what they perceive as its relative strengths and weaknesses in their comments. A small number also commented that there should be further formal and detailed consultation on the issue of transitional relief.

“The decision to not have a scheme for 2010 had impacts both for business and Councils. [Respondent] would urge proper consultation on transitional relief at the next revaluation which ensures Local Government’s views are fully recognised.”

(council)

- 4.10 Several respondents indicated that they are opposed to transitional relief. A number of the comments from these respondents cited the complexity and perceived unfairness of transitional relief as reasons for this view.

“It is our view that there should be no transitional relief scheme at Revaluation. Any scheme is administratively complex, does not benefit the majority of ratepayers and can be negated by future appeal outcomes against rateable values i.e. higher than anticipated RV increase leads to transition, later appeal settlement made and RV reduced anyway which then leads to loss of transition.”

(council)

5 APPEALS

5.1 The consultation paper explained the need for a fair, efficient and proportionate appeal system, which allows ratepayers to challenge the Assessors determination of the appropriate rateable value for each property. The paper explained the three types of appeals as follows:

- New occupation, where a new occupier of a property can appeal within six months.
- Revaluation appeals, which can be lodged within six months of a revaluation taking place.
- Material Change in Circumstance appeals, which can be lodged at any time if it can be demonstrated that the rental of a property has been affected by external factors e.g. prolonged road works.

5.2 The paper went on to explain that the current appeals system is risk free for ratepayers as appeals are free to lodge, there is no risk of an increase in rating liability and multiple appeals can be lodged on a single property. Currently, over 90% of appeals are resolved through negotiation between the Assessor and the ratepayer. It is only if an appeal cannot be resolved through this negotiation that it progresses to more formal hearings at the Valuation Appeal committees, Lands Tribunal and ultimately, the Lands Valuation Appeal Court.

5.3 The consultation paper notes suggestions that the risk free nature of the current system for ratepayers encourages speculative or blanket appeals, which can create hold ups in the appeal system for genuine claimants. Measures to streamline the appeals system or to reduce speculative appeals could help businesses by allowing appeals to be processed quicker and freeing up resource.

5.4 The consultation detailed the following measures which might be included, amongst others, to reduce the number of speculative applications:

- Introducing an element of risk for the ratepayer that allows the rateable value of a property to be increased as well as decreased at appeal.
- Some countries charge a small fee, which could be linked to rateable value and this may generate some additional income, which could be used to support other businesses or fund streamlining of the appeals system.
- Limiting the number of appeals for any property.
- Variations to the time frame to lodge appeals or the scope for lodging.
- Penalties for those who fail to provide evidence to the Assessors about their property in an attempt to bypass the usual process used by others and instead lodge appeals.

THE CURRENT APPEAL SYSTEM

- 5.5 Question 8 of the consultation paper invited respondents to give their views on the current appeal system and 60 respondents made comments regarding the appeals system.

Question 8 asked: What are your views of the current appeals system?

- 5.6 There was widespread comment that the appeals system is cumbersome, lengthy and time consuming.

“The current appeals system requires reform as it is unwieldy and provides inconsistent results.”

(business representative organisation/ trade body)

“Any streamlining of the system is to be welcomed. Several institutions have reported that the current rating appeals system is an unduly slow process, with rateable value taking more than two years to be confirmed.”

(other organisation)

- 5.7 In addition, a number of respondents commented that appeals can be costly for ratepayers who have limited understanding of the system and need professional advisors to assist with an appeal.

- 5.8 Despite fairly common agreement that the system may not always be as efficient as might be hoped, a number of respondents also commented that the system is fair. Some of these respondents still highlighted the need for improvements to the system.

“The role of Valuation Appeals Committees (VAC) also requires greater scrutiny. A quick search of Assessor websites reveals virtually no information about members of VACs while information about members of Joint Boards (usually councillors) is often available. It also appears that there is no specific requirement for training for members of committees, who are not required to have any legal or rates experience.”

(business representative organisation/ trade body)

“On the whole the appeal system works well but there is perhaps an opportunity to limit the number of appeals that can be lodged against any single property.”

(council)

- 5.9 Amongst suggested improvements to the system were a small number of comments that the six month time limit for appeals after a revaluation should be extended, for example a professional/representative body for professionals group said:

“The appeal deadlines are unrealistic and should be extended. The necessity to have a 6 mth deadline at the revaluation should be

removed in line with England as it puts Scottish business at a disadvantage.”

- 5.10 Conversely, a few respondents suggested that the six month time limit should be reduced.

“Nonetheless, [respondent] does believe that the system could be improved with the aim of reducing the timescale for disposing of Revaluation appeals. One opportunity to do so would be to shorten the time period within which appeals can be made following a Revaluation. Currently ratepayers may appeal between the 1st April and 30th September in any Revaluation year with disposal of appeals not being practical until after the last date for submission of appeals.

(Respondent) believes that this leads to undue delay in appeal disposal. If the deadline were brought forward to, say, 30th June in the Revaluation year, disposal could commence at a much earlier date.”

(professional/ representative body for professionals)

- 5.11 Relatively few respondents commented individually on each of the suggested methods to reduce speculative appeals and speed up claims. The suggestion attracting most widespread comment was that a fee might be charged for appeals.
- 5.12 Several respondents from different respondent groups commented that any charge linked to appeals would be inappropriate, most commonly because they felt it would be unfair and inconsistent to impose charges on anyone wishing to challenge their liabilities on any form of tax. A council commented: “In line with other types of taxation, it would be unfair to charge ratepayers for the privilege of challenging the basis of their liabilities.”
- 5.13 Nevertheless, some respondents expressed an opposing view. There were comments from a few respondent groups, including some of the same groups from which other respondents opposed the introduction of charges, that a charge might effectively reduce numbers of speculative appeals or that a charge linked to rateable value might be appropriate.
- 5.14 A very few councils suggested that a charge might be imposed on landlords if a tenant makes an appeal.

“Another option may be to charge landlords a fee where their tenant (the ratepayer) has lodged an appeal against their property.”

(council)

REFORM OF THE APPEAL SYSTEM

- 5.15 Question 9 invited respondents to provide details of any other reform of the appeals system that they felt would be beneficial to businesses. For example, to suggest ways in which the process be improved or speeded up.

Question 9 asked: Please provide details of any other reform of the appeals system that you think would be beneficial to businesses. For example, how could the process be improved or speeded up?

5.16 Forty-nine made comments, many of which reiterated suggestions and observations made at Question 8 or other earlier questions. In particular, the need for more regular revaluations was cited again at this question and several respondents referred again to either extending or reducing the six month appeal time limit.

5.17 A key theme amongst comments at this question related to accessibility of information for ratepayers. A number of respondents specifically cited the need for rateable values to be published earlier/ further in advance; this was again often linked to the need for more regular revaluations.

“The draft Valuation Roll should be published at least 6 months or as early as practicable before the Valuation Roll comes into force; this would assist in attempting to ensure adequate consultation is achieved prior to the formality and timetable imposed by a revaluation process.”

(professional/ representative body for professionals)

5.18 Several respondents commented on the need for better use of electronic information and communication channels to improve and speed up the accessibility of information.

“Better communication and advice for appellants, including ongoing updates about the state of their appeal (could live updates be provided online?)”

(business representative organisation/ trade body)

“Continued improvements in information technology and information provision could assist in the expedition of the whole appeals system.”

(other public sector organisation)

5.19 A small number said that information regarding new property rentals and rent reviews gleaned from rental returns should be made accessible to the public; one respondent added a caveat that this would only be applicable if there was not a specific confidentiality clause within relevant leases.

5.20 Openness of communication, better use of informal discussions and more use of pre-agreements with trade bodies were cited as helpful in avoiding or limiting appeals.

5.21 There were also some specific and detailed suggestions, each offered by only one or two respondents, regarding possible changes to appeal procedures and regulations, which might speed up or improve the appeals process

5.22 Some respondents, notably professional/ representative bodies suggested that the voluntary status of members of the Valuation Appeal Committee should be reviewed and that payment of fees to members should be considered.

“Members of panels give their time freely and on a voluntary basis. In areas where there are regular hearings there is a greater onus on the members’ time. Perhaps consideration should be given to setting a fee for sitting on hearings.”

(professional/ representative body for professional)

6 TRANSPARENCY AND OPENNESS

- 6.1 The consultation paper stated the importance of transparency in any tax system and commented on the wide range and number of ratepayers who may have different levels of understanding of the business rates system.
- 6.2 Question 10 asked in what ways respondents think the transparency of the rating system could be improved and 49 respondents made comments.

Question 10 asked: In what ways do you think the transparency of the rating system could be improved?

- 6.3 Two main themes emerged relatively consistently from comments regarding transparency. First, that the system is already viewed as fair in terms of openness and transparency and second that the more information that is in the public domain the more transparent the system will be.

“Longer term we should consider the potential benefits of technological and data sharing options. For example, might the development of the Business Portal in Scotland offer opportunities to gather data from businesses?”

(business representative organisation/ trade body)

- 6.4 A number of respondents commented that the SAA website (www.saa.gov.uk) has been a positive step forward in making information open and accessible. Nevertheless, there are suggestions that increased funding to further improve and extend the website would be helpful. As one council commented:

“Transparency of the rating system was greatly improved, in the mid 2000’s, when the SAA made information, including the Valuation Roll, freely available via a web portal. Over the years, further information, such as valuation practice notes and summary valuations, has been added. More information, such as summary valuations for all properties, would be helpful.”

- 6.5 A variety of different types of information are suggested as being helpful if they were in the public domain and easily accessible, including information as to how valuations have been derived and data relating to new rentals or rent reviews.

“The annual publishing of an extract of the Assessment Roll showing a summary of the liabilities and reliefs for each rated property, (but excluding payment or recovery information), would be very transparent, and also reduce the number of freedom of Information requests received from commercial organisations.”

(council)

- 6.6 Amongst other wide ranging suggestions for additional information, some respondents commented that more information should be made available as to how revenue from non-domestic rates is spent and on the roles of all the main bodies involved in the rating system.

"We believe there are a number of areas in which the transparency of the rating system could be improved substantially. Explaining how NDR income is spent. If they are not already doing so, councils should ensure that billing information to ratepayers contains information about how NDR income is spent. In particular, it should outline the services the council provides to ratepayers. Business should understand how they are taxed."

(business representative organisation/ trade body)

- 6.7 A number of respondents suggested that a change to a single Scottish Assessor would go some way to further improving transparency and openness and ensuring inconsistencies are avoided. A business representative organisation/trade body commented:

"Assessors often apply methods of valuation peculiar to their own locality for reasons that are often historical but can often result in inconsistencies which can be detrimental to the ratepayer. A single Assessor, with regional offices would lead to consistency of approach."

- 6.8 Conversely, one respondent commented that the current system offers consistency balanced with local knowledge.

"The current structure of locally accountable Assessors working through a national body provides an excellent balance between local connection with property markets and national consistency. This model has contributed significantly towards making the non domestic rating and council tax systems very robust and is widely recognised to provide an independent, professional service free from political influences."

(professional/ representative body for professionals)

7 COMPLIANCE

7.1 The consultation paper highlighted potential losses of revenue as a result of ratepayers who seek to avoid payment, either fraudulently or through loopholes in the system. It further pointed out this this could be at the expense of compliant businesses. The paper confirmed the Scottish Government's intention to continue monitoring and consider what actions are necessary to close any loopholes and potentially create additional revenue, which could be used to fund other priorities or extend support to other businesses.

Question 11: Do you support the general principle that tax avoidance in the rating system should be closed where possible?

7.2 As table 2.5 shows all respondents who expressed an opinion at this question indicated 'yes' they support the general principal that tax avoidance in the rating system should be closed where possible.

Table 2.5: Question 11. Whether support the general principle that tax avoidance in the rating system should be closed where possible

Respondent group	Yes	No	Don't know/ No view	No reply
Individuals				
Business Owner/ Ratepayer (7)	5	-	-	2
Other individuals (14)	4	-	1	9
Total Individuals (21)	9	-	1	11
Organisations				
Business Owner/ Ratepayer (11)	3		-	8
Business Representative Organisation/ Trade Body (20)	7	-	-	13
Council (20)	19	-	-	1
Professional/ Representative body for professionals (12)	4	-	2	6
Third sector/ equality organisations (4)	2	-	-	2
Other (6)	2	-	1	3
Total Organisations (73)	37	-	3	33
Total (94)	46	-	4	44

7.3 At Question 11a, respondents were invited to explain the reasons for their answer at Question 11. A total of 52 respondents made comments, a number of which reiterated the view that tax avoidance is undesirable and should be stopped wherever possible but offered little further detail.

Question 11a: Please provide reasons for your answer to Q11.

7.4 A key theme in responses was the belief that it is right and fair for everyone to pay relevant taxes in all forms including non-domestic rates. There were also

comments that if reliefs and exemptions are fair then there should be no reason for tax avoidance.

- 7.5 Some respondents took the opportunity to reiterate earlier comments that they do not believe all existing reliefs and exemptions to be fair. Others suggested that definition regarding reliefs and exemption may need tightening. There was also comment that fairness must apply on both sides of the relationship.

“Yes (to Question 11) but with caveats. The counter argument is that Authorities should not take a ‘grab all’ approach (e.g.) Empty property rates and refusal to remove from Roll during building works and fit out periods.”

(organisation – business owner/ ratepayer)

“The ratings system, as with every other form of taxation, must be based on a principle of fairness – everyone liable for the tax should contribute a proportionate amount. The system must have integrity and must be seen to be fair. If it is not rate payers will be encouraged to consider tax avoidance measures and investigate potential loopholes.”

(business representative organisation/ trade body)

- 7.6 A common theme regarding instances of tax avoidance related to so called ‘Phoenix’ companies, whereby a business closes and re-emerges under a new guise. This was particularly noted by several councils although not exclusively so.

“Action needs to be taken to deal with the ever present problem of phoenix companies. The frequent formation and dissolving of companies as a means of avoiding paying rates needs to be addressed.”

(council)

- 7.7 There were also a small number of comments referring to restructuring of businesses in order to ensure eligibility for the SBBS, although this was a less commonly mentioned issue than that of ‘Phoenix’ companies.

“Whilst we experience a few cases where businesses have clearly been organised to ensure they qualify for SBBS, this is in general pretty insignificant.”

(council)

- 7.8 Another respondent commented more widely on changes that businesses might make to benefit from particular reliefs and exemptions.

“The creation of relief schemes or exemptions may provide opportunities for occupiers to legitimately alter their mode of occupation in order to maximise the benefit to be gained from relief or exemption. For example ... larger organisations, e.g. Councils, may choose to create arms length organisations, such as Leisure Trusts, in order to benefit from charitable relief.”

(professional/ representative body for professionals)

8 OTHER COMMENTS

- 8.1 A total of 72 respondents either provided additional comments when invited to do so at Question 12 or included comments in their response that did not directly address any of the specific questions posed.

Question 12: Do you have any comments you wish to make in relation to business rates?

- 8.2 A large number of respondents, from across different respondent groups, provided background information about their organisation, its structure or its role or explained their specific interest in the consultation. A smaller number of respondents included survey data, statistics or case studies in support of the points they had made.
- 8.3 Several respondents also expressed their gratitude for the opportunity to put their opinions forward and a small number commented on their willingness to work with the Scottish Government moving forward.
- 8.4 The issues and comments made were extremely diverse. However, a great deal of comment provided at this question served to reiterate themes already identified in this report, either raised by the same respondents at specific questions or identified by other respondents at earlier stages.
- 8.5 One of the most consistent themes, on which many respondents from across different respondent groups made comment, related to the postponement of revaluation to 2017; these respondents commonly felt the delay to be damaging to businesses and to potentially hinder growth.

“The Council again re-iterates that an earlier revaluation should be considered by the Scottish Government. This should, in the opinion of the Council, be prioritised ahead of further suggested changes as it has the greatest impact on business.”

(council)

- 8.6 Linked to this point, a smaller number of respondents from different respondent groups commented again on the need for regular revaluations or the need for commitment to firm dates for revaluations.
- 8.7 A second common theme, from councils in particular but also from across other respondent groups, was the need to improve the legislative framework for collection and recovery of business rates. Regardless of whether respondents agreed or disagreed with details of the current system, reliefs or exemptions, they argued that where business rates are due these should be recovered promptly and effectively.

“Tightening of existing (and old) legislation to provide a robust collection regime must be made and the importance of adhering to such legislation together with the moral obligation of payment for local services must be emphasised to businesses to enable the current taxation base to prosper.”

(council)

- 8.8 A large number of respondents from across respondent groups, and particularly from representative bodies, commented on issues pertaining to their sector or their membership. The main themes included in these comments have already been highlighted earlier in this report and mostly related to the retail, hospitality and charity sectors or to town centre locations.
- 8.9 A few respondents, individual business owners and respondents from a small number of other groups commented that business rates should be based on either turnover or profit; some felt this was consistent with other forms of taxation.
- 8.10 A small number of respondents, notably but not exclusively representative bodies, commented that they support the idea of much wider review and reform. One or two others referred to a need for simplification of the system.

“Whilst the non-domestic business rates system is reasonably well understood by distillers, the application of the system to an industry with a large number and variety of property is highly complex. We welcome this opportunity to review the rates system as a whole and agree with the Scottish Government that there is no need for wholesale reform of the system.”

(business representative organisation/ trade body)

“We believe that significant reform of NDR in the long-term is essential for both the Scottish economy and for Scotland’s ability to fund vital public services.”

(professional/ representative body for professionals)

9 CONCLUSIONS

- 9.1 A total of 94 responses were received to this consultation, 21 were from individuals and 73 were from organisations.
- 9.2 The paragraphs below describe the main themes that emerged across sections and questions in the consultation.
- 9.3 Respondents welcomed the consultation and the opportunity to be involved.
- 9.4 A number of themes emerged, primarily around the need for certainty, consistency, transparency and clear provision of information.
- 9.5 Many commented on the need for firm timetables in relation to valuations and other aspects of the rating system, distributed well in advance. Early information was seen as vital for planning and security. Respondents also wanted to see early confirmation of relief thresholds for the same reason.
- 9.6 There were also comments that valuations should be up to date and realistic and that revaluations should take place more frequently.
- 9.7 There were comments on the need to mitigate against large increases for businesses at revaluation, or following any other changes to business rates, reliefs or exemptions.
- 9.8 Respondents wanted to see more action taken to collect rates that are due or overdue.
- 9.9 In respect of specific reliefs, respondents did not want to see empty property relief reduced and there was some concern over relief given to the trading arms of charities. Many respondents also wanted to see transitional relief re-introduced. There was broad welcome for the SBBS, but also some concern that many small businesses do not attract this relief due to the high rateable value of their property.
- 9.10 Respondents saw flexibility for councils to introduce and fund relief schemes as important for local regeneration or growth.
- 9.11 Whilst there was relatively widespread comment that the current appeals system is fair, there are also many comments that it can be slow and cumbersome and several suggestions that it would benefit from improvements. Key suggestions for reducing the number of appeals reflected themes emerging in many different areas of the consultation around regular revaluations and making information accessible and transparent to all parties.
- 9.12 There was a consistent view that tax avoidance in the rating system should be closed where possible. This was often aligned to comments that a fair and transparent rating system may mitigate against tax avoidance.
- 9.13 Findings from this consultation will be used to inform future Scottish business rates policy.

APPENDIX

APPENDIX 1: THE CONSULTATION QUESTIONNAIRE

Supporting Business – Promoting Growth

Question 1 – Are the current reliefs and exemptions offered appropriate?

Yes No Don't know/No view

Question 1a – Please provide reasons for your answer to Q1. If you answered no, how would you suggest they are refined and how could they be funded?

Question 2 – Should Councils have a new flexibility to introduce and fund relief schemes to reflect local circumstances and priorities?

Yes No Don't know/No view

Question 2a – If you answered yes to Q2, should this new flexibility be:

a wide power to offer any type of relief to respond to local need or

limited to extension of current reliefs (e.g. by creation of a new discretionary element to the Small Business Bonus Scheme over and above current thresholds)?

Question 2b – Please provide reasons for your answer to Q2 (and 2a, if applicable).

Question 3 – What do you think the impacts on recipients would be if relief thresholds (e.g. for the Small Business Bonus Scheme) were confirmed for a number of years in advance?

Question 4 – Should the way reliefs are funded change, for example the split between the Scottish Government and Councils for discretionary reliefs?

Yes No Don't know/No view

Question 4a – If you answered yes to Q4, how would you suggest the funding of reliefs could be changed?

Question 5 – Where relief is awarded to properties in the public sector, should this be handled differently, for example subject to separate reporting arrangements?

Yes No Don't know/No view

Question 5a – Please provide reasons for your answer to Q5.

Question 6 – Please provide details of any other suggestions as to how the ratings system could be improved to support growth.

Question 6a – Would there be any costs associated with your suggestion and if so how could these be recouped within the rating system?

Question 7 – What are your views on transitional relief at 2017 and future revaluations?

Question 8 – What are your views of the current appeals system?

Question 9 – Please provide details of any other reform of the appeals system that you think would be beneficial to businesses. For example, how could the process be improved or speeded up?

Question 10 - In what ways do you think the transparency of the rating system could be improved?

Question 11 - Do you support the general principle that tax avoidance in the rating system should be closed where possible?

Yes No Don't know/No view

Question 11a – Please provide reasons for your answer to Q11.

Question 12 - Do you have any comments you wish to make in relation to business rates?

APPENDIX 2: LIST OF ORGANISATIONS WHO RESPONDED

Organisation name	Respondent group
Carlucci Restaurant	Business Owner/ Ratepayer
Diageo Scotland	Business Owner/ Ratepayer
EDF Energy	Business Owner/ Ratepayer
Iceland Foods	Business Owner/ Ratepayer
Land Securities	Business Owner/ Ratepayer
Little Cottage Nursery	Business Owner/ Ratepayer
Renewable Energy Systems	Business Owner/ Ratepayer
S&D Property Group	Business Owner/ Ratepayer
St Enoch Centre	Business Owner/ Ratepayer
Tesco	Business Owner/ Ratepayer
The Edrington Group	Business Owner/ Ratepayer
Aberdeen and Grampian Chamber of Commerce	Business Representative Organisation/ Trade Body
Ballater Business Association	Business Representative Organisation/ Trade Body
BNP Paribas	Business Representative Organisation/ Trade Body
British Aggregates Association	Business Representative Organisation/ Trade Body
British Holiday and Home Parks Association	Business Representative Organisation/ Trade Body
British Hospitality Association	Business Representative Organisation/ Trade Body
CBI Scotland	Business Representative Organisation/ Trade Body
Dunfermline Delivers	Business Representative Organisation/ Trade Body
Federation of Small Businesses	Business Representative Organisation/ Trade Body
Forum of Private Business	Business Representative Organisation/ Trade Body
National Farmers' Union Scotland (NFUS)	Business Representative Organisation/ Trade Body
Scottish Chambers of Commerce	Business Representative Organisation/ Trade Body
Scottish Charity Retail Association	Business Representative Organisation/ Trade Body
Scottish Grocers Federation	Business Representative Organisation/ Trade Body
Scottish Licensed Trade Association (SLTA)	Business Representative Organisation/ Trade Body
Scottish Property Federation	Business Representative Organisation/ Trade Body
Scottish Renewables	Business Representative Organisation/ Trade Body

Scottish Retail Consortium	Business Representative Organisation/ Trade Body
Scottish Whisky Association	Business Representative Organisation/ Trade Body
The Business Centre Association	Business Representative Organisation/ Trade Body
Aberdeen City Council	Local authority
Aberdeenshire Council	Local authority
Argyll and Bute Council	Local authority
City of Edinburgh Council	Local authority
Comhairle Nan Eilean Siar	Local authority
Convention of Scottish Local Authorities (CoSLA)	Local authority
Dundee City Council	Local authority
East Ayrshire Council	Local authority
East Dunbartonshire Council	Local authority
East Lothian Council	Local authority
Falkirk Council	Local authority
Glasgow City Council	Local authority
Highland Council	Local authority
Inverclyde Council	Local authority
North Ayrshire Council	Local authority
North Lanarkshire Council	Local authority
Renfrewshire Council	local authority
Scottish Borders Council	Local authority
South Ayrshire Council	Local authority
South Lanarkshire Council	Local authority
G L Hearn	Other
Scottish Council for Development and Industry (SCDI)	Other
Scottish Council of Independent Schools (SCIS)	Other
Scottish Valuation Appeal Committees (SVAC) Forum Policy Committee	Other
Town Centre Review	Other
Scottish Universities Joint Committee	Other (Public sector)
Association of Town and City Management	Professional/ Representative body for professionals
Colliers International	Professional/ Representative body for professionals
Eric Young and co	Professional/ Representative body for professionals
Faculty of Advocates	Professional/ Representative body for professionals
Gerald Eve	Professional/ Representative body for professionals
Graham and Sibbald	Professional/ Representative

	body for professionals
Institute of Revenues, Rating & Valuation (IRRV) Scottish Association	Professional/ Representative body for professionals
James Barr	Professional/ Representative body for professionals
Royal Institution of Chartered Surveyors (RICS) Scotland	Professional/ Representative body for professionals
Scotland's Towns Partnership	Professional/ Representative body for professionals
Scottish Assessors Association	Professional/ Representative body for professionals
Scottish Business Rates Payers Group	Professional/ Representative body for professionals
Action on Smoking and Health (ASH) Scotland	Third sector/ equality organisations
Friends of the Earth, Inverness and Ross	Third sector/ equality organisations
Merchiston Castle School	Third sector/ equality organisations
National Day Nursery Association	Third sector/ equality organisations

There were also 21 responses from individuals



**The Scottish
Government**
Riaghaltas na h-Alba

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