



LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

AGENDA

15th Meeting, 2019 (Session 5)

Wednesday 22 May 2019

The Committee will meet at 9.45 am in the James Clerk Maxwell Room (CR4).

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.

2. **Non-Domestic Rates (Scotland) Bill:** The Committee will take evidence on the Bill at Stage 1 from—

Eileen Rowand, Director of Finance, Fife Council, and Jonathan Sharma, Policy Manager, COSLA;

Kevin Fraser, Treasurer, Institute of Revenues Rating and Valuation Scotland;

Morag Johnston, Director of Financial and Business Services, Glasgow City Council, SOLACE Scotland.

3. **Subordinate legislation:** The Committee will consider the following negative instrument—

The Private Landlord Registration (Fees) (Scotland) Regulations 2019 (SSI 2019/160).

4. **Non-Domestic Rates (Scotland) Bill:** The Committee will consider the evidence heard earlier in the meeting.

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The papers for this meeting are as follows—

Agenda item 2

Note by the Clerk

LGC/S5/19/15/1

PRIVATE PAPER

LGC/S5/19/15/2
(P)

Agenda item 3

Note by the Clerk

LGC/S5/19/15/3

Local Government and Communities Committee

15th Meeting 2019 (Session 5), Wednesday 22 May 2019

Stage 1 scrutiny of the Non-Domestic Rates (Scotland) Bill

Note by the clerk

Introduction

1. The Non-Domestic Rates (Scotland) Bill was introduced in the Scottish Parliament on 25 March 2019 by the Cabinet Secretary for Finance, Economy and Fair Work. It is a Scottish Government Bill. The Bill and accompanying documents can be found [here](#). Having been appointed lead Committee at Stage 1, the Committee will be holding its first evidence session on the Bill on 22 May, with witnesses from Cosla, the Society of Local Authority Chief Executives (Solace), and the Institute of Revenues Rating and Valuation (IRRV).

Non-domestic rates

2. Non-domestic rates, also sometimes called business rates, are a tax collected by local authorities to help pay for local services. They are levied on non-domestic properties. In terms of revenues raised, they are the second largest tax in Scotland and, overall, the second largest source of revenue for local authorities, just ahead of council tax although the percentage varies across councils. Properties are valued by assessors, with the Scottish Government setting an annual “poundage” rate: a multiplier, that together with the rateable value, determines the amount to be paid on each property. A number of reliefs and exemptions are potentially available depending on the nature of the property or the activity being carried out, whilst larger businesses also pay a rates supplement.
3. More information on the NDR system can be found in the Scottish Parliament Information Centre [briefing](#) on the Bill.

The Bill

4. The Bill implements most of the recommendations of the 2017 [Barclay Review](#) that were thought to need primary legislation. The remit of the Barclay Review was to "make recommendations that seek to enhance and reform the non-domestic rates system in Scotland to better support business growth and long term investment and reflect changing marketplaces, whilst still retaining the same level of income to deliver local services upon which businesses rely."
5. Reforms in the Bill include:
 - changing the cycle of property revaluations from every 5 to every 3 years;
 - increasing the relief available to properties that have undergone improvement or expansion;

- reforming the rate revaluation appeals system to try to cut down on speculative appeals and enable earlier resolution;
 - removing charitable relief from most independent schools;
 - measures to enable more effective debt recovery by local councils;
 - measures to address general avoidance and close known loopholes.
6. More information on the detail of the Bill is set out in the Scottish Government's [policy memorandum](#). Paragraph 5, states that the three underlying policy aims are:
- to deliver a non-domestic rates system designed to better support business growth and long-term investment and reflect changing marketplaces;
 - to improve ratepayers' experience of the ratings system and administration of the system; and
 - to increase fairness and ensure a level playing field amongst ratepayers by reforming rate reliefs and tackling known avoidance measures.

Prior relevant scrutiny by the Committee

7. The Committee has had an ongoing interest in proposals for NDR reform during this Parliamentary session. It held an evidence session with stakeholders and Barclay review members on 24 April 2017 and then, on 17 January 2018, following the Review's publication, with the then Cabinet Secretary for Finance and the Constitution. On 21 February 2018, it took evidence on the small business bonus scheme, a key element of the current system, which the Review had recommended should be further assessed to determine its effectiveness. Further information on this work and the correspondence arising from it is set out on the Committee's [2017](#) and [2018](#) correspondence webpages.

Evidence session on 22 May and next steps

8. The 22 May evidence session is likely to focus on the role of local government in administering the NDR system and making it work, and to seek views on whether relevant changes in the Bill will make the tax easier to administer and collect and reduce anomalies and loopholes. A session with the Scottish Assessors Association, at which similar issues will be considered, is planned for 29 May.
9. As the lead Committee at Stage 1, it falls to the Committee to gather evidence and information on the Bill and to report to the Parliament on whether to agree to the general principles of the Bill. There will then be a debate of the whole Parliament at Stage 1 on whether to agree to the general principles. The Stage 1 deadline has been set at 11 October. The Committee has issued a [call for evidence on the Bill](#): all submissions accepted as evidence are available [here](#). After this closes, on 30 May, the Committee will consider and agree further witnesses. The Committee has also agreed to make fact-finding visits in connection with the Bill.

Local Government and Communities Committee

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Subordinate Legislation

Overview of instruments

1. The following instrument, subject to negative procedure, is being considered at today's meeting:
 - The Private Landlord Registration (Fees) (Scotland) Regulations 2019 (SSI 2019/160).

Background

2. These Regulations make provision for the fees that a person must pay in order to make a valid application for registration as a landlord or for details of a person's registration to be amended. This instrument increases the principal fee from £55 to £65, the property fee from £11 to £15 and the additional fee from £110 to £130. The new fees apply from 11 June 2019. The instrument also establishes the principle of a rate of inflation increase based on the Consumer Prices Index (CPI) from 1 April (or the first working day after that date) each year going forward, subject to regular review. The policy note for the instrument is attached at **Annexe A**.
3. An electronic copy of the instrument is available at:
http://www.legislation.gov.uk/ssi/2019/160/pdfs/ssi_20190160_en.pdf
4. No motion to annul this instrument has been lodged.

Delegated Powers and Law Reform Committee consideration

5. The Delegated Powers and Law Reform Committee (DPLRC) considered the instrument at its meeting on 14 May 2019 and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.

Committee Consideration

6. The Committee is not required to report on negative instruments, but should it wish to do so, the deadline for reporting on the instrument is 3 June 2019.

Procedure

7. Negative instruments are instruments that are "subject to annulment" by resolution of the Parliament for a period of 40 days after they are laid. This means they become law unless they are annulled by the Parliament. All negative instruments are considered by the Delegated Powers and Law Reform

Committee (on various technical grounds) and by the relevant lead committee (on policy grounds).

8. Under Rule 10.4, any member (whether or not a member of the lead committee) may, within the 40-day period, lodge a motion for consideration by the lead committee recommending annulment of the instrument.
9. If the motion is agreed to by the lead committee, the Parliamentary Bureau must then lodge a motion to annul the instrument to be considered by the Parliament as a whole. If that motion is also agreed to, the Scottish Ministers must revoke the instrument.
10. Each negative instrument appears on the Local Government and Communities Committee's agenda at the first opportunity after the Delegated Powers and Law Reform Committee has reported on it. This means that, if questions are asked or concerns raised, consideration of the instrument can usually be continued to a later meeting to allow the Committee to gather more information or to invite a Minister to give evidence on the instrument. Members should however note that, for scheduling reasons, it is not always possible to continue an instrument to the following week. For this reason, if any Member has significant concerns about a negative instrument, they are encouraged to make this known to the clerks in advance of the meeting.
11. In many cases, the Committee may be content simply to note the instrument and agree to make no recommendations on it.

POLICY NOTE**THE PRIVATE LANDLORD REGISTRATION (FEES) (SCOTLAND)
REGULATIONS 2019****SSI 2019/160**

The above instrument was made in exercise of the powers conferred by sections 83(3), 87(4), 88(2C), 99 and 141(2) of the Antisocial Behaviour etc. (Scotland) Act 2004 and all other powers enabling them to do so. The instrument is subject to negative procedure.

Purpose of the instrument:

This instrument is being laid to introduce an increase in the fees for applications made under The Antisocial Behaviour etc. (Scotland) Act 2004 for landlords applying to the relevant local authority for entry on the register of landlords.

The fee increase reflects the reasonable costs of the administration of landlord registration.

Policy Objectives

The Antisocial Behaviour etc. (Scotland) Act 2004 (“the 2004 Act”) makes provision for private landlords to apply to the relevant local authority for entry on the register of landlords. Applicants must pay a principal fee and a fee for every property included in the application for registration or subsequently added to an existing registration, subject to any applicable discounts. An additional fee is also payable if two requests have been made by a local authority for a landlord to submit an application, or notify any changes to a registration prior to an application or notification being made.

The principal, property and additional fees have not increased since 2006 and no longer reflect the costs of administering landlord registration. This instrument increases the principal fee from £55 to £65, the property fee from £11 to £15 and the additional fee from £110 to £130. The new fees apply from 11 June 2019.

The instrument also establishes the principle of a rate of inflation increase based on the Consumer Prices Index (CPI) from 1 April (or the first working day after that date) each year going forward, subject to regular review.

The Scottish Ministers and local authorities will take appropriate steps to publish landlord registration application fees on the Scottish Government and local authority websites.

The fee increase reflects the reasonable costs of the administration of landlord registration, including provision of the internet-based registration service; procedures for checking compliance with registration requirements and provision of advice and support to applicants.

Consultation

A full public consultation ran for 12 weeks from 15 March to 7 June 2018, supported by a series of 7 stakeholder events held across Scotland. Consultation responses were received from a range of stakeholders, including housing associations and local authorities; lettings and professional organisations; tenant, resident and landlord representative organisations; individuals and those with an interest in property condition and safety.

A full list of those consulted and who agreed to the release of this information is attached to the consultation report published on the Scottish Government website. It includes Shelter Scotland; Scottish Association of Landlords & Council of Letting Agents; Convention of Scottish Local Authorities; Scottish Land and Estates; Chartered Institute of Housing and private individuals.

Due to stakeholder concerns about the cumulative impact of all the proposals for increasing application fees, the policy approach was adapted to deliver more moderate changes reflected in this instrument which will protect ongoing provision of the internet-based application system and improve landlord compliance with their legal responsibilities.

Further consultation took place with local authorities to inform the Scottish Government's assessment of the impact of new procedures for checking compliance with registration requirements and additional provision of advice and support to applicants on fees.

Impact Assessments

An [Equality Impact Assessment](#) (EQIA) has been completed. The assessment found that the policy is not discriminatory and has no significant issues that will impact negatively on any of the equality groups. The EQIA notes that a Fairer Scotland Duty assessment is not required.

A [Child Rights and Wellbeing Impact Assessments](#) (CRWIA) screening has been completed and will be published on the Scottish Government's website with the EQIA.

Financial Effects

Costs fall to the Scottish Government for upgrading the internet-based service to amend the fee that must accompany an application. The main financial impact will be for landlords when they apply for registration. However, the fees remain reasonable and proportionate to the overall costs of registration. For example, a landlord with a single property the change equates to an increase of £14 over a three-year registration period.

A Business and Regulatory Impact Assessment (BRIA) has been completed and is attached [here](#). The assessment concluded that the policy will have minimal impact on businesses and will not adversely affect competition in the market place.

Scottish Government, Housing and Social Justice Directorate, April 2019