

## PE1648/L

Scottish Government submission of 20 July 2017

Thank you for your letter of 20 June 2017 seeking the Scottish Government's view on petition PE1648, which calls on the Scottish Parliament to urge the Scottish Government to abolish or freeze business rates for nurseries. We are grateful for the opportunity to contribute to the Committee's consideration.

We understand this petition relates to the revaluation of non-domestic properties that took effect on 1 April 2017. Such revaluations are undertaken from time to time – the prior one was in 2010, and the next one is due in 2022 – by independent assessors appointed by local government, in light of changes in the property market. At a revaluation individual rateable values can increase, decrease or stay the same, and all revaluations can be appealed under statutory processes. The Scottish Government has no locus in valuation or appeal processes.

Having examined the emerging revaluation data and listened to business views, we took forward our non-domestic rates policies in the context of the 2017-18 budget. Notably we reduced the rates poundage (the core tax rate), limited the application of the large business supplement, and expanded reliefs including under the Small Business Bonus Scheme (SBBS). In total we are funding around £660 million of rates relief this year, targeting additional support where we judged it most needed, including within the hospitality sector. Local authorities can further reduce rates under the power granted by the Community Empowerment (Scotland) Act 2015, and we feel it is incumbent on local authorities to consider doing so if they feel that any issues remain locally.

I would stress that we thoroughly considered the options across sectors and localities in deciding how to target support, in the context of particularly challenging budget pressures. We took due account of factors other than just the revaluation changes themselves; for example, we targeted specific support within Aberdeen City and Aberdeenshire local authority areas in light of this being the local area most affected by changes in the oil and gas market. We have been mindful of the revaluation effects for nurseries and the level of support afforded via rates relief such as under the expanded SBBS, as well as our estimates of non-domestic rates as a proportion of overall costs facing providers. For example our *Financial Review of Early Learning and Childcare in Scotland*<sup>1</sup>, published in September 2016, estimated that non-domestic rates account on average for around 1 per cent of the total costs facing private-sector providers delivering the funded Early Learning and Childcare entitlement, although we appreciate that there will be variations across providers.

The Scottish Government values the important role that providers in the private and third sector play in delivering the funded early learning and childcare (ELC) entitlement. These providers will also be key to delivering our commitment to almost double the funded entitlement to 1,140 hours per year by 2020. On 23 March, the Minister for Childcare and Early Years set out in the *Blueprint for 2020 Action Plan* how the expansion to 1,140 hours will be taken forward. This highlighted that the Scottish Government's approach to delivering the funded entitlement is fundamentally provider neutral. This means that we will create a model which prioritises the settings that are best

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<sup>1</sup> see [www.gov.scot/Publications/2016/09/8729](http://www.gov.scot/Publications/2016/09/8729)

placed to deliver quality outcomes for children, and supporting our ambition to close the attainment gap, regardless of which sector they are provided by. To do this we will develop a Funding Follows the Child approach for national implementation in 2020. This approach will prioritise and safeguard quality provision of ELC while offering parents a greater choice of settings, and ensuring financially sustainable provision across all sectors. It will be underpinned by a national standard which will see providers face a more open, consistent and proportionate approach for delivering the funded entitlement.<sup>2</sup>

We welcome debate around this important matter, and would be happy to engage further with the Committee as required. More widely, we expect the external review of non-domestic rates (led by Ken Barclay) to conclude shortly, and have committed to respond swiftly come that time.

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<sup>2</sup> more information is available at: <http://www.gov.scot/Publications/2017/03/8937>