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Dear Claire,

Thank you for your letter of 12 May to the Cabinet Secretary for Finance and the Economy regarding the evaluation of the Small Business Bonus Scheme by the Fraser of Allander Institute (FAI). I am responding as non-domestic rates falls within my portfolio.

We welcomed the FAI's report and the work which they have carried out, and have been considering the contents of the report carefully. It is essential that we continue ensuring we support businesses as best we can and we were pleased that businesses surveyed reported that they perceive a benefit from the Small Business Bonus Scheme (SBBS). SBBS has saved ratepayers over £2.5 billion since 2008, and it takes over 111,000 properties out of non-domestic rates altogether.

### **Information Gathering, Data Collection and Evaluation**

The report makes a number of recommendations (recommendations 1, 2, 3 and 5) focused around information gathering, data collection and evaluation for both SBBS and business support more generally.

Information gathering, data collection and evaluation are key points that have also emerged from the delivery of both information and financial support to businesses in response to Covid-19. We are committed to evidence-based policy development and evaluation to ensure that we effectively support businesses and our ambitions for economic recovery. Officials are considering how to improve on this across the business support policy agenda, and exploring how we can use data about businesses to transform the design, delivery and evaluation of business support services across Scotland's public sector. As set out in the National Strategy for Economic Transformation we aim to transform the way support is

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delivered to businesses across Scotland, and to target support more effectively to businesses in every region of Scotland.

The Data and Analytics Workstream of the Business Support Partnership Programme is looking at opportunities to transform the data environment, including progressing the Master Customer Record proof of concept for Business. Additionally, as part of this workstream we are working with a consultancy firm on the development of technologies to automate data processing to improve business support scheme data quality and the ability to link with other relevant business datasets to gain a more holistic view of the business support that has been offered throughout the pandemic.

In respect of SBBS more specifically, we are convening a short-term working group. This short-term working group, which will comprise of representatives from a range of business organisations, will help inform consideration of our response to the report, particularly in respect of the recommendation “that the Scottish Government begins to collect new information that will make a more robust assessment of the SBBS (and potentially other reliefs) possible in the future”.

### **Bunching at SBBS Eligibility Thresholds**

The FAI also recommended (recommendation 4) Scottish Government explore with Assessors the ‘bunching’ around eligibility thresholds for SBBS. The evaluation found a spike in the number of properties just below the eligibility thresholds for SBBS, and the FAI report explains that “a large proportion of this bunching is attributable to appeals against the assignment of rateable values just above the 100% SBBS threshold following the 2017 revaluation”.

While the appeals process is independent of both Assessors and Scottish Government, I can confirm that Scottish Government officials have raised and discussed the report findings on this matter with Assessors who maintain the valuation roll. The next Revaluation comes into effect on 1 April 2023, and during the course of this year the values of all properties will be subject to review and the values set for the next Revaluation cycle.

I hope that you find this helpful. I am copying this letter to Ariane Burgess, Convener of the Local Government, Housing and Planning Committee.



**TOM ARTHUR**

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