**HMT/MHCLG consultation: more frequent revaluations – summary & BRC draft response**

1. **Consultation summary**

**Requirements on ratepayers**

* **Proposes introducing a Duty to Notify** VOA of changes to occupier and property characteristics including but not limited to:
  + structural alterations to the property such as extensions
  + the property being demolished completely or in part
  + conversion of parts of the property, for example a store room to an office
  + the property being split into two or more new properties, or merged with another
  + any change in use of the property, for example from a shop to a cafe, or a change from non-domestic to residential use.
* Changes need to be made ‘reasonably soon’ after event, through online portal
* Self declaration, not self-assessment
* Need to confirm (or amend) each year through online portal
* **Proposes a legal requirement to provide all lease information**, including side agreements, to VOA
* Some types of property would require questions about turnover, receipts and expenditure, or build costs. This information would be submitted digitally in a standardised format
* Not shared outside VOA
* Also subject to annual confirmation process

**Compliance framework**

* Conditional entry to the appeals system. Ratepayers would not be able to submit a Challenge unless they have complied with the Duty to Notify and mandatory provision of lease information
* Provision of late information: ratepayers should not be able to benefit from providing late or incorrect information.
* Penalties. As with the current Forms of Return, penalties may be assessed for non-compliance, including missed deadlines or provision of inaccurate or false information. The penalty regime would include the ability for ratepayers to access a review stage, including consideration of mitigating circumstances, and to appeal their penalty. The proposed penalty regime would be subject to further detailed public consultation ahead of implementation.

**Changes to appeal rights/process**

* Removal of Check stage – replaced by Duty to Notify
* 3-month window from list publication to submit Challenge – to help VOA manage appeals caseload. VOA deadline of end of list (2y 9m) to complete appeal (vs 2y 6m limit for Checks and Challenges currently). Valuation data released at draft list stage so in practice longer than 3 months of awareness of valuation
* New occupiers mid-list will have three months from start of occupation to Challenge
* VOA can realise efficiency gains in grouping types/sectors of appeal, processing appeal more quickly
* Hong Kong gives 28 days, Netherlands 6 weeks to appeal
* Possible restriction of ability to make appeal to ratepayer or agent, not landlord
* Fee for Challenge, fully refundable in event of successful challenge

**Greater transparency**

* Phased-in behind the new duties, with more detailed information disclosed at each phase:
  + Phase 1: Release of improved guidance covering rating principles and class specific valuation approach, ensuring guidance is readily accessible and ratepayer-friendly
  + Phase 2: Making available fuller analysis of rental evidence used to set an RV for a specific property, such as analysed price per m2, and an explanation of how the evidence has been used to arrive at the RV. This would be accessible on request to the VOA, and ratepayers would able to submit this request separately from and prior to the Challenge process. This phase may attract a fee for provision of information

**Implementation**

* No detail on timings yet
* Govt intends to roll out requirements through a series of ‘soft launches’, followed by a staged introduction of compliance measures to ensure that businesses have time to adjust and familiarise with the new measures.
* Duty to Notify would apply to next list, removal of Check stage not until subsequent list (2026?)

**Going further?**

* Govt view is that more frequent revals & shorter AVD gaps are not deliverable in England without significant and unpalatable new restrictions to appeals rights, substantially over and above those set out
* But Govt seeking views on whether compromises are worth it to deliver greater frequency, noting that:
* “Delivering a full revaluation programme in 12 months would require the VOA to triage the number of properties being revalued. This would need to follow a strict prioritisation system focusing valuer resource on those property groups where significant movements in value year-on-year are evident
* This would mean a significant proportion of ratepayers receiving no bespoke assessment from the VOA; in contrast to the VOA’s wider ambition to deliver more accurate valuations. The post-valuation period – which currently allows for quality assurance, draft list publication, and preparation of bills – would be significantly shortened
* In practice many valuations would not actually reflect the latest economic context: gradual and incremental changes in valuation would only be picked up after a few years when these can be recognised as a substantial change, leading to jumps in valuations every few years
* Importantly, in years where significant or widespread market movement takes place – such as a future ‘crisis year’ – the VOA would not be able to revalue every property, again requiring broad brush assumptions or valuations rolling over. 4.13 Ratepayers would also have limited recourse where these valuations led to inaccurate bills
* Stringent restrictions on appeals would be needed to significantly reduce Challenge volumes, far in excess of the balanced and proportionate approach set out above for a 3-yearly cycle. These would be expected to include some or all of the following reforms: a 1-month window for submission of Challenges; a high fee to submit a Challenge; no late admission of evidence; and limiting Challenges to factual disputes only.
* Shortening the AVD gap, for example to 18 months or 12 months, would mean that valuations would be more up to date. However, it would also compress the valuation process, reducing the time available for pre-valuation data gathering and analysis, and post-valuation quality assurance. There is accordingly a risk of significant impact on the quality and accuracy of valuations. Moreover, it would make it harder to account for the natural lag between market activity and information being reported to the VOA, reducing the amount of quality information available for valuations (although the Mandation of Information measure detailed earlier in this document would help to reduce this lag, to an extent.)
* Govt of the view given above that they cannot increase revaluations frequency or reduce AVD gap, but remain open to ideas on how to do so

1. **Draft BRC response**

*Key points*

* **Tbc once draft completed**
* **Tbc once draft completed**
* **Tbc once draft completed**

*About the BRC*

As the trade association for retail businesses, our purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry. It is a driving force in our economy, a hotbed of innovation and the UK’s largest private sector employer. Retailers touch the lives of millions of people every day, supporting the vibrancy of the communities in which they operate. The industry today is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

Retailing will continue to evolve and advance. Online retail will continue to grow as retailers invest in new emerging technologies; there will be fewer stores and those stores remaining will offer new experiences; there will be fewer, but better jobs and a career in retail in the future will be very different to today.

We are committed to ensuring the industry thrives through this period of transformation.

We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit.

We do this in a way that delivers value back to our members, justifying their investment in the BRC. This membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.

The BRC welcomes the opportunity to respond to this consultation. We have been calling for a fundamental review – and reform – of business rates for many years and were encouraged by the Government’s commitment to press ahead with the fundamental review last year.

Many of the proposals in this consultation reflect the principle and, in some cases, the detail of the BRC’s submission to the fundamental review, and we therefore broadly welcome their thrust, particularly the increased frequency of revaluations and intention to achieve greater, and earlier, transparency in the valuation process.

However, we have concerns about some of the proposals, which we outline below.

*BRC response to consultation questions*

1. Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a 3-yearly cycle while taking account of deliverability constraints. (2000 words)

The BRC thinks that the package is a fair and balanced trade-off, subject to the concerns set out below. We called for three-yearly revaluations and agreed that greater provision of information to the VOA on a confidential basis was a suitable trade-off for more accuracy in valuations.

Question for members: do you agree that the reforms are ‘fair and balanced’, given the caveats below?

1. What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance. (500 words)

Question for members: what would you like to see in the design of the portal and accompanying guidance?

1. Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer? (500 words)

We are supportive of the approach to transparency as set out in the consultation except in one area. We oppose the proposal of fees for the provision of information by the VOA. The business rates system is already financially onerous on retailers, and adding greater cost onto ratepayers simply for being able to see how the VOA arrived at property valuations would make the system even more burdensome. As a matter of principle there should be no cost attached for a taxpayer to see the basis of the tax demands that they are being asked to pay.

Question for members: do you have any comments on this?

1. What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle? (1000 words)

Early, clear and consistent provision of guidance and details of what will be required from ratepayers is vital from Government to ensure ratepayer confidence, and in business’s ability to financially plan for the future. Government should publish a timetable for the transition as far in advance as possible.

Question for members: what would help a smooth transition to a three-year cycle?

1. Do you have any other comments on the proposed approach to the move to a 3-yearly cycle? (1000 words)

It is welcome that Government remains open minded on more frequent revaluations and shorter gaps between AVDs and the start of new lists. We recommend that Government timetable a process for a reviewing the operation of the first three-year list towards the end of the list with a view to assessing whether more frequent revaluations and shorter gaps between AVDs and the start of new lists is feasible. By that time investment in the VOA should have bedded in and a more considered view can be taken.

Question for members: do you have any comments?

1. Do you agree that that moving to a three-year cycle should be the Government’s priority for this stage of reform, and that going further should remain an option for the future? (1000 words)

The priority for business rates reform must be to reduce the overall burden on rates on the retail industry, which is threatening jobs, stores and the sustainability of high streets and town centres across the UK. The principle underpinning this must be to ensure that valuations more closely reflect current rents. More frequent revaluations are therefore a fundamental part of the package of reforms that sit under this priority, which is the first objective of the review in its Terms of Reference.

More frequent revaluations in and of themselves are welcome but they must achieve the result of lowering the rates burden where values have fallen, particularly on retail. They must also be part of package of reforms of the rates system. The BRC supports more frequent revaluations as part of a wider package of reform, and agree that going further should remain an option for the future, subject to VOA feasibility and capacity, and the burden on ratepayers.

Question for members: do you agree that lowering the overall burden must be the priority objective?

1. Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter? (1000 words)

We believe that three years is currently the most realistic option for revaluations. However, it is possible that the VOA could reduce the gap between the AVD and a new list to 18 months, subject to the necessary investment in its capabilities. We note that Scotland is moving to a one-year tone date and we see no reason in principle why, if this works, England and Wales should not be able to follow suit at some point in the future.

Question for members: what are your views on the desirability and feasibility of moving to annual revaluations and/or shorter AVD-to-list gaps?