TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

14 May 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 ADMINISTRATION OF BUSINESS RATES

A report advising Members of a consultation document issued by the government entitled 'Administration of business rates in England: discussion paper' and requesting members to authorise me to respond to the questions posed in the paper.

1.1 Introduction

1.1.1 The consultation paper was issued by the government in April this year and can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/302634/PU1623_administration_of_business_rates_discussion_paper.pdf

1.1.2 The foreword to the paper states that the Government wishes to make the tax system simpler so that it should be '*easy to understand and to comply with, so that businesses spend less time on their tax affairs and more time getting on with what they do best.'*.

1.1.3 To the above end, the government wishes to '*improve the business rates system in England so that it works better in the 21st century'* and *'to find ways to make the business rates system simpler, more transparent and more responsive to economic circumstances.'*

1.1.4 The consultation paper poses a number of questions about the operation of the current business rates system and invites views from ratepayers, ratepayers' agents, others in the rating profession, and local authorities. Responses are requested by 6 June.

1.2 The consultation paper

1.2.1 Members will observe from the consultation paper that many of the questions posed are aimed more at the recipients of bills for business rates rather than the local authorities who issue the bills. Therefore, in many cases I have not considered it appropriate to formulate a response for Members to approve.

However, I am, of course, happy to take on board any additional responses Members wish to make.

1.2.2 The following are the questions posed in the consultation paper followed, after each question, by my suggested response.

1) The Valuation Office Agency is currently required to set rateable values that are based on the annual rental value of each property at a certain date. What are your views on this approach whilst recognising that the government believes business rates should continue to be based on rental property values?

Proposed response
We consider that rateable values should continue to be based on annual rental value at a certain date.

2) What are your views on a less individualised approach to arriving at a rateable value, such as banding, a system of ’zones’, indices, or rolling revaluations, as described above?

Proposed response
We see some merit in the suggestion that indices should be used, between revaluations, to adjust rateable values if there are different indices used for different classes of property. It appears to us that this would, perhaps, mitigate what many see as the unfairness caused by the relative value of different classes of property changing between revaluations. However, this would involve, we presume, an increase in the number of adjusted bills issued to ratepayers because of changes to rateable values. Therefore, although the system might be perceived as fairer, it would not be perceived as simpler or more efficient. In addition, administrative costs would increase.

3) Moving from the current system to one where properties were placed in bands would result in bills rising for some ratepayers and falling for others. What would be considered an acceptable variance from current bills?

Proposed response
We do not consider that a system of banding should be introduced, as this would introduce a sense of unfairness in those at the lower end of each band and would result in a large number of appeals from ratepayers ‘at the margin’ whilst not decreasing appeals from ratepayers not at the margin.

4) What are your views on the Valuation Office Agency’s use of the ‘receipts and expenditure’ and ‘contractors basis’ valuation methods used to value property that is not normally let? What do you think about how these methods are applied?

Proposed response
We do not have a view on this question

5) Do you have any views on the way that public houses are valued?

Proposed response
No

6) Some ratepayers have suggested establishing annual, 2-yearly, or 3-yearly revaluations instead of the normal 5 yearly cycle. How frequently do you think the rateable value of a property should be re-assessed at a revaluation, bearing in mind possible impacts on the predictability and volatility of bills? Why?

Proposed response
We believe that the current cycle is about right, bearing in mind the additional administration that would be involved in more frequent revaluations. Furthermore, we have concerns over the complexity that might occur if there were more frequent revaluations, for example if a system of transitional relief still applied. We believe that that such complexity would militate against making the system simpler for ratepayers to understand.

7) Would your views change if more frequent revaluations meant:

a) rates bills changed more often i.e. were less stable and less predictable than currently?

Proposed response
See our response to Q6 above

b) it were necessary to use a less individualised approach to valuing property than currently which would mean that ratepayers with different rents, who at the moment pay significantly different bills, might pay the same amount?

Proposed response
We fail to understand how ratepayers with different rents, paying the same amounts, would fit with the government's intention to make the system more responsive to economic circumstances (see foreword to the paper). The annual rental value of a property does not strongly correlate to a business's profitability and, by paying the same amount, that appears to us to be adding to the perceived unfairness of the present system.

8) Do you think ratepayers would be more, less, or just as likely to appeal the rateable value of their property if revaluations were more frequent?

Proposed response
We believe that the effect might well be neutral.

9) Reducing the time allowed to prepare a revaluation from the current 2 years would also reduce the time available for ratepayers to check their rateable values and prepare for changes to their rates bills. It would also mean the Valuation Office Agency would have less time to collect and analyse rental evidence to prepare valuations. How do you think this would impact ratepayers and local authorities?

Proposed response
By shortening the period, we feel that this might lead to a lower degree of accuracy and lead to more challenges to valuations. If there is a perceived level of inaccuracy in the valuation list, this could lead to a high level of resistance to the payment of rate bills, ultimately impacting on local authority finances.

10) What is your understanding of how a revaluation affects final business rates bills? Would you like to receive more information from the government on how this works?

Proposed response
We do not consider it appropriate to respond to this question.

11) Do you feel that you understand your rates bill? What would help you to understand it better?

Proposed response
We do not consider it appropriate to respond to this question.

12) There are a number of reliefs available for certain types of property or property use which can reduce the amount of business rates you pay. What do you think of the general level of awareness about the reliefs available?

Proposed response
Although we do not consider it appropriate to respond to the question, we would comment that the number of reliefs, particularly those introduced at short notice and/or for a fixed period (for example retail rate relief and new-build empty property relief), and to the complexity of the system for ratepayers. The de minimis requirements in respect of some reliefs are incomprehensible to some small businesses and divert them from getting on with what they do best.

13) What is your experience, in general, of how the reliefs system is administered?

Proposed response
We do not consider it appropriate to respond to this question.

14) Some reliefs are applied automatically to bills and some require ratepayers to request them from their local authority. What are your views on this?

Proposed response
We do not consider it appropriate to respond to this question, as the government is addressing this question to ratepayers. However, we note that all reliefs are generally well advertised by local authorities and are specifically drawn to ratepayers' attention when their annual bills are issued.

15) Your business rates bill is calculated by your local authority (council). If you receive business rates relief of any kind, this should be listed on your bill. Do you have views on how the reliefs you receive are currently shown on your bill?

Proposed response
We do not consider it appropriate to respond to this question.

16) Bills (demand notices) are issued to ratepayers by billing authorities. They calculate final bills by multiplying a property's rateable value as set by the Valuation Office Agency, by the business rates multiplier as set by central government, less any mandatory or discretionary reliefs, including transitional relief. What are your views on how clearly bills show the way in which a final business rates liability is calculated? How might bills be made easier to understand?

Proposed response
Taking account of the complexity of the calculation and the requirements of the law, it is difficult to see how the bills might be made any easier to understand without curtailing the amount of information given.

17) The government is interested to know whether the following aspects of the current system for billing and collection of business rates present issues for business ratepayers, and if so, how these might be addressed:

a) Bills are usually issued to ratepayers in paper form

b) Format of bills may vary across billing authorities, though core content should be the same

c) Each property is separately liable for rates and so ratepayers receive a separate bill for each property they occupy

d) Changes to the rateable value of a property can lead to an additional, amended bill being issued to the ratepayer

Proposed response
We are unaware of the above issues causing difficulties to a significant number of our ratepayers.

18) It can be difficult for the Valuation Office Agency to identify promptly changes to a property that may mean its rateable value should change, particularly if these changes cannot be seen from outside the property. When the change is finally identified, this can result in backdated bills for the ratepayer. To what extent do you think this is an issue for business ratepayers? What could all parties reasonably do to limit the number of situations where this happens?

Proposed response
The government might wish to consider introducing a statutory duty requiring ratepayers to notify the Valuation Office of relevant changes to their properties. It is noted that under the benefits system benefit claimants are required to notify changes of circumstance.

19) Changes to rateable values can be made within the life of the rating list, and up to one year after the next list has been compiled. Most backdated bills or refunds are backdated to the date when the change to the rateable value of the property came into effect. What are your views on this?

Proposed response
In principle we do not have a difficulty with this. However, for budgeting purposes we consider that better information as to appeals and their potential effect has to be supplied to us by the Valuation Office. .To assist us in addressing backlogs and impacts on the finances of councils, appeals need to be dealt with promptly. In addition, if there were a requirement on ratepayers to notify relevant changes that might affect the valuation of their properties, if they failed to do so in a timely manner the government might wish to consider the rules that apply under the benefits system, i.e. the claimant does not receive the full benefit of any beneficial change. The number of backdated adjustments, whether positive or negative, and their effect on local authorities, could be lessened if it were possible for more valuations to be accurate in the first place and not open to challenge.

20) Currently, the Valuation Office Agency collects rental information from ratepayers using forms of return sent by post. What is your experience of

completing forms of return? Do you have suggestions for improving the way that you are asked to provide information to the Valuation Office Agency?

Proposed response
We do not consider it appropriate to respond to this question.

21) Do you have suggestions for improving the quality of data provided to the Valuation Office Agency, while minimising the burdens on business?

Proposed response
We do not consider it appropriate to respond to this question.

22) The Valuation Office Agency publishes data on its website that shows rateable value and floorspace. What are your views on how the Valuation Office Agency could improve the data it makes available? If you had greater access to Valuation Office Agency data, how would you use it?

Proposed response
We do not consider it appropriate to respond to this question.

23) There are currently legal constraints that apply to the data which the Valuation Office Agency can share with ratepayers. Greater sharing of data could help the system run more smoothly. How do you think this could be achieved?

Proposed response
We do not consider it appropriate to respond to this question.

1.3 Legal Implications

1.3.1 None

1.4 Financial and Value for Money Considerations

1.4.1 None

1.5 Risk Assessment

1.5.1 Not applicable

1.6 Equality Impact Assessment

1.6.1 See 'Screening for equality impacts' table at end of report

1.7 Recommendations

1.7.1 Members are **REQUESTED** to **RECOMMEND** to Cabinet that I be authorised to respond to the questions in the consultation paper as outlined above subject to any amendments made by your Board.

The Director of Finance and Transformation confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

Nil

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Screening for equality impacts:		
Question	**Answer**	**Explanation of impacts**
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	The decision is merely a decision as to the response to a government consultation paper.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	The decision is merely a decision as to the response to a government consultation paper.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		Not applicable.

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.