The Chartered Institute of
Public Finance & Accountancy

MHCLG Business Rates Revaluation

Response from the Chartered Institute of Public Finance and Accountancy

August 2021

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Any questions arising from this submission should be directed to:

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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.**

CIPFA endorses the move to three-year valuations and sees this as part of the reform of business rates.

Showing support for this reform does not change CIPFA's view that there is a need to reform local government finance in its totality. We have consistently voiced the message that there is insufficient funding for the sector, and this has a destabilising effect on organisations planning for longer term service delivery and regeneration. Nothing in our response to this consultation changes our longer-term ambition for funding reform.

CIPFA supports the use of property tax as an effective and efficient method of funding, but recognises that for the ratepayer, 5-year valuations result in a disconnect between the valuation and the charge. In our view, 3 yearly revaluations would improve the transparency of business rates, as valuations would be closer to those recognised by the public, therefore increasing the relevance.

There may also be an added advantage of a reduction in the number of businesses requiring transitional protection. The transitional scheme is complex and difficult to understand and results in confusion for ratepayer, with councils frequently having to explain the bill.

2. 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.

CIPFA supports the two new requirements on ratepayers. Improving the accuracy of the rating list will lead to greater transparency within the system. The Government acknowledgment that further consultation on compliance penalties will be needed is welcome, as this will be an important element of implementation.

CIPFA is supportive of the annual confirmation return required by ratepayers to maintain the accuracy of the lists. Lessons from Covid grants found that NNDR data, especially for small business, was obsolete as there was zero liability and therefore no incentive for the details to be notified to the Billing authority. The requirement to complete an annual return would maintain this improved position and should negate the need for the check stage of the Check, Challenge, Appeal process.

3. 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)

CIPFA has concerns surrounding the introduction of the three-month window for compiled list challenges. While this brings an element of certainty for billing authorities regarding the number of appeals and therefore the relevant provision, it will front load

the appeals system, with most of the work for Check Challenge and Appeal taking place within 3 months of the start of the list.

The government proposes to bring in a transparency fee for "making available fuller analysis of rental evidence used to set an RV for a specific property." CIPFA has concerns around the principle for charging this fee to access information required to make a challenge and would like to understand the justification behind this charge. We would be concerned if this fee acted as a barrier to those seeking to understand the calculation.

4. What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle?

The sector needs to be fully resourced to have the capacity to prepare for and deliver this change. Resourcing, particularly on the side of the VOA, will be essential, and the organisation must be adequately funded to ensure the success of this project and the longer-term delivery requirements. CIPFA notes that the time frame for the delivery of this project is not generous and raise this as a potential risk within the project.

Any new burdens must be covered by additional government funding. This includes software changes, staffing and communication costs.

Communication between stakeholders will be essential and this is particularly important where there is the requirement to exchange data.

5. Do you have any other comments on the proposed approach to the move to a 3-yearly cycle?

The consultation covers occupiers and occupied properties within the text, but the issue of unoccupied properties does not appear to have been addressed. CIPFA would like it noted that , in order to give the most efficient service, billing authorities will also require notification of changes to ratepayers for unoccupied properties. Under the Non-Domestic Rating (Compilation and Alteration of Lists) (England) Regulations 2020 (SI 2020/1403), billing authorities are required to supply the VOA with various pieces of data on a regular basis, including the name and address of the ratepayer. CIPFA is of the view that the duty to notify should be amended from changes to occupier to changes to ratepayer, which would then bring unoccupied properties into the duty to notify.

CIPFA welcomes the recognition that Government would expect to undertake further detailed consultation with stakeholders ahead of any legislation changes and will be pleased to provide commentary.

6. 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?

CIPFA agrees that this should be the priority but that further changes should be considered.

7. 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?

CIPFA sees this change as an initial step towards more significant reform of the current system, recognising that it is not a perfect solution. While we would be in favour, in principle, of a move towards annual valuations and a shorter AVD date, we are aware that this has implications for the stability of funding for local government and therefore

would support a comprehensive review into such a change, including any accounting implications.