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INSTITUTE OF REVENUES
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Written Submission by the Institute of Revenues, Rating and Valuation (IRRV) to the Parliamentary Bill Committee regarding the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill

This note is offered as accompanying information to the IRRV's oral evidence regarding Clause 1 of this Bill, which is to be presented to the Committee on 6th July 2021.

Key Messages

1. The Bill will provide far greater certainty to local government finances than if a large number of Covid-related MCC appeals were successful. It is important that the Bill is enacted as swiftly as possible, in order to give effect to the additional rate relief package that was announced on 25 March 2021.

2. Applying a too-wide interpretation of Clause 1(4) may capture general downward shifts in rental values in sectors such as retail, which are not related to the pandemic, but are caused by longer-term factors. It is important that the interpretation used by Valuation Office Agency (VOA) properly differentiates between Covid and non-Covid challenges; and that a transparent, evidence-based process is adopted.

3. There is concern that the additional relief package is already being abused by unscrupulous, 'cowboy' companies, who are promoting 'scam' services to help businesses claim this relief. It is important that if any measures are put in place to prevent such 'cowboy' operations, they do not prevent the ability of professionally qualified valuers to assist their clients, whose rating situations may be complex.

4. The IRRV has concerns about the way in which the funds for the additional rate relief package is to be distributed to local authorities. It is to be, 'distributed according to which sectors have suffered the most economically, rather than on the basis of temporary falls in property value'. How is it envisaged that this will be assessed, as, if the property was not undertaking retail or transactions, what is to be relied upon? How are other grants, loans, discretionary payments and furlough to be treated? How is there to be consistency across Local Authority areas? The distribution formula needs to be transparent and based upon factual considerations rather than political priorities.

5. The IRRV is concerned about the value of the available funding pot. The government should keep this under review and be prepared to add to the quantum to meet demand, if necessary.

6. In the development of the local schemes for the additional package of relief, there must be an emphasis on compliance within the constraints of Section 47 of the LGFA 1988 that relates to the award of Discretionary Rate Relief. The current restriction on backdating Discretionary Rate Relief and the ability to award of relief on excepted hereditaments (i.e. those occupied by local authorities) will prevent some ratepayers from receiving support. This could be addressed by small changes to the Bill that amends the provisions of Section 47. The guidance itself should specifically deal with the parameters of schemes and transparency in decision-making.

The IRRV position regarding Clause 1

7. Clause 1 of the Bill delivers on the Government's broad intention that rateable values for business rates may not be altered to take account of the economic impact of the coronavirus pandemic, subject to the exceptions laid out in Clause 1.

8. The Bill will provide far greater certainty to local government finances than if a large number of Covid-related MCC appeals were successful. It should be noted that if the cases had gone to appeal it is highly likely that they would have been successful and this would have allowed adjustments that would have significantly reduced the rating yield; and this would have created a major problem for the financing of local government. Such a situation would have necessitated an increase in direct support from central government or an increase in the multiplier, the latter which would have gone against the promise of the Chancellor in the last Budget.

9. Applying a too-wide interpretation of Clause 1 (4) may capture general downward shifts in rental values. A number of sectors have already seen significant falls in value such as high street retail and a significant change in demand given a major shift in shopping to on-line retail. Such change in the rental market is not related to the pandemic but by longer term factors and appears to be affecting the retail sector more than most. It is important that the interpretation used by Valuation Office Agency (VOA) properly differentiates between Covid and non-Covid challenges.

10. The main issues will be where the proposal refers to matters that may not be directly related to Covid measures and NPIs (non-pharmaceutical interventions). By way of examples we would expect the following to be excluded from being considered should the Bill pass:

    - Social Distancing;
    - Maximum capacity;
    - requirements for physical barriers;
    - Perspex screens;
    - requirements to provide areas for cleaning, hand washing etc and the installation of additional points for testing, checking of tests and signing in; and
    - restrictions to opening hours etc.

11. Whereas the areas that may prove to be more problematic include:

    - Closure of a number of stores in a location (high street / retail park);
    - loss of anchor stores; and
    - vacancy levels within premises – that are not Covid-related but are perhaps as a result of a change in demand (consider here office blocks in multiple occupation and serviced offices).

12. The question is how these are to be dealt with and a greater transparency and understanding of the approach to be adopted by the VOA would provide confidence to all stakeholders.

13. There is a further weakness here, as confidence would be undermined if the VOA were to make decisions based upon opinions rather than by adopting an evidence based process. Given changes to the way in which business rate challenges and subsequent appeals are processed, a determination on whether or not a proposal is competent is *not* capable of challenge through the Check Challenge and ultimately an appeal to the Valuation Tribunal. The only recourse would be to instigate Judicial Review, which would be expensive and would add unnecessary delay and confusion.

14. There is concern within the sector that the additional relief package is already being abused by unscrupulous, 'cowboy' companies, who are promoting 'scam' services to help businesses claim this relief. We anticipate that the claiming of the relief will be straightforward for most businesses, providing the guidance is sufficiently clear. It is important that if any measures are put in place to prevent such 'cowboy' operations, they do not prevent the ability of professionally qualified valuers to assist their clients, whose rating situations may be complex (such as relating to part-occupied relief under Section 44A of the LGFA1988[i] and challenges on the ingredients of rateable occupation).

15. It is important that the Bill is enacted as swiftly as possible in order to give effect to the additional rate relief package that was announced on 25 March 2021.

16. We have concerns about the way in which the additional rate relief package is to be distributed to local authorities. It is very important that there is wide engagement on the approach to, and the distribution of, reliefs. To that end, reference has been made to businesses that have been subject to hardship. The Minister stated: "distributed according to which sectors have suffered the most economically, rather than on the basis of temporary falls in property value". How is it envisaged that this will be assessed, as, if the property was not undertaking retail or transactions, what is to be relied upon? How are other grants, loans, discretionary payments and furlough to be treated? How is there to be consistency across Local Authority areas? The distribution formula needs to be transparent and based upon factual considerations rather than political priorities.

17. We are concerned about the £1.5bn value of the available funding pot. The government should keep this under review and be prepared to add to the quantum to meet demand, if necessary. We look forward to the release of the Impact Assessment, following the funding announcement. New burdens arising from this Bill will also need to be met by the Government.

18. The enactment of this Bill could have longer-term implications regarding the Government's current fundamental review of business rates. In particular, it could accelerate the move to three-yearly (or even more frequent) revaluations, which the IRRV would support (and which would help to avoid many of the current system difficulties if a similar situation were to occur in the future).

19. In the development of the local schemes for the additional package of relief, there must be an emphasis on compliance within the constraints of Section 47 of the LGFA 1988 that relates to the award of Discretionary Rate Relief. The current restriction on backdating Discretionary Rate Relief and the ability to award of relief on excepted hereditaments (i.e. those occupied by local authorities) will prevent some ratepayers from receiving support. This could be addressed by small changes to the Bill that amends the provisions of Section 47. The guidance itself should specifically deal with the parameters of schemes and transparency in decision-making. This issue was raised by the Local Government Ombudsman in reports on the operation of the various Covid-19 Grant Schemes. The guidance should also deal with the subsidy rules (formerly State Aid) and multiple applications from nationally based ratepayers. It needs to be issued as soon as possible; and to be subject to a full consultation process.

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[i] https://www.legislation.gov.uk/ukpga/1988/41/section/44A