Business Rates Review: Technical Consultation
DCN Response

Date: 22 February 2022
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About the District Councils' Network

The District Councils' Network (DCN) is a cross-party member led network of 183 district and unitary councils. We are a Special Interest Group of the Local Government Association (LGA) and provide a single voice for district councils within the Local Government Association. DCN councils in England deliver 86 out of 137 essential local government services to over 22 million people - 40% of the population - and cover 68% of the country by area.

Summary of the DCN's position

All DCN member councils are billing authorities and are therefore directly involved in the administration and collection of non-domestic rates. In common with major precepting authorities, they also benefit from a share of business rates that helps to fund local services and therefore they have a direct interest in ensuring that business rates liabilities are accurately known and the consequent rates are collected.

We welcome many of the proposals in the consultation paper, although we feel that different approaches are required to ensure that bills issued each March are as accurate as possible and to encourage ratepayers and agents to provide information more speedily than set out in the Government's proposals.

Responses to the consultation questions

Consultation questions – Chapter 1

Q1. Do you have any views on the proposed implementation of the information provision system? What issues should be considered in the design of the new system?

Q2. Can you see any difficulties in collecting this information or providing it to the VOA? Is there any further information that should be provided?

Q3. How can the VOA best help customers understand what is needed and how to provide it?

Q4. How do you want to be engaged with as this system is developed?

Answer to questions 1 to 4

We support the intention to require information to be provided by occupiers on line and regularly. It is important that the information should also be shared with or be

accessible by billing authorities. This is so that - for example - they can ensure that they have earliest notice of change of the liable person; and can also assist the VOA with ensuring that information in the possession of the billing authority (for example, in respect of planning decisions) is made available.

However we do not support the timetable set out in paragraph 1.11 and elsewhere. The annual bills are generally sent out in March in good time for the start of the financial year. Given that the annual confirmation process is likely to throw up a significant number of amendments that are required (e.g. change of occupier, sub-division of hereditaments, new rental data that might affect valuations and so on), our view is that the annual confirmation process needs to precede the annual billing process by some months. It is too late to ask in April if information remains up to date, as suggested in paragraph 1.11. Bills will already have been issued by then.

The Government's proposals mean that it can be guaranteed that a higher proportion of bills issued in March than is necessary will be inaccurate. While changes to occupiers etc. can happen at any time in the year, and therefore there will always be a proportion of bills issued in March that are inaccurate, it will be for the convenience of ratepayers and billing authorities that the incidence is minimised.

We therefore suggest that the annual confirmation process should be undertaken in, say, October or November each year. This will allow the VOA and, as necessary, billing authorities to act on the information provided and reduce to a minimum the discrepancies in bills issued in the following March.

Paragraph 1.30 – while we appreciate that many exempt properties will remain exempt from year to year, we feel that it is important that the occupiers of exempt properties should confirm annually that there have been no changes to hereditaments and that they remain exempt. We are particularly concerned about agricultural land and buildings where continuing rural diversification can bring parts of what have previously been exempt hereditaments into liability for rates.

Consultation questions – Chapter 2

Q5. Does the proposed framework strike the right balance between a system of proportionate and flexible sanctions, and one which helps ratepayers to meet their obligations?

Q6. What would you wish to see in an online service to best help ratepayers meet their obligations?

Q7. Under what circumstances would 30 days not be enough time for ratepayers to meet their obligations?

Q8. What processes might ratepayers have to put in place to meet their obligations and what costs might this bring?

Q9. Do you have any suggestions for how this compliance framework could be improved? If so, please provide evidence or scenarios.

Response to questions 5 to 9

We believe that the proposals set out in this section are unduly complex and provide excessively generous treatment for occupiers that do not provide information in a timely fashion.

We agree that there should be a single on line portal for ratepayers or agents to provide information. We note the commitment in paragraph 2.11 to require compliance with the duty to provide information "during the 2023 list". We recognise that this will require primary legislation but believe that the duty should apply from the earliest possible time during the life of the 2023 list and call on the Government to commit to a clear timetable.

Paragraph 2.15 provides another example of how provision of the information to the VOA would be too late to be reflected in annual bills issued in March. The move to three yearly valuations means that it is important for properties valued by reference to receipts information to be valued in good time for the start of the three year list – again we believe this should be some months before the list comes into force. Moreover paragraph 2.15 does not recognise that not all businesses' annual accounting periods will be the financial year ending on 31 March: some may have other accounting periods such as the calendar year.

If the duty to supply information bites during the life of the 2023 list, as we believe it should, then there is no reason why the regime of sanctions should not apply at the same time. We do not support delaying application of sanctions until 2026 (paragraph 2.19). The Government's proposal will allow rogue landlords, occupiers and agents to "cock a snook" at the statutory duty to provide information for perhaps two or three years. If the statutory duty is to mean anything, it needs to be accompanied by the potential to impose penalties for non-compliance from the outset.

In terms of the process for penalties set out in paragraph 2.21, we believe that it is overly generous to ratepayers and needs to be shortened and simplified. The proposals allow a ratepayer the following flexibility:

- 30 days to notify event
- Reminder requiring reply within 28 days
- Warning letter providing another 28 days to reply
- Further warning letter (electronic and hard copy) providing another 28 days to reply
- Only in the event of no reply, a penalty may then be issued.

This is excessively complex and takes too long before a penalty bites: potentially at least four months. We believe that a penalty should be imposed if a ratepayer has failed to notify an event and failed to reply to a reminder within 28 days i.e. after 2 months. If we contrast the deadline for return of personal tax returns, a penalty is automatically issued if the deadline is not met. So providing a warning and 28 days beyond the date when the ratepayer should have provided the information is generous compared to individual income taxpayers.

We do not agree with the suggestion that the failure to provide the annual confirmation should not give rise to a penalty (paragraph 2.24). This contrasts

unfavourably with the penalties for individuals if they do not submit a tax return on time. Not imposing a penalty for failure to provide the annual confirmation again risks giving a green light to rogue landlords, occupiers and agents to seek to avoid or minimise their tax liabilities.

We believe that the penalties set out in table 1 are too light for ratepayers with a rateable value over £51k, bearing in mind that this could involve hereditaments with very high rateable values. The penalties for failure to provide rental, receipts and cost information should be a percentage of rateable value as is proposed for failure to provide occupier information. While we agree that the penalty for false information should be linked in part to the difference in rateable value arising from the false information, we believe that the fixed penalty should vary in proportion to the rateable value – by definition, occupiers of hereditaments with higher rateable values may have a greater incentive to provide false information and should suffer a greater consequence if they do so.

Consultation questions – Chapter 3

Q10. Do you consider that the proposed reform to the rules on MCCs will ensure that changes in economic factors, market conditions or changes in the general level of rents are reflected at revaluations? If not why not?

Q11. What are your views on the proposed improvements to the CCA system. How else could we improve CCA in a system under which ratepayers are now providing information under the new duties?

Q12. Are there particular considerations that the respondents consider the government should have particular regard to when moving forward with phase 2 of transparency?

Response to questions 10 to 12

We support the proposed changes in this section of the consultation paper. In particular we support the introduction of tighter deadlines for challenges (paragraphs 3.21 and 3.22).

It is important that billing authorities should also have access to the information about valuations (paragraphs 3.23 to 3.26) and be able to submit challenges, given the important role that business rates play in local government financing.

Consultation questions – Chapter 4

Q13. Will the proposed rules for the improvement relief ensure the relief flows to occupiers who are investing in their business?

Q14. Do you consider that the 2 conditions will give effect to the stated policy intent? Do you have any concerns regarding the practical application of the conditions as set out?

Q15. Do you agree that the proposed method of reaching the chargeable amount will achieve the objective of preventing ratepayers who have

undertaken qualifying works from seeing an increase in their bill for 12 months as a result of the qualifying works?

Response to questions 13 to 15

We have no comments on the detail of the proposals but note that they will involve new complexity for billing authorities in administering business rates as they will have to act on the VOA's certificates and adjust bills accordingly. We believe that this triggers the need for a new burdens assessment and provision of funding to billing authorities to reflect the additional work.

Also the reliefs will reduce the level of funding from business rates that councils would otherwise have received, and there will be a need for additional Government grant to offset the impact.

Consultation questions – Chapter 5

Q16. Do you agree that the proposed changes to the plant and machinery regulations would ensure that plant and machinery used in onsite renewable energy generation and storage used with electric vehicles charging points are exempt?

Q17. Do you agree that the tests we are proposing in the heat networks relief scheme will ensure the relief is correctly targeted?

Response to questions 16 and 17

We have no comments on the detail of the proposals and support the need for measures to encourage renewable energy generation.

However the proposed reliefs reduce the level of funding from business rates that councils would otherwise have received, and there will be a need for additional Government grant to offset the impact.

Consultation questions – Chapter 6

Q18. What are your views on the proposed reform to the administration of the central list?

Q19. Do you agree that decisions on the operation of local discretionary relief schemes should be localised to billing authorities in the way proposed. Do you consider any rules should still be imposed from central government and if so why?

Q20. Are local authorities, ratepayers or other interested stakeholders aware of any other instances where existing constraints on section 47 relief are giving rise to administrative challenges or unintended practical outcomes?

Q21. Would the proposed reforms to the multiplier improve the administration of the system and if not why not? Do you agree that the deadline for confirming the multiplier should no longer be tied to the approval of the local government finance report?

Response to questions 18 to 21

Generally, we support the proposals in this part of the consultation paper, including giving councils greater flexibility to devise local relief schemes.
In particular, we welcome the proposed reforms to discretionary relief to remove the limit on local authorities' ability to backdate relief. We also welcome the changes being proposed to give local authorities the ability to vary schemes or bills. The latter should give councils the ability to remove discretionary relief if they need to whereas the current system requires 12 months' notice.

Given that many councils issue bills for the coming financial year during March, we believe that the deadline for the Government to set the multiplier should be sooner than 1 March. For example, in respect of 2022-23, the local government finance report was approved on 9 February and therefore confirmation of the business rate multiplier could have been given during February and did not need to await 1 March. We do not support that multipliers should be confirmed no later than 1 March: we suggest an earlier deadline, such as 15 February. Providing the provisional multiplier in autumn fiscal events is, frankly, of no use in issuing bills. Councils need certainty of what the multiplier will be and cannot rely on provisional information.

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