

Rates Plus:

Business Rates Review

Response to Consultation Paper

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Supported By:

Basildon Council

Bracknell Forest Council

Epping Forest District Council

London Borough of Harrow

London Borough of Hillingdon

London Borough of Tower Hamlets

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A. General Commentary and Overarching points:

Overall structure of response:

We have structured this response in three parts, as follows:

- Overall commentary on behalf of Rates Plus and our clients;
- Specific responses to the consultation questions placed; and
- Billing Authority Case Studies from sponsoring clients.

Introduction

1. From the 1st April 2013, significant changes to local authority finance were implemented under the Government's Localism strategy. The changes made from last year in the Rates system mean that for the first time since 1990, Councils have a direct financial interest in the collection of Rates.
2. The Government currently has open the latest consultation on the future of Rates, titled "Business Rates Review", which we are pleased to respond to within this submission.
3. Wilks Head and Eve LLP, Simon Horsington and Associates Limited, and our lead clients have carefully considered the Government's paper, and we present our observations in this paper.
4. Rates Plus is working with 30 Council clients in England, including Unitary, District and London Borough Council clients. Our approach is now partnered with CIPFA. We have designed the approach to be the most comprehensive toolkit available for Rates Retention, providing access to experienced Rating Surveyors for forecasting of losses on appeals, and local government consulting specialists for the identification of additional revenues.
5. Our experience over the course of the last two years strongly suggests that changes to the current Rating system are necessary. We strongly urge the Government to take the opportunity to make the necessary amendments to the current systems, including:
 - a. Operational changes to the Rating and appeals system which will place Billing Authorities in a position of oversight of the valuation and appeals process. This includes, but is not limited to the case which we make for admitting Billing Authorities fully as parties to the appeals process;
 - b. The appropriate amendments to the VOA and VT target setting and reporting regime, including the determination and management of new KPI's which are designed to control the timely completion of appropriate VO duties.

Background

6. The Rates Plus team were amongst the first to provide a comprehensive, modular based commercial solution specifically designed to help local authorities with the challenges of Rates Retention, following the Government's changes to the system from April 2013.
7. Wilks Head and Eve provide specialist Rating Surveying services to the product set; while Simon Horsington and Associates Limited provide project management, and solution design modelling and analysis.
8. The product set which has been taken forward is basically in two parts; firstly, the completion of a "forensic" risk analysis of a Council's Rating List, and which completes a line by line analysis of the List to enable the forecasting of loss from appeals. The second part of the product set

delivers increased Rates yield by identifying and taking forward applications for rateable premises which are not reflected in the List, or which are underrepresented in the List.

9. The initial pilot work on the solution was completed with the London Borough of Tower Hamlets from 2013, and further development work has been completed with the remaining sponsoring Councils named here.
10. In short, our experience strongly suggests that further changes to the system will be required if the Government expects the Rates Retention system to succeed in providing an incentive to Local Authorities to encourage economic development.
11. We have developed an approach which has been deliberately designed to target, and identify additional taxation revenue from Ratepayers more likely to be able to pay. This is consistent with the DCLG system which incentivises increased yield from the Rates; and which incentivises the management of losses in the Rates. We have deliberately planned to avoid the identification of business start-ups, or otherwise of microbusiness at otherwise domestic premises and similar. Examples of businesses which we deliberately rule out of our selection process include:
 - a. Business start-ups at otherwise domestic premises, and in which there is no, or only negligible rateable activity;
 - b. Business registrations present at accountants offices and similar;
 - c. Business trading from serviced offices at which paramount control is vested in the landlord;
 - d. Potential splits of otherwise single hereditaments in which no overall increase in taxation yield would be considered likely.
12. Accordingly, the approach has successfully targeted Rates incentivisation from more established, sometimes multi-national business with capacity to pay, and in which the List under-represents value or in respect of which entry is omitted from the List.
13. We have found, so far, that particular types of circumstances and hereditaments are more likely to be at risk of under-representation or omission from the List. These include:
 - a. Advertising Rights missing from the List and digital upgrades;
 - b. Automatic Teller Machines;
 - c. Radio Masts;
 - d. Premises for which formal Planning Permissions or Building Control permissions have been given, but in respect of which the appropriate List entry is not made;
 - e. Premises in which, despite changes to the premises and in some cases of multiple works, the RV has not subsequently been altered;
 - f. In more rural areas, "Agricultural Diversification" including developments in premises receiving Agricultural Exemption, and for which that exemption should not apply. This includes for example, Factory facilities on farms; Farm shops; and workshops on Farms;
 - g. Rateable, let-out car parks;
 - h. Rateable units at nursing homes, care facilities, and hospitals;
 - i. Rateable children's nurseries and afterschool provision.
14. Our modelling is specifically designed not to target home based business start-ups or "micro business" which is conducted at the fringes of what is inherently "Domestic Premises" and in which the case for Rateability would be at the fringe of successful inclusion in the List. Whether rateable, the imposition of a Rates Liability in such cases might be argued to stifle innovation, and economic recovery.

15. Our work over the course of last year remains the only commercially available solution which offers a full suite of services for Rates Retention. Some aspects of the services within the offer also remain unique, including particularly that the services is the only commercially available which uses qualified Rating Surveyors, in the analysis of Rateable Value and List entries.

Experience of the last two years

16. A key theme which you will see from this submission, is that we make the case for greater Billing Authority rights within the Appeals process; and separately that greater controls should be put in place on the VOA and the VT to deliver required changes. It is only perhaps natural that following such significant changes in the way that Rates works from April 2013, that VOA and VT systems which have been in place for more than twenty years cannot deliver that agenda alone.
17. Changes will also be necessary at Billing Authorities, and the financial incentives which the Government has put in place already will be likely to ensure, over time, that those changes in process, personnel and ICT are adopted.
18. In practice over the last two years, we have seen now many cases in which the absence of such controls means that the Billing Authority requests to alter the List are often met with a response which follows existing VOA and VT Systems, and which are themselves aligned to the need to agree changes with ratepayers and their agents alone. In the following summary we provide anonymised examples of real cases which we have observed:
 - a. In cases in which amendment to the Local List have been requested, and in which the hereditament appears to be within the Central List, the BA request for List alteration has been “No Actioned” because the premises are in the Central List;
 - b. In some cases, it appears that VOA officers have discussed Billing Authority requests for alterations to the List with agents for the Ratepayer before “no-actioning” the BA request;
 - c. The VOA have indicated last year that our findings in relation to ATM’s and Radio Masts are accurate, and that a separate “National Project” would be completed to deal with these hereditaments. Although the Billing Authorities which we acted for in this case were assured that the National Projects would be completed during the Autumn of 2013 as we enter the summer of 2015, the issues are far from finalised
 - d. A digital Adverting Right easily viewable from the appropriate VOA office has been identified, and resulted in a List increase from £14,000 RV to £42,000. Even though publicly available information shows the Right to have been there since at least 2012, the List alteration date was used as the date of schedule in December 2013;
 - e. Rateable premises of higher value in and around the City of London has not been admitted to the List, because the Agency argues that such facilities are already reflected in the tone of the List for those areas.
19. The ability of the VO service to be capable of delivering the additional workload of Retention, alongside the revaluation now underway, and within the context of the round of office rationalisations and staff retirements which are taking place might also be now in question.

B. Commentary and evidence in response to the specific questions asked

1. What evidence can you provide to inform the government’s assessment of the trends in use and occupation of non-domestic property?

One of the significant aspects of research which our work over the last two years can inform is firstly the incidence of, and types of premises or circumstances in which otherwise rateable premises are not shown within the rates list. It is possibly the case that our work represents the only meaningful independent research which can identify these trends outside of VO records. One of the key trends which we have found is the growth of “e-commerce” aspects of the economy including in Rating the growth of ATM’s, Radio Telephony, and digital Advertising, and in which the number of entries in the List appears low.

Secondly, our work during this period represents the only independent Rating Surveying experience which has been deployed on behalf of Council clients to forecast, and to audit financial impacts from losses on appeals outside of the VOA. In both regards, there are element of our work to date which have simply not be replicated elsewhere.

Overall Method:

Since commencement, our client steer with regard to additional revenues has very clearly been to focus on additional premises in which the Ratepayer is sufficiently mature to sustain a rate payment. We have accordingly gathered rather more intelligence of rateable units which are characterised by the following facets:

- Premises or situations which are at greater risk of omission from, of under-representation within the List; and
- Within the occupation of Ratepayers with sufficient business maturity to withstand and maintain a Rates liability; and
- Hereditaments are of sufficient value to be of financial, cashable value under Localism.

Table 1: Overall incidence of units missing:

Unit	Units shown in List as % of total known			Sample	Councils in sample
	Average	Lowest	Highest		
ATM	18.15%	13.60%	25%	19	Rates Plus clients
Radio Masts	35.63%	26.50%	61.80%	33	London Boroughs

We also summarise here the numbers of proposals which have been submitted on behalf of clients and to comply with the 31st March deadline:

Table 2: Overall Billing Authority Proposals

Council	Not In List			MCC	Total
	ATM's	Radio Masts	Ad Rights etc.	Radio Mast	
Client 1	90	406	0	91	587
Client 2	187	408	0	121	716
Client 3	0	999	22	312	1333
Client 4	313	825	25	338	1501
Total	590	2638	47	862	4137

Site of ATM:

Our research on ATM's is most advanced as a consequence of commencing work on missing cash machines almost two years ago. During this period, there have been three separate press articles, most recently in the Financial Times of 11th February this year, and with very well informed specific details of the overall incidence of ATM units in England; of the relative rates cost of the units; and of the overall incidence of ATM units within the Rates List. According to the FT article this year, there are currently some 69,000 units in the country, with an average Rates bill of £3,600 per unit. The same article claims that in 2010 just 3,080 units were rated, and that total at February 2015 was 12,196.

We developed approaches to successfully identify available ATM units over 15 months ago, and have to date completed analysis of almost 20 English Councils, representing unitary, London Borough and District Councils. Our analysis points to exactly the same incidence of absence from the List as the FT's figures i.e. that at current levels, only 18% of available ATM units are currently rated. At 3,600 per unit on average, this gives lost revenue of £205m per annum.

Radio Masts:

We believe that we are the only independant source of information within the Rating industry which can digitally map radio masts. The significant source of information that we have used is published by OFCOM, which lists more than 145,000 items of equipment in the country.

We recognise the limitations of this source of data, but the fact remains that this data source used contains significantly more than the VO current records, at 41,217 (source: VO Web, June 2015).

Other Rateable units identified:

Our analysis continues, and other categories or circumstances in which premises are at greater risk of not being within the List or at risk of a value which does not reflect additions to the premises include:

- Adverting Rights, and digital upgrades to Rights;
- Missing units and additional works identified from historic Planning data;
- Rateable units at Care Homes, Hospitals and so on;
- Rateable Children's care facilities and nurseries;

- Agricultural diversification.

We are also actively developing an effective approach to matching Rates records with commercial databases, and having completed a lengthy field testing exercise from last October.

2. Is there some evidence to suggest that changing patterns in property usage are affecting some sectors more than others?

In our view, yes. However, our research has revealed only a part of the picture, so we suspect that further analysis may be appropriate.

What is clear from our research, as a secondary consequence of the work completed to identify missing units, is that we can now identify some sectors of the overall property database in which not only are higher numbers of units missing from the List, there is also evidence of the units continuing to increase.

We believe it is possible to reach a conclusion that Rateable hereditaments which are perhaps a part of the wider “e-commerce” system fall into this category. This finding might be considered to include:

- ATM’s;
- Radio Masts;
- “Click and collect” rateable units including drop boxes and rateable deposit/pick-up stations;
- The development of Rateable e-commerce units trading within other existing hereditaments, for example:
 - Argos units now trading within Homebase premises; and
 - Rateable Value at the new Tesco’s click and collect model;
 - Rateable Value at Waitrose and John Lewis Partnership click and collect models.

3. What, in your view, does this evidence suggest about the fairness and sustainability of business rates as a tax based on property values?

It might be argued that as Rates is based upon evidence of rent passing that a property based taxation system with robust systems, and built in avoidance is both sustainable and fair. We would support this contention.

However it might also be argued that regular revaluations would reduce the risks of unfairness which arise when planned revaluations are delayed, as was perhaps most clearly when in the valuations which were cancelled during the period 1973 to 1990. During this period, the failure to revalue is widely regarded to have caused significant unfairness in the General Rates system, and as regional differences in the trading economy failed to maintain the pre 1973 economic picture. During this period, London and the South East significantly outperformed in particular the so called “post-industrial” areas including those of historic “heavy” industry, i.e. Coal, Steel, Shipbuilding.

4. What evidence is there in favour of the government considering a move away from a property based tax towards alternative tax bases? What are potential drawbacks from such a move?

We suspect that the Treasury will receive evidence on this question from researchers and taxation specialists with greater research capacity than is available to our team on the wider merits and

demerits of alternative systems of taxation. The added value which our team brings is very specific to known local government systems of taxation and benefit, i.e. Rates and Council Tax and so on. With that experience, we support the use of a local property tax, because it works, is cheap to administer and is difficult to evade.

However, and as mentioned elsewhere in this response we:

- Strongly support the use of Rates as a taxation system which has significant advantages because of being a known system, in which avoidance is generally more difficult and levels of collection are high;
- The major drawbacks of implementing ill thought through replacements for the property based taxation systems are well documented from the many research projects completed and examining the rise and fall of the Poll Tax, 1990-1993. The drawbacks therefore include: mass non-payment; avoidance; lack of fairness; decreasing local revenues; high write-offs; high recovery fees charged to payers and so on.

5. What examples from other jurisdictions and tax systems should the government consider as part of the review? What do you think are the main lessons for the business rates system in England?

Not at all from the point of view of taxation systems in other jurisdictions, but in answer to the second question, we would suggest that the significant lessons for Rates in England are not, fundamentally whether Rates is an efficient system of taxation, it surely is.

We contend that the system must now be amended to place Billing Authorities in a position of greater influence over the valuation and appeals process, in order that within the financial incentives under Localism, effective scrutiny of the Rating Valuation and appeals system may be assured.

There are, naturally benefits to the Treasury of such an approach as there are to the Local Authorities under the scope of the Localism agenda under the 2012 Act.

6. How can the government use Business Rates to improve incentives for local authorities to drive growth?

It might be argued that the application of the local share of retention, together with the liability for losses, is already incentivising local Councils through Business Rates. It will also be interesting to see how the pilots of the 100% local share proceed.

Billing Authorities are at the leading edge of Rate Retention, and it would appear to us that any additional powers should be conferred upon the Billing Authority, as opposed to upper tier authorities which are major precepting authorities.

While we strongly contend that as a robust system of property taxation Rates must continue, the current system onto which Localism has been bolted is far from fit for purpose. We explain in this paragraph the remaining operational changes which should be considered in our view.

Full BA opt in to appeal:

Our experience over the course of the last 2 years has clearly demonstrated that without full Billing Authority opt-in rights, no one is incentivised to oversee the quality of decision making in settlement of appeals. Existing provisions under Regulation 12 SI 2009/2268 provide a competence test, in which the Billing Authority is not competent to join some “types” of appeal. Recent examples which have come to our attention as clients attempt to exercise their rights of opt-in include:

- Council clients being advised by the VOA that they cannot exercise rights under regulation 12 because the appeal is not made under those grounds. In some cases we have identified the VO were wrong- the grounds were indeed found to be ones under which the Reg 12 provision could be activated;
- Delays in sending over BA copies of appeals under Regulation 9, which would appear to be consistent with delaying Billing Authority decision making until after the 2 month opt in period under Regulation 12 expires.

As the VO has now published details of appeals submitted to comply with the 31st March deadline, it is clear that some agents are already submitting appeals based upon grounds which the Billing Authority is not currently competent to serve, and is therefore unable to admit under Reg 12.

VO disclosure of information

Doubtless the Treasury will also receive more detailed submission from other parties, but the VO and HMRC position on the interpretation of what information may be shared and at what point under the Commissioner for Revenue and Customs Act, is in practice, extremely obstructive. Proper flows of all relevant information at an early stage as opposed to reserving key information until the latest possible point simply must be dealt with.

Submission of information to VO:

The Billing Authority is under a duty to submit information to the VO where the alteration of the List may be required. The VO has established systems which promote the use of “EBAR’s” (Electronic Billing Authority Requests) which while convenient for the VO are of little use for higher volume of workload.

The use of spreadsheets, and of other means of efficient workload transmission must be designed and implemented. In view of the VO use of spreadsheets within the new VORC process, it is difficult to see how the use of such approaches cannot also be applied for advising the VO of higher volumes of changes to the List.

BA Rights of inspection

While the Billing Authority is now a direct financial stakeholder in the List, the rights of property inspection remain solely with the VOA. The potential problems which this approach provides are magnified when account is taken of recent VOA regional rationalisation programmes, meaning that local offices are now heavily regionalised, with no local VO presence in many areas.

We therefore recommend that Billing Authorities are afforded rights of inspection in support of the Rates Retention system. This will enable Councils to provide effective support to the Rates Retention

system by gathering as much local information as possible in support of proposed alterations to the List.

Management and performance at VOA

We have experienced many examples of service failures, which include:

- Delays in processing identified changes to the List, including claims that submitted data is wrong, without explaining the deficiencies claimed;
- No-action decisions to EBAR's, which in some cases are then later subject to a VON;
- Delays in submission of proposals requested under Billing Authority opt-in rights;
- Failure to accept financial responsibility for VO decisions which have resulted in significant Billing Authority losses.

We therefore suggest that in addition to the changes suggested elsewhere in this document that improved management arrangements at the VO; changes to the Performance Indicators in use; and amended escalation and complaint procedures are all required in order to deliver better control of planned deliverables, and accountability for culpable errors.

Concentrating like assessments into a single local list

There are a number of cases where ratepayers have made proposals to merge two or more local list hereditaments into a single list entry which, we understand, will normally fall to the billing authority with the largest contribution in terms of rateable value. It seems the VOA has complete discretion as to whether to accede to such requests. It can of course be more efficient for the ratepayer to deal with a single billing authority, but Business rate Retention was founded on the principle of localism, not centralism, meaning the retained income of every billing authority affected will be impacted for reasons completely outside their control or influence. This can work directly against the Government's incentive on the billing authority to "grow" their local RV.

In one recent case, Virgin Media have applied to the VOA for hereditaments in some 65 billing authority areas to be merged into a single assessment. The combined RV of the current assessments is over £75 million. In the event of the proposal being successful, acceptance by the VOA would produce significant losses for all Councils affected through no merit or fault of their own. One of our clients is facing a loss of £4.8 million in refunds payable back to April 2010, with annual losses of £1.0m per annum from 2015/16.

This is currently a live issue with only limited mechanisms to address it. In summary:

- It produces chaotic swings in resources in many cases out of all proportion to the authorities' "funding baselines"
- It potentially hits local authority service levels unrelated to business rates, on top of other cuts in resources, notably Revenue Support Grant
- There is no entitlement to "new burdens" or other grants/compensation, it comes without any prior notice and there are no transitional arrangements.

Firm and definite action needs to be taken by Government to redress the effects of such a scheme, including if the practice of merging sites is not to be abolished altogether.

Central List and Local List

We are also beginning to see cases in which cases are made for the transfer of Rates liability to the Central List, presumably as a consequence of increased pressure from Billing Authorities which is beginning to be felt by Ratepayers with a case for premises to be included in the Central List. We also have already identified cases in which historic transfers to the Central List which we have challenged with clients have been rejected without any detail in support of the VO decision to maintain inclusion within the Central List.

In one such case which we have raised, Offices in the occupation of the contractors for the operation of the Docklands Light Railway remain part of the Central List entry for the DLR.

We contend that the use of the Central List in this way is neither helpful to the operation of Rates under Retention; in all probability leads to overall losses on taxation yield; and fails to provide an Billing Authority oversight of VO determinations. We suggest that the use of the Central List in this way should be prevented, and that regulations be put in place to ensure that the Central List becomes the exception. Separately, the case might also be made for better oversight of the Central List.

If transfers between lists do take place, it should be acknowledged that this in effect represents a new burden on local authorities and therefore a mechanism to compensate for losses (and gains) should be built into the business rates retention system. Overall income being retained by individual authorities and central government under such an arrangement would remain constant, and therefore would not financially disadvantage central government while strengthening the incentive for authorities to grow their local economy.

7. What impact would increased local retention of rates have on business growth? What would be the impacts on local authorities?

Local Authorities remain acutely concerned about funding for local services as reliance upon Rates increases, alongside planned decreases in Revenues Support Grant. Increasing the local retention of Rates would have a positive impact on business growth as it would more effectively incentivise Local Authorities to assist with and to participate in economic development.

While increasing the local share would provide an additional incentive for authorities to grow their taxbase, the current incentive is dampened by measures such as the levy on growth, transfers between local and central lists outside local control, local government bearing the cost of inflationary growth in business rate baselines and the potential loss of growth from system resets. In seeking to increase the local share to incentivise local authorities, the government should consider these constraints within the current system. The impact of any increased retention of business rates will need to be considered alongside the effect on other local government funding streams to ensure capacity to support growth is not limited

Business growth of course depends on many other factors than just property. With the expansion of opportunities offered by New Technology, some businesses are becoming less and less reliant on property as a factor of production (e.g. in the retail sector), as explained in the Consultation Paper.

Local authorities already play a significant part in promoting economic development, regardless of any gains they may produce through business rates, and this will hopefully continue. Discretionary services however are finding it harder to compete locally for resources with the funding available. Against that background, Retention has the potential to counter the reductions in funding from grants and Council Tax if the rewards for investment in economic development were more certain. The incentive built in to the system is however mitigated against by volatility from other sources. We have commented elsewhere with examples of more significant risks, including Virgin Media; the lack of independent visibility of assessments at Heathrow; and significant losses as a result of Rateable gas pipelines. The incentives effect for local authorities may be summarised as follows taking a Two Tier Council example to work through:

- Where growth is concerned, and within the “two tier” model by way of example, the Central Share takes 50%, other local shares take typically 10% and the Levy 50% of what is left, leaving shire districts with just 20% of any growth. On net rate income of £100 million a year and long-term growth averaging at perhaps 1% per annum, the district would get to keep £200,000;
- When the volatility factors mentioned above are taken into account, £200,000 would be a modest. As a proportion of total income collected, it is less than 0.2%;
- The new deal proposed for the 100% retained pilots is understood to offer retention of 100% of business rate growth, presumably by removing the Central Share and the Levy. Whilst this would present a much more attractive incentive, it would have to be balanced against taking 100% of the risk of volatility, and whilst there remain so many factors affecting rating income that are outside the billing authority’s control.

The system provides significant financial risks for Authorities by the requirement for billing authorities to pay the cost of appeals backdated beyond the start of the scheme in April 2013; the potential centralisation issues discussed above; and the difficulty of local government having effective influence on the VOA as explained elsewhere in this response.

8. What other local incentives should the government consider to further incentivise business growth?

We suspect that with regard to evidence of what behaviours can be demonstrated to drive growth that others with more access to economic data may be better placed to assist here.

Within the Rating system itself, and with an already complex system of reliefs and exemption, we would ask that the wider economic drivers of growth be under consideration as opposed to adding to the reliefs system in Rates.

Additional reliefs within Rating which are added to an already complex system of Reliefs and Exemptions, including for example retail relief is unlikely in itself to generate additional business growth but adds administrative burdens.

9. Should business rates be reformed to make them more closely reflective of wider economic conditions, and if so, how?

As at questions 4 and 5 above, the key point in our view is that regular revaluations must be planned for and completed. Rates is more likely to become out of step with the economy if regular revaluations are not planned for nor completed.

10. If business rates remain a property tax, how do you suggest business rates could take account of individual circumstances of businesses such as their size or ability to pay rates?

The systems of reliefs and exemptions has become more complex as consecutive Governments have added to the reliefs and exemptions available, rarely taking anything away.

The size of a business could already be argued to be accounted for by the rules which provide for what is Rateable under caselaw. While the law is complex, rules are provided for the interpretation of what is, and what is not rateable, and which, for example, would mean that the vast majority of business start-ups at otherwise Domestic premises are not rateable. There are, additionally existing reliefs targeted at small businesses, rural businesses, hardship relief, part occupation, and so on.

With regard to the ability to pay, there are a series of existing remedies available through the reliefs system, and additionally in Council rights in relation to the enforcement and write-off policies.

11. How does the proportion of operating costs accounted for by business rates vary by sector and size of business?

We have no specific evidence in support of answering this question. We do however fully support the points made elsewhere in this submission on behalf of Local Authority clients in support of the continuation of Rates as a local taxation system, and in view of the robust, inherently fair, and underlying efficiency of the taxation system.

12. What is the impact of business rates system on the competitiveness of UK businesses? Are there particular impacts upon SME's?

We have no specific evidence in support of answering this question. We do however fully support the points made elsewhere in this submission on behalf of Local Authority clients in support of the continuation of Rates as a local taxation system, and in view of the robust, inherently fair, and efficiency of the taxation system.

13. How could the government better target SME's given that the size of a company may not be reflected in the rateable value of a property it uses?

We have no specific evidence in support of answering this question. We do however fully support the points made elsewhere in this submission on behalf of Local Authority clients in support of the continuation of Rates as a local taxation system, and in view of the robust, inherently fair, and efficiency of the taxation system. It might be argued, that with Small Business Relief already provided for the needs of SME's within rating are already sufficiently considered.

14. Should investment in plant and machinery energy efficient improvements or other similar property improvements be treated differently by the business rate system? If so what changes could be made?

We are sure that agents on behalf of ratepayers for whom such investment would be helpful will argue in support of Rating relief, however, we must, for local authorities counter that argument. There are already Statutory Instruments provided for and which give relief in prescribed circumstances.

As Councils face increasing financial pressure, reductions in Government Grants, and increasing reliance on Rates Retention revenues, all possible sources of Rates income must continue to be open, including the cashable effect of enhancements to premises. In many cases, businesses making such major investments are already mature enough to support sustained payment of a rates liability, so additional revenues streams due are consequently likely to be collectable.

15. What evidence and analysis should the government take into account when evaluating the impact of and any changes to the range of reliefs and exemptions present in the business rate system?

Rates Avoidance:

There is now plenty of evidence of sometimes well organised, carefully orchestrated “Rates Avoidance” schemes which are used to avoid Rates levies in respect of premises which may not be generating a rental income for the owner. Examples include:

- Organisations presenting as Charities, sometimes registered with the Charity Commission and sometimes not, and which seek to argue that often minimal use of otherwise vacant premises represent Rateable Occupation in the occupation of a charity, as a device to avoid otherwise Empty Rate liability;
- “Bluetooth” wireless network occupations and similar which are designed to avoid application of the Empty Rate;
- Avoidance of the empty rate by transfer of the head lease to a company which is then subject to insolvency provisions.

C. Local Authority Case Studies

Basildon Council

During April 2015, we entered discussions with the Local Government Association, as we became aware of the Virgin Media Appeals with regard to telecommunications hereditaments. As we completed urgent research via the VOA Website, we identified 65 sites with a total RV of more than £75m. Basildon's List show a Virgin Media assessment of £1.94m, which is the 11th largest assessment by RV.

We contacted all current clients affected by the appeals, including Basildon. We advised, as we had the LGA, of the Billing Authority powers to the appeals process including at Regulation 12 of SI 2009/2268. Under regulation 12, Billing Authorities have rights to join certain types of appeal, which must be activated within 2 months of receipt by the VO.

When the Council contacted the Valuation Office to attempt to opt in under Regulation 12, the Council was advised that the provisions could not be activated, because the type of appeal made was not under the grounds of Material Change of Circumstance (MCC).

During the last two weeks of May, and with the 2 month deadline closing, the VO website began to show details of appeals received. We interrogated the website for a number of interested clients, and were able to prove that, in the case of the Basildon Virgin Media appeals, 4 had been received, two of which were indeed made on the grounds of "Material Change of Circumstance".

We were accordingly able, at very short notice, to advise the Council of their rights of party under Regulation 12.

Bracknell Forest Council

Bracknell Forest are a Unitary Council with both an urban and a strong rural character. A key challenge for the Council has been to quantify potential losses on appeals with significant Telecommunications assessments reflected in the Council's Local List.

The Council is one of five pilots for whom we have completed modelling this quarter of how the local Planning Records may be successfully interrogated. Examples of premises located within the Borough's area include:

- Rateable let-out car park with RV £24,000;
- Major extensions to a rateable agricultural research station, current RV £2m but with no change in the List since 2010; and
- Significant additional works at a rateable military academy, including new accommodation blocks but with no change in the List since 2010.

Epping Forest District Council

The Council has been one of our longest clients, appointing the Rates Plus team in the late summer of 2013.

Shortly after we completed initial analysis of the Council's Rates Retention portfolio, the Council received an entirely unexpected decision from the Valuation Office. A significant gas pipeline running through the Council's area, and feeding a Power Station located in the neighbouring London Borough of Enfield was removed from the Council's Rating List and combined with the assessment with Enfield's List.

The size of the adjustment was very significant. The lost RV of £565,000 on an overall Council List of £87m and with the adjustment backdated to 2005 meant losses of £1.7m.

On further examination, the appeal lodged by the ratepayer leading to the deletion of the gas pipeline in Epping's area had been recorded on VO records within the details of Enfield's area, and not communicated as a potential risk by the VO to Epping Forest. No details were sent to the Council even after the initial Valuation Tribunal decision had been issued to the VO recommending a combination of the assessment within Enfield's List.

On complaint to the VO, and which was eventually escalated to the VO at National Board level, whilst the VO accepted that the flow of information had fallen short of expected standards, there was, in the VO view no grounds for financial compensation.

London Borough of Harrow

The London Borough of Harrow was also one of our early clients appointing us from the Autumn of 2013.

Accordingly, Harrow have been one of a small number of lead clients in and around London who have worked with us longest on the identification and pursuit of additional Rates in respect of ATM's and Radio Masts.

In London, with Harrow and Tower Hamlets, we have been making the case for the inclusion to the List of the missing units for over 18 months. The VO contended, at the highest levels and as early as September 2013 that the issue of ATM's and Radio Masts was a known problem which would be resolved "...by Christmas...". However, 18 months later, the numbers of units in the Local List still averages only 18% for ATM's.

By March this year, the Council joined with other clients in and around London for the submission of formal Billing Authority proposals under SI 2009/2268 and to complete individual proposals for the identified ATM units not in the List; for the identified Radio Telephony not in the List; and separately for the submission of Material Change of Circumstance appeals for existing VO List entries for Communication Station and Premises on the basis of 4G implementation from October 2013.

Overall, Harrow Council has submitted 716 proposals for its own List, and across all clients in and around London the total number of Billing Authority proposals submitted by the 31st March is 4,137.

London Borough of Hillingdon

The London Borough of Hillingdon is the fifth largest Billing Authority Rating List in London with overall RV of £799m, and with responsibility for the majority of the Heathrow Airport.

The Borough's Rates risk with the Airport is huge. Over £340m RV is contained within just four assessments at the core of the Airport complex, of which the overall "cumulo" assessment is on its own £233m. The cases study of the treatment of the airport within Rates Retention is the very clearest example of some of the operational disconnections which are currently present as Rates Retention has been bolted onto otherwise Rating systems which have remained unchanged in 20 or more years.

While, under retention, the Borough shoulders responsibility for financial planning for the consequences of change in rating bills of which the main Airport complex represents 42% of the Council's List, there is little independent visibility to the Council of the evidence on the ground.

As a secure facility subject to the usual security restrictions for such premises, the Borough has no rights of inspection under current provisions, so all property inspections must be left to the VO. Agents for the Airport have robustly defended the current assessments, arguing that if the Agent and the VO are content, then the Authority should accept the current values. Requests to visits the Airport made to the Agent have been blocked. Information identifying additional rateable units on the premises using remote research including the identification of 108 ATM units; additional radio telephony equipment; and rateable higher value advertising rights have all been blocked, with the VO most recently determining that No Action is required with regard to all of the identified ATM units at the Airport.

Hillingdon were one of a small number of lead Councils who issued instructions to comply with the deadline for backdating of appeals introduced by the Government last December, and which applied from 31st March 2015. Missing premises identified in the Borough's area, and which are now subject to formal proposals include:

- An identified civilian airport trading from otherwise Ministry of Defence premises; and
- A series of high value, iconic advertising rights at the fringe of Heathrow Airport.

London Borough of Tower Hamlets

Tower Hamlets is one of the five largest Councils by RV in London, and is within the top ten in the whole of England. The Council's Rates List includes responsibility for the Cityside and Canary Wharf financial districts, the most successful financial trading centre in Europe.

Rates Plus provided the Council with a full analysis of outstanding appeals which enabled the Council to put some accurate figures in for the provision for appeals and other fluctuations in the Ratebase. In terms of growth, Rates Plus were instrumental in the projects the Council now have in place to

identify additional income from the Ratebase from missing and incorrectly valued assessments from which the Council has achieved significant additional income now estimated at over £12m.

Roger Jones, Head of Revenues at Tower Hamlets says:

“Overall, the knowledge that Rates Plus brought to the Council has been invaluable in preparing us for Rates Retention and the opportunities and risks this brings with it. The project as a whole has been, and continues to be very worthwhile.”

Tower Hamlets is our longest running Retention assignment, and has just been re-commissioned under a public procurement exercise to achieve additional revenues from this year. Following five weeks intensive research in Canary Wharf, we have just submitted details of more than 70 higher value hereditaments not shown in the List and estimated at RV £1.7m.

Wilks Head and Eve LLP and Simon Horsington and Associates Limited, June 2015