



CONSULTATION ON DISCLOSURE: SHARING INFORMATION ON BUSINESS RATES VALATIONS

CONSULTATION RESPONSE

PREPARED AND SUBMITTED BY

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INTRODUCTION

The British Property Federation (BPF) represents the UK real estate sector, an industry that contributes more than £107bn to the economy and supports 2.3million jobs. Our members are invested in commercial and residential real estate in communities across the UK - revitalising our cities and shared spaces, re-imagining our town centres, and creating vibrant new places designed for the way we live today.

A well-functioning property tax system is critical to a sustainable and vibrant real estate sector and economy. We have witnessed the enormous strain that an outdated and unresponsive business rates system has placed on many businesses, notably those in retail and hospitality, over the last decade or more. The strain has not been felt equitably across the country, with retailers in the Midlands and North bearing a disproportionate amount of the burden – showing that our unresponsive business rates system is a hinderance to our levelling up agenda.

We need non domestic rates to be more responsive to changes in the economy to ensure that the tax system does not place undue strain on our businesses. Furthermore, a stable and sustainable tax system is a critical component to attracting long term investment into our towns and cities, ensuring that we are attracting capital to address some of our sectors' big challenges – like achieving our net zero goals; and revitalising our high streets.

Ensuring that there is appropriate transparency of relevant data between the Valuation Office and ratepayers will be a crucial part of ensuring that we can achieve more frequent revaluations – and therefore a more responsive rates system. Currently ratepayers do not have sufficient information at an appropriate time to determine whether or not their rating assessments are accurate – which means that both rate payers and the VOA spend significant time and resource checking, challenging and appealing their rateable values. We are supportive of proposals made in this consultation to provide greater information to ratepayers alongside their rating assessments to allow them to more fully understand the basis of their assessments, without the need to raise a Challenge. If implemented appropriately in the manner we set out in this response, this has the potential to significantly streamline our rating system, which could unleash significant capacity in the VOA – paving the way for more frequent revaluations.

Response to consultation questions

Chapter 2 questions

Question 1: Did you know the Find Your Business Rates online tools mentioned at 2.13 and shown at figure 1 existed?

Yes.

Question 2: In what ways does the information on Find Your Business Rates help you understand if the rateable value is fairly assessed? What specifically is helpful or what specifically could be improved?

Find Your Business Rates is a helpful and user-friendly summary of the rating assessments of other properties – which helps show whether a business has been assessed similarly to other properties. We would want the information currently appearing in the register of Rateable Values to continue. However, it does not provide any information to understand whether a rating assessment has been valued in line with the relevant comparable evidence – or indeed whether the properties listed are truly comparable - more information is still needed to understand the basis of a property's rateable value.

Question 3: Examples A and B in figure 2 show tables of similar or comparable properties, with the same adopted base rate. Would information like this help you understand if the rateable value is fairly assessed? What specifically is helpful or what specifically would improve the information?

As above – the information is displayed in a helpful and user-friendly way – and shows properties valued adopting a similar unit price. This information is already publicly available albeit not in the tabulated format in Examples A and B. However, we'd encourage far more information to be provided to ensure businesses can understand if their rating assessments are accurate and fairly assessed.

Chapter 3 questions

Question 4: Figure 3 shows examples with more specific details on other properties, including adjusted annual rents, which have been used to determine the adopted value/£ per m². Would information like this help you understand if the rateable value is fairly assessed? What specifically is helpful or what specifically could/would improve the information?

The VOA's proposals for sharing greater information with ratepayers set out in Figure 3 (examples C and D), are a step in the right direction, but unless supplemented by the data we identify below are unlikely to significantly reduce challenges.

For ease of reference, Figure 3 includes:

- Rent date;
- Adjusted rent;
- Area in terms of main space;
- Analysed rent (per square meter);
- Adjusted/adopted base rent (per square meter);
- Rateable value.

We would suggest that more information should be shared at the 'pre-challenge' phase, alongside a rating assessment, in order to reduce the need for ratepayers to make a challenge simply to obtain the relevant information to assist their understanding of whether their rateable value assessment is fair. We support information being made available in a very limited way, only to the ratepayers (including tenants, landlord or their agents), for whom the comparable data is relevant. As long as this information is only made available in this very limited way, we would support the VOA sharing the following information with relevant ratepayers at a 'pre-challenge' stage.

Additional information which should be shared at a pre-challenge stage to allow rate payers to better understand the basis of a rating assessment:

- 1) The headline rent (currently only adjusted rent is proposed to be disclosed)
- 2) The date the headline rent was agreed (the VOA are proposing to provide 'rent date' but this may not be the most relevant where an agreement was made several years beforehand, for example).
- 3) Basic lease terms:
 - a. Period of the lease
 - b. Rent review frequency
 - c. If new lease, the start date of the lease term – if existing lease, lease review date (if applicable).
 - d. Type of transaction (e.g. new lease vs rent review, lease regear, CVA rent, assignment etc)
 - e. Parties to the agreement
- 4) The name of the organisation supplying the information on the form of return/duty to notify.
- 5) Company Voluntary Arrangements (an insolvency arrangement)
- 6) Connections between landlord and tenant
- 7) Gearing to inflation or other indices
- 8) Is the rent inclusive of any of the following:
 - f. Service charges,
 - g. Business rates,
 - h. Other properties
 - i. Insurance,
 - j. Repairs
 - k. Other services

List of adjustment factors

We appreciate that some information is too commercially sensitive to share in detail at this stage (even in the more limited way proposed). We set out a list of commercially sensitive data in response to question 6, which we would not recommend being shared by the VOA, even to relevant ratepayers, until at least a challenge stage. However, it would be necessary for the VOA to list the factors that have resulted in an adjustment to the headline rent (e.g. to disclose that the lease is subject to a rent free period and service charge caps, for example - which have resulted in an adjustment to headline rent – even if the full details of those adjustment factors are not made available by the VOA at this ‘pre-challenge’ stage).

Sharing to relevant ratepayers only

As we indicated above, we understand that the information listed above would only be made available to relevant ratepayers (which should include tenant, landlord, or their agents); in a limited way – either through a Government tax portal or via some application process. It is important that people that have access to this information confirm that they understand that the information is solely for the purposes of understanding their rateable value assessments, and they are obliged not to publish the information, or publicly share.

‘Key rents’ to be disclosed

We would assume that the VOA would disclose all the ‘key rents’ at this pre challenge stage including any which did not support the valuation basis adopted by the VOA.

Question 5: What are your views around the examples at figure 4 regarding properties valued under a national scheme?

No comment.

Chapter 4 questions

Question 6: When it comes to business rates valuations what specific information do you consider to be sensitive or commercially sensitive and why?

This is challenging to answer as a representative body – as what might be considered to be sensitive to some parties may not be considered sensitive to others. We recognise that the degree of sensitivity can often reduce over time and the fact that there is a two year gap between AVD and a revaluation is likely to mean that transactions which are highly sensitive at the time of their agreement may well be less commercially sensitive by the time they were shared with directly affected ratepayers. However, there are categories of data which are generally considered to be highly sensitive – which we would recommend should not be shared by the VOA at the pre-challenge stage – we’ve listed these below.

Highly sensitive information – not to be made available until appeal stage:

- 9) non-disclosure agreements
- 10) capital contributions
- 11) side letters
- 12) turnover rents
- 13) rent free periods
- 14) service charge caps
- 15) premiums or reverse premiums
- 16) stepped rents - different levels of rent (up or down) fixed at the start of the lease and can apply over a short period or the whole term - along with the amounts
- 17) costs of improvements, including fit out
- 18) other financial inducements to take the tenancy

Question 7: Do you have any specific data sharing concerns as a result of understanding the disclosure and transparency proposal set out in more detail in this consultation?

We are not concerned with the level of data sharing proposed in the consultation as it stands – on the contrary, we think more information will need to be shared in order to allow ratepayers to better understand whether their rateable value assessments are fair and accurate – and therefore reduce the need for challenges and appeals. See response to question 4 which lists the further information which we think is needed in this regard.

Question 8: What, if anything, specifically concerns you about the risk of onward data sharing – where data might be put into the wider public domain by others?

There is limited concern with the proposal to share further information (as set out in response to question 4) with a limited number of relevant ratepayers only. While we recognise that it will be impossible to totally prevent onward sharing of this information; we recommend that the VOA should impose a clear obligation on anyone accessing that data: not to use it for purposes other than understanding their rateable value assessments; and not to share any information about another business' rateable value assessment publicly.

Question 9: Which of these is more important to you and why? (a) Having more information about the underlying evidence used to assess a/your rateable value (b) protecting data from disclosure (and wider disclosure)?

Both of these are equally important – and a balance must be struck to ensure ratepayers have sufficient information to properly understand and sense check their own rateable value assessments – without making sensitive information too freely available.

Question 10: Do you have any views about how best to balance providing greater transparency with the concerns on disclosure?

As noted in response to question 8, while it will be impossible to totally prevent onward sharing of information shared by the VOA; we recommend that the VOA should impose a clear obligation on anyone accessing another business' rateable value data:

- not to use it for purposes other than understanding their rateable value assessments; and
- not to share any data received by the VOA in relation to another business' rateable value publicly.

Some sanctions would be needed for breaches of these.

Question 11: Are there any other views not covered in previous answers that you'd like to share about the transparency/disclosure proposal?

A few key points which we would take the opportunity to reiterate:

1. Additional information as set out in response to question 4, should be made available to relevant ratepayers at a pre-challenge stage. We suggest that this will need to be alongside the publication of draft revaluation assessments if any Challenges have to be submitted within 6 months of a revaluation, as is planned. This will go much further at ensuring that ratepayers have sufficient information to understand whether or not their rateable value assessments are fair and accurate – and therefore reduce the number of challenges and appeals in the system.
2. Those accessing this data should be subject to certain obligations; including an obligation not to share any of the information publicly.
3. The VOA should disclose all 'key rents' at this pre challenge stage. The additional information should be made available to a relevant ratepayer, and their landlord, who also has a vested interest in ensuring the rateable value of their property is accurate. Furthermore, a landlord should be made aware when information in relation to their property is disclosed to the VOA by a ratepayer – and vice-versa.