**Check, challenge, appeal - Reforming business rates appeals - consultation on statutory implementation**

**Purpose**

For approval.

**Summary**

This paper introduces the LGA response to the government’s consultation on detailed regulations implementing the new Check Challenge and Appeal system for business rates.

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| **Recommendation**  That the Resources Board agree the LGA response to the consultation as attached  **Action**  Officers to forward the response as agreed to DCLG. |

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**Background**

**Check Challenge Appeal**

1. Business rates valuations are normally carried out every five years, although, exceptionally, the revaluation scheduled for 2015 was postponed until 2017. Revaluation involves assessing a property to ensure that economic changes in property values are reflected in rateable value. Between revaluations rateable values only change, other than for inflation, as a result of appeals or physical changes to the property or location (for example an extension to a factory, or a change in the environment such as a new road).
2. Typically over 50 per cent of non-domestic properties are subject to appeal following a revaluation. There have been 900,000 appeals since the 2010 revaluation, with over 300,000 still outstanding.
3. From April 2017 the Government is introducing a new system for dealing with challenges to rateable values. Ratepayers will be required to firstly ‘check’ the facts that their rateable value is based on. They may then go on to put in a formal challenge which must be accompanied by an alternative valuation and all the evidence to support it. Only after these steps have been completed can a valuation be appealed. A ratepayer will not be able to introduce new evidence at appeal stage. There will also be a fee for submitting an appeal, and fines for ratepayers that provide false information knowingly, recklessly or carelessly.
4. Following an initial consultation on the proposals, the Government has confirmed its intention to implement the reform and a more detailed consultation on the draft regulations was published on 16th August, the closing date is 11th October. This also sets out the precise role of local government, and gives it a new right to:
   1. receive information relating to challenges,

* 1. receive the results of challenges; and
  2. provide information to the VOA which may be of assistance in resolving these challenges.

1. However local government will no longer be able to join appeals which do not relate to their own premises, and this is something about which the LGA has heard concern.
2. It remains to be seen exactly what impact the reform will have on the scale and volume of appeals, and on when they are lodged. The Government’s overall aim is to reduce the number of appeals. Some in local government feel that it will only lead to a more drawn out process and will not reduce the requirement to make provisions.
3. In its draft response the LGA states that with the move to local retention of business rates, resolving the appeals issue is one of the highest priorities for local government. Therefore the key test of the success of the new system will be if it leads to less uncertainty for local government and a material reduction in provisions.
4. We also express our concerns that the Valuation Office Agency should have sufficient resources to deliver the proposals (the current large backlog of appeals suggests that they currently do not have the required level of resources), and for all current appeals to be resolved within 12 months of 1st April 2017.

**The questions in the consultation**

1. As can be seen from the response, the consultation has seven questions. The key ones are:
   1. Q1 asks whether the change to regulations implements the government’s policy intention. The draft response says that the draft regulations do put in place the check challenge and appeal system but still expresses concern that the process could still be dragged out. It recommends a time limit on proposals of six months from when the list comes into force in most cases, thus mirroring the situation in Scotland.
   2. Q5 proposes a modified approach to dealing with material changes of circumstances (physical changes to an area such as a new road which may affect rateable value). It proposes that a ratepayer should submit a check as soon as possible and then will have 16 months to submit a proposal. The draft response recommends that this be reduced to 6 months, in line with our response to Q1.
   3. Q6 concerns a change to appeals against valuations, which will result in the Valuation Tribunal only ordering a change to rateable value when the valuation appealed against is outside the bounds of reasonable professional judgement. The draft response recommends that we agree with this on the grounds that it will reduce the number of appeals over small differences in valuation.
   4. Finally Q7 concerns the local authority role. As stated above, the regulations propose new rights to receive information relating to challenges, to receive the results of challenges; and to provide information to the VOA which may be of assistance in resolving these challenges as well as greater access to appeals lodged with and determined by the Valuation Tribunal for England. The LGA welcomes these rights. However councils will no longer have the right to make proposals which do not relate to their own premises. The LGA has heard concern about this from local government, particularly in the context of business rates retention. The draft response proposes that billing authorities should continue to have rights to make proposals under the regulations.

**Recommendation**

1. The Board are asked to approve the attached response **Appendix A** and request officers to forward it to DCLG.