

IBRF Response Document

VOA Discussion Paper 1.0
Revaluation 2010
19.02.2007



IBRF response to VOA Discussion Paper 1.0 Revaluation 2010

The IBRF welcome the opportunity to comment on the above paper &, in particular, in the accepted knowledge that the IBRF have been at the forefront in support of modernisation of the Rating Valuation process & the Business Rates system in general.

In order to be as brief as possible, it is our intention to answer the questions raised rather than make comment in relation to each individual section although specific points may be made in order to support our opinion.

Prior agreement

We agree entirely with the benefits (outlined under Para 4 of the document) that a policy of prior agreement would bring to our member organisations, to the VOA, &, ultimately, the taxpayer. We do not propose to repeat the listing of those benefits but will add the following points.

In order to emphasise our support of this initiative, IBRF members collectively contribute approx 4.0% of total exchequer revenue from Business Rates. From a survey of one of the UK's top 5 financial institutions, if all the hereditaments within their portfolio had been prior-agreed for the 2005 Revaluation, their annual rates budget would have been reduced by approx 6.9% (roughly £4.1 million pa). This revenue-positive affect may be mirrored by other large multi-site organisations, especially when consideration of existing reactive appeal-based practice is taken into account.

If such statistics are to be accepted, we believe that prior agreement may result in a positive degree of influence on DCLG's advanced calculations of the "rate product", thereby enabling them to accurately forecast an appropriate rate poundage which could, in turn, lead to a revision in (or abolition of) the Transitional Relief scheme. In addition, the ultimate benefit to the ratepayer will be a more stable budget & cash-flow forecast over the 5-year Revaluation cycle leading to greater economic efficiency & better use of financial resource.

The term "prior agreement" would appear to indicate advanced "settlement" of rateable value without recourse to appeal. We would like to make it clear that we would oppose any diminution in the ratepayers right to appeal under current regulations & would, therefore, wish to see such unfettered rights continue.

A particularly sensitive area that may need to be considered if a prior agreement scheme were to be successful is the wholesale "buy-in" to the process by ratepayers agents. Within the IBRF we are confident that our current collective Revaluation 2005 policy of giving careful, opinionated, judgement to respective RV's has provided a more strategic & efficient practice of consideration of each RV to the extent that we have been able to concentrate consultants efforts on those properties that merited appeal & not merely to raise appeals en-masse. However, our policy of remuneration for such action may not be mirrored elsewhere & consequently we appreciate that consultants may have difficulty in engaging in prior-discussions for certain clients on their current "incentivised" fee basis. To that end, we would wish to see closer engagement with the professional bodies not only in the spirit of co-operation but also in the education of client groups/ratepayers accordingly in order to establish a fair basis of remuneration to achieve the desired "prior agreement" across all property classes & in order to encourage a move away from dependency (& the apparent resource inefficiency) on the appeals system.

Can prior agreement be achieved in other ways?

At this stage of consultation, we wish to reserve comment in relation to this particular question, pending further discussion amongst IBRF members at our next meeting. It is our intention to provide a suitable response if considered necessary & appropriate.

Valuation Schemes

Appendix 1 of the document outlines categories of properties that have prior-agreed valuation schemes for Revaluation 2005. For the sake of accuracy, remote ATM's should be included within Appendix 1 because an agreed scheme of value based upon a matrix scale was successfully established prior to 1 April 2005.

Appendix 2 lists a selection of properties considered suitable for prior agreement; we would like to suggest that the following IBRF-related property categories may be included:

- Computer/Data Centres
- Cash-Handling Centres
- Cash/Bullion Stores
- Disaster Recovery Centres
- Corporate Headquarters buildings outwith established office locations

Similar worded Rating List property descriptions should, naturally, be included within the above categories.

Software applications & Information exchange

We have no specific comment to make with regard to this proposal but would agree in principle that the availability of such helpful software is encouraging. If such

software is available free-of-charge to ratepayers & their agents, this may also encourage greater participation in the valuation process.

If any form of valuation scheme or individual values are capable of prior agreement, then extensive use of electronic communication or appropriate software applications is necessary in order to exchange relevant information. To that end we would like to see an expansion of the current VORC scheme which we envisage would act as the linchpin in efficient communication between multi-site ratepayers & the VOA. In the few cases where the current VORC scheme has functioned efficiently, regular exchange of information via a reliable & stable resource has proved vital. However the VORC scheme has not worked as efficiently as was originally anticipated for a number of IBRF members due, largely, to a failure in the stability & reliability of such resource.

Use of the MERI system to gather information has, we understand, also had a mixed reception but we consider that any problems related to exchange of information in this format need to be fully resolved in order to aid any prior-agreement of schemes or individual RV's. Our members are keen to engage with the VOA to promote the exchange of information in the most efficient manner & would wish to participate wherever possible for Reval 2010.

Prior agreement of individual valuations

"The opportunity is likely to be available only to ratepayers occupying significant numbers of properties of a similar type". This statement appearing in Para 6, Line 6/7 of the consultation document is encouraging. IBRF members occupy a significant number of "High Street Retail" properties & old, largely obsolescent, mausoleum-type Bank-style buildings that may adequately fall within the descriptive bounds of this statement.

We consider that it is important to at least prior-agree valuation schemes for such "bulk-class" premises, especially where the availability of evidential rental information should be abundant. We accept, however, that due to the nature of our "retail-type" premises, any such valuation schemes should not be viewed in total isolation but should be considered alongside other retail premises within the same location.

Provision of "Summary Valuations"

We consider that it would be beneficial to all ratepayers for them to be provided with a summary of each individual valuation similar to those issued prior to Reval 2005. Our members found this information to be very useful & aided the process by which decisions were made to accept or appeal assessments. This process also helped to establish a degree of confidence in the valuation process, helping to clear some ambiguity & confusion without the need to seek professional advice.

We believe that the VOA should issue Summary Valuations well in advance of the next Revaluation. Additional information such as a comparison with the 2005 valuation would be helpful, together with an estimated forecast of potential rate liability emanating from the respective change in RV (if any).

Valuation "Features"

This is of particular interest to IBRF members because we consider that there are numerous inherent "valuation features" commonly found within the property portfolio's of our members.

Appendix 3 lists numerous features where "value" may be prior-agreed but we would also wish to add to that list as follows:

- Value of CCTV systems/Security cameras in retail premises, although we consider that such systems installed within retail/banking premises are not rateable.
- Value of "Frontage" restrictions within bank-type properties; continuation of the previously established & agreed matrix of allowances is justified but clarification of certain elements is required.
- Continuation of established "end allowances" where appropriate in order to avoid necessity to appeal on new Rating List.
- Value of standard elements of Plant & Machinery, e.g. Air Conditioning/Heating/Cooling systems.
- Value of other items of non-standard Plant & Machinery e.g. Wind Turbines, Solar Heating, Geo-thermal ground water Heat-extraction systems, Sea-water extraction heat-pump systems etc. which contribute to the lowering of the carbon footprint of our operational premises in line with the Governments policy on energy efficiency/green issues. We consider that such systems should be exempt.
- Tenants alterations in pursuit of legislation-enforced "improvements" such as those required to be implemented under the Disability Discrimination Act, Fire Regulations, Health & Safety at Work Act, etc.
- Value of obsolete areas such as Strongrooms, Bookrooms, etc. which are no longer required by members.
- Value of ancillary accommodation, e.g. office/staff accommodation. This is of particular relevance to our members where such accommodation is used/occupied in conjunction with retail accommodation & is not capable of separate occupation/letting.
- Value of Frontage/Depth ratio in retail premises
- Value of quantum allowances for larger premises.

Summary

This document is not intended to be exhaustive but merely an initial response to the consultation document. The IBRF will be represented at future NRF meetings where we can, if necessary, expand on the points raised. In any event we wish to participate in & encourage early dialogue to progress prior-agreement & would welcome any opportunity to assist in this matter.

R H Littlewood

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