

Treasury Committee

Oral evidence: Impact of Business Rates on Business, HC 1944

Wednesday 10 July 2019

Ordered by the House of Commons to be published on 10 July 2019.

[Watch the meeting](#)

Treasury Committee Members present: Nicky Morgan (Chair); Mr Steve Baker; Colin Clark; Mr Simon Clarke; Charlie Elphicke; Alison McGovern; Wes Streeting.

Housing, Communities and Local Government Committee Members present: Mr Clive Betts, Chair; Kevin Hollinrake.

Questions 442-635

Witnesses

[I](#): Melissa Tatton, Chief Executive Officer, Valuation Office Agency; and Alan Colston, Chief Valuer, VOA.

[II](#): Jesse Norman MP, Financial Secretary to the Treasury; Rishi Sunak MP, Parliamentary Under Secretary of State (Minister for Local Government), Ministry of Housing, Communities and Local Government; and Mike Williams, Director, Business and International Tax, HM Treasury.

Examination of witnesses

Witnesses: Melissa Tatton and Alan Colston.

Chair: Welcome to our first panel on business rates. I ask you to introduce yourselves very briefly, and then we have a series of questions. As you know, we are seeing the Minister and one of the Treasury officials after this session. Ms Tatton, perhaps we can start with you.

Melissa Tatton: Thank you. I am Melissa Tatton, chief executive of the Valuation Office Agency.

Alan Colston: I am Alan Colston, chief valuer at the Valuation Office Agency.

Q442 **Chair:** Thank you very much for being here this morning. I am sure that you have been following, or at least have been briefed on, the evidence that we have been hearing throughout this inquiry. It will not surprise you to know that the work of the VOA, its resourcing and case load have come up quite a number of times. We are going to explore that this morning.

Ms Tatton, we have had a lot of evidence. Here is just one extract, from Powis Hughes Ltd: "The 'Check, Challenge and Appeal' process is cumbersome, awkward and administratively burdensome. The system is so predicated against ratepayers that there is potentially a denial of justice and ensures due to the jargon and complexity that in virtually every instance a ratepayer needs to instruct a competent professional at additional cost." How does that make you feel as the chief executive?

Melissa Tatton: That is not something that I would agree with. When I last appeared before you, we recognised that there were some early teething problems to resolve. When I came before you last summer, I explained that we had an improvement plan in place, which we have delivered to time and to plan. The system is working. People are using it. It is not possible to compare it with the previous system.

Q443 **Chair:** I am not asking about comparisons. As it currently is, the system is unworkable. There is a whole issue about the complexity of the business rates system, which I appreciate is a question for Ministers, and we will be exploring that with them, but the check, challenge, appeal system can often be the difference between someone staying in business or not. They cannot work the system and it is taking too long. They cannot work it without having a professional adviser who they have to pay more money for. That can't be a system that you are proud of.

Melissa Tatton: It really matters to me that we provide good customer service and that people are able to check and challenge when they want to do so. But the system is working and people are using it. There has been a steady increase over the last year of people using check and challenge. It is straightforward in terms of the steps—I have been through the process again more recently, just to re-familiarise myself with it—but it does



HOUSE OF COMMONS

require people to provide evidence supporting their check and their challenge, particularly at an earlier stage. That is different from the old system, where it was possible to put in a speculative appeal with little or no evidence.

Q444 Chair: We will come on to some of the requirements for employees who use the system and have to put in evidence. Surely one of the KPIs of the system is how many appeals are outstanding. I wrote to you in June, and you kindly replied to me. Your letter noted that there are 16,000 appeals outstanding from the 2010 rating list. I notice that you distinguish this from the 53,000 cases held up in litigation or awaiting listing by the independent Valuation Tribunal Service—I take it that is not your responsibility. But there are 16,000 appeals outstanding from the 2010 rating list, of which 320 relate to appeals before March 2013 and a further 7,000 relate to between April 2013 and March 2016. We are now in 2019 and the new rating list came in in 2017. Why are there still appeals outstanding from 2010?

Melissa Tatton: It is a reflection of why the previous system wasn't working. We have had over a million appeals—many of them speculative—and 70% of them resulted in no change. But, as you say, of those that did come through, over 50% came through for the last two years of the list. Although they are not appeals that were made in 2010, they relate to the 2010 list. The system has since been reformed. We have cleared 98% of those that are within our control, and we are on track to meet our commitment of clearing those by September 2019—this year.

Q445 Chair: Of those in your control, how many, when it is finally decided, are subject to downward transitional relief based on inaccurate 2008 data, using the 2010 list?

Melissa Tatton: So 30% of the overall result in change, but over 50% of the change relates to a change in the property or location that happened after the date of the list. So they are changes that happened subsequently rather than inaccuracies.

Q446 Chair: I don't understand that about a change. I understand about inaccurate information—rooms that were not counted or whatever. It cannot be related to the location, because the one thing we have heard in evidence is that we have a property tax because a property cannot be picked up, moved and traded online.

Alan Colston: Under the 2010 list, and indeed under the 2017 list, there are various grounds on which you can make a challenge: insertion, deletion, split/merger, and physical change in the locality or to a property. You are allowed to make a proposal over the life of the list. So 51% of the appeals that we received on the 2010 list were after 1 April 2010. In fact, under the current legislation you can still make a 2010 appeal in certain circumstances until 31 December this year.

Q447 Chair: How many appeals are driven by—this is not your problem—the fact that business rates are too high? You talk about speculate appeals. Are people basically saying, "We can't afford this. We are going to give it



HOUSE OF COMMONS

a go to see if we can get the amount down”?

Melissa Tatton: That is not something we are in a position to comment on.

Q448 **Chair:** You used the word speculative. How many appeals are speculative?

Melissa Tatton: There were 70% that resulted in no change. Not all of those would have been speculative; some would have been a difference of opinion. But what it was possible to do—we have seen plenty of it—was send in a piece of paper that said, “Rateable value should be £1” and provide no evidence or rationale for that.

Q449 **Chair:** In your letter you said that it is not possible to quantify the potential cumulative value of these outstanding appeals. Would you acknowledge that local authorities face difficulties in ensuring they have retained sufficient reserves if the VOA is not able to give them a value for the appeals outstanding? This will all come back from the local authorities—they have got to provide for this.

Melissa Tatton: Absolutely. I will bring in my colleague, Mr Colston, to explain, but we do work really closely with local authorities and are able to pass on data about appeals as and when we receive it.

Alan Colston: We have 348 local rating lists. We have a relationship with all local authorities. We exchange data weekly with them. It is an issue, but it is one we have grappled with over a number of years with local authorities. We have a good working relationship with all the local authorities we work with.

Q450 **Chair:** Since your letter has been published, we have received evidence that says that the real level of appeals is much higher than the numbers you have given. Is that correct?

Melissa Tatton: No. I have provided you with the data that we have on our system.

Q451 **Chair:** But are you sure that the data on the system is completely accurate and up to date?

Melissa Tatton: Sorry—are you talking about the 2010 appeals or the checks and challenges?

Chair: All of it.

Melissa Tatton: I am confident about the data we have provided. If there is a suggestion that it is otherwise, I would be interested to hear that, but we have provided the data that we maintain.

Q452 **Chair:** Okay. As you said, there were over 1.1 million appeals made in England and Wales related to the 2010 rating list. Have valuation techniques improved since then? Is that what is happening to the numbers?

Melissa Tatton: We learn every time we do a revaluation. Alan is the expert on revals. At the moment, we are part way through doing a 2021 revaluation, and we learn each time.

Alan Colston: Again, I would just remind you that under the 2010 list you can make proposals and challenges for lots of reasons—it is not just about the valuation, and it is similar for the 2017 list—so it is not necessarily about valuation accuracy.

Q453 **Chair:** The operations director at the Valuation Tribunal Service said publicly on 13 June that “it could take us until 2024 to clear...appeals” from the 2017 valuation. Is that a fair statement?

Melissa Tatton: He also indicated a volume range that is not one that we would particularly recognise. I think that probably indicates that this is the first cycle for us and for our customers and colleagues. We will not know how many appeals we will have until the end of the cycle, so it illustrates the uncertainty. We are not anticipating the position that he describes, no.

Q454 **Chair:** But it is possible.

Melissa Tatton: As I say, it is not the range—it is not the estimate that we are working to.

Alan Colston: At the moment they have 70 appeals. They have cleared half of them, I think.

Q455 **Chair:** He said, “it could take us until 2024 to clear business rates appeals against 2017 assessments.”

Melissa Tatton: That is based on their estimate of the number of appeals that may well come through the system. Again, it is an uncertain number that we will get, so it will depend.

Q456 **Chair:** Before I hand over to Steve, I just want to probe your figure about how 70% of appeals result in no change. We have had evidence that says that part of the problem with the appeals system is the lack of transparency, as the VOA does not publish or release the basis on which the valuation is calculated. Under the 2017 list, the VOA calculation is not disclosed until the process goes all the way to the appeal stage—the end of the process—and the onus is heavily on businesses to somehow prove the VOA values wrong, despite not having sight of the VOA methodology.

That is why people are aggrieved. There is a system there—allegedly they can appeal—but they do not necessarily know how you have got to your numbers, so they are appealing blind. No wonder people are putting in information, perhaps with not enough evidence, and then finding that the system is not working for them.

This is a system that is just not working. I think the whole business rates system is not working, by the way; if the Ministers are watching now, that is exactly what we will be asking them about, because they have to do far better. This bit of the system—the bit that actually needs to be efficient, so that businesses get the right amount that they are paying, and if they need money back they get it quickly—is not working, is it?



HOUSE OF COMMONS

Melissa Tatton: If I may, I will start, and then I will ask my colleague to come in. We are sharing more at an earlier stage under CCA than we have done previously. Publicly available data can be accessed by anyone under “Find your business rates”, which allows people to look at the survey valuations and methodology and compare that.

Q457 **Chair:** The methodology for the individual property, or the valuations? I can look up my office and see exactly how you have calculated the business rates on my property, can I?

Alan Colston: Yes, you should be able to see the summary valuation online.

Q458 **Chair:** The summary valuation, not the detailed working or methodology.

Melissa Tatton: And that will provide the links to over 200 practice notes that explain our approach. Once you have registered for check, even before you submit for check, it shares even more data on your own property valuation. In challenge, there is disclosure on both sides of our approach and your approach as the ratepayer, and that is all before you get to an appeal.

Alan Colston: It is important to realise that when we are compiling our revaluation, we get the data from the ratepayers and their advisers at that point. We also engage with stakeholders early in the valuation process; at this point in time, for the '21 reval, we are engaged with over 100 stakeholders in discussions. We have taken evidence to support the work that we do, and we have published 350—

Q459 **Chair:** What sort of stakeholders are they?

Alan Colston: They are representative bodies for a range of industries. There are about 350 property classes. We publish 220 valuation practice notes each time we do a new valuation list. We obtain that information at an early stage. We are happy to hear from ratepayers and their advisers, and for them to engage with us at an early stage.

When we publish a list, we publish the scheme valuation. There are something like 50,000 to 60,000 regional valuation schemes that will provide a summary of, for example, offices in Canary Wharf—the range of value is from £300 to £400 per square metre, or whatever it happens to be. We publish an awful lot of information and we produce summary valuations that allow people to compare the valuation for their property against the valuation for their neighbour's. We engage and publish an awful lot of information during a revaluation and subsequently.

Chair: People who provide evidence to us will be listening to this evidence. I hope that they will come back and let us know what they agree with and what they don't.

Q460 **Mr Baker:** I listened really carefully to that. Before we go any further, I was just checking how long each of you have been in post and I want to say thank you for doing the job. It is not often I say this, but I would not want to swap places with you. It seems to me that you are drowning in



HOUSE OF COMMONS

the bureaucracy in the system that you have to operate. I want to say that by way of context, but I have some hard questions that I have to go through anyway.

On response times, for the benefit of the record can I take you through the process? Once a business has registered on the system, it can take 15 working days for a claimed property to be approved, we understand, at which point you can request valuation details which can take another 20 working days. After a check has been made, it is only if you have not heard back from the VOA after 12 months that you can go to challenge. The VOA then has 18 months to respond before somebody can proceed to appeal. That means that a business will potentially wait 950 days before it can lodge an appeal against its rateable value. Is that right?

Melissa Tatton: Those are the statutory timelines. We have targets to process cases more quickly than that.

Q461 **Mr Baker:** When it was set as a statutory timeline, presumably it went through as a statutory instrument, not in primary legislation.

Melissa Tatton: That I don't know.

Alan Colston: Yes, that's correct.

Q462 **Mr Baker:** I wonder whether we might look at what was said during that Committee, and whether any Member—I hope I was not on it—spotted it.

Melissa Tatton: We are clearing the majority of checks within three months and challenges within 12 months.

Q463 **Mr Baker:** Even so, for a business that might be really struggling with its rateable value that is still a long time. I feel sure that you would accept that.

Melissa Tatton: It is an improvement on the previous 2010 appeal system. By being able to weed out cases that have little or no evidence, we are able to focus on those cases that need attention.

Q464 **Mr Baker:** Okay, let's just drill into that. When you focus on those cases that need attention, how do you prioritise?

Melissa Tatton: They are cases that have provided evidence and come through. I am comparing it with the 2010 appeals, where a large number of cases had no evidence provided. When you come through check, you look at the facts, you agree them or correct them, and then the valuation can be amended at that stage. Your point was that it takes a very long time to get to an appeal. The whole purpose is that you may not need to get to an appeal. It is quite possible to resolve the case at a much earlier stage without needing to go to tribunal.

If what you disagree with are the facts of your case, they can be resolved at check stage, so we are clearing the majority within three months. That may be all that is required in order to get your valuation amended. When you then proceed to challenge, you are working on the basis of agreed facts between the agency and yourself, and there is a chance to provide



HOUSE OF COMMONS

evidence. Again, it is possible for the valuation to be amended at that stage. Only cases that really need to go to appeal do, so it is actually supporting much earlier resolution, and cases can be resolved at an earlier stage.

Q465 **Mr Baker:** Could you provide us with some statistics about the majority that you are doing in three months? Is it 60% or 90%?

Melissa Tatton: In 2018-19, we achieved 79% of checks within three months. Our target is 90. We recovered in quarter 1, so that has gone up. For last year, we had quite low volumes—81 of our challenges were resolved within the 12-month period.

Q466 **Mr Baker:** I think it is going to be quite difficult to get through these numbers in oral evidence, so I wonder whether you could write to us.

Melissa Tatton: I am very happy to do so.

Q467 **Mr Baker:** Could you explain for businesses, which will be very concerned about this—I have some in mind—why you are allowed to take up to a year to check on the rateable value?

Alan Colston: They are legislative backstops; the legislation requires it. They are not something that we would seek to rely on; it is just that you have to have an opportunity for the ratepayer to progress their case through the system.

Q468 **Mr Baker:** Let's not pretend that Back-Bench Members of Parliament drafted this timeline. It was drafted by the Government somewhere. It was an official recommendation to Ministers that Ministers signed off. Can you just talk through why that recommendation of 12 months will have been made to Ministers?

Alan Colston: It is not our legislation.

Melissa Tatton: I cannot comment on the policy, but perhaps I can speak in very general terms about timelines in terms of operational activity. We have targets that set us deadlines that are far sooner, and I am really keen that we work as quickly as possible to ensure that we deliver really good customer service, but in any sort of operational activity there will be some timelines that allow for proper administration of the system. The timeline is longer for challenge than for check, because it is a more complex process. Some of those will, as Alan suggests, require some to-ing and fro-ing between the agency and ratepayers, and possibly their agents, to discuss some quite complex matters. It is not something that you could turn around in a week. That is the reason the deadlines tend to recognise the complexity of the activity and the time it takes to fulfil our obligations.

Q469 **Mr Baker:** I appreciate the answer, but I rather fear we have dived into the mists of how decisions are made in Government among multiple agencies. If you were asked by central Government to give a recommendation on how long you needed, what would you say?



HOUSE OF COMMONS

Melissa Tatton: If we are asked for advice on how long is needed for anything, we need to take into account a whole range of things. I cannot comment on decisions that were taken previously, but the things I would take into account are resourcing, funding, IT and data. Those are the sorts of factors that will enable me to decide or give some advice on how long things take.

Q470 **Mr Baker:** As I listen to you, I want to be sympathetic, because I know you have your own difficulties to cope with in all this very difficult work. Equally—forgive me for saying so—it is somewhat excruciating for me, and I suspect for other Members, because we will all have businesses in mind that very clearly have the wrong rateable value. I could give you examples, but it would be invidious to put individual cases before you. The idea that it could take a year for such a business, which may go out of business and leave yet another empty store front on the high street in High Wycombe, makes it very difficult to sympathise with you. What could we do to squeeze down this time to check on rateable value from a year to substantially less? Perhaps you could give us some ideas, Mr Colston, about what we could do to help you squeeze down these times.

Alan Colston: There is already a process for those suffering financial hardship, which we prioritise. If a particular business is suffering financial hardship and thinks its rateable value is wrong, it needs to let us know about that.

Q471 **Chair:** What do they need to tell you?

Alan Colston: Just literally what I have just said: that they are suffering financial hardship.

Q472 **Chair:** Do you ask them for bank statements, directors' earnings, what people are taking home or the number of employees being fired?

Alan Colston: No.

Chair: Really?

Alan Colston: No. We—

Chair: A business is just going to contact you and say, "I'm in financial hardship. My rates bill is proving to be impossible to pay. Can you please accelerate?"

Alan Colston: And we will.

Q473 **Chair:** How quickly can you do it?

Alan Colston: We will prioritise those cases. We try to turn those around within two months.

Q474 **Mr Baker:** But the statutory limit is 12 months.

Melissa Tatton: We will also flag, where we think it is appropriate, to local authorities if we think there may be reliefs. We do not administer reliefs, but we remind people that they can contact local authorities to

discuss the availability of reliefs if that is appropriate. I do understand the issues, and we care very much about customer service, so we will do everything we can.

Q475 Mr Baker: I think we could be having a similar conversation about the 18 months to respond to a challenge, couldn't we? Is that not the case? You get 18 months to respond to a challenge.

Melissa Tatton: To make a decision.

Alan Colston: That is a legislative backstop again. As soon as we receive a challenge, we aim to respond and supply the evidence that we hold in respect of that challenge. Then it is a discussion with the ratepayer and their adviser, and if we can agree, that is the end of the matter. If we cannot, we issue a decision notice.

Q476 Mr Baker: Could you write to us and give us a breakdown of how long you actually take within these legislative backstops? I think it would be most helpful to really understand what the facts are, versus the backstop.

Melissa Tatton: Our target is 90% within three months for check and 90% within 12 months for challenge. As I say, last year, we achieved 79% for check and 81% for challenge. Check is increasing; our performance is increasing.

Q477 Mr Baker: But in contrast to these rather long times you get as a legislative limit, ratepayers might only have, say, 20 days to respond to you. Is that right?

Melissa Tatton: I don't recognise that 20 days.

Alan Colston: They submit evidence to us in the first place. They have four months from the date that we have issued a check decision to challenge and supply us with that information, and then we would respond. They then have a time to respond to our correspondence. Most of that is done digitally through our portal.

Melissa Tatton: But a ratepayer, a customer, can instigate a check at any point during the life of the list.

Q478 Mr Baker: My brief tells me that ratepayers only get 20 working days to respond to any additional requests from you. The one thing I really want to pick up is this: if a business does collapse during your processes, what steps do you take to examine what went on, and what, if any, recompense do people get if the business did collapse during the process of appealing its rateable value?

Melissa Tatton: Our role is a really important one in the business rates system, but it is quite narrow. I recognise the issues and I have sympathy. We would always look at learning about the speed it takes; we would always look at a variety of data, whether it is complaints data or any other data, to see where we could have done better and feed that back in.

In terms of customer feedback, it is not the same as your specific question, but when people go through the check and challenge system,



HOUSE OF COMMONS

they have the opportunity to provide feedback on particular pages and the system itself, and we take that back in and look at that learning.

Q479 **Mr Baker:** How often does a business go under during this process of check, challenge and appeal?

Melissa Tatton: I do not have that data.

Q480 **Mr Baker:** Could you perhaps let us know, please?

Melissa Tatton: I will. I am not sure whether we will have that data, but I can certainly find out and confirm that in writing to you. What we do is, as I say, value the property rather than look at the business as a whole.

Q481 **Chair:** But there must be businesses that were part of check, challenge, appeal and that suddenly are no longer there, or you get a letter written by the creditor to say that X business has gone under and therefore they have dropped out of the system, I assume. I am going to bring in Kevin, but I just want to read you some evidence that we have had from Jolly Jumpers Playzone—it is their moment to have their name in lights. They have informed us that as their business rates bill is extortionate, they fear that they will have to close within the near future if response times are not improved.

They said to us, "We are a small local business, that we set up to provide a healthy safe environment for children and families. We employ over 20 staff, but with the extortionate Business rates, I feel that we will have to close within the near future, with a loss of the facility to the local community and visitors to the area. This has been pointed out to the VOA several times, and despite assurances that our case would be treated as urgent, we are now almost 2 years in and not really got any further to resolving the matter."

I am not expecting you to comment on an individual case. Steve is right; that is not fair. However, that is in direct contrast to the evidence that you have just given us, Mr Colston, so I do not know where the breakdown is. It may well be that at senior management level, you absolutely say, "No, you must treat people who tell you they are in financial stress with sympathy, and accelerate and everything else." However, two years is not two months, and there is obviously something going on. We can provide specific details about that case, and which valuer and which office they have been dealing with, but they are not getting the response that you have just said to the Committee you would give them.

Melissa Tatton: You are right; I cannot comment on particular cases. Were there any general points to bring out on that, or is there nothing further to add?

Alan Colston: I do not think there is anything further to add. Some cases do take a long time; there is an exchange of evidence. I am not saying that in that particular case we have acted in an acceptable way. I do not know the detail.



HOUSE OF COMMONS

Chair: We can pursue that, but I just wanted to point out that people are listening, and Steve is right. What often drives people mad in these sorts of sessions is that what they are hearing from yourselves, who are dealing with many thousands of cases, is completely different from their day-to-day experiences of trying and struggling to pay the business rates bills.

Q482 **Kevin Hollinrake:** I declare my interests: I am a founder and shareholder of a business with quite a large number of retail premises around the UK. I understand that you are suffering IT changes, which are always painful, and possibly a lack of resources—I think we are going to talk about that in a second—but it is important that we confront the brutal facts. It sounds like your position is, “Nothing to see here. Everything is okay.” Is that really your position?

Melissa Tatton: In terms of—

Kevin Hollinrake: In terms of the general system. Are you happy where the system is today?

Melissa Tatton: I acknowledge that there were teething troubles with the system when it was introduced. I think I was before you last in June, and in May we had just published the improvement plan. I can take you through it if you wish, but we instigated and delivered all the improvements that were in that plan. It is much improved. We are far from complacent about timelines, but there is always more to be done and always more to improve. However, it is a much-improved system, and it is working, and people are using it.

Q483 **Kevin Hollinrake:** That’s not the evidence we have heard. In the midst of this inquiry, I think Gerald Eve described the system as “shambolic” and “not fit for purpose”. That doesn’t seem to be consistent with the evidence you have given. He said, “It is the most preposterous, manifestly unfair system of challenging or objecting to rates assessments that anyone could ever possibly devise.” That doesn’t sound like “teething troubles”.

Melissa Tatton: That’s not a view that I would agree with, in a sense—lots of people don’t, in the sense that we have a good number of people. There has been a steady increase of people using check and challenge, and I think I also heard in the evidence that people have recognised that the system has improved since its inception.

Q484 **Kevin Hollinrake:** You said, I think in your earlier evidence, that when an appellant submitted evidence, sometimes they submitted no evidence, just a single blank piece of paper, which must be difficult. Isn’t that what people experience on the other side? Isn’t it a fact that this system is not sufficiently transparent? Is that not the case?

Melissa Tatton: I tried to explain earlier that actually you can go on to find your business rates and you can see—there is publicly available evidence that enables you to compare yours with others. When you go into check, before you submit a check you can actually go in and more evidence is provided about your property in particular. Then, when we



HOUSE OF COMMONS

come to the challenge stage, which is well before appeal, there is a frank disclosure on both sides, including the agency, of the evidence. So there is evidence—

Q485 Kevin Hollinrake: That's not what we have heard from our previous witnesses, who are very experienced. They have been doing this job; Jerry Schurder of Gerald Eve has been doing this job for many decades. He and other people all have a consistent message that that is exactly not what is happening.

I will just read you out a couple of things. The British Property Federation says, "The valuation process is not transparent, which leads to a greater number of appeals and general uncertainty." Another body said the system "lacks transparency and the process requirement imposed are posing a significant impediment" on engaging with the VOA.

The Altus Group said, "The new appeal system, Check Challenge Appeal, lacks transparency: it places no obligations on the VOA to explain how a rateable value has been set and puts the onus entirely on the ratepayer to prove that they have been over-assessed." That's not consistent with what you are saying.

Melissa Tatton: I think it's very important for me to really understand the work of the agency. As I explained when I was before you last, I am out and about, actually seeing our systems working. In advance of coming here, I was taken through—again—the check, challenge, appeal system. In the light of the evidence, that was really important. I have seen for myself the amount of evidence that you are able to obtain from the system.

I don't know whether you want to come in to explain, with your experience, Alan.

Alan Colston: Yes. I think we have already said in lots of instances that we publish the vast majority of our valuations and the way we have undertaken those valuations. I think the evidence you are referring to, in terms of Gerald Eve, may be to do with the rental evidence that we have used—

Q486 Kevin Hollinrake: Precisely. Isn't that the key element of this?

Alan Colston: If I could just expand a little on that, when we are compiling a new list for revaluation, the evidence that we obtain comes from ratepayers and those agents that supply us with that detail. We will then discuss the rental evidence at challenge stage.

There is an issue here, in that people give us information confidentially and we need to respect that confidentiality. The evidence, if we are going to disclose it under the law, needs to be necessary, relevant and proportionate. As I said earlier, lots of challenges that come to us do not require the exchange of rental information. You can make a challenge for physical change of locality, for the property, for insertion or deletion. It is only certain challenges and until we know what those challenges are, we don't know how to respond to them. I think we are treading a fine line on protecting the taxpayer's interest, in terms of the information they provide

to us confidentially. It may actually jeopardise the collection of the rental evidence that underpins the system if we disclosed it more fully.

Q487 Kevin Hollinrake: The basis of valuation is comparables—what comparables you have used to make an assessment of the property that you are assessing. Are you not providing the evidence of the comparables that you have used?

Alan Colston: We will, at the point in time that we understand whether that is required.

Q488 Kevin Hollinrake: But not at the check stage. If I want to see whether my valuation record is accurate, I cannot see the basis of how you have arrived at the figure.

Alan Colston: You can see all of our valuations and all the other valuations of your neighbouring properties. Remember, the check stage is for physical confirmation of the facts; it is not about the valuation at that stage. It is about telling us whether the factual information we hold is correct. You can see our valuations. What you can't see is the information that has been supplied to us by taxpayers.

Melissa Tatton: But we are providing more information at an earlier stage under CCA than we would have done under the 2010 appeals, where the only option was for you to appeal. You are able to engage with us and we are able to engage with you at a far earlier stage, which includes disclosing evidence at challenge stage.

Alan Colston: It does. We do have a process for large agents and for ratepayers to group together, called a group pre-challenge review. They can submit checks and provide us with evidence at a really early stage if they want to. Currently, we have fewer than 20 of those that we are dealing with. We can collectively discuss all the rental evidence available.

Q489 Kevin Hollinrake: In terms of navigating the system, is it easy for people as individuals to go on there and submit their own data without professional help? Can they do that?

Alan Colston: Yes.

Melissa Tatton: It is quite possible, and people do so.

Kevin Hollinrake: Quite possible?

Melissa Tatton: Yes. People do.

Q490 Kevin Hollinrake: One of our witnesses said that they have had to provide a 32-page guide to help people make that submission themselves. They have had to do that—that is not something that is provided by you—because it is so complex. Is that not something you recognise?

Melissa Tatton: No; in terms of check, it is really very straightforward in terms of going on. You need the information in front of you, but it doesn't take very long if you have everything to hand.



HOUSE OF COMMONS

Alan Colston: At check, we supply our information. They check it and supply additional details if it has changed. At challenge, we require three things. We require what rateable value they want, what evidence they hold to support the figure they have asked for and a supporting statement as to how the evidence links to the reduction. I can give you a relatively simple example: "My rateable value is £50,000; I would like it to be £25,000; I enclose my lease." I then say, "The rental evidence that I have paid my lease is the best evidence I have got of rateable value—it was £25,000, not £50,000." That is a challenge. It is a valid challenge, and we would respond to it.

Q491 **Kevin Hollinrake:** Do you not accept the position that businesses have to put in all their potentially relevant data before a challenge and only then can they see the basis for your valuation? You don't accept that that is the case.

Alan Colston: No.

Kevin Hollinrake: You don't accept that at all.

Alan Colston: No, I don't, because we publish all of our valuations in advance. We engage with the industry very early when we are compiling and maintaining a rating list.

Q492 **Kevin Hollinrake:** It would be good to engage with some of the witnesses we have spoken to over the last few weeks, because they don't accept that as a position at all. There is some mismatch between your understanding of how the system works and how our other witnesses, who use this system every day, have experienced it.

Melissa Tatton: I want to be clear: yes, people do use it. It is straightforward to use and we have people who are using it.

You refer to some of those who are agents—who operate with large numbers of clients. Some of the additional functionality that we have provided through APIs—application programme interfaces—since our May improvement programme has specifically enabled people to interact with our system to do that. We worked really closely in partnership with rep bodies, stakeholders and agents to understand what the priorities were for those that need to link in bulk or exchange information with us. We have prioritised those and we have delivered those. They are working. We are having numbers coming through in steady trickles. Agents themselves are having to work on their own software development that slots into ours, but we have made improvements that will make it easier for those larger agents, some of whom you reference.

Q493 **Kevin Hollinrake:** Can I ask the same question? Is your understanding of the system that, "I do not have to move to challenge or appeal before I can see all the data. I can see all the data for the basis of my valuation before I get to the challenge or appeal stage"? Is that correct?

Melissa Tatton: No. As I say, I understand that there is some data that we bring out—

Kevin Hollinrake: That is not what we just heard. You said all the data.

Alan Colston: That is not what I said. I said that you could see all our valuations. We publish the valuations online and we also publish the scheme's evaluation. Some of the witnesses that you have heard from want a public lease register or for all rents to be published. We do not do that. We disclose the rental evidence at challenge stage when we know that that is required. That is the law as it currently stands.

Q494 **Kevin Hollinrake:** Why do you not publish that? We have heard evidence of other jurisdictions, such as South Africa and Slovenia, where they make that information available. I understand about the resources, but would it not be simpler to allow people to see all this data, so they can at least understand where they are in a transparent manner, as in other jurisdictions.

Melissa Tatton: We are bound by the law—in this instance, the CRCA 2005.

Kevin Hollinrake: Which law, sorry?

Melissa Tatton: The Commissioners for Revenue and Customs Act 2005. That requires us to make sure that any provision of information publicly is necessary, relevant and proportionate to our function. We do not consider that confidential rental evidence fulfils that legal requirement.

Q495 **Chair:** Is it not more the case, in your experience, that the property industry would not want their rents and leases publicly available?

Alan Colston: Certain elements.

Q496 **Chair:** Mr Colston, you are an experienced valuer. You have worked in the property industry and have presumably been exposed to it for a long time. It is more about that, isn't it? I completely understand that you have to operate within the law.

Alan Colston: That would be one view that has been expressed, yes.

Chair: I bet it is.

Q497 **Wes Streeting:** In 2007, the VOA had 3,800 members of staff working on non-domestic rates and council tax. In 2019, you had 2,800 staff working on non-domestic rates, council tax and corporate services—a reduction of 1,000 staff but with a greater range of responsibilities. In your letter, you are unable to tell us how many staff worked on non-domestic rates. Why don't you know how many staff work on one of your key functions?

Melissa Tatton: Because we work flexibly across those, so we know how many people we have in the organisation, but in terms of flexing staff across those, we do not keep separate numbers and certainly would not have those historically.

Q498 **Wes Streeting:** Regardless of the exact number, the headcount of relevant staff has fallen. In that time, the proportion of your staff who are



HOUSE OF COMMONS

qualified chartered surveyors has stayed at 25%. Given that the number of hereditaments has increased over the same period, how have you carried out more work with fewer staff?

Melissa Tatton: Probably in the same way as many organisations have done. I am charged with running the organisation effectively and efficiently, and like for many organisations, the number of tools, data and digital transformation have enabled us to do things in a different way. We continue to refine our processes and the way that we operate. Modern technology has enabled us to do things differently.

Q499 **Wes Streeting:** So better ways of working and better use of technology have meant that you have been able to manage the losses?

Melissa Tatton: Reductions, yes.

Q500 **Wes Streeting:** The thing that I find difficult about that is that in every oral evidence that we have had during the course of this inquiry, and certainly in the large amount of written evidence received, ratepayers have told us that the VOA is understaffed, there is a lack of consistency in decision making and they are experiencing increasingly slower response times, which is similar to what we have heard this morning.

I would find what you are saying more plausible if you had said, "We have had serious losses, as lots of parts of the public sector have. I am afraid that we can't deliver the standard of service that we would like." That would be more convincing. What I am hearing is, "We've got resource challenges but it's okay because we're managing our staff flexibly and we have technology in place." That is not reflected in the customer experience.

Melissa Tatton: Whole agency staff numbers as at April '18-19 were fairly static. Obviously, a number left the agency for a range of reasons, and we recruited a number. We are looking to recruit a next addition to the agency of around 100 for this coming year, so we are looking to grow. Clearly, bringing forward the revaluation from 2022 to 2021 and the announcement of more frequent evaluations has changed the picture, so we are looking to grow in the future and will certainly grow this year.

We are sufficiently resourced for this year, assuming we are able to recruit all those that we need to recruit. The challenge will come in later years—those years will be covered by the spending review.

Q501 **Wes Streeting:** What would you say to customers who have been telling us that they are dissatisfied with the service they are currently receiving?

Melissa Tatton: I'm always disappointed when we are unable to provide the level of service that people expect and that I would want to deliver. We have set targets and deadlines, which we are working very hard to meet. I am confident that, when we get the check target, it is going to be more stretching on challenge, which is a more complex area, particularly because some of the same resource is looking for the 2021 reval. Future funding and resourcing of the agency, and what shape and size we need to be, is a matter for the discussions for the spending review, which will be

soon.

Wes Streeting: We hope.

Melissa Tatton: I'm not complacent about customer service. We have targets that we work really hard to meet. I care about all the things that others care about, and my people are very proud of the work that they do. I'm very keen to keep a really strong service.

Q502 **Wes Streeting:** I certainly appreciate that. If I am honest, I think one of the challenges is exactly what you've been through. It's such a familiar pattern right across other publicly-funded bodies and public services: deep cuts, at a pace that is quite challenging; you try to put in place what you can to maintain a good service; just when you are trying to get on to an even keel, then, if you are lucky, you might get a resource uplift; then you have the recruitment and you try and put things into place. This is all really difficult, so I am not trying to be a high-handed Select Committee member telling you how easy your job is. As other Members have said, it is really difficult.

What I am concerned by is that the relationship with the Treasury and the political sensitivity of the spending review means that you are perhaps not as candid as I think you ought to be with Parliament about the resource challenge, so that we are also giving Ministers a hard time about how they are making decisions, particularly on the spending review. I don't think you are currently being given sufficient resources to do the job. Your customers also seem to think that—they are not even attacking the VOA itself, as such, but saying, "We think they are understaffed." If I think that and your customers think that, that's a good resource case. Why don't you think that?

Melissa Tatton: I'd like to take us back a step. When I wrote to the Chair I explained that we had to have additional funds, some to reflect the volumes and some to reflect the bringing forward of the reval by a year. It is always possible to do more with more, but the questions we would have are how easy it would be to recruit and to train people. There is something of that balance. Going forwards, we will be making a strong case for resourcing of the agency under the spending review.

Q503 **Wes Streeting:** Okay. I have a few other specific things, falling out of the broader discussion. We have been told that if someone calls the VOA the individual who answers the call can only send an email to a relevant surveyor but cannot transfer calls. Is that correct?

Melissa Tatton: That sounds possible but I'm not clear. Alan?

Alan Colston: 70% or so of the first calls that we get into our call centres are dealt with at the first point of contact. If it needs a call back, the person will take a message and email the person who needs to call back. It won't necessarily be a surveyor. It depends what the query is.

Q504 **Wes Streeting:** Is that the most sensible way of working?

Alan Colston: Our staff are often in different locations or they are out on site. They are not always at their desks. It is quite effective in getting them through and getting a response from the right person in the second line. The vast majority of our work is cleared at first line.

Melissa Tatton: And we have improved our performance and our ability to deal with calls at first point of contact, which is something I am really proud of. We are strengthening our customer service centre and moving to a two-centre model, which will enable us to upgrade our flexibility and consistency. Alan is absolutely right. Sometimes the person you might need to speak to may well be out of the office. I think it might be far more frustrating to a customer to be passed on to another phone that then goes to answer machine or is picked up by someone else.

Q505 **Wes Streeting:** Okay, so it is not necessarily ideal from a customer point of view, but clearly something you are continuing to work at and making further changes to.

Let me move on to the antecedent valuation dates and its implementation. Why does the VOA need a two-year gap?

Melissa Tatton: The gap set out in the legislation enables us to collect the evidence in advance. There is a complex process to doing revals—it is something the agency does really well. It has a strong track record, and we improve on it each time. Alan is the expert, but there are a number of stages. For us, the first stage is complete, but it is about gathering evidence. Is there anything that you wanted to add, Alan?

Alan Colston: Yes, there are often lags in the property market, depending on when the deal is done. Rent renewal or lease renewal might have a date of, say, 1 April, but the two surveyors involved in agreeing that deal might not agree that rent for nine or 10 months afterwards. The antecedent valuation date gives us the best possible window to gather all the available evidence.

Q506 **Wes Streeting:** How can you deliver more frequent valuations if you need so long to agree each listing?

Melissa Tatton: The process for each reval is normally around three years. We will be starting by 2024, which sounds like a long time away, but probably isn't. It is sooner than we would have done previously, and it will require us to work differently.

Q507 **Wes Streeting:** Finally, let me turn to staff perceptions and staffing engagement. Your 2018 staff survey has only 28% positive responses to the question: "Senior managers in the VOA actively role model the behaviours set out in the civil service leadership statement." Should we be concerned about the ability of senior managers to lead the agency through the challenges presented by check, challenge, appeal? Furthermore, your staff engagement level is also low by civil service standards. How do you feel about that situation?

Melissa Tatton: That troubles me. It is not the score that troubles me. What troubles me is how people feel about the organisation. Our scores



HOUSE OF COMMONS

have been at the same level for about the last six years. I don't think there is any correlation with CCA at all. I am out and about a lot, and I see people who are highly engaged and committed, but I recognise the scores. We really need to do something. This year, I and the senior team of which I am a part have committed to do something about the way that our people feel. We have three really clear priorities. The first is something that is very live at the moment: the point about leaders. We get very low scores at leading and managing change—our perception about doing that. That is something we absolutely need to tackle. By the end of July or the beginning of August, I and my senior team will have been out to visit—in person, as a group—each and every office to engage with people, listen to them and discuss how and why we are changing. It is very early days and I am hoping that will feed through, but early indications are that people welcome that approach. We are also ensuring that we engage people in change more directly, so they feel less “done to”. We are acting on feedback and tackling some of the niggles that people raised with us, and we are continuing to invest in training and development programmes.

Q508 Wes Streeting: What is staff retention and turnover like?

Melissa Tatton: Our attrition rate—I will have to come back if this is not quite right—is, I think, somewhere between 7% and 10%.

Q509 Chair: Could you confirm that?

Melissa Tatton: I will come back to you in writing.

Q510 Kevin Hollinrake: Mr Colston, you said earlier in your evidence that you encouraged surveyors or whoever to engage with you at an early stage, yet isn't it true that you have taken away the direct lines for your surveyors? People cannot contact them anymore. I can describe one of the experiences that a local surveyor explained to me. You now call a call centre in Durham, which cannot connect you with any other regional offices. That is why they always tell you that somebody will ring you back within two working days. Most of the time, it takes 10 to 15 minutes to get through on this line. If they are busy, they switch you to other offices—my rating appeal in Wakefield could be dealt with by somebody in Exeter. Is that not an accurate description of what actually happens?

Alan Colston: No.

Melissa Tatton: No. We have moved to a customer-centred model, and we now have details of the core handling and waiting times—the average time is about 5 minutes. I am sorry if some people have to wait longer. The reason we moved to a two-centre model is to give greater consistency. Actually, that is one of the ways to drive efficiency. Some of the work is done nationally rather than locally, and it enables us to make the best use of the resources that we have. I don't know whether there is anything more that you wanted to add about how you can work with a surveyor once you get in more detail.

Alan Colston: Yes, we have a regional valuation unit structure and a national valuation unit structure. If it is a regional case, they will deal with somebody usually within that region. If it is a national case where there is



HOUSE OF COMMONS

a national rental market or there is a particularly complex valuation, they will deal with somebody in a different part of the country because it is a national team. It very much depends on what case it was.

Q511 Kevin Hollinrake: But the reality is you have taken away the direct lines for the surveyors, which they had before, and made it more difficult to engage with the surveyors that you said earlier you encouraged them to do.

Alan Colston: They have phones and mobiles. They might not be contactable at that particular point in the example that you raised, but they certainly do contact them. Quite a lot of our information is done online now through our digital portal, so there is an exchange of information online rather than by phone.

Q512 Kevin Hollinrake: So those phones and mobiles are made available to the people who are trying to go through this process?

Melissa Tatton: Can I take us back to—

Q513 Kevin Hollinrake: Is it a yes or a no to that question?

Alan Colston: It depends on which part of the process you are referring to and what the nature of the query was.

Q514 Kevin Hollinrake: Is it available at the check stage? At which stage is it available?

Alan Colston: For surveyors it would probably be at the challenge stage. They should be contactable at the challenge stage.

Melissa Tatton: Can I go back to the objectives of check and challenge? It's about ensuring we make the best use of the resources we have, in particular our surveyors. Having people go through the check stage in the first place enables us to deal with straightforward, factual, accuracy points, at which point you should not need to engage with a surveyor. It really is very simple to go and confirm the facts of your case or amend them if you believe them to be different. That is not a stage at which you would normally need to engage, unless Alan tells me differently, with a surveyor. That means you are then engaging with surveyors. Once you have gone through the challenge stage and put your evidence forward, that is a part of the system.

Q515 Mr Simon Clarke: To continue on the theme of the check, challenge appeal, can I raise the issue of multi-site businesses, which at the moment have to appeal multiple sites independently. They cannot do it all in one go, which I understand they can in Wales, thanks to an "authority to act" provision, which the VOA has introduced. Why does England have this situation?

Melissa Tatton: I don't know. I was going to pick up and explain APIs, which have enabled people to do the bulk property linking that is in place. Is there anything that you want to add?

Alan Colston: Wales does not have check, challenge and appeal currently.

Q516 **Mr Simon Clarke:** So Wales effectively is in a completely different situation and does have the ability for multi-site business to all be grouped together into one application.

Alan Colston: It is largely the same system as the 2010 list. In England, check, challenge and appeal came in on 1 April 2017.

Q517 **Mr Simon Clarke:** I appreciate there is this distinction, but why hasn't that feature been incorporated into England because, however much the old system clearly had its drawbacks, the ability to process an application for multiple sites in one go if you happen to own multiple sites seems logical regardless of the system?

Melissa Tatton: One of the improvements that we made in our May 2018 improvement plan was to allow you to create multiple property links through an API. That was one of the key features. We know that that is something that our customers and stakeholders were very keen for us to put in place, and that is now in place.

Q518 **Mr Simon Clarke:** Is your answer that that is the route people should go down if they find themselves in that situation? In terms of the VOA online system and whether or not it is fit for purpose, we have heard that the software is still in beta mode, which means that significant changes occur with minimal notice; that electronic interfaces between businesses and the VOA are still being tested; and that overall the system is seen to lack core functionality. Do you recognise that description?

Melissa Tatton: No. Beta systems happen in government. It means that you continue to look at other opportunities. It does not mean that we do it at short notice at all. If we made a major change, we would obviously notify our customers. There has been some misunderstanding with the application interfaces. The APIs have all been tested, and are working and monitored. All of those things are being done in line with normal industry guidelines.

Q519 **Mr Simon Clarke:** Is it or is it not the case that the website is still in beta mode?

Melissa Tatton: It is still in beta mode, but I would not read too much into that. That is standard. It does not mean that it will radically change.

Q520 **Mr Simon Clarke:** Just to take the written evidence we had from Gerald Eve LLP: "It is unacceptable that some two years after the compilation of the 2017 List the VOA systems remain in beta mode and have been developed with only the occupier of a single property in mind...The VOA portal is subject to ongoing change which means that the method of communication by the VOA varies from direct e-mails to dashboard updates with no consistency or reasonable warning as to when changes will occur. The nature of the beta mode has resulted in some significant changes being made which have caused major operational difficulties to most substantial users."



HOUSE OF COMMONS

Are they just wrong? Is that just frankly not right?

Melissa Tatton: We have made changes that our customers and stakeholders have been keen for us to deliver. We engage really closely. There is a particular forum—the eComms forum—which Alan is familiar with, in which we engage, provide notice and issue information, so I am surprised that this has come as a surprise to people. The changes we have made have been changes that people have wanted.

Q521 **Mr Simon Clarke:** Who comprises that forum?

Alan Colston: It is comprised of our IT developers and the main ratepayers, their agents and their IT developers. We worked hard to deliver things that they actually wanted to see improved, such as the technology talking to each other, which you just mentioned, and the APIs. We have APIs for property linking and for check and challenge. All those things have been delivered as part of the improvement plan that Melissa set out earlier.

Q522 **Mr Simon Clarke:** Was the current system actually tested on businesses before it went live?

Melissa Tatton: Before it went live it would have gone through standard beta testing.

Q523 **Mr Simon Clarke:** I suppose I am asking whether it was piloted before it went full scale across the whole system.

Alan Colston: It was certainly tested but, as we acknowledged when it was launched on 1 April 2017, it was an individual system—you had to individually check and challenge. It was functional and live, and it was tested, but we have improved it substantially for large ratepayers and their advisers over the last 12 months.

Q524 **Mr Simon Clarke:** We have heard from businesses such as John Lewis that it has taken them a year to register their business and their property on your system. I assume that John Lewis has a highly sophisticated team of computer specialists and has great expertise in property management. If it has taken them a year to register all their businesses, does that not suggest that there is still a real problem with the system?

Melissa Tatton: I said before that we cannot comment on any particular ratepayer customer. In general, I do not recognise a year for registration. As Alan explained, registering can sometimes happen in moments, but for some it can take up to 15 minutes. I do not know whether there is some conflation between making a check or whatever, but I do not recognise it taking a year to register on the system.

Alan Colston: It is probably that they are not yet using the application that we have launched, which includes the multiple property linking functions and the API for check. They are probably just developing their systems now to be able to use that. However, I cannot comment on a specific case.



HOUSE OF COMMONS

Chair: We will ask them to clarify. I am sure they are watching.

Q525 **Mr Simon Clarke:** It would be helpful to get an understanding of the particular circumstances. Finally, for a business to actually register with the VOA, an employee needs to provide varying amounts of very personal data, including their national insurance number, their date of birth, their P60, their payslips and their passport. Why, as a matter of necessity, does an employee need to share that with you in order to register things on your systems on behalf of their employer?

Melissa Tatton: I will briefly explain the registration system. There are two steps. One is to verify identity, which is what you are talking about, through the Government gateway system. You may well have an account for another Government service. That is standard. We don't keep that data—it goes through HMRC. The second stage is to create a profile with CCA, for which we require your contact details and your name. Those are the only data that we keep in the system.

One key thing we did as part of the improvement plan was simplify the registration journey, so that only the administrator for the company scheme needed to provide those details rather than everyone. We heard loud and clear that people did not like that, so we made it much simpler so that only one person in a company needs to do it.

Q526 **Mr Simon Clarke:** Just to be clear, if that employee subsequently leaves the business, I assume the VOA takes steps to ensure that their data isn't retained.

Melissa Tatton: That data isn't held by the VOA. My understanding is that it is held by HMRC, very safely and securely. I will need to come back to you on our exact process.

Mr Simon Clarke: It would be helpful to understand that process to ensure that we are not jeopardising people's personal data.

Melissa Tatton: But personal data is taken very seriously by VOA and HMRC—

Mr Simon Clarke: I am sure it is, but it would be helpful to get on the record how that process works.

Q527 **Chair:** I am going to bring in Charlie in a moment, but on that point, did you have a discussion when you were developing the system about why there is a link between the Government gateway and your system?

Melissa Tatton: It is in order to provide some verification of identity to make sure that the right person is able to access the system. We spoke previously about the great amount of information about your property that we provide on check and challenge. In order to do that, we need to make sure that it is the right person accessing it, so—

Q528 **Chair:** Again, I do not think this is your problem, but there was a requirement somehow—somebody came up with the idea that they were going to get it. Let us say that my secretary decides to be the person



HOUSE OF COMMONS

responsible for paying business rates in my office or overseeing the challenge of the system, and she has to give all that personal data to act on my behalf, which is going to go to HMRC. She has not made the decision that she wants her details registered on the Government gateway with HMRC, yet somehow there is the Government hoovering up all that personal data. You can see how people would think, "Hang on, I'm acting in an employee capacity; I haven't made the personal decision to register with the Government gateway, which might help me to find out my national insurance contributions in another guise."

Melissa Tatton: I think ratepayers might value the fact that we are doing identity checks and making sure that we are verifying identity, which is standard for any digital system.

Chair: There are other ways to verify identity than P60s, as most of us know from financial systems.

Q529 **Charlie Elphicke:** Good morning. I want to ask about various valuation methodologies, because the system seems quite quirky. Let us start with pubs. There is the whole idea of a fair maintainable trade basis of valuation, which might have made sense in the days when tied pubs were the normal way of these things but, since then, the market has developed. We have pubcos that squeeze their tenants until the pips squeak and we have independent-type pubs as well. Do you think FMT is out of date? Would it not be more sensible to use a clearer profit-and-loss valuation instead?

Melissa Tatton: Alan is the expert on this one. I will let him explain in a bit more detail how we value pubs.

Alan Colston: The rateable value is an estimation of the rental value. Pubs have a rental market, so we use a rental comparison approach. We use that for 89% of the properties that we have in the list, actually. We cannot use floor space as a comparator—for shops and offices, we use floor space—because you could have a large old Victorian pub in a poor location trading poorly and paying low rent, and hence a low rateable value, and equally a modern pub in a really good location on a small floor plate paying a much higher rent. The market does not use floor space as a comparator; it uses the fair maintainable trade of a reasonably efficient operator.

We are not valuing the actual occupier; we are valuing the property vacant and to let. The rent is determined by the trading potential of the property. A good pub in a good location will tend to pay a higher rent, and hence a higher rateable value, than a poor pub in a poor location. The scheme is agreed by a wide representation of the industry. I also refer you to the Royal Institution of Chartered Surveyors 2010 guidance note on capital and rental methods for valuing pubs, bars, restaurants and nightclubs. The concepts of fair maintainable trade and the reasonably efficient operator are included in that guidance. That is what the market does and that is what we then use in assessing the rateable value.

Q530 **Charlie Elphicke:** Let me put it to you again. You have a basis on which



HOUSE OF COMMONS

you think, "What could a decent well-run pub get out of this?", but in reality, that is not necessarily the same thing as a profit-and-loss account. Would it not be simpler, fairer and easier to just use the straight P and L account basis of rating?

Alan Colston: We are valuing the property, not the occupier. We are looking at it vacant and to let and looking at the trading potential of the pub. The market values pubs using the approach I have just described, so all we are doing, in trying to assess the rateable value and the rental value, is using what the market does as an approach. To do anything else would be contrary to our necessity to arrive at a rateable value, which is an estimation of rental value.

Q531 **Charlie Elphicke:** So you think that fair maintainable trade is the right thing to do, and the VOA take the view that everything is fine and does not need any kind of changing or any review?

Alan Colston: I think the valuation approach is absolutely fine. There are 45,000 pubs in diverse premises. Inevitably, there is a wide range of rateable values and rents. We are reflecting the market in coming to our valuation for an individual property.

Melissa Tatton: It is probably worth adding that Alan's people work really closely with the industry and with bodies that represent businesses large and small in that sector. The guidance that we produce is in consultation with those. We work really closely with our stakeholders.

Q532 **Charlie Elphicke:** My concern is that you have consultations—so you tick that box—and you might get a whole load of responses saying, "We really hate this valuation method." You ignore them, but you say, "Well, we have consulted, and it is all in line with what the market wants." I raise that because every pub and restaurant in my constituency seems to be complaining about this. Many Committee members find that in our constituencies, pub owners and restaurateurs complain about that. Something is not right here, is it?

Alan Colston: If the market set the rent in a different way, we would look at our approach. The fact is that rents are set in the marketplace using the approach I described. That is what we are trying to do, and assess the rateable value. That is not to say that we tick a box of consultation; we actively meet on a regular basis with the representative of the licensed trade. The 2017 scheme was agreed with five different industry bodies, so it has wide representative support. What you might be describing is the individual valuations on the premises, rather than the scheme of valuation. The scheme is consistent.

Q533 **Charlie Elphicke:** So if we call all five industry bodies to give evidence, they will all sit here and nod and say, "Yes, we are very happy with this scheme; it is great and wonderful, the VOA listened to us and we are happy." Do you think they would say that?

Alan Colston: I hope so—it is published on our website and all the associations are shown as agreeing to the scheme.



HOUSE OF COMMONS

Q534 Charlie Elphicke: Moving on, we now have another quirk in the system: valuation of pharmacies. What is the basis for the variation of using per square foot compared with using a rate per patient?

Alan Colston: Pharmacies are another diverse class—there are probably 3,500 pharmacies, give or take. You can have a very large department store-type pharmacy—I do not need to name those—and equally you can have a very small dispensing room in a health centre. What we do with pharmacies is to look at the underlying rental evidence and the rental approach. There will be a rental market for large shops, a rental market for small shops in retail locations and a rental market specifically where the property is located near, adjacent to or in a health centre. You will find that the relationship with size tends to break down when it is close to the health centre. There is a premium paid for the location of the premises, because you can come up to the doctor's surgery and go straight to that chemist for a prescription.

Q535 Charlie Elphicke: Do you think it is reasonable to levy business rates on a pharmacy against footfall in the nearest GP surgery?

Alan Colston: What we are doing is reflecting the market and the rent paid. If the rent paid reflects the premium for that location, as it does with a pharmacy right next to a health centre, the rents tend to be higher and the rateable value will be higher. If the pharmacy is located in a shopping parade, you might find that the rents are very similar to the rest of the shops in that parade, and the rateable value will be similar.

Q536 Charlie Elphicke: Let's take a Boots in a shopping centre, nowhere near a GP surgery—you are not valuing that on the basis of the rate per patient.

Alan Colston: Correct.

Q537 Charlie Elphicke: When do you make the decision to change the basis of valuation from a little pharmacy in a small town to a big pharmacy in some shopping parade?

Alan Colston: That would depend on the rental evidence for the particular property that we were valuing, and would follow the approach of the market in valuing that property. It would not be us who sets the market; we look at how the market has arrived at a rental figure.

Q538 Charlie Elphicke: In general terms, which methodology overall on a per-square-foot basis leads to higher business rates paid in reality? Are higher business rates paid by the little pharmacy or by the big town centre parade pharmacy?

Alan Colston: The rateable value would be much higher for a large store than for a small dispensary room in a health centre. The relative rateable value is probably higher for the small one.

Melissa Tatton: The rating system overall is clearly not one for us. Our role is really important, but it is limited to valuing the property for the purposes set out in the law.

Q539 Charlie Elphicke: The other question we sometimes get is about the different valuation bases for different types of shop. A forecourt shop in a garage seems to be more highly rated, and more expensively business rated, than, say, a large out-of-town supermarket, and then there seems to be a different basis of valuation for, say, a high street shop. Overall, it seems that the large supermarket does better. In addition, can you explain how the rating works with shops in airports? As you know, airports these days are shopping centres with a runway attached. Do they, overall, pay higher or lower?

Alan Colston: There were quite a lot of questions there. Let me start with the rental value for shops. The vast majority of shops are valued using a common approach—the comparison approach that I described earlier—and we look at the rents that are paid for shops. In terms of the high street, we would look at the rent paid within that high street. For the large supermarkets and the large national stores, there is a national rental market. There are rents paid for those particular shops, and we look at the rents that are paid in deriving the rateable value.

We are always following what the market does, rather than trying to invent our own basis. There are about 5,000 petrol filling stations with a shop attached. The scheme was agreed with the industry for 2017. The underlying rental basis is comparative again, so we have rents on petrol filling stations with shops attached, and we follow the market. Again, that approach is agreed with the industry.

Q540 Charlie Elphicke: Then why have they been complaining to me about it from time to time, and saying that it is unfair and that out-of-town supermarkets get away with murder? Are they just making it up?

Alan Colston: I am sure that your constituents are writing to you with their individual concerns about their individual properties. What I am suggesting to you is that the rental market for a particular sector is what we follow. We do not make up the basis of the valuation; we follow the particular rental market for a particular class of property, and we look at how the market does it. That is how we then assess the rental value and rateable value.

Melissa Tatton: Our role is in the valuing of the property, not the overall business rates system.

Kevin Hollinrake: There seems to be a big difference between what information you think you provide at check stage and what the other witnesses are saying that you actually provide. You mentioned comparison data, Mr Colston. Could you send us some examples of what we would expect to see—typical examples of the basis of your valuation at check stage that people would see, having made that initial—

Chair: Redacted, obviously.

Q541 Kevin Hollinrake: Redacted for addresses and all that kind of stuff, but so that we could see exactly what basis these decisions are made upon, and what information is provided at that stage. Could you send us some



examples?

Alan Colston indicated assent.

Melissa Tatton indicated assent.

Chair: Thank you both very much indeed for your evidence this morning. It has been very helpful. I think there are a few points that you are going to write to us on, including that last one, and we look forward to receiving that.

Examination of witnesses

Witnesses: Jesse Norman MP, Rishi Sunak MP and Mike Williams.

Q542 **Chair:** Good morning to our second panel. I welcome back Mr Norman, who has been a member of this august Committee at various points in his political career in this place. I am going to ask you to introduce yourselves for the benefit of those watching, and then we will get started with some questions.

Rishi Sunak: My name is Rishi Sunak, Minister for Local Government.

Jesse Norman: I am Jesse Norman, and I am the Paymaster General.

Mike Williams: I am Mike Williams, and I am the director of business and tax at the Treasury.

Q543 **Chair:** Lovely. You might have heard some of the last session with the Valuation Office Agency. We have had a lot of evidence, as you might imagine. As MPs, we know that business rates generate a huge amount of interest in our constituencies. The firm conclusion of the evidence we have heard so far from those who are paying business rates is that we have a big problem in this country—the Treasury has a big problem. There is a system that is raising £30 billion a year, and it is regarded as inconsistent, inaccurate, unfit for purpose. It is not considered to be keeping up with the modern economy, and it is seen as putting businesses out of business, meaning that they are unable to pay their bills. The situation is deeply unsatisfactory, and the status quo cannot be maintained. Do you agree, Mr Norman?

Jesse Norman: Thank you, Madam Chair, for having me along. I am unaccustomed to being on this side of the rotisserie. I am grateful to you for inviting me and my colleagues to talk to the Committee. I speak with the benefit of six weeks of experience in this job about an area of tax that people struggle to master in 30 years, but let me say a couple of things.

I quite disagree with your characterisation of this system. There is no doubt that the system of business rates is struggling for contingent reasons, which have struck it over the past few years, but I am far from agreeing that it is chronically broken or should be replaced. Let me develop that point, and then you can tell me why I am hopelessly wrong.



HOUSE OF COMMONS

Chair: Very quickly.

Jesse Norman: First of all, the system collects 98% of the tax that is due. Very few other taxes do that, anywhere in the world. That is an attractive quality. It is easy to see who is liable, relatively speaking. It is hard to evade and easy to collect. It has all the good qualities that you want in a tax system. That has been recognised by the IFS, the OECD and a whole suite of outside experts.

You have heard a lot of testimony—I have read all the testimony you have received—from different sources, many of whom pay the tax or represent people who do. There are undoubtedly concerns, which it is important to address, and which I know we will discuss today, but I do not think that the system is irretrievably broken. I also do not think that anyone has yet come up with a suite of alternatives that would raise anything like the amount of money that this does, let alone as equitably and as well.

Q544 **Chair:** Leaving to one side the amount it raises—although it has outpaced the rate of CPI and RPI, so it is unsustainable on that basis—

Jesse Norman: Hold on a sec. I don't agree with that either.

Chair: It just has.

Jesse Norman: To look at it another way, it currently takes—depending on how you measure it and who for—£25 billion to £30 billion. It operates at about 1.25% to 1.5%, depending on how you measure it, of GDP. That has been pretty stable.

Chair: Sorry, but the multiplier has gone from 34.8% to 50.4%.

Jesse Norman: That is true. You were talking about the amount that it takes; I am just pointing out that it takes, roughly, the same amount of money as it has taken—

Chair: Absolutely not. The increase at a gross level is from £10.4 billion in 1990 to well over £30 billion, well outstripping the rate of inflation, whatever measure one uses.

Jesse Norman: Madam Chair, you are a former Financial Secretary to the Treasury as well as Chair of the Treasury Committee. You will know that if you gross up £10 billion over 29 years by 2% to 3%—that is what we are talking about, if we are talking about long-term interest rates or inflation—you can get into the order of £20 billion to £25 billion, so I do not accept that it has changed enormously.

Q545 **Chair:** This is going to be a really painful session if we carry on like this, Jesse. *[Laughter.]* I am not laughing. I am interested in the fact that the Treasury appears to put more weight on the views of the IMF and the OECD than on those of the constituents that we are sent here to serve, and the businesses that are trying to thrive in your constituency, my constituency and the other Minister's constituency.

Jesse Norman: I do not think there is any evidence for that at all.



HOUSE OF COMMONS

Chair: That is basically what you have just said.

Jesse Norman: Absolutely not. We take those issues extremely seriously. You will have heard from the Valuation Office Agency that it takes them seriously as well, no matter what other difficulties it may have. You asked a question, which required some expertise, and I have quoted a series of experts in support of my view. I do not think that is inappropriate.

Q546 **Chair:** First of all, the issue of how much is paid has come from Gerald Eve, which used the system a great deal and advised on it for many decades. The pillars of good taxation are that it should be fair, support growth, encourage competition, provide certainty and be coherent. The business rate system fails on every single one of those.

It is perceived as unfair, on the basis that there are bricks and mortar businesses paying taxes and those online that are not, or that are not paying sufficiently; it is not supporting growth and encouraging competition, because businesses on the high street are being put out of business; it is not providing certainty, because there is no duty on local authorities to provide advice on reliefs and we have to wait until every Budget to know what the reliefs might be for the following year; and it is not necessarily coherent, because, as we have heard, many businesses are unable to work out their own valuations due to the inadequacies of the information on the system.

Jesse Norman: This is going to be quite painful. Of course, whether you think something is fair depends in part on what norms of fairness you apply to it. In this case, business rates are levied neutrally across businesses and sectors, by and large, allowing of course for democratically agreed reliefs. The rates are based on rents, which are agreed, by and large, in open market transactions between the two sides. They are based on the same calculation, by and large. There is the capacity for appeal. Those are not characteristics of an unfair system. I could go through the other ones as well, if you would like.

Q547 **Chair:** You are very welcome to do so, but I am going to ask you a question. If the business rates system is not broken, why are so many reliefs needed?

Jesse Norman: This is a very important point. There is no doubt that the circumstances of the 2017 revaluation created a serious temporary difficulty. The question for the Committee is, in part, whether it regards this as a temporary difficulty or as a sign that the system is irretrievably broken. There is no doubt that when a tax system has lots of reliefs in it, that is a sign that the system is under a lot of pressure. Business rates, for the reasons the Committee has identified and have been amply testified about in previous testimony, are under some pressure.

In the 2017 valuation, as you will recall, you had a situation in which there was a unique combination of relatively high inflation applied and a relatively low increase in rents. That created difficulty. There are important things that the Government can do to try to restrain and respect that, but, as a temporary matter, it is using reliefs. Over the longer term, one would



HOUSE OF COMMONS

expect it to move to more frequent valuations, and with more frequent valuations should come a much smoother link to the way in which economic activity is changing and, of course, hopefully a reduction in the requirement to appeal because the effects are less lumpy.

Q548 **Chair:** We have had evidence from a number of people saying the burden of business rates is just too high, and that is why there have to be reliefs. It is interesting: we have moved in your testimony so far, in a few minutes, from, "It's a system that meets all the relevant tests, which experts say is fine," to, "It's one that is under some pressure."

Jesse Norman: I didn't say that. That is simply not true, I am afraid.

Q549 **Chair:** We are going to move on. I am going to ask you whether you think the business rates system is sufficiently responsive to changes in the local economy.

Jesse Norman: The answer is no. There are definite pressures in that area as well. Of course, there is a degree of responsiveness. It is responsive to relative changes—in economic activity between the north and London, to take an example—but it is not as responsive as we would like, and it is not as responsive as a better functioning system would be. If we had more frequent valuations—this is why the Government are trying to reduce the length of the revaluation periods—you would have a more responsive system. I have not suggested it is perfect on any of the criteria; I have just indicated that there is a case to be made on all four and actually it does okay on all four, considered as a system, although one has to recognise it is under some pressure at the moment.

Q550 **Chair:** I think "does okay on some measures" would be challenged by those who have given evidence and those who are watching. You will have heard some of the evidence from the Valuation Office Agency. One of the issues in relation to the Valuation Office Agency is the ability to challenge the system when there has been a material change of circumstance—this might be something Minister Sunak has a view on as well—relating to events that disrupt the business, such as roadworks outside the building. Of course, if the event relates to an entire street, it results in multiple material changes of circumstances being raised by each of the businesses potentially affected, and of course they are not able to do that while the event is going on. Things like roadworks, particularly if they go on for some time, potentially affect the likelihood of survival of a small business. Why does the system make it so difficult for people to say, "Actually, this is affecting our takings. We need some extra help here"?

Jesse Norman: Again, that is a good question. Of course, there are discretionary reliefs locally, but the local government budget is under a lot of pressure. I do not know whether Mike or Rishi would like to comment on the other aspects, but the point is it is designed to build in a degree of flexibility. Part of the problem has been that the mandatory reliefs inevitably tend to be slower to implement and less well targeted than local reliefs and, as I said, the local government funding settlement is under some pressure.

Q551 Chair: Mr Sunak, what do you think about whether the system is responsive to changes in the local economy?

Rishi Sunak: In our Department, we do not have policy control over business rates—which I know you are aware of—so it is hard for me to comment further than what Jesse said. However, we have the legislative responsibility, and one of the Bills that we are bringing through Parliament is the shrinking of the time between revaluations. Currently, it is five years; there have been long-standing calls from business to reduce that period in order to make the system more responsive to economic conditions changing on the ground. The Bill going through Parliament is saying that we should do it at three years, which strikes the right balance between more responsiveness and having some stability in your rates bill. We have had evidence sessions on business and rating, and companies seem to be relatively fine with that being the right trade-off. It will make an improvement—clearly, five years is a long period—and it is something that all businesses have called for. It was also a Treasury commitment in the Budget last year, and we are now delivering on it.

Chair: We will move on to the Chair of the HCLG Committee.

Q552 Mr Betts: To follow on, the Treasury seems awfully resistant to change—to recognising the changing world we are living in. Is it fair that Amazon pays 0.8% of its turnover on business rates, but most shops on the high street pay between 2% and 6%?

Jesse Norman: In general, the criticism is a fair one. The Treasury is often quite resistant to change, and that is because it operates in part under a mandate to continue to collect tax, and the stability of the tax system and tax revenues has been a priority of Government ever since tax was invented. That's hundreds of years old. It is a fair criticism.

What is interesting is that in this case, that does not really apply to this new digital services tax that we are bringing forward. It is not intended or likely to raise an enormous amount of money, but is a stopgap before we get a wider international recognition. It is not the same thing as an online sales tax; it is a tax on marketplaces and platforms, by and large. However, it represents a pioneering attempt to reach into the online marketplace and to fillet out some of the tax that is due. There are, of course, many wider issues—related to tax manipulation and movement of money around—that are for the taxman as well.

Q553 Mr Betts: It is not going to change the balance between Amazon and the high street, is it, in terms of the business rates paid?

Jesse Norman: I don't think some of the testimony we heard was entirely consistent. There are offline businesses like John Lewis that are heavily online businesses as well and would push back against a poorly designed tax, but Tesco, which is more an offline business than an online one, is keen on the idea. People tend to talk their own interest, and the job of Government is to find a sensible way through.

Q554 Mr Betts: Why does the Treasury not at least accept that there is a



HOUSE OF COMMONS

problem here? Then it can find a solution to it, rather than simply resisting by saying that.

Jesse Norman: I do not think that there has ever been any resistance on that front. The reason why we are to have a digital services tax is in recognition of there being a problem. I have myself written extensively on the problem of what might be called rent extraction with the online platforms, and have even proposed various methods of my own outside the Treasury to address this. There is every recognition of what you describe.

Q555 **Mr Betts:** Right, but that is not what has come across so far. The Treasury has decided that it has gone a bit down the route of dealing with the digital issues and taxation, but it has not really started to address how that might affect the overall business rates system. Are you saying, as a Minister, that there is new thinking in the Treasury and that you will look again at this balance between who pays what in the business rates system, and look at ways to shift that balance more towards online sales?

Jesse Norman: I think the answer is that there is very much a continuing debate within the Treasury about what the appropriate place to level tax is. The digital services tax is the first step; it is rather pioneering. It is the preliminary to a wider agreement. There are issues about taxation other than merely being traditionally charged at the point of sale or of delivering service, so it is a set of issues that the tax system is having to engage with and develop over time. The point is well made by you, and it is one that the Treasury is trying to acknowledge.

Q556 **Mr Betts:** May I ask the Local Government Minister, how far are you engaged in these discussions in terms of the impact on the high street, which is an issue that affects your Ministry?

Rishi Sunak: Obviously, there is a separate Minister for the high street. I believe Jake recently gave evidence to your Committee and you had a debate on that topic, so there is someone in the Department who is fully engaged on high street-specific issues. I don't know whether he has appeared before this Committee, but you know the work that is going on there.

More broadly, when it comes to business rates policy, it is not something that we are actively shaping in that way, because it is a Treasury responsibility. Where we are fully engaged is in any changes to the business rates system that impact local government. Obviously, business rates provide a large amount of funding for local government, so to the extent that changes there impact local government—how reliefs work, the timeframe for reducing them, the compensation for local government from a relief—those are all things we are highly engaged with.

Jesse Norman: It is important to be clear. I am not suggesting that business rates as they are presently set up are the perfect system—very far from it. I am suggesting it is an important part of the tax system and we need to differentiate between wider social and economic changes, specific factors that are clobbering the business rates system at the



HOUSE OF COMMONS

moment and the basic need or value of having an easy to collect, hard to avoid, properly broad, property-based system.

Q557 Mr Betts: Business rates are becoming increasingly important for local government with business rate retention and the 75% figure, if that is still on the agenda. We think it might be; we are not quite sure. It may get to 100% eventually.

Despite the fact that business rates may have been increasing by more than CPI and RPI, the fact is that the pressures on local government finance from care are going up faster than RPI and CPI. We have got a problem here, haven't we, whatever happens from the other side, about the amount of money being delivered for services with increased demand?

Jesse Norman: This is a very deep problem, not just for local government but for Government generally. Again, it is something that I have written about. It is what is called Baumol's cost disease. Service costs are rising faster than manufacturing costs; manufacturing costs are declining because of the lack of ability to bring the kind of manufacturing productivity changes you might get for the service sector.

That is a big problem for Government and, incidentally, applies to the NHS as much as to any other service, and it would apply to local government as well. I think the Government have an enormous process of thinking and are having to wrestle over time with how they deal with an ageing population, with this question of delivering more services, and how that balances against the productivity and technology agendas they are trying to pursue.

Q558 Mr Betts: Will that mean that the Government have to change the business rates system to accommodate that?

Jesse Norman: I am not sure they will change business rates, but they will certainly have to think much more deeply than they have done about how to meet the service provision and funding across the board.

Q559 Kevin Hollinrake: I want to pick up on a point you made earlier. You said that if you indexed any taxation over a 30-year period, you would have that kind of figure.

Jesse Norman: I should have added that there has been some growth in the underlying base. Of course, that is true and so the number will rise in part because of that and in part because a number of extra properties are added. You are right, there is no doubt about that.

Q560 Kevin Hollinrake: Because if you index £10 billion at 2.5% over 30 years, it is £20.5 billion, not £30 billion.

Jesse Norman: I have run the numbers. If you run it as two to three, you get between something like—it is up to £25 billion at 3%, or a bit more. There is no doubt there has been some growth and business activity, as I have said, will accommodate some of that. The point is it is not wildly out of whack.



HOUSE OF COMMONS

The broad purpose of Government has been to try to keep it broadly stable. The interesting question, which you have referred to, is whether that is right and whether there are other taxes that could help lift some of the burden or make it more equitable.

Chair: Charlie. Sorry, Colin, I will get to you.

Colin Clark: Don't worry; I am sitting here patiently.

Q561 **Charlie Elphicke:** I want to look at something a bit more wide-ranging. We are talking about high streets and businesses. The biggest threat to business and growth in the economy would obviously be a complacent and conceited Treasury and complacent and conceited Ministers. I can see, Jesse, that you are a radical and reforming Minister. Have you looked at the options for taxing business more fairly that will support free enterprise, the economic growth of small businesses in particular and the future of our economy?

Jesse Norman: The answer to that question is very much yes. I have only been in the job six weeks and am a complete novice. What I have been able to detect is great interest in the Treasury—among officials and, I think, among colleagues—in trying to find new ways of addressing this need.

First, there is the need for what you might call revenue protection. We are not revenue generating here; we are talking about protecting revenue. Secondly, there is the question of equity, in particular the offline/online balance.

As Mel Stride said to the CLG Committee, and rightly elsewhere, when he was Financial Secretary, there are many things that are contributing to the situation that is happening on the high street. The point you rightly raised is a wider one.

We have looked at things such as an online sales tax. I have talked about a digital services tax. Then there is a sales tax as such, turnover taxes and other forms. If you want to discuss those, I would be happy to do that, or I could write to you with some of the thinking we have done. It is very far from a static picture intellectually. People are trying to work out what the right way forward is.

Q562 **Charlie Elphicke:** I was hoping you might come today armed with and brimming with ideas. It has always struck me that the best source of revenue for the Treasury is growth, because that inevitably leads to higher taxes and more money coming in the door. We all know that the high street is facing challenges, so what is the Treasury doing to help the reform and renewal of the tax system that will support high streets, support businesses and support growth? What are the options?

Jesse Norman: As Rishi has pointed out, this is a whole of Government issue, not just a Treasury issue, but what the Treasury has done is to provide £1.6 billion towards the whole package for improving high streets that the Government have announced. That process, if it is done properly,



HOUSE OF COMMONS

is going to tie in not just specific patterns of reform, but really quite local packages, which might include transport change, other forms of place making, education, culture and what you might call contiguous industrial strategy.

All those things are going to go towards boosting economic regeneration, particularly in areas of the country that have been, as it were, left behind. You are obviously right about that, and the Treasury is trying to fund it up to the extent it can. That is why you have seen things like the transforming cities fund, the future high streets fund or the stronger towns fund. But the wider imperative you describe is going to need some quite nitty-gritty leadership on the ground as well.

Rishi Sunak: I wholeheartedly agree that economic growth is the only way, ultimately, we can pay for all the public services we rely on. In our small part of the puzzle, one thing that we have put in place is the business rates retention pilots. Areas can bid in, and we provide incremental funding, which means that they get to keep more of the business rates growth that they generate. We like that, because it does exactly what you say: it gets local authorities thinking about how to drive economic growth in their areas, and by keeping the proceeds of that, they are rewarded for it. It is working. The pilots are heavily over-subscribed. They are successful. Currently in the system, there is about £2.5 billion of cash that local authorities are retaining in excess of the baseline funding level that they get through those programmes. But beyond the money, changing the culture on the ground—adopting a growth mindset—is incredibly important and something that we are very keen to try to spread as broadly as possible.

Q563 Charlie Elphicke: Devolution is a really positive way forward that gives more responsibility to people on the ground, rather than centralised command and control, but what is the Treasury doing to foster a level playing field with online? I ask because what we have been seeing is a change in our economy, effectively. Less is done in bricks and mortar and more is done online. What is the Treasury doing to look at levelling the playing field, for example by having less business rates and more VAT—issues and options like that? What studies have been done?

Jesse Norman: The difficulty with this whole position—it is one that you have very well explored in the testimony given to the Committee—is that it's terribly easy to think of drawbacks to particular schemes and easier to do that than to think of schemes that will thread their way through the invariable objections. Of course, one effect of the way in which our political culture is changing is that well organised small numbers of objectors have large amounts of often political influence. So I don't think there is a simple solution to this problem.

The first step we have taken, as I have described, is a digital services tax, but we are absolutely open to other forms of change. Indeed, on the other side, if there has to be a relief, we are also open to the intelligent reform of reliefs—ideally the removal of them to create a playing field that is level in the way you have described. I don't think there is an easy solution to



HOUSE OF COMMONS

this problem. We are not the only country facing it; we're just trying to be clear about what the problem is.

Q564 Charlie Elphicke: What review has been undertaken by the Treasury to ensure that the burden falls more fairly between large and small businesses, particularly in relation to business rates? Has the Treasury done any sensitivity analysis or detailed work on that?

Jesse Norman: I am sure the answer to that is yes. I might speak for a second and then ask Mike whether he wants to say something, because he has a lot more institutional memory than I have. Of course, on the distinction between small businesses and large businesses, the reforms that were made in the last Budget, the 2018 Budget, in that area did reflect—and, of course, the other reliefs did reflect—attempts to manage a situation under some pressure in a way that was equitable for the different parties involved. I don't know whether you want to add anything, Mike.

Charlie Elphicke: Can I ask Rishi to come in first?

Jesse Norman: I am so sorry.

Rishi Sunak: Mike will probably have the exact stats, but one thing the Government have done is double the threshold for small business rate relief from, I think, £6,000 to £12,000, and doubled the relief from 50% to 100%, which took 670,000-odd businesses out of paying business rates at all on the small business side. Again, it is a Treasury thing, so Mike may have the exact figures.

Mike Williams: I think that is the key point: making permanent the small business rates relief that was 50% at 100%, and doubling the threshold from £6,000 to £12,000. That is primarily targeted on small businesses.

Chair: Thank you. Colin, now we get to you.

Q565 Colin Clark: Finally; thank you, Chair. On that question, Mike and Jesse, there was a decision to move the burden from small businesses, but what is the modelling going forward for where you have a lawyer, an accountant or someone with a very high turnover operating out of a small office? Where is the equity in what they are paying in business rates?

Jesse Norman: There are many individual cases in which the wider problem—the separation of business activity and value generation from property—is becoming manifest. It is possible to take individual cases and, quite rightly and properly, point to issues of equity in them. In part, that is what the appeals system is designed to resolve. It is hard to comment specifically. You can have a situation in which there may well be, from many intuitive perspectives, a position that strikes any constituency MP as being pretty rank.

Q566 Colin Clark: That is the situation I see: a toy shop of a certain size will pay business rates and the lawyer's office next door, which is relatively small but turns over much more and makes much more, does not pay any business rates. But they both use the pavements, the roads and the



HOUSE OF COMMONS

local services. You are aware of that.

Jesse Norman: My father used to be a toy manufacturer—in fact he is the inventor of Polly Pocket—so I can tell you I am extremely sensitive to the point you raise about selling toys.

Colin Clark: Jesse, I will tell my local toy shop.

Mike Williams: There are two points to that. One is that there may be a lawyer in a small office, but they are not necessarily very profitable. You could have some new guy who has set up and is probably not even making a profit at all at that point. Equally, if they are very profitable, obviously they will be paying a lot of income tax, whereas a shop that perhaps is making less profit will pay less income tax.

Q567 **Colin Clark:** So the answer is that they are picking up tax from somewhere else in the system.

Mike Williams: Business rates are tied to the rental value and based on the occupation of property, the value of which is determined by the rent, whereas the income tax and corporate tax systems are aiming to pick up tax on profits.

Jesse Norman: Can I make a couple of quick points and really go into the point that Charlie rightly made? Obviously falling corporation tax is a very clear Government trajectory designed to reward and encourage productivity, corporate growth and economic activity. It is right to highlight that. Now, your lawyer may not be paying corporation tax—they may be taxed in a different way. One will need to look at the overall burden of taxation not just within a system but also more equitably.

The other thing is a bit harder. There are forces at work generally—changes in taste and in how people shop—that are not necessarily a matter of online/offline but are changing how the high street in particular—

Q568 **Colin Clark:** But equally, do business rates discourage people from investing or improving their facilities?

Jesse Norman: That is the question. In many cases, the reliefs are designed to prevent the kind of discouragements that might be felt when the system is under a lot of pressure

Q569 **Colin Clark:** I will draw myself back to the question I was supposed to ask, Chair, on oversight of the VOA. Is there a service level agreement between the VOA and the Treasury?

Jesse Norman: No. There is a service level agreement between the VOA and MHCLG, but as of recently the Treasury controls the funding for the VOA itself. The VOA is an executive agency of HMRC.

Q570 **Colin Clark:** Does the Treasury have enough oversight of the VOA?

Jesse Norman: The VOA is an executive agency of HMRC and therefore is ultimately responsible. As you know, HMRC is a non-ministerial



HOUSE OF COMMONS

Department, so, as the Chair will know, you do not have the tools of inquiry that you might expect with a full Department. But it also has other forms of accountability through its tax commissioners and the rest.

Q571 Colin Clark: We have heard that the VOA has very long response times. Is it fair to say that that is because it is underfunded? And is that the Treasury's decision?

Jesse Norman: I think that is a reasonable question. Quite a tough settlement was imposed in 2015. They are making significant organisational change at the same time as they are bringing in CCA. In many ways, they have managed those twin pressures quite well.

Q572 Colin Clark: Is it not the case that such long response times leave businesses paying the wrong rates for many months, if not years, thereby damaging the businesses? Rishi, is there any evidence of that from local government?

Rishi Sunak: Clearly, more responsibility is better. The initial problems with the transition to CCA were less around responsiveness and more around the system working. I am sure you have heard from businesses—I certainly heard from ratings agencies and businesses—that they found the new system too difficult to use, and it was not what they wanted. I engaged directly with the VOA. You have obviously heard from Melissa, and although we are not responsible for them, we have a strong interest, so I meet her quarterly, and the officials meet her more regularly, because we are very impacted by what is happening there.

Last year, I was hearing three things from rating agencies that they wanted around the interface. One was around registering—for valuers to register and then be able to talk about multiple properties in one go. The second was an API for their software to interface with the VOA software. The third was on the registration process itself. A bit like the HMRC gateway, they were finding it cumbersome and overly onerous.

Those were three key things that they reflected to us that they wanted. We engaged with the VOA, who then met a group of stakeholders through the forum that they have for that and then put in place a roadmap to deliver all those improvements. I am pleased to say—we did our best to keep on top of them—that they delivered all three improvements, which is positive.

However, you are right. I think Melissa gave you the numbers. Their statutory targets are pretty long, but those are meant to be a backstop. The published targets are 90% for check within three months and 12 months for challenge. I think they gave you the numbers, which are a bit short of that, and clearly it would be good to see the numbers there. Funding is obviously an issue for the Treasury.

Jesse Norman: I think they have been clear that the transition, in terms of producing the APIs and moving to what you would call the bulk registration of properties, has been quite slow and difficult. I think one should be clear about that.



HOUSE OF COMMONS

Q573 Colin Clark: Rishi, is your Department sufficiently consulted when the Treasury implements new reliefs and changes to business rates? Is there joined-up thinking?

Rishi Sunak: Yes, there is good joined-up thinking. One thing that has actually helped is the timing of the Budget. Moving to the autumn means that if you have that extra six months to get any reliefs put in place operational before they take effect in April. That was helpful this time around. Previously that was a struggle, when we were in a more compressed timeframe. Beyond that, if things need legislation—the public toilets relief, for example—that will happen in its own timeframe.

Q574 Colin Clark: Has your Department received any evidence that business rates are contributing to the demise of the high street?

Rishi Sunak: That would be a question for the high streets Minister, Jake Berry, rather than me. Charlie talked about radical action. Jake is very committed to making sure that our high streets are healthy. Clearly, some are struggling; there is no point in pretending otherwise. We talked about the economic importance of small business and the high street. From my local government perspective, I would also talk about the importance of place to communities, and the high street—

Q575 Colin Clark: But you would be very concerned if businesses were not investing because of the burden of business rates. I have it in my own constituency, because 50% of the business rate increase was in one part of Scotland—my part. It is inhibiting business, which is inhibiting my council from raising money in a part of the country that has double the GVA of the rest of Scotland. Are you concerned that it is inhibiting business from investing?

Rishi Sunak: That policy question would be for the Treasury, rather than me. In terms of how it impacts local government, there is a system of tariffs, top-ups and baseline funding levels, and local government's needs are set from a funding formula. Based on whatever business rates they collect locally, they are either given a top-up or the extra is tarified away.

Q576 Colin Clark: But you have told them to raise more money from business rates, haven't you? Local government is different in Scotland; it is devolved.

Rishi Sunak: I can't speak to Scotland, but in England local government's needs are assessed through a needs formula. It is decided that a local authority needs x amount of money. If they happen to raise more than that in their share of business rates, that will be tarified away and given to an authority that raises less than that; that authority receives a top-up. In that sense, there is a redistributive mechanism within the business rates system to get the money to the right places at the start. Separately, what we have done is give local authorities the incentive to keep the growth they generate from business rates and economic activity on the ground. I take your point: clearly that might be easier in some areas than others. In general, though, I think that is a good principle to have and you need to get that incentivisation there.



HOUSE OF COMMONS

Jesse Norman: The other point to make obviously is about the Scottish Government in Scotland, who have tried to experiment. You have looked at the question of whether there should be an accelerator and so on, which is an innovation that they have tried to put through. Whether there is more scope for innovation or the kinds of things that Rishi's team are looking at in terms of retention of growth is a matter for them.

Q577 **Colin Clark:** The last problem is the satisfaction level. Jesse, you said that business rates are a very effective tax. I was very briefly an accountant, so I can absolutely understand why you say that and the stability of it, but what about the satisfaction level? How does HMRC or the VOA—how is the satisfaction level measured?

Jesse Norman: It runs satisfaction surveys and customer surveys, I think I am right in saying. There are obviously external reports that you will be getting. Some of the surveys have recently fallen below a level where they would feel comfortable, for all the reasons we have described.

Q578 **Colin Clark:** As one of the most effective taxes, with 95% being collected, is there a trade-off? Is one "very dissatisfied" because it raises the most tax?

Jesse Norman: I think that is a really important question. You can imagine a situation with a tax system where the balance is wrong. It is very punitive, it is quite good at raising the money, but it is losing the consent on which proper tax raising relies. As you will be aware, the Lords Economic Affairs Committee has raised a question about the powers of HMRC because it is worried about the wider picture. In this case, the VOA's satisfaction levels have tended to relate to the introduction of CCA and some of the other issues that they have faced with that, rather than the wider question of whether the tax system is oppressive.

Q579 **Chair:** Before I bring in Steve, I want to ask Rishi something. According to your Department's figures, £2.6 billion is being kept in reserve by local government awaiting the outcome of business rates appeals. Do you have a timeframe given to you by the VOA for when they expect to resolve those queries? That is quite a lot of money for local authorities, which I think we all accept are struggling with budgets and budget pressures.

Rishi Sunak: Yes, it is a lot of money. There are a couple of different questions. In terms of the appeals that relate to the 2010 backlog or list, there are about 70,000 outstanding. The expectation is that all the ones that do not relate to litigation—that is, the ones that the VOA is responsible for—will be cleared by this September. Again, that is one of the things that I meet quarterly with Melissa on, because that number was far higher when I started this job last year. We wanted to put in place a clear timeframe for clearing those.

Q580 **Chair:** So the number has gone up.

Rishi Sunak: No, the number of outstanding appeals relative to the 2010 list has come down consistently since last year. It should be cleared by September. Litigation is obviously out of the VOA's hands. There will be



HOUSE OF COMMONS

about 50,000 that relate to litigation, so they will obviously run through the courts system.

To your point about the £2.8 billion in provisions, there are a couple of things. It is difficult, because that number is a combination of ongoing annual appeals and appeals relating to a legacy list, which is hard to disaggregate. If you put that in the context of the amount of business rates income every year that that relates to, we are probably talking about £100 billion-plus of income, so, as a percentage, it is small.

Mr Betts and Mr Hollinrake will know this from all our other evidence sessions, but this is an incredibly complicated part of the system, so your first question I would fully agree with. From my perspective, business rates retention is complicated to execute on the ground. When the new business rates system was set up, it was set up in the knowledge that there would need to be provisions made by local authorities to deal with appeals. When it was set up in 2013-14, the number was about £1.9 billion with a further £1.3 billion at the last revaluation. Those numbers might be the other way around, but either way, those are the two different numbers. Local authorities were given the money they needed to fund local services. Obviously they would say that they need more, and that is fair enough. In terms of what we thought they needed, they were given that, and then adjustment was made for the fact that there would need to be provision of space for appeals.

Q581 Chair: To take the reserves into account.

Rishi Sunak: Exactly. You take the reserves into account both when the system was set up and when the revaluation was done. The multiplier deals with the adjustment there. That is not money where we said, "You are going to have this money to spend on local services." No, they don't, because it was tied in appeals. It was taken into account both times.

Chair: Thank you.

Q582 Mr Baker: We have touched on discretionary reliefs. Rishi, I wonder if you could just set out what your Department's priorities are for what you would like local government to achieve through discretionary reliefs.

Rishi Sunak: Once the relief has been announced our priority is that it is used and it works, essentially. Obviously we are not in direct control of that. We don't performance-manage local government any more, as a result of the changes to legislation that happened in a previous Parliament, and the abolition of the Audit Commission; but what we do do is make sure that they are well informed about the operational execution of those reliefs, and we publish statistics on how much they are using, relative to what the estimates were that we came up with, with the Treasury, which obviously is not a precise science. Then we will feed ideas in. So for example the public toilets relief that was announced in the last Budget—I think the Chancellor described it as a relief on relief—was something that we knew about because it was the No. 1 ask from NALC, the representative body for parish councils. Obviously colleagues have raised it as well, but it was something we were acutely aware of because



HOUSE OF COMMONS

we deal with them all the time. They were explaining to us why that was a problem. So that was something where we could engage with Jesse's predecessor, and feed it into the Budget process. The Treasury made the decision to fund that.

Q583 Mr Baker: Earlier you were talking about the importance of place, so what is the relationship between the use of local reliefs and the development of place? The reason I ask is that I am very conscious that our town centre in High Wycombe is very important to a sense of place, but needs to develop. So what is the Department doing to encourage local government to use these reliefs to develop that sense of place?

Rishi Sunak: The reliefs as they are designed—there are not many of them; there are only a handful—have quite specific purposes. The most recent is the retail relief that, obviously, was more a function of Jake communicating with the Treasury around the exact design of that; but that is a relief designed to help the high street. There is a set of businesses that are eligible for that. That was a combination of conversations between Jake and the Treasury about designing that relief. It would probably benefit most of the businesses in your town centre—not all of them, but most of them, and the ones that we think are most in need of some extra support.

Beyond reliefs, the other work around place in town centres—if you look at all the other things Jake is doing. Obviously devolution is a big part of that, but the high streets fund, the John Timpson high streets panel, the forum, all these other bits and bobs, the BIDs—I don't know if you have a BID in your area, Steve: again these are all things that sit in Jake's portfolio, which are all ways to enable local communities to do more to make their areas more vibrant.

Q584 Mr Baker: Jesse, Rishi spoke first about the need to ensure these reliefs are used. What is the Treasury's conception of the purpose of these reliefs?

Jesse Norman: The Treasury's conception, I think, is that the reliefs should act in a proportionate way to mitigate some of the unintended consequences of a system that is under pressure, as we have described; but, as Rishi said, these things tend to be introduced carefully after some consultation. Inevitably they are mandatory. You have to be very careful how you do it. We have reformed the process of creating new policy in this area. It is now a deliberate and slower process, with a single fiscal event, and so hopefully what sits behind it is a better considered and more equitable approach.

Q585 Mr Baker: What are those things that the Treasury would like to mitigate?

Jesse Norman: Again, small business rate relief makes the classic point. Government as a whole would like to protect small business from the unpleasant fact, which is that they have a lot of rates to pay, whether they are generating revenue out of that business—or profits—and that that can act as a disincentive to economic growth. That is a very clear example of



HOUSE OF COMMONS

something which the Government would like to do both for reasons of productivity and reasons of equity.

Q586 **Mr Baker:** I am just slightly conscious that as we have gone round this conversation you have given quite a firm defence of the system overall, but you have also referred to the things you wish to mitigate. I think when people are watching this they will see a slight, perhaps not contradiction, but at least a tension, between the things you have said. I wonder if you could just elaborate a little bit more about things like the issue of investment and disincentives to investment that you see in the business rates system; because that is something we have particularly heard from witnesses.

Jesse Norman: I am not quite clear what more I can say. It is a recognised problem. You have had very good testimony from other sources. The Treasury recognises the problem. I suppose my point was to invite the Committee to consider the more nuanced possibility that a system might be under pressure but fundamentally worthwhile, rather than under pressure, irretrievably flawed and ready to be junked. If it is ready to be junked, I would invite the Committee and anyone else to consider what other equally equitable and sensible ways of collecting this kind of money could be introduced, because, of course, it will have to be funded in other ways, if we are going to support public services, and it is 25 billion quid.

Q587 **Mr Baker:** We had a particularly enjoyable session on just that question. Before I close my questions and move on, in my brief I can see that utilisation of discretionary reliefs dropped from £54.5 million in 2007-08 to £14 million in 2018-19. Given, Rishi, that you would like to see usage of these reliefs as a priority, is it satisfactory that the usage of these reliefs has dropped?

Rishi Sunak: To be honest, I am not sure what numbers you are referring to, but I am happy to pick that up. We mainly keep an eye on the £300 million of discretionary relief, which was given to local authorities to spend at their discretion at the time of the last valuation. Each year, and more regularly, we track how much that is being utilised. In the last year, I think the estimate was 85% and 83% was utilised, so I think we are in reasonably good shape there. I am happy to pick that up, because I don't recognise those numbers.

Mr Baker: With the Chair's permission, perhaps we could write to Rishi and set out what we think the facts are.

Q588 **Chair:** It comes from evidence given to us by the Royal Institution of Chartered Surveyors, which talked about section 44A relief for part occupation. The amounts granted by way of section 44A relief have fallen from £54.5 million, as Steve said, to £14 million. Local authorities were given the authority to grant discretionary relief under the Localism Act 2011. The point being made is that the ability to grant discretionary relief under that Act has resulted in a far lower level of relief to taxpayers.



HOUSE OF COMMONS

Rishi Sunak: I am not familiar with that specific relief, but from the language it may well be the case that there are two different things. The £300 million relief was something that central Government said they would fund. Central Government said to local government, "Here is £300 million for you guys to apply in your local areas as you see fit, to deal with businesses that were particularly impacted by the revaluation and did not fall under one of our other transition schemes or something else." Separately, local government has other discretionary powers, at its own discretion, to offer relief to people, but that comes out of its own pocket.

Q589 **Chair:** The point being, there is less incentive for local government to offer those discretionary reliefs for reasons that we all understand.

Rishi Sunak: Clearly, it is not for central Government to tell local government what to do, and local government can offer those reliefs or not as it wants. If the local taxpayers want local government to do that, great; if they want to spend that money on children's services or social care, that is ultimately a decision for them. There is a broader conversation about local government funding, which I am happy to have. It may be that that is a discretionary relief. It is not surprising to me that it has come down, given the well-documented pressures on statutory services for local government.

Jesse Norman: I don't know if it is worth Mike's commenting on the mandatory reliefs.

Mike Williams: As you are doing this, Ms Morgan, it is important to look at it in quite a granular way, because there are now more mandatory reliefs. Small business rates relief has gone up from 50% to 100%. You would need to look into the numbers to see whether some of the people who were claiming discretionary relief were getting mandatory relief in the later period, so that they would not have needed to claim discretionary relief. We need to ensure that all the pieces match up.

Jesse Norman: That's a good point.

Rishi Sunak: Yes, a very good point.

Q590 **Mr Betts:** In terms of reliefs, is not the basis of the fact that you are having to introduce reliefs in any form an indication that the system is not fit for purpose? These are add-ons to the system to make it work.

Jesse Norman: If the principle was that every time you had to have a relief, the system was not fit for purpose, we would not have a tax code, because reliefs proliferate. They are a sign of a system that is under some pressure, which is being represented and refracted through the political process. When you have long revaluation periods, the pressure, for example for transitional relief—as in the situation we had in 2017—becomes overwhelming.

My point is that that situation is not necessarily a sign of a system that should just be thrown away. If it were a sign that the system should be



HOUSE OF COMMONS

thrown away, what would the alternative be, and would it meet all the criteria we have described? It is a sign of a system that is under pressure.

Q591 Mr Betts: But it is also a system that is getting very, very complicated, isn't it? Every year, you get a new relief that comes on top of the previous reliefs.

Jesse Norman: Particularly in the past few years, it has become complicated, and the reliefs have proliferated. I do not think there is any doubt about that at all.

Q592 Mr Betts: Is there not a suspicion that the Treasury rather likes this approach, because at every Budget, when the Chancellor is searching around for some new headline, he can find a new relief to announce, which seems like he is giving money away.

Jesse Norman: No, I think it is the other way around—well, it depends on who you mean by “the Treasury”. Officials deplore the idea, and would like to keep the system as clean and effective as possible, but of course, the political requirement—often, the perfectly proper, democratic political requirement—is to try to address needs expressed through Parliament and balance those against the wider concerns for the system. That is obviously what Treasury Ministers have tried to do.

Q593 Mr Betts: Right. We have a system of reliefs, which is deciding who should not pay a business rate. Does that mean that given the demand for services to be properly funded, what the Treasury is effectively accepting is that fewer businesses should be paying more to take account of those businesses that are now going to be paying less because of reliefs?

Rishi Sunak: Maybe I can answer that from our perspective, Mr Betts. When the revaluation is done, it is done on a gross basis, for example—at the time of revaluation, you do the revaluation and all the new rateable values are there. The reliefs are then applied to the outcomes that spit out from that model, so it is not as if they are funded by increasing the rateable values or what the bills are for the others that do not benefit from the reliefs. Essentially, they come out of central Government's pot, if that makes sense.

Q594 Mr Betts: So they are not paid out of business rates; they are paid out of the rest of taxation.

Rishi Sunak: Exactly, yes. To be strictly clear, they might be paid out of the bit of business rates that goes into the central Government pot, but it is not paid out of the bit that is staying with businesses, if that makes sense. It is not a self-financing scheme.

Q595 Mr Betts: Is there a general principle that as business rate retention increases and local authorities are relying directly on a larger element of business rates, any new changes by the Treasury to bring in further reliefs will be paid for by the Treasury, and local government will not be asked to find those savings?



HOUSE OF COMMONS

Rishi Sunak: It is probably inappropriate for us to speculate on future policy, but clearly it has been the case that every time the Treasury has introduced a new mandatory relief, local government has been compensated through grants, certainly over the last few years that I have had a job.

Q596 **Mr Betts:** Is there a case for us to come back, look at all the interaction of these reliefs and say, "We ought to actually get a blank sheet of paper and redesign them"? Even if the whole of the system is not redesigned, to actually redesign the reliefs and how they interact?

Jesse Norman: That is a very wise idea. It is always a good idea to keep reliefs under review, not just individually but for the aggregate effect they have. Thanks to Mike, we have just seen an area where there might have been some overlap between the mandatory and discretionary reliefs, which would be precisely the kind of issue that would be flagged up by that. I think that is absolutely right. By the way, if the Treasury Committee would like to suggest any reliefs that it wishes to eliminate, we would be very interested in those. That's a tease—I'm sorry.

Q597 **Chair:** Do you know what the business rate relief situation is for the NHS?

Jesse Norman: It is subject, as you know—I think I am right in saying this—to legal proceedings at the moment, and is not really something I can comment on.

Q598 **Chair:** I think the legal proceedings are in respect of particular hospitals, but on the general position, what is the legal position about rate relief for the NHS?

Jesse Norman: The legal position is that public facilities that meet the criteria will pay rates like any other.

Q599 **Chair:** Are you satisfied that the special category codes used to generator a contractor's basis of valuation is appropriate?

Jesse Norman: That is a very technical question that I will ask Mike to come in on, but obviously we have to have a separate means of valuation for these highly unusual facilities for which there is, as it were, no directly comparable counterpart in the rental market.

Mike Williams: I am afraid you have allowed Mr Colston to escape, who is the expert on how you apply the principle.

Chair: We grilled him on pubs and pharmacies. Going on to all the different categories was probably too much for this session, but yes, we could have done.

Mike Williams: But the principle is always the same, that you are trying to find a proxy for an open-market rental as best you can. Obviously, the further away you are from something that trades in the open market, the harder that is.

Q600 **Mr Betts:** On the NHS, if it were to become the case that hospitals were not liable to pay rates—or at least not 100%—would the Government



HOUSE OF COMMONS

suddenly have to find extra money from local councils to fund the difference? That would be a big gap, wouldn't it?

Rishi Sunak: It would. It is very difficult for us to say more about that case, but needless to say we are in close touch with—

Q601 **Mr Betts:** I was not referring to an individual case.

Rishi Sunak: No, but it depends on the ruling and what happens. It would be wrong to speculate. As you know, other court cases have changed things, and the Government have then taken legislative steps to reverse or to reinstate previous practice through legislation. The staircase tax is an obvious example of that. I cannot say more than that, but we are highly aware of the scale of the issue that is being debated in the courts.

Q602 **Mr Simon Clarke:** Jesse, my question is basically on the relationship between business rates and the incentives that they drive for businesses. We heard from the CBI that the scope of what falls within plant and machinery was last reviewed formally in 1993. Obviously, the whole system rests upon decisions made several decades prior to that. Is the Treasury reviewing in detail which classes of plant and machinery are assumed to be part of the hereditament?

Jesse Norman: Let me comment on the broad picture, and then I will invite Mike to comment on the detail. The broad picture—you will know this much better than me, being a lawyer—is that if something, very broadly speaking, is a bit of kit that you can pull out of a building and take somewhere else it is not considered as part of the rateable value, but if it is part of the hereditament of the building, and is not in that sense portable, then it is. Now, of course there are an indefinite array of potential pieces of plant and machinery that might count either way. I believe I am right in saying that there is a lot of case law in what has historically been a very case-law-heavy area.

Q603 **Mr Simon Clarke:** I'm sure that is right. I suppose the broad point is that in the modern era it is more likely than once it was that such equipment can indeed be removed from premises. I am thinking particularly, obviously, of things like IT, which represent huge outlays for some businesses—indeed, largely count for some businesses' entire working model—and which are not within the scope of plant and machinery. Yet if you have a very plant-intensive business, and lots of businesses on Teesside obviously are very heavy-industry-type businesses, they are getting penalised unfairly.

Jesse Norman: Yes. Of course in the old days you might have entire rooms dedicated to the mainframe machine.

Q604 **Mr Simon Clarke:** Exactly, and I can take you to any number of them. It just feels like there is an inconsistency there.

Jesse Norman: Yes. That is interesting, thank you.

Mike Williams: There is advantage in sticking with the legal definition, broadly, of what you take with you and what you could leave behind,



HOUSE OF COMMONS

because I think you get clarity from that. If you started defining different categories of plant and machinery obviously there would be a scrabbling to get things within something that qualified, and get outside things that did not.

You are right, Mr Clarke, that things like PCs are regularly portable, and they are plant and machinery and qualify as such in the income tax code. However, quite big pieces of kit that you would take with you as well, like robots, would be outside of the definition of plant and machinery. I do not think it is the case that the definition is completely antiquated in that sense. You will get things like robots that are screwed to the floor or whatever, but you would still generally take them with you when you moved. In those cases, they would not be included in the rating. To that extent, the system has moved with the times.

Q605 Mr Simon Clarke: Are you confident that you are keeping this under active rather than passive review? Is there a real willingness to at least explore whether or not that definition needs to be revisited? 1993 is the early part of the Major years. It is a long time ago.

Mike Williams: We are getting court cases that produce new patterns against which that definition is applied. We then monitor whether the result in policy terms from those court decisions seems satisfactory. Equally, as I said at the start, we have to be careful about moving away from a system that is determined by what, on the face of it, is a fairly logical distinction to some different system that I suspect would also have difficulties.

Q606 Mr Simon Clarke: So you would rebut the idea that it would be fairer or simpler, or make for easier rateable calculations, if you were simply to remove plant and machinery from the calculation?

Mike Williams: I think it wouldn't necessarily be easier. You would then be having to extract, if you like, from the thing that the market operates on, which is what you have to leave behind. You would be having to extract parts of that and work out what the rent would be on a net basis, which I think would add complexity.

Q607 Mr Simon Clarke: In their written evidence to us, Make UK said it had for "some time now been calling for the removal of plant and machinery from business rates, as it acts as a disincentive for manufacturers to invest." Is that, in essence, special pleading or is there any merit in that?

Mike Williams: There may be more merit in relation to some aspects of the plan than in others. At the moment, a lift would generally count as being within the rateable plan for machinery; if you've got a tall building, you're not disincentivising the installation of a lift by including it in the rateable value. I think it would depend on what sort of plan you were bothered about.

Q608 Mr Simon Clarke: Moving more broadly, there is then the question about social goods and things that the Government want to encourage people, authorities and companies to invest in. We heard from the CBI that: "For



HOUSE OF COMMONS

example, energy efficient investments will increase a properties rateable value and therefore the business rates bill, which could discourage that investment from taking place. This is inconsistent with the Government's initiatives on energy efficiency and climate change. Similarly, the Government has set out ambitious goals to improve UK digital connectivity."

They then go on to talk about fibre connectivity. Is it a concern that, if you like, we end up with perverse incentives within the system?

Jesse Norman: There is often a cost to investment if it generates additional profit, because the profit is going to be taxed. It is understood that in particular cases there can be negative effects or, as it were, the aesthetic effects of paying the rates may be something different from an economic effect. That's understood.

Mr Simon Clarke: And the perception?

Jesse Norman: Again, I would just say two things. The first is that these ancient historical distinctions that you describe often have quite a good rationale when you dig in underneath them, however annoying they appear now. The second is that, in looking at the situation at present, you are constantly fighting a battle between the right thing to do from an economic clarity perspective, and the kind of pressure for particular relief that wonderfully well-organised and thoroughly public spirited groups were wishing to promote—environmental groups, of the kind that we might talk about.

Mr Simon Clarke: Indeed; as an advocate of flatter and simpler taxes I completely accept that you can't have your cake and eat it, in this particular case.

Q609 **Kevin Hollinrake:** Going back to check, challenge, appeal, which you described to us. You seem to be quite happy that there have been some improvements and you stepped in to help those improvements. It was still described to us during the course of this inquiry as "shambolic" and "not fit for purpose". Does that give you cause for concern?

Rishi Sunak: I think that is probably a harsh characterisation of it, but there clearly are teething issues. That is well documented and has been brought up already today. It is clearly better than when it started. Is it exactly where it needs to be? It's a work in progress, a new system. We've fixed a lot of the IT issues, as I highlighted, and it is a new system. Some of the comparisons that people make, for example saying that the volume of appeals is very low compared to the old system, are probably unfair. The point is that the old system had too many no-fee appeals, 70% of which ended up not resulting in any change. That was the whole point of changing to this system. If don't think it's fair to make that comparison and say, "Well, that's evidence that it's clearly not working and putting people off," I don't think that's fair.

Where there are specific things that we know about, obviously we liaise with Melissa to make sure that those operational things are improved,



HOUSE OF COMMONS

beyond just the general resourcing of the VOA that Jesse has already spoken about. They are doing multiple things at once. They are having conversations in February to make sure they are adequately resourced, to get things done in an effective timeframe.

Q610 Kevin Hollinrake: In terms of the burden of business rates and business taxes in the UK versus other jurisdictions, as we discussed earlier, on the overall quantum the actual business rates quantum has increased above the rates of inflation, whatever measure you use—it's £29 billion now. Yet, that doesn't seem to have been affected by the fact there is small business rates relief. John Lewis say to us that fiscal neutrality rules mean the multiplier is simply increased in order to maintain the revenue stream. If you look at the increase in business rates, even accounting for the relief, it keeps going up and up and up. Isn't it simply fewer are paying more?

Rishi Sunak: Maybe Mike can comment on the detail, but my understanding is that this is statute, and so not a discretionary policy decision that any of us made. By statute, when the multiplier is done at a revaluation, it is there, in theory, to ensure that the system is revenue-neutral, after taking account of appeals and inflation. That is the broad thing.

Obviously, it can grow over time, as Jesse alluded to, because you get a growth in the business rates base or an improvement in the economic value of properties. However, in a narrow, mechanical sense, you are right in that, all else being equal, in a revaluation the burden shifts to those sectors that have a higher economic value. That is just a statement of mechanical fact. Jesse spoke about that in his earlier letter to you as well.

Jesse Norman: The other thing I would say, more generally, is that it is easy to look at the property tax side and, if you do, the total tax on property charged in the UK tends to be higher than the OECD average. We are below the OECD average for taxes on goods and services and on corporates in total, so you are making, from a business standpoint, a kind of aggregate judgment in part, when you look at the economic effect.

Q611 Chair: But you are then effectively punishing a business that is in a property. It goes back to not keeping up with the changing economy.

Mr Simon Clarke: That is a conscious policy choice.

Jesse Norman: This is the fundamental issue that we are dealing with. Historically, almost every business had some property dimension, and the tax has been quite a good proxy for economic activity. That is probably less true now. If you are in the digital services business, you are bound to have to pay a tax. No one likes that. We sometimes have taxes that are specifically targeted on people, and I am encouraging everyone to take a slightly more aggregate view of the overall effect.

Q612 Kevin Hollinrake: I understand that, but going back to the Chair's point, the point we are trying to make is: is this fit for purpose now? On that OECD comparison, Vauxhall is saying that 8% of its floor space is in the



HOUSE OF COMMONS

UK, but 67% of its property taxes are from the UK. That seems entirely disproportionate. However, this is not only about Vauxhall. Is this now fit for purpose, because new entrants to the marketplace are creating distortions that disadvantage some premises-based businesses?

Mike Williams: That question—should the UK have relatively higher business property taxes than other countries?—is what prompts suggestions that the amount is increased each year through some sort of manipulation of the multiplier. If you go back 30 years, we had relatively high annual business property taxes, and we have continued to have relatively high ones. I don't think there has been any manipulation of the multiplier to add to that amount, to give extra to local government, for example. If you charge more on property tax, compared with say, France, you charge less on consumption and profits; it is broadly the same cake.

Q613 **Kevin Hollinrake:** The trouble is that, in those sectors, because of the drivers behind our economy, businesses are becoming less property-based, as clearly Amazon is. Some 0.7% of Amazon's turnover goes on business rates, whereas I think 2.5% is the average in retail. There is now a real disadvantage for the high street that we somehow have to try to address.

Jesse Norman: Amazon has been mentioned several times. Let me say a couple of things about Amazon, because it is quite interesting. First of all, there are some serious issues relating to that business from a public policy perspective—you already picked on one aspect, Kevin, if I may say so. It is an independent marketplace as well as a distributor of goods, which creates an intrinsic tension. Because it is a marketplace, it supports large numbers of businesses in and around our retail sector. It has other businesses that have nothing to do with these—server farms and so on—so the question of how it is to be addressed, which is in large part possibly more a competition matter than a tax matter, has many more dimensions than the ones we are talking about.

Q614 **Kevin Hollinrake:** Yes, but the two things are correlated, aren't they? It is a competition matter. All we are trying to do here—I think the Treasury is trying to do the same—is to create a fair and level playing field.

Jesse Norman: I entirely agree, but let me give an example. It would be possible create a tax on online sales facilitated by Amazon and then having an enormous number of small businesses in this country saying, "Hold on a second, you are clobbering our business."

Q615 **Kevin Hollinrake:** Yes, but you may be levelling the playing field.

Jesse Norman: You would not necessary on Amazon, because Amazon is just facilitating the sales of third-party business goods. I am just saying these are complex and difficult layers.

Q616 **Kevin Hollinrake:** I understand that. You mentioned the digital services tax. That was brought in to level the playing field in terms of corporation tax, not business rates. Would it not be sensible to look at an increase in the digital services tax, for example, to reduce the burden of business rates across the board for lots of businesses? Would that not level the



HOUSE OF COMMONS

playing field to some extent?

Jesse Norman: Well, first of all, we have to introduce the digital services tax. In line with a Treasury Committee concern for due process, let us introduce it and see how it works, and then see what we can do with it. There is the wider question of what the balance should be between the many different competing priorities and sources of potential revenue. That is a matter for Government overall.

Chair: We are going to move on. Steve, you have a supplementary question.

Q617 **Mr Baker:** Listening very carefully about the balancing of competing sources of revenue, looking at data on EU 27 recurrent taxes on immovable property as a percentage of total taxation—our property taxes are way out in front. If we cut in half our recurrent taxes on immovable property as a percentage of total taxation, it looks like we would still be the third highest in the EU 27. Do you not think we might be overdoing it a touch?

Jesse Norman: I perfectly understand the concern. If we were to move to the French system, would you like to increase corporation tax or consumption taxes? Where would you want the rest of that revenue to be raised?

Mr Baker: I will be very happy to answer that question when I am sitting in your place.

Chair: Which, of course, could happen in a matter of weeks. Let's move on.

Alison McGovern: Given the time that this session has already taken, everybody will be thrilled to know that I just have some quick-fire questions about manufacturing.

Jesse Norman: Those are always the worst.

Q618 **Alison McGovern:** There is no need for extensive answers. You mentioned relief for relief for public toilets—quite a small part of our built environment. What proportion of built land space does manufacturing occupy?

Jesse Norman: I have no idea. I would be happy to write to you.

Q619 **Alison McGovern:** You have no idea. It is 55%. When we talk about business rates, manufacturing has to be the central part of the question.

Jesse Norman: You are saying that, therefore, we should not be obsessed with retail? That is a position I agree with.

Q620 **Alison McGovern:** There is absolutely no need for commentary—I am just going to ask the questions. You mentioned a moment ago in response to Simon that you felt there was an aesthetic impact from the disincentive effect that business rates create for investment in new technology, but that is true only in a significantly profit-making part of



HOUSE OF COMMONS

industry. If manufacturing is experiencing challenges in making a profit, business rates create a disincentive for investment in real economic terms, do they not?

Jesse Norman: I was actually making the opposite point, if I may say so. The reason I will respond at more length is because when I was a Treasury Committee member I always wanted people to be engaged and try to answer fully and responsibly to our concerns.

Alison McGovern: Right, well now you are the Minister and I am the Treasury Committee member and I am asking you a question.

Jesse Norman: And I really disliked it when people, particularly Treasury Ministers or officials, stalled. I am certain I was making a different point. If you are a small business and you are just getting under way, a thing you see very early on is a rates bill. That has not only an economic effect but an aesthetic effect. They think, "What are people saying to me that I am being hit with this bill?" I was making the opposite point, in support of your position: actually, that is part of the concern, which is why we are looking—

Chair: Jesse.

Jesse Norman: I'm so sorry.

Q621 **Alison McGovern:** You agree that even in the case of investment that would improve energy efficiency in manufacturing, the current business rates system is a disincentive to invest—yes or no?

Jesse Norman: It is not a yes or no answer. There are disincentives and incentives involved across the whole sweep of Government support for investment in green energy.

Q622 **Alison McGovern:** To be clear, between 2010 and 2015, the Conservative Government prioritised corporation tax cuts on profits, rather than dealing with the disincentives that exist, whether by using incentives or whatever. There are clear disincentives in the system that were not prioritised over corporation tax cuts. Is that correct?

Jesse Norman: I used to be the Energy Minister and, as you will know, corporation tax take has gone up significantly in the last nine years. We have put an enormous amount of money into supporting green energy and the greening of the economy. I used to be a Transport Minister and we have introduced enormous support for electric vehicles and for offshore wind. This is a very green economy.

Q623 **Alison McGovern:** If you are a firm that is in automotive, makes trains or is in another major industry, and you are trying to invest in your plant and machinery for the sake of energy and efficiency, the business rates system is a disincentive to that investment, is it not?

Jesse Norman: I am afraid that, even if that were true, it would part of a bigger picture. We have just introduced a structures and buildings allowance, which is a 2% depreciation over 50 years designed for precisely



HOUSE OF COMMONS

the kinds of businesses that you describe. We have introduced an annual investment allowance that has been increased by five times to support smaller businesses in manufacturing. We are taking a lot of measures designed to support the businesses that you are rightly concerned about.

Q624 Alison McGovern: If that is the case, why have the CBI, Make UK and large manufacturers in this country made such extensive representations to this Committee to express their dissatisfaction with business rates?

Jesse Norman: Because they are—perfectly properly and naturally—expressing widely felt concern that we have a system that is under some pressure. They are right about that; it is under pressure, which is a point that I have made consistently in this hearing.

Q625 Alison McGovern: Okay. This pressure that you describe and accept does not affect everybody equally in our economy, does it? In the east midlands, for example, 13% of jobs are in manufacturing. What proportion of jobs in London relate to manufacturing?

Jesse Norman: Well, I have no doubt that it is much smaller—it is a much more service-oriented economy.

Q626 Alison McGovern: Yes, it is 3%. The region of our country with the most manufacturing jobs is the north-west, with 350,000 jobs. The north-west is at the second-highest risk from the consequences of Brexit, specifically in relation to manufacturing. In the current circumstances, with political uncertainty having a real economic impact on certain regions of our country, is there not a clear rationale for the Government to take steps on business rates at this point, to aid manufacturing?

Jesse Norman: We have a quite extensive suite of reliefs within the business rates system for many purposes, which we have already discussed and about which the Committee has already shown signs of concern. I have talked about other areas outside business rates relief where we are supporting manufacturing businesses. We are ploughing money into transforming cities such as Liverpool, Manchester and Birmingham. We are supporting with at least £1.6 billion high streets that are more widely affected. I think that we are very actively engaging with the problems that you describe.

Q627 Alison McGovern: I think that many people in Liverpool would take issue with your definition of “ploughing”.

Jesse Norman: Hold on a second. The northern powerhouse has seen enormous amounts of investment planned and I have no doubt that will continue to be the case over the next decade.

Q628 Alison McGovern: Would you write to the Committee to describe the relative impact of the tax changes on the city regions that have devolution, as you have described part of the northern powerhouse?

Jesse Norman: I would be happy to respond to any concern that the Committee has if it wishes to write to me with specifics.

Q629 Chair: No, no, no. The way it works is that in the Committee hearing, we



HOUSE OF COMMONS

ask you “Will you write to us on that?” and ask you to say yes. I am sure Mr Williams has taken note of that. We expect a letter back from the Treasury on what we have just asked for. You heard us do exactly the same earlier on with the VOA. They will need to write to us on various issues.

Jesse Norman: As I said, I am very happy to do that, but I just wanted to be clear about what the question was. If you want to use the question that you have, that is fine, and if you want to reframe it, that is fine.

Chair: There will be a transcript. We are happy to clarify that with your office.

Jesse Norman: We will look forward to that.

Q630 **Charlie Elphicke:** Off the topic off the valuation office, this is in response to a point that you made about electric cars, Jesse. You were saying, “Haven’t we done marvellously?” but the truth is that electric car sales are down 11.8% in June, year on year. The Treasury has taken away subsidies and support to incentivise electric car adoption and done precisely nothing about supporting the infrastructure needed for charging, which is the main barrier to adoption. Do you not think that the Treasury should be far more radical in making this phase shift, which is really important to our environment and economic growth?

Jesse Norman: The truth is that, actually, that is not true. There has been an effect on hybrid cars, because the removal of the subsidy was in order to support clean battery electric vehicles. I am afraid there are some hybrid and other fuel cell vehicles that are quite polluting. That was designed to support clean-growth green economy through battery electric vehicles. The Treasury has a £400 million private partnership charging infrastructure fund under way. We have one of the largest networks of charging systems in Europe. We have an extensive array of other supports for people to install charging at home. There is a lot of testing of on-street charging going on through Transport. As a country and a Government, we are pretty dedicated to addressing this issue.

Q631 **Chair:** I am going to move on from that, although I have one further question. I am conscious of Minister Sunak’s time—I know he has to be somewhere else. My question is perhaps to both Ministers. You will have perhaps heard the end of the last session with the VOA. There has been a complaint about a lack of transparency in the business rates system, and the VOA have said to us that this is due to their being limited by various statutes on data sharing. I think this is a separate issue from that of the publication of leases, which I fully understand the property industry would resist at every turn. What engagement have the VOA had with both of your Departments? Have they put any requests in, or raised the issue of not being able to share information to make the system more transparent?

Rishi Sunak: The representations that I get are less from the VOA, and initially more from businesses. What you will hear as a criticism is, “We get into this check, challenge process and we have to show all our cards,



HOUSE OF COMMONS

and the VOA doesn't have to show theirs." That is the perceived problem with the system. Having looked into it, I think that is slightly unfair. If you submit a check, you get the information on how the valuation of your property was done and which bits were done in which particular way—the methodology for it. You might not get the exact rent that they have used from the building opposite or whatever it is. The reason for that is they obviously have a broader duty, which might well be to speak to HMRC and so forth about taxpayer confidentiality and ensure that it is proportionate. As you get further down the process, they share more information. What they cannot do at the appeal stage is rely on a piece of information that they have not previously shared with you. That is a check—they can hide everything and in the end just go, "A-ha! Here is our magic thing." That said, it is something that I have asked for more information on, because it was brought up with me. They have not formally come to me at least and asked for any extra powers.

Q632 **Chair:** If they were to, which Department would be responsible for the legislation?

Rishi Sunak: The legislation, I don't know. We tend to have to take a lot of the legislation through. The policy would be the Treasury's responsibility. I just want to check, Chair—there is a separate question about sharing data between local authorities and the VOA, and I do not know if that is what you were referring to.

Q633 **Chair:** I suspect that it is about that as well.

Rishi Sunak: There is already a data-sharing agreement in place. About three quarters of local authorities are signed up to it. That means they get more timely and detailed information than what the VOA provides by statute, which is pretty comprehensive anyway. On a monthly basis, they provide at the local authority level all the checks, challenges and things that have happened. Obviously, if something is resolved, the local authority is told straight away of any change. As I said, you can get a bit more than that more quickly if you sign up to the data sharing, and three quarters of all billing authorities have done so. That is broadly working fine, but it is a separate discussion.

Mike Williams: I think it is the first of those two, Ms Morgan. It is the fact that your assessment will take into account the rates of neighbouring properties.

Q634 **Chair:** But you don't necessarily see that?

Mike Williams: If you appeal, you will want to know as much as possible. Equally, the people renting those other properties might well not want you to know. It is about how you square that as best you can.

Jesse Norman: From a confidentiality standpoint, HMRC obviously has a very primary duty to protect aspects of confidentiality, and our team will look at this. If the clerks have not already done so, I would encourage you to play with the system. The check, challenge, appeal system is very straightforward. There have clearly been problems with the APIs and other



HOUSE OF COMMONS

things, but it is not a punitive or very complicated process to register and then put a property through. As the folks said earlier, it does not require a lot of information.

Q635 **Chair:** Well, it does require a lot of personal information for employers to be able to do that. That is one of the important issues.

Jesse Norman: But, Chair, you would not want to have people registering whose identity you did not know, because you would get all kinds of other problems.

Chair: No, but equally—as I said as an example to the VOA—an employee could feel uncomfortable about putting in that amount of personal information when they do something on behalf of an employer. Thank you very much for the session; it has been most illuminating.

Rishi Sunak: Thank you.

Mike Williams: Thank you.

Jesse Norman: Thanks very much.