

Date: 4 February 2021

Mr Mel Stride  
Chair, Treasury Select Committee  
House of Commons  
London  
SW1A 0AA

Dear Mr Stride

**Valuation Office Agency – Update on recommendations – Report following the inquiry into the impact of business rates on business (HC 222), published 31 October 2019.**

Thank you again for the opportunity to appear before the Committee on 7 December 2020. As requested, I am now writing to provide updates on a number of the recommendations in the above report.

We were grateful for the Committee’s helpful report and continue to make progress on the issues highlighted. The Valuation Office Agency (VOA) plays a key, but specific, part in the overall business rates system, providing independent and impartial property valuations. As an operational agency, our work is delivered within the legislative and policy frameworks set by the Ministry for Housing Communities & Local Government (MHCLG) and HM Treasury (HMT).

I hope the following updates provide helpful context and assurance on the ongoing work on the Committee’s recommendations.

**(Para 111) Appeals outstanding** from the 2010 rating list.

The report recommended that the VOA resolve these appeals as a matter of urgency. We agree with this recommendation.

In total there were over 1.1 million appeals made over the life of the 2010 rating list and over 99 per cent of those that were within our control had been cleared at the time of your report.

There were some appeals held up in litigation (c. 52,000 at the time of your report). As a result of the May 2020 Supreme Court decision on the rating of ATMs, these cases are now being progressed to a timetable agreed with ratepayers/their agents and the Valuation Tribunals. The majority of these will be cleared by end of July this year. A small number may require Valuation Tribunal hearings to be scheduled.

At 31 December, our official statistics showed there were around 36,000 cases outstanding across England and Wales. Of these, around 1,000 cases are not linked to the ATM decision. Many are more recent appeals arising from the introduction of new legislation, which reopened the list to appeals, until 31 December 2019, from ratepayers affected by a Supreme Court decision (“Mazars”, relating to Property in Common Occupation).

## **(Para 122) Transparency**

You asked the VOA to ensure that ratepayers understand the reasons why evidence used to establish a property valuation may be withheld.

We agree with this recommendation. We are reviewing our published guidance for customers, to make it clearer when there are legislative reasons that rental information cannot be shared.

However, through the VOA's online service, ratepayers can view the details for most types of property, including the current valuation and how that was determined. At Challenge the VOA is required to provide ratepayers with any relevant information held that relates to the grounds of the valuation dispute, and this can include the relevant rental evidence that underpins the valuation.

The VOA is covered by the duty of confidentiality set out in the Commissioners for Revenue and Customs Act 2005 (CRCA) and therefore prohibited from publicly disclosing certain taxpayer information (for example the rental information we collect).

HM Treasury's Fundamental Review of Business Rates is considering the issue of valuation transparency and appeals. Its call for evidence asked for views on making a register of commercial lease information publicly available. HMT is currently considering stakeholder responses and will report in due course.

## **(Para 137) Functionality and ease of use of Check Challenge Appeal interface**

The Committee's report recommended that the VOA should ensure that ratepayers with multiple properties are able to use our systems easily, and that our systems are not creating unnecessary additional bureaucracy.

We agreed with this recommendation and, in consultation with ratepayers and their representatives, have changed our Check and Challenge system to allow ratepayers to submit multiple property claims. This new functionality is well used by ratepayers. We have also made a number of other improvements to the system (at least 60) and continue to make more changes and consider the scope for further enhancements based on feedback from customers.

A [recent independent evaluation](#) concluded that the introduction of CCA has improved how our customers access and understand the valuation process. The review also identified other benefits, including a reduction in speculative appeals and a significant reduction in average resolution times for customers.

## **(Para 154) Selected valuation methodology**

Your report recommended that internal guidelines were reviewed to ensure staff take a flexible and responsive approach to valuation, using the most appropriate valuation methodology.

The way we assess rateable values is governed both by legislation and case law, and guided by internationally-recognised industry methods of valuation. We have quality assurance measures in place to ensure that our valuations meet the required professional standards. These include quality assurance throughout the Check and Challenge process, quality assurance audits, and national coordination of different types of property.

We are one of the largest employers of valuation surveyors in the UK. All staff involved in valuation decisions are appropriately trained, and are supported with access to specialist technical advice. All of our people undertake continuous professional development as part of their role to ensure they remain at the forefront of developments within their respective professions.

Alongside this, we engage closely with the wider profession and ratepayers from key sectors to ensure valuation methodology is appropriate and reflects market evidence and best practice.

HM Treasury's Call for Evidence on its Business Rates Review sought views on potential changes to the valuation process, as well as the administration of the business rates system. HMT is currently considering stakeholder responses and will report in due course.

### **(Para 158) Comparability of valuations**

Your report recommended a review of internal guidelines, to consider how discrepancies in valuations arise and whether there is scope to improve valuation methodologies so they lead to more consistent outcomes.

We work hard to ensure our valuation assessments are consistent and appropriate and we keep our approaches under review. As well as our quality assurance checks, we have strong professional and technical teams who provide guidance and advice across all valuations. This includes valuation panels and class coordination teams who develop a deep understanding and market knowledge of different types of non-domestic property.

Legislation sets out how we value a property and that an RV is an estimate of the annual open market rental value of the property (not a valuation of the business). The legislation fixes the valuation date for each revaluation. At this date, we reflect the rental values and valuation approaches that are prevailing in the market.

However, it is worth noting that it is possible for two ratepayers carrying out roughly the same type of business, to be in different types of premises, or locations, which command different rental values and therefore have different rateable values.

For example, an on-line retail business operating out of an office premises of 100 square metres, compared to one operating in a similar sized retail property or an out of town warehouse with some offices, are likely to have different RVs. The rents, vacant and to let, that these property could command in the open market are likely to be different and so the RVs are likely to be different.

This means apparent discrepancies aren't necessarily errors and don't, therefore, necessarily require guidance changes on valuation methodology. The different approaches can reflect the different rental market valuation approach taken.

Our Check and Challenge service also means ratepayers can quickly check all the underlying property facts that underpin our valuation and update us if they have changed.

### **(Para 162) Appropriateness of valuations**

The report stated that when a ratepayer questions a valuation, VOA staff should explain clearly how their valuation complies with their own guidance, particularly when they have used the contractor's valuation method. You said the VOA must also take appropriate action to put things right quickly when presented with evidence that their valuation is incorrect.

We agree with this recommendation. We have improved and continue to improve the explanations we provide to customers and to resolve challenges and customer enquiries as

quickly as we can. We provide a lot of published material on our valuation work. Our Rating Manual and details about valuation schemes and methodology for particular types of property are available online. In addition we are constantly looking to improve the service we provide to customers in this area, in response to feedback.

I do hope that this provides the information you required. I would be delighted to discuss the details further if that would be helpful.

Yours sincerely

(By email)  
Jonathan Russell CB  
Interim VOA CEO