

In response to the article penned by Charles Partridge in September Valuer, I seek to set the record straight on a number of elements that Charles debated. First, I would entirely endorse Charles' view that the Valuation Office Agency (VOA) has improved its methods of operation. I similarly endorse his view that the enhanced use of IT in the publication of the rating lists and summary valuations on its website must be a step in the right direction, albeit that the draft list for 2010 has, within a couple of days of its arrival online, been beset with difficulties on access due to 'browser' problems. One would have hoped that this could have been avoided given the problems on the last list, and the well-publicised view that there would be no IT difficulty on this new list.

Charles goes on to say that, while the improvements in the VOA are impressive, there remain major shortcomings with the CLG as the parent department and the Billing Authorities (BAs) as a collection vehicle. I entirely disagree. Charles rightly points out that the VOA and the Valuation Tribunal Service (VTS) have recognised that non-domestic ratepayers are a major stakeholder and he used the word "primary". Clearly this fails to recognise the function of the BAs in the raising and collecting of council tax (CT).

He points out that non-domestic rate (NDR) raises approximately £20bn a year, whereas the annual yield from CT is in fact about £25 bn. On this basis, CT payers are at least equivalent stakeholders. The role of the BA is many fold and is intended to be the face of local democracy. CT is set and collected locally by the BAs, and each CT payer has a correlation between what he or she pays and the provision of local services. In respect of NDR these are collected by the BA on behalf of central government, which then redistributes the money via a grant system. I think it is completely wrong to suggest that this collecting system is somehow broken.

In my experience, the BAs are fairly efficient in collecting the non-domestic tax, albeit with the annoyance of different style of bills and different layout making clarity difficult. However, this is a result of the complexity of the regulations and the transition calculations. This is not in the control of the BA. If you look at the collection rates of BAs despite the recession and despite the hugely unpopular empty rate issue, they have stood up extremely

Don't shoot the Messenger



— Roger Messenger BSC
FRICS IRRV MCI Arb is
Junior Vice President
of the IRRV and Senior
Partner with Wilks
Head and Eve

Roger Messenger responds to *In the frame* by Charles Partridge, a critique of the work of the CLG and BAs in administering business rates. While Roger concurs with some of the reasoning, he mainly finds himself at odds with Charles' rationale

well and are impressive collection rates comparing very favourably with collection rates on other taxes, including income tax by HMRC.

Charles complains that there is no clear leadership or line of responsibility – again I entirely disagree. In most cases the BAs, while having only a small number of staff, are nevertheless helpful and approachable, and those staff who are employed, certainly at senior level, are knowledgeable and well trained. I agree that there is always scope for better training and better education, particularly of back-office staff, and the IRRV provides such training schemes and education systems. I think these resources are under used by the BAs, although this is not by intention but merely through lack of funding.

The deterioration in service complained of by Charles in my experience has resulted particularly where some BAs have chosen to outsource non-domestic rate collection to large corporate entities who are rather more faceless and lack individual responsibility and the personal touch. Arguably rather more akin to HMRC, if you have ever tried to deal with your local tax office!

I am at one with Charles in the need to raise qualifications and improve knowledge, but this is not from a low

base, and in my view staff in BAs in revenues and collection are just that – leaders, both competent and knowledgeable.

Charles makes the point on size that many BAs are so small that they only have one full-time or one part-time specialist in NDR matters. Given the complexity of NDR as a result of central government legislation and regulations, it is hardly the fault of the staff that the more complex cases are reduced to being dealt with by a smaller number of more senior more experienced individuals. The same would apply to HMRC in respect of income tax queries, but I have to say that the response time and accessibility to BAs is far in excess of HMRC and is to be applauded. A number of smaller authorities are grouping their functions together to achieve even greater economies on what is already a very modest cost of collection for this tax.

Charles also ignores the inspection function of the BA. The VOA, while having a statutory right to inspect, is not very proactive in bringing assessments into the list or identifying changes which results in a shared responsibility between the VOA and BAs (who have a statutory responsibility in this respect). Inspections need to be kept local and local knowledge is fundamental to keeping the system working.

Unfortunately, the inspection regime is more limited than most BAs would like because, as a collection function on behalf of central government, the funding of inspectors goes straight to the bottom line of the authorities' costs, without additional revenue from central government to fund additional inspectors. Any additional rates collected on behalf of central government are not reflected in the ability to employ more inspectors at a local level. Any criticism of BAs is as a result of the lack of funding that they receive to carry out their tasks. Despite this, they achieve a remarkable success rate and recovery on collection.

There is a place for uniform style rate demands and an urgent need to review a whole variety of extra supplements, transitional arrangements and other impositions, all imposed upon the BA to administer and collect. The latest system of deferral announced at the last minute earlier this year by government and imposed on local authorities is a case in point. Would the HMRC have been able to react in such a cohesive way? ☛



“Far from being past their sell by dates, I regard the BAs and the CLG as models of how to run an extremely complex system”

Charles suggests that for multiple occupiers of business rate premises there is an unacceptable burden of multiple administrations through a number of BAs. Here, I return to the theme of local democracy. The system has to be designed for the individual lay ratepayer, of which there are millions, and not for a relatively small number of corporates occupying multiple premises albeit with much higher rateable values. I believe that about 70% of non-domestic assessments are at a level below £15,000 rateable value, but attracting a much smaller percentage in the order of 15%-20% of the total tax revenue. The system is therefore designed to be all embracing.

Charles also suggests that with the VOA and VTS appreciating the primary stakeholder as the non-domestic ratepayer, this has extended to their agents. Again, I would suggest that the system needs to be designed for the individual ratepayer and CT payer, with agents more than able to look after themselves.

In his article Charles indicates that the VOA and agents would like to adopt the Pisces protocols to ease the process of electronically transferring rental data. I have to confess that, as a rather smaller practice than Charles' employer, we would not be in favour of Pisces as we have a more personal 'hands-on' approach to handling data on behalf of our clients.

The protocols which were developed for the property investment industry may well be suitable for bulk transmission of information, but I think that the Unique Property Reference Number (UPRN) would be a better place to start. Charles admits that the Pisces format is subject to many variations, therefore that the UPRN under Valuebill is a much better project. I agree with Charles that the failure of CLG to see this project through is a frustration, and while he believes that this inability is a “clear indictment of its competence and demonstrates inability to control BAs”, in contrast I believe that this indicates a lack of support to BAs as opposed to control, which I don't believe is within their remit.

Charles goes on to suggest in his article that the CLG as the parent authority should transfer that function to the Treasury. I personally think this would be a disaster. The frequency of staff moves within CLG is alarmingly frustrating, and I agree that there should be a greater level of commitment from CLG to staff in a proper career structure, that allows them to maintain and grow knowledge of an extremely complex area; as CT and NDR.

I think it an unfair categorisation that the collection of a national property tax is administered by “well intentioned but totally untrained amateurs within the CLG and collected by around 330 different BAs some which have no qualified staff”. The collection of tax is an administrative function, and by result the BAs are not open to much criticism in terms of the tax collected. No one is pretending that the administration could not be smoother with uniform rate bills and more comprehensive training of staff, but this is the case the world over.

I think far more concerning for the future of rating is not the administration of the system, which broadly these days is largely IT-driven anyway, but more the dysfunctional nature of the non-domestic rating system that has demonstrated its complete inflexibility to react in changing times. Recent decisions from the Lands Tribunal on obsolescence, and the effect of Lottery Grant, to my mind demonstrate that the rating system is both inflexible, unreactive and fails at the altar of a modern fair tax.

The VOA is equally at fault in maintaining the status quo and failing to spearhead the modernisation of the valuation processes to take account of market conditions. It is that inflexibility and consequential cost to ratepayers that is of far more concern to the non-domestic ratepayer in what appears to be badly judged assessments, given economic conditions as opposed to the way the money is actually collected.

I am hugely in favour of revaluations,

and I think the frequency needs to be revisited as a matter of urgency to ensure that if we are to maintain what is a very inflexible system revolving around the antecedent valuation date, then this needs to be far more frequent to take account of rapidly and, in some cases, dramatically changing economic conditions, which apparently cannot otherwise be reflected. The one thing that income tax does do is relate to economic conditions, whereas rating is lost in a sea of unintelligible and opaque regulations leading to an inflexible and arguably old-fashioned tax.

It is not the collection of that tax or those who collect it that are at fault, but the fundamentals of the valuation system for which the VOA and CLG maintain ultimate responsibility.

Charles concludes by suggesting that: “It is time to make the whole system transparent and responsibility for rating law and practice should be transferred to the Treasury, and collection to HMRC, which has the experience and ability to collect this national tax consistently”. I regard this proposal as a complete disaster.

The collection rates of BAs from non-domestic ratepayers, both as lay small ratepayers and from corporates together with their major role of CT, is a demonstration of local democracy and administrative powers in complete contrast to HMRC. The CLG, being much closer to local authorities and their BA function is in my view a more reactive body than the Treasury could ever be, and it is the plethora of opaque regulations imposed on the rating system which gives rise to the tensions in the administrations, as opposed to any fundamental flaw within the BAs or indeed CLG.

The administrative system is working despite everything, and what is needed is a simplification of how the tax is collected, and without all Bids, supplements and reliefs being imposed at will. A modernisation of the valuation system that allows for ratepayers to understand how their liability relates to their economic circumstances is fundamental. Historic values are anachronism to a modern taxation system, not the way it is collected.

Far from being past their sell by dates, I regard the BAs and the CLG as models of how to run an extremely complex, indeed over-complex, system brought about by a completely inflexible and old-fashioned way of assessing liability based on flawed valuation parameters. Valuers should look to their own corner as to how we arrive at valuations in the real world and then under the rating system before we criticise how people try and collect against these follies. ❖

