

### **ACS Submission: More Frequent Revaluations**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the HMT consultation on more frequent revaluations. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter. Further information about ACS is available at Annex A.

Business rates remain one of the largest fixed costs for convenience retailers and fundamentally impact business planning and investment decisions. We support the objective of the fundamental business rates review to reduce the burden of business rates on business and retuning the existing business rates system to incentivise investment. More frequent revaluations would improve business rates as a tax by better balancing how rateable values track with the property market against VOA resource constraints and certainty for business.

- Adopt a consistent and clear approach to gathering data on property characteristics via an annual confirmation return without additional in-year duties to notify. Requests for lease data should be strictly factual.
- Avoid using additional data submissions from retailers to backdate rates bills, to protect certainty of bills and allow capital investments to be recouped at a faster pace
- Share all data used to inform valuations from when new data submission requirements are introduced, without charges to ratepayers, to further reduce speculative appeals and improve trust in bills.
- Accelerate the start-to-finish appeals process by removing the 'Check' stage to free up funds for retail investments. Retain MCC appeals to protect otherwise viable businesses facing unforeseen circumstances.
- Ensure retailers are not discouraged from appealing rateable values due to a 'window' to submit placing huge pressures on rating agent availability or costs.
- Do not pursue annual revaluations if coupled with policy proposals which would reduce the accessibility of business rates appeals for retailers.

**For more information on this submission, please contact ACS Public Affairs Manager Steve Dowling via [steve.dowling@acs.org.uk](mailto:steve.dowling@acs.org.uk)**

## **Policy measures to enable 3-yearly revaluations**

### **Q1) Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements?**

The package of proposals within this consultation are a positive step but require some adjustments to become fair and balanced for convenience retailers. ACS' evidence below relates to streamlining the appeals system with feedback on proposed duties under Q2.

An accessible and functioning appeals system is fundamental to a fair and coherent business rates system. The introduction of 'Check, Challenge, Appeal' intended to reduce speculative appeals and deter rogue agents. However, the new system remains complex and inefficient, characterised by extended uncertainty over rating decisions. At least 21% of convenience retailers lodged an appeal after the 2017 revaluation, with 50% of those to have received a hearing outcome seeing their rateable value change<sup>1</sup>. Yet the new system caused a 38% decline in appeals cases lodged in the first 42 months of the rating list from 2010 (549,910) to 2017 (342,760)<sup>2</sup>.

#### *Draft Rating List*

Convenience retailers managing larger property estates report that the draft rating list requires publication six months before taking effect. A six-month timeframe allows retailers to check new entry details to identify potential errors and inform the VOA, so adjustments can be made before the list goes live, or appeals prepared. The draft rating list also informs budgeting and financial modelling. Slight amendments accumulating across a larger property estate can have a huge impact on investment plans and stall investments from independent retailers.

#### *Appeals Portal*

The appeals portal has significantly improved for larger retailers managing numerous appeals but remains cumbersome for independent retailers. This follows a very challenging rollout of the portal at the start of the rating list. The provision of application programme interfaces (APIs) has enabled retailers to use their own software to transfer data regarding multiple cases directly onto the portal at once, while digitising the challenge form is another practical improvement. However, retailers have reported continued difficulties in accessing help and support for portal issues, which can frustrate the progression of appeals, and registering new contacts to use the portal. The key measure of success for the portal is whether an unrepresented small independent retailer can navigate the system without professional support.

#### *Check Stage*

We support removing the check stage subject to amendments to simplify the proposed duties (see Q2). This should help to reduce the timescales associated with a full appeal, which are extending beyond three years and effectively freeze funding which could be otherwise used to promote and grow businesses. At present, the VOA is permitted 12 months to respond to a submitted check and has longer time limits at the challenge stage than ratepayers.

#### *Challenge Stage*

Introducing a 'window' for submitting challenges from the beginning of an active rating list must not prevent some retailers from successfully lodging a challenge or increase agent costs. There must be enough professional support available in the marketplace to meet ratepayer demands and deadlines

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<sup>1</sup> ACS Voice of Local Shops Survey: February 2020

<sup>2</sup> <https://www.gov.uk/government/statistics/non-domestic-rating-challenges-and-changes-2017-and-2010-rating-lists-september-2020>

without undue inflation for related fees. A three month 'window' would bring forward huge pressure on the industry, increasing fees but also presenting a risk to retailers of losing legitimate appeal rights if they do not act quickly. A longer window is also needed for new property occupants to recognise additional the business pressures faced.

This approach would not prevent speculative appeals because submitting a challenge without professional representation is already unrealistic, given the need to provide an alternative valuation and all supporting evidence at once. Introducing a window would also underline the importance of supplying draft rating lists with six months' notice.

There should not be multiple fees throughout the appeals process. A fee already exists for submitting an appeal with Valuation Tribunal England. A challenge fee should only be introduced if refunded on successful progression to appeal stage and the appeal stage fee is removed entirely. This would simplify the system and ensure costs remain proportionate.

### *Appeals*

There is no quantitative test about what constitutes a material change in circumstance (MCC). We understand the Government legislating against MCC appeals citing the Covid-19 pandemic. However, MCC appeals play a valuable role in supporting business viability when unforeseen circumstances are faced. For example, major roadworks and other significant changes to the local trading environment can reduce trade significantly for extended periods of time. The complexity of the appeals system means retailers do not submit MCC appeals where the financial loss faced is not significant. Removing MCC appeals entirely would reduce access to fair bills.

## **Q2) What steps could be taken to support ratepayers to comply with the new duties?**

### *Providing Rent & Lease Information*

Some convenience retailers already supply extensive rental information annually via the VOA VORC scheme. This form is comprehensive with not all fields easy to access for retailers. This proposal would effectively mandate involvement in the VORC scheme when changes to lease agreements occur. Leases are complex and varied and not easily comparable for many retailers. Providing additional lease information could be resource intensive. The lease information requested must therefore be simple to interpret and strictly factual, for example rent per month, other charges and length of lease. New requirements to provide lease information could also produce unintended motivations to delay signing new leases until after antecedent valuation dates where they would otherwise be immediately beforehand.

### *Duty to Notify of Property Changes*

Introducing both an annual confirmation return and duty to notify when property changes occur would duplicate work for both retailers and the VOA. A confirmation return would be sufficient to inform the VOA about property changes without additional interim duties to notify when changes occur. These forms should be pre-filled as much as possible to save time for retailers.

In-year duties would unreasonably require retailers to understand the many changes that could potentially affect rateable value. The VOA already typically asks ratepayers for very specific property information via the VORC scheme (e.g. specification plans, equipment models). A duty to notify around property changes would lead to unintentional non-compliance from independent retailers without property support functions.

The confirmation return should be completed prior to antecedent valuation dates and when a ratepayer wishes to submit a challenge. Beyond this, requiring the return to be completed annually would again duplicate work for no obvious valuation benefit. Updating property details should not be used to backdate business rates bills. The business rates system should support investment from retailers by allowing retailers to recoup the capital costs of investments between revaluations. This would also support certainty in bills for ratepayers and reduce resource constraints on the VOA and local councils.

The return form questionnaire should be developed between the VOA, MHCLG and local councils to avoid additional requests for very similar data. The form could ask about the areas detailed under paragraph 2.6 of the consultation document subject to 'structural alterations' not including plant and machinery items such as CCTV or air conditioning in shops, which are not obviously rateable. This is important for the new duty to truly reflect self-declaration rather than self-assessment.

### **Q3) Are you supportive of the proposed approach to Transparency?**

Transparency provisions should be rolled out alongside the new duties to submit lease information and property changes. Reciprocal access to data would instil confidence amongst ratepayers about the accuracy of their rateable value, thereby reducing the speculative engagements with the appeals system the government is concerned about. There is no need to delay access to data used to inform valuations, especially if transparency requests require ratepayers to first comply with the new duties.

The guidance alongside new transparency provisions would make the data more accessible. That guidance would need to include plain English explanations of the RICS/VOA measuring standards and zoning approaches used for most convenience stores, as well as the receipts and expenditure model used for petrol forecourt sites. This guidance should also set out how MCC appeals are assessed.

It is not fair or reasonable to introduce fees for transparency requests. A pillar of good tax policy must be transparency for taxpayers, available to all on the same basis. There are already fees within the appeals system and proposals for an additional fee at challenge stage within this consultation. Minimal costs would be incurred by the VOA to respond to individual transparency requests with data readily available to share. Avoiding fees would also further help to reduce the number of submitted challenges to reduce pressure on VOA resources.

### **The move to 3-yearly revaluations**

#### **Q4) What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle?**

This submission has already detailed practical issues faced by retailers around valuations and appeals, namely costs associated with completing an appeal, the need for technical rating knowledge and practical IT problems with the VOA appeals portal. The Government must learn from the issues which have faced the CCA appeals portal when adapting IT to reflect new duties and procedures.

We support incorporating appeals into one centralised online business rates portal, which includes billing processes and the new duties. Retailers have consistently reported the different formatting of bills across local authorities is unhelpful. A centralised process and helpdesk would streamline the administration of bills, but also allow retailers to better track the status of bills and rates liabilities year-to-year. This centralised portal should include new guidance and FAQs documents. We would

recommend incorporating the existing Making Tax Digital for VAT software and use MTD's exemptions rules<sup>3</sup>. This would rural-proof the portal for retailers without reasonable access to digital services.

### **Going beyond 3-yearly revaluations**

**Q6) Do you agree that that moving to a three-year cycle should be the Government's priority for this stage of reform, and that going further should remain an option for the future?**

Yes. We support moving to three-yearly revaluations. Moving to annual revaluations should only be pursued in future if additional or tighter barriers to appealing rateable values were not proposed.

One way the government could explore moving to annual revaluations in future would be by using lease values to simplify rating calculations and reduce the VOA resource required to conduct valuations. Lease values are already used as a basis for an existing tax administration in Stamp Duty Land Tax (SDLT). Leases where values are low could be exempted from business rates in a similar way to the Small Business Relief scheme. Leases equivalent to under £51,000 RV where the Small Business Multiplier applies could be charged a flat percentage of their lease value, reducing the burden on the VOA to complete rating assessments and process appeals.

This approach could allow the VOA to focus its resources on larger properties where full property valuations may be required or adopt a higher flat percentage of lease value. This system could adopt an allowance approach to prevent cliff-edges in bills paid. This would be similar to the existing SDLT approach with rates payable only on the portion of rateable value subject to that multiplier. Such a system would allow for a more subtle use of multipliers for different ranges of rateable values.

**Q7) Would you support a move to an annual revaluations cycle or a shorter AVD in the future, accompanied by the necessary enabling reforms set out in this chapter?**

Delivering three-yearly revaluations should be prioritised over changes to rating list timetables. More frequent revaluations will reduce the incidence of unexpected spikes in business rates liabilities affecting business planning and investments. We would welcome moves towards a shorter 12-month AVD after three-yearly revaluations are established. However, a system with 12-month AVDs would have to provide reasonable notice of multipliers to ratepayers to inform business planning and a simple process for data collection from retailers with larger property portfolios. These factors are important to allow retailers to forecast bills and administer data requests without using disproportionate time or resource. 12-month AVDs would be preferable if revaluations become more frequent than three years.

**For more information on this submission, please contact ACS Public Affairs Manager Steve Dowling via [steve.dowling@acs.org.uk](mailto:steve.dowling@acs.org.uk) / 01252 533009.**

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<sup>3</sup> <https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat#para-3>

## Annex A – About ACS

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.

**ACS** | the voice of local shops

### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents almost 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

#### SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

#### MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 13,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

### THE CONVENIENCE SECTOR



In 2020, the total value of sales in the convenience sector was £44.7bn.

The average spend in a typical convenience store transaction is £7.46.



There are 46,955 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 412,000 people.

13% of independent/symbol stores employ family members only.



22% of shop owners work more than 60 hours per week, while 24% take no holiday throughout the year.

72% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

80% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2019 and May 2020, the convenience sector invested over £585m in stores.

The most popular form of investment in stores is refrigeration.

### OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

#### ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

#### ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of around 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,700 stores. The Local Shop Report also draws on data from Lumina Intelligence, IGD, Nielsen and William Reed.

#### BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit [www.acs.org.uk](http://www.acs.org.uk)