



Ministry of Housing,
Communities &
Local Government

Check, Challenge, Appeal

Interim Review of Reforms to the Business Rates Appeals
System



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Introduction

1. In 2017, the Government introduced significant reforms to the system through which businesses or individuals liable for non-domestic rates (or 'business rates') are able to challenge the valuation of their property. The new framework, which came into force from April 2017, is commonly referred to as 'Check, Challenge, Appeal' (CCA) – reflecting the new three-stage appeals process.
2. The introduction of CCA was a response to widespread agreement that the previous system needed reform. Under the old system, challenges were frequently made without any supporting evidence. This meant there was often very limited engagement between the Valuation Office Agency (VOA) and the ratepayer (or their representative) until very late in the process. The previous system also led to large volumes of purely speculative appeals which were often subsequently withdrawn, but which clogged up the system causing delay and uncertainty for ratepayers with genuine cases. Over 70% of challenges made to the 2010 ratings list resulted in no change.
3. Following extensive consultation with stakeholders, the Government introduced a series of changes to the process for challenging and appealing against the valuation of a non-domestic property. This was based on a three-stage process as follows:
 - The 'Check' stage: Through which the ratepayer and the VOA agree (and if necessary correct) the key factual information about the property in question
 - The 'Challenge' stage: Through which a ratepayer may make a challenge to the VOA's valuation, and submit and discuss any relevant evidence
 - The 'Appeal' Stage: The ability for the ratepayer to appeal to the Valuation Tribunal for England (VTE), if no agreement has been reached with the VOA
4. Alongside this new process the reforms also introduced:
 - Clearer requirements for challenges to be accompanied by evidence
 - Restrictions on either the VOA or ratepayer introducing new evidence after the 'Challenge' stage, to help encourage early engagement and sharing of evidence
 - A requirement for ratepayers to decide whether to make an appeal to the VTE (on the grounds that the valuation is not reasonable, or the ratings list is otherwise inaccurate) rather than unresolved challenges automatically becoming appeals after a fixed period.
 - A small fee for making an appeal to the VTE (refundable if the appeal is successful)
5. As a package, these changes were introduced to deliver a more structured and efficient appeals system, and in particular to:
 - Support earlier and more effective engagement between the VOA and ratepayers, supporting (where possible) the resolution of cases without the need for an appeal to the Tribunal
 - Drive the more efficient resolution of 'straightforward' or routine cases
 - Ensure cases are supported with evidence and this is shared early in the process
 - Help to reduce purely speculative proposals causing delays in the system
 - Support more efficient use of VOA and VTE resources

6. The reforms were implemented from April 2017 through amendments to the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009 and the Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009.
7. When the new system was introduced, the Government undertook to review the overall package of reforms by 2019. This was specifically intended to allow the Government to consider any impact of the introduction of the 'reasonable valuation' provision, which specifies that the grounds for an appeal to the Tribunal must be that a valuation is "not reasonable". The commitment to review the impact of this provision was made in response to significant concerns from some stakeholders over how the concept of 'reasonableness' would work in practice, in particular in decisions made by the Valuation Tribunal. At the same time, the Government also committed to using any review to consider the overall effectiveness of the new system.
8. Check, Challenge, Appeal has now been in place for almost three years. Since the introduction of the new system, and as of 31 December 2019, ratepayers have made 137,360 Checks and 26,690 Challenges. Of those who have completed the Challenge stage, 305 have gone on to make an appeal to the Valuation Tribunal.
9. The Government's view is that it will only be possible to assess the full impact of the reforms following the end of the 2017 rating list and at the point when there is more substantive evidence and data on the overall volume of cases and on the outcomes of those cases. This review is therefore an interim assessment that considers the available evidence from the first three years of CCA and, based on that, sets out the Government's view on progress to date in delivering against the key policy objectives of the new framework.
10. While this is an interim review of the impact of CCA, the Government recognises the importance of an effective appeals system for both ratepayers and local government, and will continue to keep CCA under review. Alongside this review, the VOA is carrying out an independent customer-focused evaluation of the delivery of the new system that is due to report later in 2020. The recent Treasury Select Committee inquiry into business rates also considered the new appeals system in detail. The specific points raised by the Committee are addressed separately in the Government response to the inquiry report. The Government will also consider the scope for a fuller review of CCA following the end of 2017 list and when more detailed evidence is available on the overall impact of the reforms.

The Operation of the Reformed System

11. As of 31 December 2019, the VOA has received 137,360 Checks and 26,690 Challenges. Of those, the VOA had cleared 129,790 (94%) of received Checks and 9,700 (36%) of received Challenges. Under the legislation for CCA, the VOA has a maximum of 12 months to resolve Checks and 18 months to resolve Challenges – and failure to meet these time limits results in an automatic right for the ratepayer to move to the next stage of the appeals process. As part of its business planning, the VOA has set ambitious operational targets to clear 90% of Checks within three months, and 90% of Challenges within 12 months. These targets form part of the VOA’s business plan, and are reported against in their annual report. The table below sets out performance over the first two years since the introduction of CCA:

Year	% of Checks cleared within three months	% of Challenges cleared within twelve months
2017-2018	90%	86%
2018-2019	79%	81%

12. The introduction of CCA involved a significant change to the operational process for business rates appeals. This has included the creation of an entirely new ‘Check’ stage and the VOA introducing a new online system for ratepayers to submit and process ‘Checks’ and ‘Challenges’.

13. The Government recognises that there have been some challenges and concerns around the transition to the new system, in particular linked to the operation of the online portal for ‘Checks’ and ‘Challenges’. Stakeholders have raised a number of concerns, including during the recent Treasury Select Committee inquiry into business rates, over how easy the new system is to use and navigate, and over the lack of certain digital features or services to support the efficient submission and handling of cases.

14. The Treasury Select Committee was clear in its final report that the previous appeal system needed to be replaced and was allowing for an unsustainable level of speculative appeals. However, the report also highlighted some specific concerns and recommendations around the time it takes for cases to be dealt with, transparency over valuations and how that is balanced with wider taxpayer confidentiality, and functionality of the system in particular for ratepayers with multiple properties.

15. The Government is committed to ensuring that ratepayers have a right to challenge their valuations, and that there is an effective and efficient process to enable them to do so. In response to some of the concerns raised about the operation of the system in the first year of CCA, the VOA worked closely with stakeholders to identify and deliver against some of the key priority improvements. They published a ‘roadmap’ in May 2018 setting out a series of planned improvements and additional functionality, all of which were delivered by January 2019. These included:

- The ability for agents to claim properties on behalf of clients
- A number of Application Programme Interfaces (API) to enable more efficient management of cases, especially for agents handling large numbers of properties

- Improvements to the process through which ratepayers register to use the online system
- Expanding the property types that are included within the digital service

16. The VOA will continue to work with stakeholders, and discuss the ongoing effectiveness of the online system, through a number regular forums with representatives of business and local government, as well as with industry and professional bodies. In addition, as above the VOA has commissioned an independent evaluation of the operation of CCA, which will include detailed engagement with ratepayers and agents. The evaluation is due to report in 2020.

17. The Government's full response to the specific issues raised in the Treasury Select Committee report, including concerns over timeliness of the process and the transparency of valuations, is set out in the formal Government response that has been published separately to this review.

The Impact of CCA Policy Reforms

18. The reformed CCA framework was designed to tackle some significant challenges under the previous system, and in doing so deliver a system characterised by earlier and more effective engagement between all parties, and more efficient and focused use of VOA and VTE resources.
19. As set out in the introduction, the Government considers that evaluating the impact of CCA against its wider policy objectives (rather than in terms of day-to-day operational delivery) will only be possible when we have a clearer picture on (for example) the overall volume of appeals, and a wider evidence base of cases that have been through the full process. For example, as of 31 December 2019 only 9,700 Challenges and 180 Appeals to the Valuation Tribunal have been resolved.
20. While it is therefore difficult to assess delivery against the Government's long-term policy objectives, there are some positive initial signs on the impact of the new system. For example:
 - As at 31 December 2019, c.80% of resolved Check cases had not proceeded to Challenge – suggesting that the introduction of the Check stage is helping to enable a significant number of ratepayers to resolve more straightforward cases as early as possible.
 - As of 31 December 2019, of the 9,700 cases where Challenges had been resolved, 5,870 (61%) of these had resulted in agreement between the VOA and ratepayer – either because the VOA decides the Challenge is well founded or because following discussions the VOA and ratepayer have reached agreement on an alteration to the list different to that proposed in the original Challenge. Under the previous system this proportion was much lower and larger numbers of Challenges were subsequently withdrawn – suggesting that the reformed process is helping to drive more effective engagement.
 - As of 31 December 2019, while 9,700 Challenges had been resolved, as above a relatively small number (305) have so far led to an appeal from the ratepayer to the Valuation Tribunal. Again, this suggests that the reformed process may be helping to get cases resolved earlier and without the need for a formal appeal. It should be noted that ratepayers have four months following the conclusion of a Challenge to make an appeal – so a number of the resolved Challenges could still lead to an appeal.
 - The majority of Challenges are being submitted with relevant supporting evidence, and not (for example) with unsubstantiated claims for significant reductions in valuations. Only 7% of submitted Challenges so far have been rejected as incomplete because they failed to meet the legislative requirements (1,940 of 26,690 as of 31 December 2019)

21. An effective and efficient appeal stage of the process is an important objective of the reforms. However, given that only 180 appeal cases have so far been cleared¹ it is not possible to draw any firm conclusions on how the reforms have impacted on the appeal stage.
22. When the Government committed to carry out this review of the implementation of the CCA reforms, it was in part driven by specific concerns from stakeholders over the potential impact of the “reasonable valuation” concept – and whether it might create some kind of margin of error for the VOA or unfairly constrain the Valuation Tribunal’s decision-making. As set out when the regulations were introduced, this approach was designed to reflect the degree of judgement involved in the valuation process – and it will remain for the Tribunal to decide whether they think a valuation is reasonable, and whether to order any change.
23. As above, the small number of appeal cases to date provides limited evidence to evaluate any specific impact of the introduction of reasonable valuation. It has now become part of the process, and the Valuation Tribunal decisions to order a change are being made on the basis that they consider the existing valuation is not reasonable. As above, that remains a decision for the Tribunal, based on the facts of each case.
24. The Government will consider further evidence on the appeal stage as part of any fuller long-term review carried out after the end of the 2017 ratings list. Part of this will include considering, on the basis of a wider range of evidence, any further indication on how the “reasonable valuation” concept has operated in practice.

¹ This covers both cases that have been settled by agreement between the parties, or where there has been a determination by the Valuation Tribunal.

Conclusion

25. The Government recognises the importance of an effective appeals system, both for ratepayers and for local government, and will continue to keep the operation of CCA under review. As set out earlier in this interim review, the VOA has commissioned an independent customer-focused evaluation of the impact of business rates appeals reform on customer experience that is expected to report later in 2020.
26. The Government recognises there have been some significant challenges around the operational implementation of the new system. The VOA has taken steps to address concerns from stakeholders and continues to work closely with them to monitor how well CCA is working for them.
27. The early evidence gathered on CCA suggests that the reforms to the appeals system are helping to reduce the number speculative appeals and improve engagement between ratepayers and the VOA. We will continue to monitor progress against CCA policy objectives as more cases reach the Challenge and Appeal stages.

End of List Arrangements

28. When the Government introduced CCA, we stated that specific proposals for end of list arrangements (i.e. the deadlines by which a ratepayer can challenge their valuation for the 2017 rating list) would be confirmed in light of the operation of the new system. At the time, the Government set out its view that there was a clear case for bringing forward the deadline for appeals, which for previous lists had generally been the last day of the list.
29. This remains our view and the Government intends to consider options for a different approach for the next rating list. However, the Government recognises that the transition to a new system and some of the operational challenges around the early introduction of CCA may have impacted on the ability of some ratepayers to progress cases earlier in this list. In addition, since the introduction of CCA the Government has committed to bringing forward the next revaluation to 2021.
30. In light of these factors, the Government does not intend to introduce a deadline for the submission of 'compiled list' Checks for the current list any earlier than 31 March 2021. The Government plans to introduce secondary legislation later this year to set the deadline for the submission of 'compiled list' Checks and will work with stakeholders on the detail of the regulations.