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PRIME MINISTER

RATING APPEALS

Nigel Lawson and I have become seriously concerned that it might not prove possible for the Valuation Office of the Inland Revenue to complete satisfactorily the revaluation of non-domestic property in England and Wales in time for the new rating lists to be deposited in December 1989. The revaluation is an essential part of the new business rate system and it would be a serious blow if it could not be completed adequately and on time. I have considered with Nigel what steps we might take to avoid such a delay and we believe that the best way to enable the Valuation Office to give the necessary priority to the revaluation is to reduce substantially the volume of proposals and appeals against the old, 1973 valuation list during its remaining life.

The root of our problem is that the Valuation Office has a severe shortage of professional valuers. The buoyancy of the property market has led to loss of staff to the private sector, where pay levels are higher, and to recruitment difficulties. Nigel is taking action to reduce the shortage and to make the most effective use of the resources available. But these measures will not be sufficient to safeguard the revaluation especially if, as we very much fear, there is a big surge in the number of proposals to amend the 1973 list once we announce the transitional arrangements for the introduction of the business rate which we have just agreed. These proposals will come from businesses anxious to reduce their rateable values so as to improve their position under the transition. Many such proposals will be entirely speculative and many may relate to entries in the list which have been the subject of unsuccessful proposals in the past. Businesses will be encouraged to make proposals because it is known that the Valuation Office is short of staff and unable to resist unjustified reductions with its normal vigour.



I am also concerned that, if nothing is done to stem the potential surge of proposals, the Valuation and Community Charge Tribunals, which hear the appeals which result from proposals that cannot be resolved by negotiation between ratepayer and valuation officer, will become overloaded, leading to serious delays in hearing community charge appeals and appeals from businesses against their entries in the new rating list.

I therefore propose that when announcing the transitional arrangements for the business rate, I hope within the next 2 to 3 weeks, I should also announce that we propose to legislate to nullify the effect of any proposals (and therefore of any successful appeal resulting from such a proposal) made to alter the 1973 list by both domestic and non-domestic ratepayers in England and Wales which are received by the Valuation Office after the time of the announcement. I believe that we can justify this on the grounds that the list is now 15 years old, ratepayers have had ample opportunity to object to it, and that we now want the Valuation Office and the VCCTs to concentrate their resources on preparations for the new system.

Some provision must be made for cases where a change in rateable value is justified. I therefore propose that the Valuation Officer should, with one exception, continue to be able himself to make proposals to change both domestic and non-domestic entries in the 1973 list and, indeed, that he should remain under a statutory duty to maintain the list. He would also continue to make proposals in respect of new buildings. The ratepayers' right to appeal against a Valuation Officer's proposal would be unaffected. The exception relates to domestic property and here I suggest that proposals by the Valuation Officer after 31 March 1989 for a change in rateable value of 20% or less, up or down, or which do not relate to a physical change in the property or its environment should be nullified. That will give the Valuation Office time to deal with cases of which they have already been notified by local authorities, but after that date in practice Valuation Officers



would not make such proposals. The Valuation Officer's duty to maintain the list would need to be modified accordingly. I believe that we can justify this exception on the grounds that domestic rateable values will cease to have any effect on 1 April 1990 and that it is no longer sensible to devote resources to making large numbers of minor changes to the list.

The effect would be to deter ratepayers from pursuing proposals and to encourage them, where there had been a change justifying amendment of the rateable value, to notify the Valuation Officer so that he could propose a change in the list. Some ratepayers may of course continue with proposals undeterred and these would have to be dealt with in the normal way until enactment of the legislation, when any effect would be nullified. In view of the time currently taken for appeal cases to be heard, however, it is unlikely that many would reach that stage before enactment. If there were some successful appeals the Valuation Officer would usually himself propose a change to the list to the same effect (except in the minor domestic cases mentioned above), so the ratepayer would not be disadvantaged.

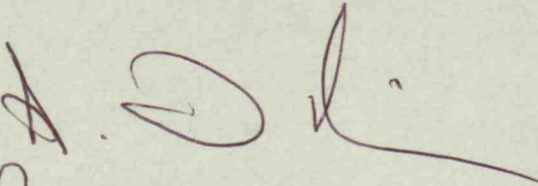
It would be important that Valuation Officers should propose amendments to the list in genuine cases and as an extra safeguard, I propose that we should announce that in any instance where the Valuation Officer had been notified by the ratepayer of a change in the property but had declined to make a proposal, the ratepayer, if dissatisfied, could ask the Regional Superintending Valuer of the Valuation Office to review the case. This would be a non-statutory arrangement. We should also draw ratepayers' attention to the fact, that as a last resort, they can ask their MP to take up their case.

Although we shall be criticised in some quarters for these proposals, I believe that they are essential if we are to avoid the much greater criticism which would result if the revaluation were seriously delayed, and I think that they can be successfully



presented. If you agree, I would propose to include the necessary legislative provisions (which would not be substantial) in the Local Government and Housing Bill.

I am copying this letter to Nigel Lawson, John Wakeham, Patrick Mayhew, Peter Walker and Malcolm Rifkind and to Sir Robin Butler.


P.P. NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed in his Absence)

-6 JAN 1989

CONQUEROR