

BF 21/12

FROM: A J C EDWARDS
DATE: 16 DECEMBER 1988

1. FINANCIAL SECRETARY*
2. CHANCELLOR

cc Chancellor*
Chief Secretary*
Sir P Middleton*
Mr Anson*
Mr Phillips*
Mr Scholar*
Mr Culpin
Mr Chivers
Mr Gilhooly
Mr Potter
Mr Fellgett

Mr Shutler (VO)
Mr Pitts (IR)

[* with attachments]

RESTRICTING VALUATION APPEALS:
NEXT ACTION

all annexes in buff folder.

Mr Ridley's letter of 8 December (Annex A) proposes that he should make an announcement, as soon as possible after Parliament reassembles, removing the existing statutory rights of all ratepayers, both domestic and non-domestic, to make proposals and appeals against the present (1973) rateable values List. In our view, Mr Ridley is right to argue that the time has now come to take firm decisions. The longer decisions are delayed, the less effect they will have in reducing appeals and solving the problems of valuer shortage; the greater, too, will be the risks of leakage and forestalling. The immediate action is for the Chancellor to reply, before Christmas I fear (if humanly possible), to Mr Ridley's letter.

Main papers

2. As you will recall, the Chancellor wrote on 22 July to Mr Ridley (letter at Annex B), after consultation with you, proposing an announcement before the Summer Recess which would have restricted non-domestic ratepayers' rights to propose and appeal against the existing (1973) rateable values list so as to reduce pressures on the Valuation Office as they undertake the new revaluation for the NNDR.

3. Mr Ridley's reply of 27 July (Annex C) argued that it would not be possible to prepare a suitable statement so quickly and suggested that officials should consider the options further with a view to decisions in the autumn. The Chancellor agreed to this in his reply of 1 August (Annex D).

4. The Solicitor General commented subsequently that it would not be possible to stop work on proposals and appeals against the existing list until the legislation had received the Royal Assent: letter of 18 August at Annex E.

5. DOE have taken the lead in preparation of the note by officials, which is at Annex F. Because of the complexities of the subject and other seasonal pressures, preparation of this note unfortunately took considerably longer than we would have wished.

6. We also have notes (Annex G) which you commissioned from the Inland Revenue on the supply of valuers and the measures which the Valuation Office have taken.

7. We have, finally, the letter of 8 December, already mentioned, from Mr Ridley (Annex A). To our considerable surprise, this effectively accepts and indeed goes further than the Chancellor's July letter by proposing to remove all formal proposal and appeal rights in respect of the existing valuation list, both domestic and non-domestic.

The problem

8. The reason for contemplating such drastic action remains as before: the Inland Revenue and Valuation Office are much concerned about their ability, in the absence of such action, to carry through both (a) the current revaluation and introduction of the NNDR to an acceptable standard, within the deadlines set in the legislation, and (b) their other duties, not least in relation to tax matters. Last year's Act provides for the compiled list of new rateable values for the NNDR to be deposited with the rating authorities by 31 December 1989. It then comes into force on 1 April 1990.

9. There is a parallel concern about the ability of the new Valuation and Community Charge Tribunals to cope adequately with the expected flood of appeals relating to the new rateable values List and the Community Charge in the absence of action to close down appeals against the existing List.

10. The Inland Revenue have said, and repeatedly confirmed, that they regard the revaluation as a top priority and the Valuation Office will complete it to time. But they remain of the view that if no action is taken to restrict the flow of rating appeals they face a shortfall of 265-285 valuers at 1 April 1989 against a total requirement (for all purposes) of some 1950. By the end of 1989-90, they forecast that the minimum shortfall will be reduced to 120 valuers as a result of management measures which they are taking, including improvements in productivity and withdrawal from half the projected workload of RTB cases. However, a further 100 valuers are likely in their judgement to be needed to clear the surge in rating appeals, to take advantage of the NNDR transitional arrangements, which is virtually certain to occur if nothing is done.

11. In terms of backlog, the Valuation Office estimate that about one year's work will be outstanding at 1 April 1990. Their priorities would then be to clear first the appeals against the from the new list. In London and the South East, the position is expected to be especially bad. Between 1990 and 1993 the Valuation Office estimate that they will require about 7,200 man years of valuer effort; but with an estimated supply of only 4,800 man years (three times the existing number of valuers) they would expect in 1993 to have between 1½ and 2 years work outstanding. Work on the 1995 Revaluation would almost certainly have to be postponed for two years.

12. The period since July has seen the following mostly favourable developments with regard to the supply of valuers:

(i) the IPCS settlement has given an extra 12% to valuers in the case-work grades in London but only an extra 3% elsewhere (7½ per cent for senior valuation officers);

(ii) the Valuation Office have during the summer succeeded through management measures in reducing the shortfall by 85 valuers although this improvement has been largely offset by continued staff losses;

(iii) the Valuation Office have developed proposals for using non-professionals from the domestic rating side to assist with the settlement of unrepresented non-domestic appeals. That will provide 35 man years in 1989-90.

In addition, if the property market becomes less buoyant, the supply of valuers could become more plentiful. We cannot however rely on that. Indeed, the opposite could happen.

13. Although these developments are likely to improve the balance between the supply and demand for valuers, there must be a continuing concern about the position, particularly over the next two to three years.

Objectives

14. The main objectives as we see them must be to find acceptable ways of

(i) ensuring that the Valuation Office can complete the 1990 Revaluation within the required timescale and to an acceptable quality, and then manage the transitional arrangements;

(ii) enabling the Valuation Office and the new Valuation and Community Charge Tribunals to deal promptly with the expected flood of proposals and appeals against the new Revaluation, avoiding log-jams and associated delays which could rise to up to three years; and

(iii) avoiding unacceptable delays in other areas of the Valuation Office's work, notably on tax and other Government

programmes.

The problems which would be exacerbated by a sub-standard Revaluation are listed at the beginning of the note by officials. The main ones are unpredictability of yield from the NNDR, more appeals, long appeal queues, and postponement of the further revaluation which the legislation provides for in 1995.

Demand side solutions

15. The problems of valuer shortage could in principle be tackled either on the demand side, by action to reduce the workload on the Valuation Office, or on the supply side, by action to increase the numbers of valuers, or both. The note by officials at Annex F examines three broad options on the demand side:

(i) removal of proposal and appeal rights against the existing rateable values list as soon as practicable;

(ii) limitation of proposal and appeal rights against the existing lists;

(iii) changing the base date for the NNDR transitional arrangements from 1989-90 to 1987-88, so as to reduce the incentive to continue appealing against the existing valuation list.

The note by officials is concerned mainly with identifying broad options rather than discussing them, and thinking has anyway developed further since the note was completed, particularly as regards sub-options within option (i). The paragraphs which follow need therefore, I fear, to offer a fairly full discussion.

Removal of proposal and appeal rights

16. Specification. Under this option, the Government would announce that, with effect from midnight on the day of the announcement (or the previous midnight), subject to passage of the

necessary legislation, ratepayers would lose their existing statutory rights to lodge formal proposals and appeals against the existing rateable values list. This would apply to both domestic and non-domestic rateable values. The Valuation Office would, however, retain the right, and indeed the duty, to change valuations even-handedly, at least in the case of new buildings or in cases where the changes involved were more than (say) 20% in either direction: the main sub-options for Valuation Office procedures are discussed further below.

17. The reasons for removing domestic as well as non-domestic appeal rights are threefold. First there would be a problem over 'mixed hereditaments' if formal proposals and appeals continued to be allowed on domestic premises (eg shops with flats on the first floor). Second, about 50 more valuers would be saved. Third, since domestic rateable values will have no influence on rate bills after April 1990, removing domestic proposal and appeal rights would arguably be a less serious step than removing the corresponding non-domestic rights (which will continue under the transitional arrangements to affect NNDR bills for several years).

18. Valuer savings. The Valuation Office estimate that the number of valuers released by this option could build up to a maximum of about 340 in a year's time (290 if domestic appeal rights were not similarly removed), though the actual figures could be well below these maxima, depending on what continuing obligations with regard to the existing List the Valuation Office undertook. The savings in the next 12 months while the initial Revaluation is taking place would anyway be much less than the figures just mentioned, since proposals put forward by ratepayers before the announcement would need to be processed as before and there is a lag of about 12 months between lodging of proposals and the subsequent appeals (it is the appeals which are particularly costly in valuer time). The Solicitor General has advised that work would need also to continue on any proposals lodged after the announcement until such time as the Bill received Royal Assent. The situation should however be greatly eased by the critical first quarter of 1990 when the Valuation Office will be at full stretch revising the initial valuations list in time for the first operational list. In addition, the handling of appeals against the new valuation list, and the work of the Valuation and Community Charge Tribunals in general would get off to a far better start.

19. Legislation. The note by officials envisages that this Session's Housing and Local Government Bill would be used to give legal effect to this option. A short Bill introduced as soon as possible would make the fullest reduction in the Valuation Office's workload and reduce the interval between announcement and the legislation but is unlikely to be practicable given the other pressures on Parliamentary time.

20. Advantages. The main advantage of this approach is that it would be much the most effective way of reducing demands on the Valuation Office - much more effective than any partial withdrawal of statutory proposal and appeal rights - and would thus enable them to concentrate on the Revaluation and its subsequent defence with much less disturbance to their other functions. The effect would be significantly to reduce the number of proposals made. Of those which were made, most would not require valuers', as distinct from clerical, attention for some time. This course would also enable the Valuation Office to prevent worsening backlogs in tax and other areas.

21. If no action on these lines were taken and ratepayers' proposals and appeals against the existing list were allowed to continue unabated, the Valuation Office would be stretched on covering this current work and diverted in part from the priority of a soundly based 1990 Revaluation and beginning to the new NNDR system. In addition the Valuation and Community Charge Tribunals could find themselves log-jammed at 1 April 1990 with at least a year's appeals outstanding, and appellants to the new (1990) list would have to wait until 1991 at the very earliest for a hearing. In the Inland Revenue's view, setting and distribution of the NNDR would become precarious, and the earliest date at which work could begin on preparations for the 1995 Revaluation would be deferred for a year or two.

22. Disadvantages. As you will be well aware, the option of removing statutory proposal and appeal rights against the 1973 List does also involve two major difficulties:

(i) it would be seen by many as removing for administrative reasons the citizen's fundamental right of appeal on a taxation matter. Ministers will be better placed than we are to judge the possible Parliamentary difficulties;

(ii) it would make the Government's proposals for the NNDR transitional arrangements somewhat harder to defend: the rating bills which many firms actually pay will continue until 1995 or later to depend on 1989-90 rateable values.

23. Sub-options. Both the difficulties noted in the previous paragraph are inherent in the option of removing the existing statutory rights of ratepayers. They could however be mitigated to a greater or lesser extent by the obligations which Ministers place on Valuation Officers with regard to the existing rateable values List. The three main options, or sub-options, are:

(a) frozen list/no petitions

The Valuation Office's obligation with regard to the existing List would be limited to adding new buildings and major additions to existing buildings. With these exceptions, the List would be 'frozen'.

No provision would be made for non-statutory appeals or petitions by aggrieved ratepayers.

(b) Ridley variant

Where the state of a property or its environment is substantially changed, the Valuation Office would be obliged to implement reductions of 20 per cent or more in rateable values where this was brought to their attention: increases in rateable values of less than 20 per cent might similarly be ignored.

Aggrieved ratepayers might be able to ask the Chief Valuer via their MPs to re-examine their cases.

(c) Valuation Office variant

Where a physical change had occurred in the property or locality, the Valuation Officer would be obliged to make any changes he considered right in rateable values of non-domestic buildings in the 1973 List; for domestic premises, such changes would be implemented only if they exceed 20 per cent in either direction.

Aggrieved ratepayers would be able to appeal to the Valuation Office's Regional Superintending Valuer if they were dissatisfied with the local valuer's decision.

24. Sub-option (a) above, the frozen list, would maximise the reduction in the Valuation Office's workload and hence the saving in valuers. Ministers may feel, however, that this sub-option would be altogether too brutal. It would do nothing to mitigate the disadvantages discussed in paragraphs 22 (i) and (ii).

25. Sub-option (b), as proposed in Mr Ridley's letter, would be much easier to defend in the sense that the aggrieved ratepayer, while deprived of his existing statutory rights in relation to the 1973 List, would at least have the opportunity to make representations in accordance with an established procedure. However, many non-domestic ratepayers would doubtless complain, with some cogency, that under the NNDR transitional arrangements their actual rate bills would continue to be affected by the 1973 List for several years to come, and it was not acceptable that changes of less than 20 per cent in this List should be ignored. There would also be a revenue loss from the 20 per cent cut-off (perhaps £25 million in 1989-90). In addition, the idea of appeals via MPs to the Chief Valuer (or in practice to Ministers) seems unattractive.

26. Sub-option (c), the Valuation Office's variant, would avoid these two problems. The non-domestic list would be kept up to date as being still an operational list for the purposes of the transitional arrangements. The 20 per cent de minimis limitation

would be applied only to domestic rateable values. (The 20 per cent limitation could alternatively be dropped for domestic rateable values as well.) The idea that aggrieved ratepayers could make representations or appeals from the District Valuer to the Regional Controller would likewise seem a far better system than appeals via MPs to the Chief Valuer or Ministers.

27. A small disadvantage in sub-option (c) is that the different treatment of domestic and non-domestic rateable values in the existing List could give rise to some problems in the case of mixed hereditaments (though these would not be nearly as serious as if there were a right of appeal in one case but not in the other). DOE have also in the past attached importance to symmetric treatment of domestic and non-domestic ratepayers. The Valuation Office take the view that it would be worthwhile retaining the 20 per cent cut off for domestic rateable values, even so.

28. In the view of Treasury officials, the Valuation Office's sub-option at (c) above would unquestionably be the best-buy within the broad option of removing existing statutory proposal and appeal rights against the existing List, even though the valuer savings would be significantly less than under the more draconian sub-option (a) and somewhat less than under the Ridley option (b). The Valuation Office believe that the savings will nevertheless be substantial. New estimates are being prepared.

Restricting proposals and appeals

29. Specification. It would in principle be possible, in contrast with the options discussed above, to retain ratepayers' existing statutory proposals and appeal rights against the 1973 List but provide that changes would be implemented only if they exceeded 20 per cent of the original valuation.

30. Valuer savings. The Inland Revenue estimate that this approach might yield about half of the valuer savings under the most draconian version of the removal of appeals option discussed above.

31. Legislation. Legislation would be required as in the complete removal option.

32. Advantages. On this approach, the existing statutory proposal and appeal system would be retained, but with a high de minimis threshold.

33. Disadvantages. The disadvantages of this approach are:

(i) it would probably stimulate a great deal of litigation, since many ratepayers have inflated expectations of the reductions in rateable values which are due to them;

(ii) the savings in valuers' and tribunals' time would therefore be much more uncertain as well as being much reduced; and

(iii) many non-domestic ratepayers would be likely to complain that getting the 1973 valuation List right to within 20 per cent was simply not good enough when this List would continue to affect actual rate bills under the transitional arrangements for several years ahead.

34. For all the above reasons, the option of retaining the existing statutory proposals and appeals system on a restricted basis seems less attractive than the option of removing the existing statutory rights altogether while charging the Valuation Office to keep the 1973 non-domestic list up to date and to operate a non-statutory representations or appeals procedure.

Re-basing the transitional arrangements

35. Specification. Under this option, the NNDR transitional arrangements limiting the annual increase in any business ratepayer's rate bill to N per cent (probably 20 per cent) would be measured, not from a 1989-90 base period as hitherto envisaged, but from 1987-88 (that is, two years earlier). This would substantially reduce, without removing, the incentives which firms

will have to propose and appeal against existing rateable values in 1988-89 or 1989-90 since any reductions in rateable values which they won would affect rate bills only during those years and not during the transitional period.

36. Valuer savings. The Valuation Office estimate that this course could prevent the demand ~~for~~ valuers from rising by a further 100.

37. Legislation. The latest legal advice is that this option, too, would require legislation.

38. Advantages. This approach would have the considerable merit of reducing the incentive to propose and appeal against the existing Valuation List without taking away or curtailing what may be perceived as the taxpayer's fundamental rights. Businesses would still have an incentive to propose and appeal in order to reduce their rates bills in 1988-89 and 1989-90. Hence it is uncertain how many firms would in practice be deterred from proposing and appealing. But significant savings in the Valuation Office's workload would be likely.

39. Disadvantages. The disadvantages in this approach are partly practical and partly political.

40. The main practical difficulty would be how exactly to define the base period. Rates bills will have changed substantially, and by varying amounts, between 1987-88 and the first year of the new system, 1990-91, predominantly though by no means exclusively in an upwards direction. If the rule were simply that the 20 per cent annual growth limitation applied in 1990-91 to the change compared with 1987-88 rate bills, large numbers of firms would qualify for relief (though many fewer would do so in the two following years). Similarly, a smaller number of firms would find their rate bills falling, and making the transitional arrangements self-financing overall could be a problem. Possible solutions would be to amend the transitional arrangements so as to set a growth percentage limit considerably above 20 per cent in 1990-91 or alternatively to define the base for the transitional arrangements as 1987-88 rateable values multiplied by 1989-90 local poundages. These would however be considerable, and perhaps unwelcome, complications.

41. The main political problems in this approach, which would prevent a difficult situation becoming worse rather than improving it, would be:

(i) It would be difficult to defend publicly choosing such an early base period for the transitional arrangements: Ministers would probably have to admit that the choice was prompted by the need to discourage appeals.

(ii) As with any such arrangement, there would be significant gainers and losers compared with the 'natural' base date of 1989-90, and the losers would complain loudly, while the gainers would rejoice quietly. The losers (eg: firms whose local Councils' rate poundages had risen slowly in 1988-89 and 1989-90 or whose rateable values had been reduced in 1988-89 or 1989-90) would complain that their legitimate expectations had been dashed.

Since the incentives to propose and appeal would not be removed, the extent of savings in valuer effort would inevitably be uncertain.

42. In the opinion of officials the rebasing option is rather unattractive.

Lesser demand-side changes

43. Lesser demand-side changes which we have considered are:

(i) further reordering of work priorities within the Valuation Office, perhaps including elimination of certain categories of work;

(ii) making appeals more risky for the appellant (by requiring local valuation Courts to consider whether appealed rateable values should be increased and to award costs against dismissed appellants);

(iii) requiring all proposals against rateable values to include a full statement of reasons; and

(iv) continuous as against 'big-bang' revaluations.

44. The first of these options (prioritisation) would not require legislation and already plays an important role. As the Valuation Office are short of valuers, they assign priorities to different areas of work; at present the Revaluation is the first priority and Revenue Valuation second. In some cases, such as Right to Buy valuations, they have withdrawn altogether in certain areas of the country, and this process will be extended further: they currently have about 100 full-time equivalent valuers doing RTB work, but only 50 next year on current plans, and about 100 valuers in all doing other Local Authority work. Clearly prioritisation could be taken still further and may anyway need to be. But the Valuation Office would prefer not to withdraw from all this work or to increase the delays and backlogs in their other work while Revaluation and NNDR work is at its peak.

45. Options (ii) and (iii) would require legislation and do not seem worth pursuing for the existing Valuation List. The new NNDR appeal system will provide for tribunals to take an even-handed view of whether rateable values should be reduced or increased, though it will not provide for dismissed appellants to bear costs or for proposals to be accompanied by full statements of reasons. These aspects may well be worth considering as part of the development of the new system.

46. Another possibility which we think should be considered as a longer term matter is replacement of the existing "big-bang" Revaluation every so many years by a system of continuous revaluation (option (iv) above). Although this was considered and rejected at an earlier stage, recent experience has underlined the disadvantages of the periodic big-bang approach, in particular:

(i) the disruptive effect on the Valuation Office's workload and

(ii) the need for complex transitional arrangements to phase in new valuations where these have changed substantially compared with previous valuations.

The way in which a continuous revaluation process might best work would of course need further study. The broad approach might be, however, that particular regions or types of property would be revalued each year. The rateable values of other regions or types of property would be adjusted pro rata on the basis of these actual revaluations and/or sample revaluations.

Supply side

47. The other way to mitigate the prospective shortage of valuers is to take steps to increase their supply. The Valuation Office have already succeeded in substantially raising recruitment numbers. As noted earlier, the supply of valuers may increase anyway should the property market run out of steam. We cannot, however, count on this. The recent IPCS deal should help with retention in London itself, though its effect elsewhere is uncertain.

48. The Valuation Office paper at Annex G explains what has been done already. Further action would be likely to mean providing more generous incentives for valuers such as:

further selective local pay increases (especially around London) building on the IPCS settlement, designed to improve retention of existing valuers and recruitment from the private sector;

productivity incentives (item 3(a) of Annex B to Valuation Office paper)

more generous overtime arrangements, (item 2(b) at Valuation Office's Annex B);

a retirement package, to discourage retirement and attract back valuers who have recently retired (compare item 4(b) at Annex);

redeployment of valuers within the public sector.

We consider that, since the skills of surveyors and valuers are substantially interchangeable, action along these lines could well significantly improve the position over the next twelve critical months, before the full effects of the demand -side measures (if Ministers pursue these) are felt. We would not want to take action under the first of these headings immediately: it would be too soon after the IPCS deal, and we ought to allow a decent interval to see what effect the latest pay increases may have. But we should keep the pay position under review. The remaining possibilities should be urgently pursued and costed.

The choice

49. The preceding paragraphs have discussed the following main options:

(i) removal of the existing statutory proposal and appeal rights against the existing valuation list, with the following sub-options:

(a) freezing the existing list/no non-statutory appeals,

(b) the Ridley variant, and

(c) the Valuation Office variant;

(ii) restricting but not removing these existing proposal and appeal rights;

(iii) rebasing the transitional arrangements from 1989-90 to 1987-88;

(iv) further reallocation of Valuation Office work (especially RTB valuations and local authority work, where the scope for charging is being separately examined);

(v) supply side measures to increase the numbers of valuers; and

(vi) longer term demand side measures which might be incorporated in the new system:

(a) failed appellants to bear costs;

(b) proposals to be accompanied by substantive statements of reasons;

(c) rolling annual revaluations in place of periodic big-bang revaluations.

50. Taking these options in reverse order, Treasury, Inland Revenue and Valuation Office officials are agreed that the items in option (vi) should be pursued as possibilities for the longer-term.

51. We are agreed that options (iv) and (v) should be pursued to whatever extent is necessary, not least to deal with the problems of the next, critical 12 months during which the current Revaluation has to be completed. We recommend accordingly.

52. Officials are also agreed in recommending against option (iii) (rebasng the transitional arrangements). They also consider that option (ii) (restricting existing proposal and appeal rights) is distinctly inferior to option (i).

53. The most difficult issue is whether to pursue one or other of the option (i) variants, and if so which.

54. The Inland Revenue and the Valuation Office continue to favour removal of the existing proposal and appeal rights, in accordance with one or other of the option (i) variants. As between the three variants, they see the draconian option (i) (a) as having the merit that it would greatly simplify their task in making a success of the new NNDR system and enabling them to clear backlogs of work in both rating and other taxation fields.

55. Mr Ridley is now going for option (i) (b). We think, however, that for the reasons explained earlier the Valuation Office variant option, (i) (c), would provide a much more defensible basis for the transitional arrangements, as well as being less risky in revenue terms and providing a more satisfactory representations procedure, and would therefore be preferable.

56. If Mr Ridley had remained opposed, as we in the Treasury expected, to any form of curtailment of proposal and appeal rights, Treasury officials would have been inclined to suggest that the Chancellor should not press him to do so but concentrate instead on the other measures listed above - supply side measures, reordering of priorities and alleviation of the post-1990 position through longer term measures such as those sketched in option (vi).

57. Mr Ridley's conversion to some form of restriction, broadly along the lines which you yourself and the Chancellor earlier advocated, has increased the range of realistic options. You and the Chancellor may feel that the best solution to go for in the new circumstances would be the Valuation Office's variant on Mr Ridley's option, ie option (i) (c) above, together with options (iv) to (vi).

58. The draft letter attached from the Chancellor to Mr Ridley assumes that this will be your and the Chancellor's preferred option.

Next action

59. The next steps, as we see them, should be as follows:

(a) you will doubtless wish to give your views to the Chancellor;

(b) the Chancellor will wish to reply to Mr Ridley's letter, possibly along the lines of the attached draft;

(c) it will then be for Mr Ridley to minute the Prime Minister, the Chancellor, the Lord President, the Law Officers, Mr Walker, Mr Rifkind and any other Ministers concerned;

(d) officials will need in the meantime to work up the outstanding technical details on the assumption that Ministers wish to proceed with options (i) or (ii); all this in preparation for

(e) a mid-January announcement by Mr Ridley, no later than the general statement about the transition to the NNDR.

60. In view of the tight timetable it will, I fear, be important for you to advise the Chancellor, and for the Chancellor to reply to Mr Ridley's letter, before Christmas. If you or the Chancellor wish to discuss, we are of course at your service.

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A J C EDWARDS

DRAFT LETTER FROM THE CHANCELLOR
TO RT HON NICHOLAS RIDLEY AMICE MP

RATING APPEALS

Thank you for your letter of 8 December.

~~I am glad you now feel, as I have done since the summer, that some action is needed to restrict proposals and appeals against the existing Valuation List. The aim should be to announce this in mid-January, as you suggest - no later than the forthcoming announcement on transitional arrangements for the NNDR.~~

~~On the substance, I agree that the broad approach should be to remove the existing statutory proposal and appeal rights against the 1973 List, while giving the Valuation Office the power and duty to act as arbiters with regard to the existing List, and I also agree that this new arrangement should apply to both domestic and non-domestic premises.~~

I have two ~~main concerns about your precise suggestions.~~

First, I think that non-domestic ratepayers would criticise the NNDR transitional arrangements as being unfair if we were to ignore any changes ~~below~~ ^{smaller than} 20 per cent in the existing non-domestic Valuation List, when this list will continue to affect the actual rate bills of many companies for several years to come: we would also be likely to lose significant amounts of revenue.

Please type for Ch's sign.

As you know, I very much support your proposal that we should

Second, I think it would be better to provide for aggrieved ratepayers to make representations to the Valuation Office's Regional Superintending Valuers if they are dissatisfied with the local valuer's decisions, rather than to their MPs and the Chief Valuer (or, in practice, Ministers).

Finally,
I am ~~also~~ advised that these arrangements ^{should} ~~would better~~ be applied to circumstances where there has been a 'physical alteration in the property or locality' rather than a 'substantial change in the state of the property or its environment'.

The variant which I would prefer would therefore have the following elements:

(a) the ratepayer's rights to propose and appeal against the 1973 List would be removed ~~in the same way~~, though he would retain the right to make representations to the local Valuation Officer;

(b) in the case of non-domestic premises, the Valuation Officer would be obliged to make any changes he considered right in the rateable values in the 1973 list, without any cut-off point;

(c) in the case of domestic premises, such changes would be made (as you envisage) only if they exceeded 20 per cent in either direction; and

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(d) aggrieved ratepayers would be able to make representations to the Valuation Office's Regional Superintending Valuer if dissatisfied with the local Valuer's decisions.

I very much agree with
~~[I can assure]~~ you that the supply-side initiatives ~~[are indeed being]~~ *should be*
 pursued as well, not least because the full savings in valuer
 time from the measures discussed above will not come through for
^{twelve} 12 months, and the next ^{twelve} 12 months will be critical ones. We shall
 be pursuing all the promising possibilities and ~~likewise the~~ *looking at the scope for*
~~possibilities]~~ for further reordering of priorities, for example
~~[with regard to] RTB~~ *on mlu-15-buss* and other local authority work.

also
 I agree with you that we should ask officials to work out the remaining technical details as a matter of urgency. In addition, and in a rather less hectic timescale, I would like them to examine and report back on three further possibilities for the new NNDR system:

(a) rolling annual revaluations in place of the periodic big-bang revaluations which are now causing us such problems of workload and transition;

(b) a presumption that rejected appellants will have to bear costs; and

(c) obliging proposers to include a full statement of reasons with their original proposals.

The next stage is presumably for you to

~~I imagine that you will now take the lead in~~ consulting the Prime Minister, the Lord President, the Law Officers and other Ministers as necessary.