

REA Response to HM Treasury Consultation on More Frequent Revaluations for Business Rates

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

1. Does the proposed package of measures represent a fair and balanced trade-off for ratepayers between new benefits and new requirements? If not, please detail what adjustments you would like to see, to ensure a balanced package of measures that would support a 3-yearly cycle while taking account of deliverability constraints.

As has already been stated in the REA response to the Fundamental Review of Business Rates Consultation, the renewable energy and clean technology sector are in favour of more frequent revaluations, as previously committed to by government. Three-year revaluations will help business rates better reflect market realities, especially in the case of quickly developing decarbonisation sectors, where government policies, growing demand and falling prices mean that business realities can quickly change year on year. A move to revaluations on a three-year cycle will help, although we believe annual revaluations should still be the ultimate goal to provide the most accurate and fair business rate system.

However, missing from the proposals is the reduction in the period between the Antecedent Valuation Date (AVD) and revaluation date. The two-year gap between AVD and revaluation, currently in place, means that even with more frequent revaluations the Valuation Office Agency (VOA) will be basing rateable values (RVs) on inaccurate data. For example, from a renewable's and clean technology perspective, in the last two years we have seen the closure of several government support schemes; the cost of establishing renewable technologies significantly fall and the continued evolution of flexibility markets with business models being based on a range of new revenue streams. As such, an AVD from two years ago cannot hope to accurately reflect the economic realities of renewable businesses for the next three years. An AVD of 1-year would be a better basis for calculating RVs and we encourage the government to see this introduced as part of more frequent revaluations.

The renewables and clean energy sectors appreciate there will need to be a balance of requirements on ratepayers to facilitate more frequent revaluations. However, we note the consultation places far greater requirements on ratepayers rather than the VOA or government, suggesting this balance has not yet been met within the proposals. If greater requirements are to be placed on ratepayers, then this must be met by the VOA

providing transparent and easy to use systems that facilitate the completion of such requirements.

As such, concerning specific proposals:

Duty to Notify and Provision of Lease Information: There are already significant obligations on ratepayers to provide information to the VOA to support the valuation process. Any additional obligations, such as duties to notify and mandatory lease information provisions, should be based on annual submissions, consistent with requirements for statements on tenure, rent and financial statements. In addition, ratepayers' ability to provide this information needs to be facilitated through a well-designed and tested online platform, accompanied by clear guidance, to enable ratepayers to understand exactly what needs to be submitted and for it to be done as easily as possible. In conjunction, for those managing multiple sites, a batch update form (such as by using an Excel spreadsheet template) should be provided to facilitate quick notification of multiple sites, as well as providing easier analysis for the VOA.

Penalties: penalties need to be applied proportionally and in a pragmatic manner. If obligations are to be increased on ratepayers to facilitate more frequent revaluations, then time must be given for ratepayers to both understand what is required of them and ensure that the process for applying such information is efficient and easy to use.

Streamlining the appeals process and defining 'material change': with the addition of the duty to notify, we welcome the option of removing the check stage within the appeals process. However, options should still be provided for the company appealing to be able to highlight a material change of circumstance as part of the appeal. In addition, we would oppose implied intentions to restrict the definition of 'material changes', especially as the reason to move to three-yearly revaluations is to ensure business rates better reflect reality.

The 3-month window for raising challenges and VOA review timeframes: The proposed three-month window for raising challenges is unreasonable and should not be implemented. This places too great a requirement on the ratepayer to make a case within a rushed and limited time frame, especially considering that the VOA itself is not required to justify its valuation or be transparent of the underlying rental evidence. As such ratepayer's risk having an inaccurate RV applied and an unnecessarily tight window in which to compile the extensive level of evidence required to launch a meaningful challenge. The existing ability to raise a challenge at any time should be maintained.

Proposals to extend the time allowed to the VOA to consider challenges, further exacerbates the inequality within the consultation. With greater obligations on ratepayers to provide more information, this should be met by commitments from the VOA to be able to use this information to speed up determinations on challenges. A faster appeals process will both help reduce the current backlog and help facilitate the move to three-yearly revaluations.

Restricting landlords from appealing: we object to these proposals given that landlords have a long-term interest in their property and, in many cases, are central to the decision to install onsite renewable energy generation, renewable heating systems or other clean technologies. Should RV calculations be inaccurate we believe it right for a landlord to be able to raise an appropriate challenge.

Introducing fees for submitting a challenge or a transparency request

We oppose the proposed introduction of these fees as it creates an additional barrier to achieving a fair and equitable business rate system. Ratepayers should not be put off raising a challenge or being able to see the evidence used to calculate their RV, due to any additional costs that could be incurred. This has the potential to harm smaller businesses the most, who may be least able to afford to raise a challenge.

2. What steps could be taken to support ratepayers to comply with the new duties? For example, elements to reflect in the design of the reporting portal, or content that would be helpful to include in the supporting guidance.

Any development of a new online portal must be fully tested, before being released. In addition, well-drafted guidance, which has been consulted with business, should be issued to ensure ratepayers are clear on their obligations and how information should be submitted. Furthermore, options for the ability to submit batch uploads, across multiply properties should also be developed for ratepayers with large portfolios.

We would encourage the government to work with Trade Associations to test new systems and consult with their members to ensure guidance is clear and that submissions systems can work smoothly.

3. Are you supportive of the proposed approach to Transparency? Are there further elements you think should be made available as part of a Transparency offer?

We welcome proposals to improve transparency but believe that a fuller consultation is needed to address this issue. Greater consideration needs to be given to where transparency can be improved in VOA operations following the introduction of a duty to notify and annual deceleration requirements, as proposed. We do, however, recognise that this is an iterative process and believe that such a consultation can be conducted in parallel to quickly proceeding with the introduction of 3-yearly revaluations.

We also oppose the proposal to introduce a fee for submitting a transparency request. Such a requirement does not help deliver better transparency for all ratepayers.

4. What steps could the Government, stakeholders, or industry take to support a smooth move to a 3-yearly cycle?

We would encourage the government to work with Trade Bodies, like the REA, to help keep businesses informed of changes and educate their members on new requirements. We would welcome the opportunity to feedback on guidance documents

and see online portals thoroughly tested so that businesses can become fully aware of their obligations and how to meet them,

5. Do you have any other comments on the proposed approach to the move to a 3-yearly cycle?

The move to 3-yearly revaluations needs to be accompanied by a reduction in the period between the Antecedent Valuation Date (AVD) and revaluation date. The two-year gap between AVD and revaluation, currently in place, means that even with more frequent revaluations the VOA will be basing rateable values on inaccurate data. For example, from renewables and clean technology perspective, in the last two years we have seen the closure of several government support schemes; the cost of establishing renewable technologies significantly fall and the continued evolution of flexibility markets with business models being based on a range of new revenue streams. As such, an AVD from two years ago cannot hope to accurately reflect the economic realities of renewable businesses for the next three years. An AVD of 1-year would be a better basis for calculating rateable values and we encourage the government to see this introduced as part of more frequent revaluations.

In addition, we also reiterate the points made by the REA in the Fundamental review to Business Rate consultation, namely:

- We support the simplification of the relief system, with clarified aims, including to support decarbonisation.
- We call for the removal of renewable energy and clean technology from the Plant and Machinery order to facilitate the Government's Net Zero 2050 commitment and unlock investment in renewables and clean technology, increasing tax revenue.
- Government should introduce the Business Growth Accelerator, as seen in Scotland, in England and Wales, which provides 18-month relief on new investments.

A simplification of the relief system would be welcome, with clear aims for the reliefs established. This should include reliefs specifically designed around the decarbonisation of the UK economy and supporting business growth, incentivising businesses to install renewable energy and clean technology systems to meet their energy needs.

Firstly, to support the transition to renewable energy and clean technology, amendments need to be made to the Plant and Machinery Order to remove the distortion in value between self-consumption and export only sites. This is particularly pertinent for rooftop solar projects and is having a further impact on other onsite renewable technologies include energy storage, renewable heat technologies and EV charging infrastructure. There have been high-profile instances (such as [Lidl in 2020](#), which saw business rates rise by 528%, and [schools](#) with solar panel installations) of this distortion penalising businesses trying to move towards a sustainable business model, and disincentivises other businesses from planning to be more sustainable.

Given the Government's commitment to net-zero emissions and the Treasury Test, all renewable energy and clean technologies (including organic recycling machinery) should be removed from the rateable list and/or provided relief. This should also include consideration of the transport sector and farm machinery, where those using renewable transport fuels or electricity should not be rateable. There is an urgent need to increase the installation of renewable energy and clean technologies at commercial premises, including energy efficiency measures. The Coronavirus crisis will have a significantly negative impact on the capacity of the average business to make long-term investments that are supplementary to their core business model.

Relief is, therefore, necessary to incentivise the installation of on-site renewable generation technologies, storage systems and renewable heating systems within businesses. Similarly, it will also enable the continued deployment of larger-scale renewable projects including anaerobic digestion, organic recycling, wind, bioenergy projects and large-scale solar projects. In one move, this measure would help to bolster clean industries, incentivise decarbonisation, support green jobs and help businesses make energy cost savings.

This would also be a progressive tax measure, if installations rise due to relief, then the Government will recoup tax revenue through a larger number of renewable energy companies and taxable projects resulting in higher corporation tax and VAT revenue, as such the relief can be expected to be cost-neutral to Government.

Business rate relief for renewables and clean technologies also helps rationalise climate policy intent across Whitehall. As it stands, support mechanisms such as the Renewable Heat Incentive, Contracts for Difference and Feed-in Tariff are provided by BEIS, only for this cost support to be undermined by heightened business rate liabilities. This becomes a costly way of recycling public spending through Government departments rather than helping to build industries needed for decarbonisation.

Investments in renewables and decentralised energy infrastructure should be supported. A similar scheme to the Business Growth accelerator, as introduced in Scotland, should be introduced in England and Wales. This grants 18 months' business rate relief on new investment from the date the building/asset is completed and this should be extended to explicitly include renewable and clean technology improvements. This could significantly help the deployment of new renewable and clean technology projects.

Furthermore, a 50% 'mineral extraction' rates exemption applies in Scotland to landfill extraction projects, this should be extended to England

6 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?

7 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? (1000 words)

The REA support the move to a 3-year cycle but suggest that the ultimate goals should be a move to both annual revaluations and an AVD of 1-year. This will provide the most accurate business rating system possible, able to accurately reflect the economic reality for renewable energy and the clean technology market.

The introduction of online portals and increased obligations on ratepayers should be matched by a clear pathway for how the UK could move to annual revaluations based on the information received. We recognise this is an iterative process and welcome the opportunity to work with the government to see how this could be delivered.

August 2021