The UK Petroleum Industry Association
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Response by UKPIA to Business Rates Review Technical Consultation

Introduction

The UK Petroleum Industry Association (UKPIA) represents the eight main oil refining and marketing companies operating in the UK. The UKPIA member companies – bp, Essar, Esso Petroleum, Petroineos, Phillips 66, Prax Lindsey Oil Refinery, Shell, and Valero – are together responsible for the sourcing and supply of product meeting over 85% of UK inland demand, accounting for a third of total primary UK energy.

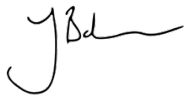
UKPIA Member companies also own and operate the six major UK oil refineries, and together with our associate members, and other companies involved in the downstream oil sector, own a range of critical infrastructure with rateable values including 41 coastal terminals to import, export and store fuel; 20 inland terminals; 3000 miles of pipeline; and over 8000 filling stations.

The sector supports both the direct and supply-chain employment of 300,000 people, with our members an essential part of the UK's energy infrastructure both now and for the future.

We are grateful for the opportunity to respond to the questions contained within the business rates review technical consultation.

Should you have any questions regarding our response, please contact us at the details below.

Sincerely,



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Consultation Questions

1) Do you have any views on the implementation of the information provision system? What issues should be considered in the design of the new system?

We understand the need for the introduction of a duty to notify as well as provision of relevant tenure, rental, and financial information. However, we would be concerned if this was introduced before a fully workable online portal is established in a format agreed with ratepayer bodies. We see this as an essential prerequisite to ensure ratepayer compliance with the new regime. We have seen with the Check, Challenge, Appeal (CCA) system the issues that are created with instigating a new compliance regime before the IT systems are established.

We remain very concerned that the duty to notify will be unduly onerous for ratepayers. A simple duty to notify the VOA or alterations to a property is likely to be acceptable (subject to comments below) but the requirements seem to go beyond that with proposals for the ratepayer to provide survey information to the VOA. This seems to us to go well beyond the intention to develop a system which is not unduly onerous on ratepayers. The obligations will require a detailed understanding of the business rates system which many ratepayers will not have. This is particularly the case for complex plant and machinery hereditaments which many of our members will have. The requirements for notifying new investment should be simplified to broad descriptions of the investment work undertaken only. As noted in our response to Q3, guidance and help tools will be essential to ensuring the implementation is a success.

2) Can you see any difficulties with collecting this information or providing it to the VOA? Is there any further information that should be provided?

We are concerned over the registration requirement. The onerous requirements for information (including personal information) to register for CCA have prevented many ratepayers registering and accessing the CCA service. It would seem sensible to ensure there is only one registration for both services and to take the opportunity to simplify the process. In addition, many ratepayers will be looking to outsource this obligation onto advisors or service companies, so it is important that advisors are able to register on their client's behalf.

We consider that the requirement to notify the VOA of each change within 30 days will be unworkable, particularly for ratepayers with large portfolios and/or large complex sites with multiple alterations. There should be a requirement for an annual return per site with the facility to capture multiple alterations.

3) How can the VOA best help customers to understand what is needed and how to provide it?

The VOA needs to make registration simple and ensure a clear online form to facilitate compliance with the duty to notify. The information required should be restricted to a short description of works undertaken. Online guidance and a help tool should be provided.

4) How do you want to be engaged with as the system is developed?

Ratepayers should be consulted as the system is developed and the duty to notify should not be introduced until such time as the online portal has been fully developed and implemented in a format which is acceptable to the ratepayer bodies. This engagement may also benefit from consulting independent third parties – rates advisors or service companies - that, in many cases will hold the expertise in practically using the rates systems.

5) Does the proposed framework strike the right balance between a system of proportionate and flexible sanctions, and one which helps ratepayers to meet their obligations?

Not as currently proposed. The 30-day rule is unworkable in our view the existing 56-day rule should be extended to 3 months. Ratepayers have many obligations and business critical issues to address, and it is simply unreasonable to impose a reduced deadline on them for enhanced compliance responsibilities. The proposed increase in penalties is penal and unjustified, in particular the 2% of RV additions in respect of a failure to notify of new capital investment. This should initially be capped at £500 before a warning notice is received. Many ratepayers will simply not have sufficient knowledge of the business rates system to navigate the new system and imposing excessive penalties is likely to be manifestly unfair and counterproductive.

6) What would you wish to see in an online service to best help ratepayers meet their obligations?

The online form should be simple to complete with the ability to input a range of data input from a brief description of the works undertaken to more complete data if readily available. This will ensure that all ratepayers can understand and use the online portal. Requests for information should facilitate compliance in spreadsheet format and allow for simple attachment/upload of relevant documents if easier from the ratepayer's perspective and should avoid pre-defined answers where these might not be known or available. Completion of current Forms of Return for our members requesting financial and construction cost information works well when allowed in spreadsheet format enabling easier data entry and data analysis from the VOA perspective.

For large sites compliance with the duty to notify of alterations should facilitate the incorporation of multiple alterations with brief descriptions of each and a requirement to complete annually as opposed to each time an alteration is made. This will reduce the onus on the ratepayer to notify the VOA of every event and ensure that the VOA's workload is more manageable by altering the assessment in one annual review as opposed to multiple occurrences during the year. It will also still ensure up to date accuracy of the rating list.

Regardless of the final service, it is vital that security of the data that the VO receives on the extensions/alterations/changes is in line with best practice. Some processing sites and other major asset holders may have security issues which could be compromised if there are not adequate processes in place at the VO end to deal with security sensitive data?

As noted in our answer to Q2, we also believe it is important that ratepayers do not need to register on multiple systems and that nominated third parties be allowed to register on a ratepayer's behalf to ensure they meet their obligations as simply as possible.

7) Under the circumstances would 30 days not be enough to time for ratepayers to

meet their obligations.

No, it would not be. Many of our members regularly complete requests for information from the VOA. In their experience the existing 56-day period is always tight for providing this information with many other urgent requirements on their time and as noted in Q5 we believe it should instead be extended to 3 months. We see no justification for a reduction in the existing 56-day period which could lead to a less detailed exercise being undertaken and risk data quality.

In relation to alterations to a site we consider than an annual return is sufficient and is more manageable for ratepayers and the VOA.

8) What processes might ratepayers have to put in place to meet their obligations and what costs might this bring?

Ratepayers will need to monitor, gather data and report detailed information on-site alterations to the VOA as well as proactively ensure up to date tenure and/or financial information is submitted to the VOA on an annual basis. This is an onerous task and will require either internal or external resources to ensure full compliance as well as time input from site managers. A diary of events and follow up actions is likely to be required. In short, this will be a significant compliance exercise for all ratepayers but particularly for those with large portfolios or complex sites with multiple alterations.

In practice some ratepayers are likely to outsource this obligation to business rates advisors or other service providers. Costs are unknown at this stage and will depend upon the complexity of the portfolio.

9) Do you have any suggestions as to how this compliance framework could be improved? If so, please provide evidence and scenarios.

The proposed system of penalties is overly complex and penal. The proposed penalty placed upon failure to notify of changes of 2% of RV could be material for some ratepayers. An initial cap of £500 should be introduced before a warning letter is received.

We are also concerned with the proposal to prevent access to challenging assessment unless information is up to date. It is not clear who determines whether the information is up to date and if left to the VOA with no ability to challenge it could lead to ratepayers being unfairly prevented from accessing the CCA system for legitimate challenges. We would suggest that this is either removed or a high materiality threshold test introduced with the ability to appeal the decision.

10) Do you consider the proposed reform to the rules on MCC will ensure that changes in economic factors, market conditions or changes in the general level of rents are reflected at revaluations? If not, why not?

We consider that changes in economic factors have always been reflected at revaluations and that the proposed change is unnecessary and unfair. The change seeks to prevent the reflection of legislative restrictions on the physical use of properties. For example, legislative changes which tighten environmental controls on our members' properties have a genuine impact on the use and value of those properties which has nothing to do with economic circumstances. This is a result of policy and legislation; not economic change and we see no reason why such changes should not be immediately reflected in the business rates

assessment. Otherwise, the disconnection between business rates liability and the physical reality is accentuated. To avoid this, we therefore suggest that there is an addition to the circumstances where an MCC can arise as follows.

"A change to the physical utilisation of the property"

11) What are your views to the proposed improvements to the CCA system? How else can we improve CCA in a system where ratepayers are now providing information under the new duties?

The introduction of a 3-month challenge window is a significant retrograde step. The central thrust of recent business rate reforms has been to reduce the number of spurious appeals/checks/challenges. The imposition of a new challenge deadline will achieve the opposite in that it will lead to a substantial number of "protective" challenges being submitted to ensure that the deadline is not missed. It also imposes a huge logistical exercise upon ratepayers (and their advisors) where large portfolios are involved. This is hugely onerous and unworkable in our view.

We also consider the extension of time for the VOA to determine challenge submissions until the end of the rating list as a backward step. One of the main criticisms of the business rates system through the fundamental review and the Treasury Select Committee Inquiry was the time taken to resolve appeals/checks/challenges. In previous submissions we have supported a reduction in time for challenge determinations to 6 months which we think is a reasonable time for a determination, particularly considering the material reduction in challenges witnessed since the onset of the CCA process. A challenge requires the ratepayer to submit a supporting statement with evidence to support their proposed valuation. There is no reason why the period for challenge determination could not be materially shortened thereby addressing this central concern of ratepayers.

The proposal to introduce a 3-month challenge window accentuates the problem by substantially increasing the number of challenges submitted, some of which will be superfluous. We would therefore urge the government to reconsider their position on the introduction of a challenge window and the deadline for a challenge determination.

The removal of the check stage is sensible given it is unnecessary for many challenges where the issue is one of valuation only. In our view this should be implemented from April 2023 and not deferred until 2026.

There may also be compound problems relating to reduced timelines, for example, the 2023 draft list is planned to be available for only three months, Jan-March 2023, before the 2023 List goes live on 1st April. This could create a risk that the short draft list publication period, followed immediately by the reduced challenge period, will simply produce blanket "protective" challenges. This of course assumes ratepayers or their agents can register, sort out appointment, etc in good time to lodge all the challenges.

12) Are there particular considerations that the respondents consider that the government should have regard to when moving forward with phase 2 of transparency?

The only comment we would make on transparency is that we see no reason why this should

not be implemented from April 2023 instead of deferral until 2026.

13) Will the proposed rules for the improvement relief ensure the relief flows to occupiers who are investing in their business?

We welcome the introduction of improvement relief and agree with the general principles. However, we are concerned that properties which do not experience any increase in RV, possibly due to corresponding demolition activity, will be excluded. This penalises businesses seeking to modernise and replace existing technology which we consider is the target of this type of relief. In many cases where outdated assets are replaced with modern, efficient technology the existing assets will be deleted from assessment. This will at least mitigate, if not entirely eradicate, any improvement relief received. We would be surprised if this was the intention of the government and believe that the improvement relief should be applied to the full gross value of the improvements made.

14) Do you consider that the 2 conditions will give effect to the stated policy intent? Do you have any concerns regarding the practical application of the conditions as set out?

We would be concerned if the decision on qualification for improvement relief was left to the VOA's discretion. In our view, self-certification would be a faster and more efficient process to ensure the relief is in place. At the very least a more robust process around timescales and the ability to challenge a VOA decision should be established.

15) Do you agree that the proposed method of reaching the chargeable amount will achieve the objective of preventing ratepayers who have undertaken qualifying works from seeing an increase in their bill for 12 months because of the qualifying works?

In general, yes, we agree with the proposed methodology other than we consider self-certification of the value or a more transparent process with the ability for ratepayers to challenge the VOA certification would be appropriate.

16) Do you agree that the proposed changes to the plant and machinery would ensure that plant and machinery used in on site renewable energy generation and storage used with electric vehicle charging points are exempt?

Yes, we agree acknowledging that the objective is not full exemption from business rates for on-site renewable generation but parity of treatment with exporting renewable generators.

17) Do you agree that the tests we are proposing in the heat network relief scheme will ensure that relief is correctly targeted?

We welcome the introduction of this relief albeit we note that low carbon source is yet to be defined. We would also strongly question the proposal to disregard heat being provided to an industrial process. To meet the decarbonisation challenge, it is as important, if not more important to incentivise the provision of low carbon heat to industrial processes and discourage continuation of heat from carbon emitting plants. The proposal to disregard heat provision to industrial processes is perverse and we would urge the government to reconsider this.

We also believe that an opportunity is being missed here to extend the relief to support wider policy objectives. It is currently estimated that "capital investment in net-zero

technologies will need to scale up from around £10bn/year to around £50bn/year by 2030, before peaking in 2035 and plateauing [above £40bn/year] towards the 2040s" (Climate Change Committee," The Road To Net-Zero Finance", 2020). Substantial investment will be required in new pipeline infrastructure which, as proposed, would not meet the heat network criteria for rate relief. CO2 export pipelines associated with carbon capture plant and new hydrogen pipelines are examples. The fact that pipelines are almost entirely rateable infrastructure will massively disincentivise capital investment in this infrastructure. In our view the exemption should be much wider to capture all pipeline and network infrastructure which supports the net zero agenda.

18) What are your views on the proposed reform to the administration of the central list?

We have no comments on the proposed reforms which appear sensible and appropriate.

19) Do you agree that the decisions on the operation of local discretionary relief schemes should be localised to billing authorities in the way proposed? Do you consider any rules should still be imposed from central government and if so, why?

In principle we agree with this approach, but we consider that for some discretionary rate relief schemes such as Section 44A part occupied relief would benefit from generic guidelines to ensure consistency in approach across local authorities.

20) Are local authorities, ratepayers, or other interested stakeholders aware of any other instances where existing constraints on section 47 relief are giving rise to administrative challenges or unintended practical outcomes?

Not as far as we are aware.

21) Would the proposed reforms to the multiplier improve the administration of the system and if not why? Do you agree that the deadline for confirming the multiplier should no longer be tied to the approval of the local government finance report?

We agree with the proposed reforms to the administration of the multiplier.