

## **Systems Design Working Group: proposals for the central rating list**

*Paper prepared by Department for Communities and Local Government*

### Introduction

1. At previous meetings the group has discussed changes to the central list to support rates retention<sup>1</sup>. The Group have concluded that the central list should be limited to properties which are inherently non-local and that the Government should review the contents of local and central lists to ensure the appropriate properties are assessed to the central list. The group rejected proposals to move large risky but local properties (such as power stations) out of local lists to an area or national list.
2. This paper sets out the current central list policy for consideration as to whether it meets the groups requirements and then considers how the contents of the central list could be reviewed. It also considers technical changes to improve the operation of the central list.

### The central list policy

3. Section 53(1) of the Local Government Finance Act 1988 provides that:

“With a view to securing the central rating en bloc of certain hereditaments, the Secretary of State may by regulations designate a person and prescribe in relation to him [one of more] descriptions of relevant non-domestic hereditaments”.

4. These powers to place persons on the central list are commonly used together with the powers in section 64(3):

“The Secretary of State may make regulations providing that in prescribed cases (a) anything which would (apart from the regulation) be one hereditament shall be treated as more than one hereditament; (b) anything which would (apart from the regulations) be more than one hereditament shall be treated as one hereditament”.

5. Section 65(4) also provides that:

“Regulations under section 64(3) above may include rules for ascertaining (a) whether the different hereditaments or the one hereditament (as the case may be) shall be treated as occupied or unoccupied; (b) who shall be treated as the owner or occupier of the different hereditaments or the one hereditament (as the case may be)”

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<sup>1</sup> Meeting 20 May and 1 June and 25 July.

## POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

6. Combining these 2 powers allows the Secretary of State to create single hereditaments placed on the central list and, where necessary, provide who is to be treated as the occupier.
7. The central list is an administrative tool to assist the Secretary of State with the efficient and effective operation of the rating system. The Secretary of State uses these powers to place on the central list properties which are not suited to being assessed on local rating lists.
8. The factors which are relevant in deciding whether to place hereditaments on the central list include:
  - a. the nature and use of the hereditament. The central list is typically used for utilities and infrastructure,
  - b. the extent of the hereditament. Network hereditaments which span several rating list boundaries and localities are more likely to merit assessment on the central rating list. Networks which are largely restricted to a locality or a single rating list are more likely to remain on the local list,
  - c. the suitability or otherwise for assessment of the hereditament on local rating lists. Without intervention some hereditaments would be administratively difficult to assess individually (e.g. meters) so we have created combined large assessments for them and put them on the central list.

### *Discussion*

9. The existing policy as set out above would seem to meet the objectives of the central list agreed by the group. It is a narrow definition only capturing those properties which need to be on the central list for administrative reasons. It would not, for example, draw in large but local properties.

### **Question: Is the existing central list policy suitable for 100% rates retention?**

10. Under the suitability limb (8(c) above), we currently package together meters and BT local loops in single national assessments and place them on the central list in the occupation of the network to which they are attached<sup>2</sup>. We also do something similar for small independent gas networks. We do this for administrative reasons. In the future it would be open for the government to

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<sup>2</sup> Meters are also shown separately on the central list. Local loops are included within the BT assessment.

## POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

develop an option for properties such as this where they were grouped at the local authority level rather than nationally.

**Question: should we also explore whether groupings of very small properties (such as meters and local loops) should be assessed collectively to local lists rather than the central list?**

### Reviewing the central list

11. Currently the government does not proactively search the local or central list for properties which should or should not be shown on the central list. Instead the government only responds to requests to join or leave the central list from ratepayers. As a result there are some large telecom networks on local rating lists as the ratepayers concerned has not requested they be moved.

12. When a request is made the government considers the request having regard to the principles described above and consults the local authorities affected.

**Question: should the government continue to only respond to ratepayer's requests on the central list or should it adopt a more proactive approach to ensuring the contents of the central list are consistent with the central list policy?**

13. If the government was to review the contents of the central list against the central list policy then it is likely some ratepayers would move from the local list to the central list. Without prejudice to the consideration of the facts, this could include:

- a. HS1 rail link, and
- b. several large telecom networks.

14. We would need to consider when was best to undertake this review, what would be involved and the lead in time and resources required. We would then also need to consider how the government would then keep the central list under review. We would also need to consider the role of the ratepayer, the VOA and local government in the process.

**Views are invited about how a process for reviewing the central list should operate.**

15. For each class of ratepayer on the central list, the boundary between what is on the central list and what is on the local list is set in the descriptions of properties caught in the central list as prescribed in the central list regulations. For example, offices on operational land (even if say in an urban location) are included in the central list.

## POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

16. Historically, the descriptions of properties has been set having regard to valuation requirements. They have been driven by the need to create on the central list a subject which is as easily capable of valuation as possible. Typically these are complex properties to value so that will still be an important consideration. It is also unlikely that the government would want to make any changes to the central list descriptions if they could lead to instability in the valuation.
17. Nevertheless, the descriptions have not been reviewed since rates retention and we could consider whether there are any parts of central list assessments which could be assessed on local lists in support of the local growth agenda. One example, could be advertising on Network Rail and London Underground.

**Question: should we review the central list descriptions to consider whether there are any parts of central list assessments which could be assessed on local lists in support of the local growth agenda?**

### Operation of the central list

18. Currently the designation of ratepayers and descriptions of properties onto the rating list is done by statutory instrument. The VOA may move properties in and out of the central list if they fall in (or out) of existing central list descriptions and they may also amend ratepayers names in the case of simple name changes. But in other instances regulation is required including:
- a. asset sales (e.g. where a company on the central list is sold by asset rather than shares). Example - the planned hive down of National Grid gas distribution networks to a new subsidiary and frequent sales of long distance pipelines,
  - b. new companies joining the list. Example - the telecom networks requesting to join the central list,
  - c. parts of existing central list assessments which we now believe should be moved to the local list. Example – the French electricity interconnector which will from 1 April 2017 be taken from the National Grid assessment onto the local rating list, and
  - d. reorganisations and splits of central list companies where a new company is created which is not designated.
19. All such changes require an SI and most cannot be made retrospective. If we are to proactively maintain the central list then it may be desirable to move some of all of these functions into, for example, a Ministerial determination. This could cover all aspects of the central list or perhaps just the adding, changing or removal of names from the central list.

**Question: should the powers to control the names of ratepayers on the central list and the descriptions of companies on the central list be made simpler than the current system of regulation?**

Role of local authorities

20. Currently it is DCLG practice to consult those local authorities affected by a central list change. This is done in the context of the central list policy. So whilst local authorities may be adversely affected by losing a ratepayer to the central list, the financial consequences of such a move are unlikely to be directly relevant in applying the central list policy. And nor would they be directly relevant if we retained the same policy.
21. Under 100% we would propose to retain this approach to in practice consulting with local government. Inevitably this offers less assurance to local government than any formal requirement but anything more could make the system less flexible and responsive.
22. Currently local government does not request changes to the central list. This again has evolved from the current practice of only responding to ratepayers requests. But in principle it would be open to local government to request a change in the central list.

**Question: what role should local government have in the development and maintenance of the central rating list?**