



Rating
Surveyors'
Association

Rating Surveyors' Association (RSA)

Response to HM Treasury

Business Rates – Review of Valuation Methodology for Public Houses and Hotels – Call for Evidence (October 2026)

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Key Messages

- Business rates remain a fundamentally sound property-based tax when applied consistently and transparently.
- Greater transparency within the business rates system is required generally and certainly in relation to Public Houses and Hotels.
- Certainty and predictability of liability are more important to ratepayers than changes to the assessment and valuation methodology.
- Issues emerging from the 2026 Revaluation primarily reflect liability outcomes, driven by relief design, transitional arrangements and wider tax policy decisions, rather than valuation practice.
- The Receipts and Expenditure (R&E) method is a long-established, court-tested and professionally supported valuation approach that remains fit for purpose.
- Engagement, clarity and administrative alignment ahead of the 2029 Revaluation will be critical to maintaining confidence in the system.
- Improved analysis of evidence (widen pool of evidence)
- All relevant evidence to be considered (geography, benchmark process)
- Updating of information gathering
- Consideration of widening range points for pubs and hotels (narrow % margins)
- Consideration of extending categories and geographical locations for pubs and geographical locations for hotels (limited categories)

Foreword

The Rating Surveyors' Association (RSA) welcomes the opportunity to respond to HM Treasury's Business Rates: Review of Valuation Methodology for Public Houses and Hotels – Call for Evidence.

The RSA is a professional body representing Chartered Surveyors specialising in business rates who advise a wide range of occupiers, owners and public-sector bodies across all non-domestic property sectors, including retail, hospitality, leisure, industrial, offices, utilities, transport infrastructure and specialist properties valued on Receipts & Expenditure.

The RSA was founded in 1909 and has around 680 members drawn from private practice, corporate bodies, the Valuation Office Agency (VOA), Valuation Tribunal and local authorities. Our primary function is to work with the various bodies responsible for non-domestic rating to improve the business rates system.

We work closely with other professional bodies such as the Royal Institution of Chartered Surveyors (RICS) Local Taxation Policy Panel and the Institute of Revenues, Rating and Valuation (IRRV).

While the RSA's membership includes professionals working within the Valuation Office Agency and Local Authorities, **this consultation response has been prepared independently by the Association and its practitioner members**, and does not represent the views of the VO, local authorities or government. This approach reflects the need to maintain clarity of roles and ensure that the response is informed by professional experience while remaining independent of operational or policy-making bodies

I write to you as President of the Rating Surveyors' Association (RSA) following the Government's invitation in seeking views from ratepayers (including occupiers or tenants of non-domestic properties, landlords, agents representatives, business representative bodies, local authorities and any other stakeholders who have an interest in the methodology of valuation for Public Houses and Hotels.

We would be happy to discuss and explore the issues we raise in this in more detail once you have had the opportunity to review our comments and those of other respondents.



Extent of response

We refer to the Call for Evidence published by HM Treasury on 24 August 2026 requesting responses by not later than 16 October 2026.

The RSA responses are written from our perspective as rating advisers, valuers, and ratepayers.

We confirm we are submitting an official response on behalf of an organisation and views of our members were sought prior to this written response.

Additionally, we confirm several of the RSA Committee Officers attended round table stakeholder discussions together with the Secretariat, Jerry Schurder and the Valuation Office for this consultation. We understand such dialogue has been canvassed with relevant/key stakeholder bodies (UK H, BBPA) and major operators.

RSA Response to Business Rates: Business Rates: Review of the Valuation Methodology for Public Houses and Hotels – Call for Evidence (October 2026)



Chapter 7 - Questions on Valuation Methodology for Pubs

Q1. What alternative valuation approaches could the government consider?

The RSA would outline that there are various methods of valuation for the assessment of commercial property for rating purposes including comparison through rental evidence, comparability of assessments, the contractors/cost base valuation, and the receipts & expenditure /profits approach.

The Call for Evidence summarises the various methods in Chapter 3 and it is noted in Chapter 5 that while trade and receipts are a constituent part of the valuation process, the scheme for pubs has been derived from an analysis of rental evidence.

As valuers we follow the market, the approaches and our professional standards. The profits method, sometime termed the receipts and expenditure or income and expenditure method (R&E) is used for income producing properties.

The limited supply of rental evidence means that a trade related approach based on an underlying sample of rental evidence is both common and widely used for public houses within the marketplace and this generally works well for valuations of public houses for rating purposes. We would observe that there is potential to consider the fuller R&E method with greater consideration for operational costs. We acknowledge the practical difficulty which arises if 42,000 hereditaments are to be individually valued on a full R&E valuation. Clearly there would also need to be a sense check applied to ensure any issues associated with the individual operator are accounted for to arrive at a value for the premises as 'vacant and to let' as required in the rating hypothesis and, where possible, to relate this back to available rental evidence.

Q2. What evidence do respondents have that an alternative approach would provide a more accurate valuation for pubs?

The RSA considers the current rentals based fair maintainable trade (FMT) related approach remains the most practical and appropriate valuation method for public houses. While a full R&E valuation may assist in analysing evidence and establishing the basis of valuation, it would not be practical to apply on an individual basis across the sector. The focus should therefore be on ensuring that the underlying analysis appropriately reflects rental evidence,



operating costs and profitability, supported by greater transparency in the development of the valuation scheme.

Q3. How well do respondents think this evidence gathering and analysis allows the valuation scheme to accurately reflect the market?

The RSA considers that a more nuanced approach is required to ensure transparency and consistency moving forward. There needs to be fuller understanding of the approach taken to:

- Analyse a sufficient sample of rents to arrive at the basis
- Provide transparency as to how the analysis was done
- Justify how the bids and the percentages were arrived at

If the evidence is proven to be lacking, then there should be consideration of alternatives, including full R&E on a representative sample of properties.

The Market would consider a shortened method, to the extent of a range of % of turnover, or a % of the divisible balance – this is clear from BBPA and UK Hospitality publications.

The RSA considers that the VO should be clear in demonstrating how costs (General Operating Profit) have been considered in formulating the basis. Furthermore, consideration of the negotiating position between the respective parties as regards costs should be made. Costs should be reflected in the valuation analysis being adopted. The VO could use AI (sophisticated modelling) to assist with the analysis and improve accuracy.

Q4. What evidence do respondents have on how well the categorization of pubs and their trades described in 5.17 to 5.21 reflects the market?

In the previous versions of the publicly available VO valuation guides, 2010 through to 2023, the categorisation of public houses by the VO has varied little over that period.

From disclosure of trade body information – namely the BBPA Pub Models - there are considerably more categories, and the industry has changed considerably.

It is therefore apparent that the current limited categories are no longer appropriate and have not evolved with the market. Rigid categories and location bands fail to accommodate modern hybrid operating models, differing profit margins between wet and dry sales, and



micro-economic shifts. There also needs to be consideration given as to whether further geographical locations outside of London are required.

Q5. What other evidence could the government consider to develop a scheme?

The RSA notes that valuers, advisers and pub companies make regular submissions as disclosures in the run up to a revaluation, usually 12-18 months prior to the draft publication.

Our suggestions are:

- greater engagement to understand the different patterns of trade and operations across England and Wales
- more categories of public house both in terms of type and geography
- the facility for considering FMOP and COSTS
- Integration of net-profit benchmarks, regional insolvency rates, and contemporary open-market rent-to-turnover ratios.

The danger of only using FMT is to potentially ignore rising costs, therefore giving a distorted view of the industry.

Improving the format of the information requested by the VO could help to improve the quality of information provided supplied as the market has evolved.

Q6. What evidence do respondents have about how well the Valuation Office applies the scheme to individual pubs?

The RSA notes that the valuation guidance is applied nationally using FMT as the starting point. While the framework theoretically provides consistency, the application of professional judgement remains critical in reflecting the location, style of trade and physical characteristics of individual properties. A stand-back review should remain an important part of the valuation process.

Feedback from RSA members suggests variation in the application of the guidance, particularly in relation to category selection, percentage ranges, allowances and the treatment of over-trading and under-trading. Greater transparency regarding how these



judgements are reached would improve consistency and confidence in valuation outcomes.

The RSA considers that the full range of categories and adjustments within the scheme should be utilised where appropriate. It is also noted that the current percentage ranges are relatively narrow, with overlap between categories, and consideration should therefore be given to whether greater differentiation is required to reflect the diversity of the modern pub market.

Q7. What alternative or additional approaches could the government consider to better engage industry, ratepayers, and other stakeholders on developing and agreeing a valuation scheme for pubs?

It is the case that previous revaluations benefited from agreed valuation guidance developed through engagement between the VO and industry stakeholders. It is noted that no equivalent agreed basis was reached for the 2026 Rating List. The RSA considers that greater transparency regarding the development of the valuation schemes would assist in building confidence and understanding across the sector. We believe that this would greatly assist in reaching an agreed basis for the 2029 Rating List

The RSA supports continued and regular dialogue between government, the VO, professional bodies, trade associations and ratepayers. Consideration should be given to more structured stakeholder engagement during the development of future schemes, allowing assumptions and valuation scales to be tested against market evidence before implementation.

The RSA acknowledges the issues around confidentiality associated with trading and rental information. Nevertheless, greater transparency regarding the evidence and analysis underpinning valuation schemes would help build confidence in the process whilst maintaining appropriate safeguards for commercially sensitive information.

Q8. What evidence do respondents have about whether ratepayers understand the valuations of their properties?

The RSA's experience is that many ratepayers have a limited understanding of how business rates valuations are derived. While valuation information is available through the CCA portal, the information provided is often insufficient for a ratepayer to understand how



FMT has been determined, where the property sits within the adopted scale, or how the valuation compares to similar properties.

In the case of public houses, ratepayers can see the adopted FMT, percentage and category, but are generally unable to understand the evidence underpinning those figures or whether information provided through VO Requests for Information has been reflected in the valuation. This limits the ability of ratepayers to benchmark their assessment against comparable properties or understand the rationale for the valuation adopted.

The RSA considers that greater transparency would improve understanding and confidence in the valuation of their properties. However, this must be balanced against the need to protect commercially sensitive trading and rental information.

Q9. Is there additional information that could be made available to assist ratepayers' understanding of their valuations?

The RSA considers that ratepayers should be provided with sufficient information to understand how their valuation has been derived, including the evidence supporting FMT, the category adopted, the range point applied and the principal assumptions underpinning the assessment. This would allow meaningful benchmarking against comparable properties and improve confidence in the valuation process.

The RSA recommends that a clear summary valuation is issued when new assessments are published and made available through the CCA portal, setting out the key factors that have led to the adopted rateable value.

Q10. Would it be beneficial for summary valuations to be supplied at an earlier stage?

Yes. The RSA strongly supports the earlier provision of summary valuations. This would allow ratepayers and their advisers to identify factual inaccuracies, understand the basis of assessment and engage constructively before valuations are finalised.

Summary valuations should include sufficient information to explain the adopted category, FMT, principal assumptions and basis of valuation. Greater transparency at an earlier stage would improve confidence in the system, facilitate benchmarking and help reduce avoidable disputes following publication of the list.



Whilst we appreciate that there is no statutory framework to do so we recommend that valuations are provided at least 9 months before list commencement to enable substantive and meaningful engagement to take place between industry representatives and the VO.

Questions on Valuation Methodology for Hotels

Q11. What alternative valuation approaches could the government consider?

The RSA does not consider there to be a compelling case for replacing the current Receipts and Expenditure (R&E) approach for the valuation of hotels. The methodology is long-established, supported by professional guidance and case law, and reflects the reality that there is often limited rental evidence available for many hotel types.

Where reliable rental evidence exists, direct comparison should be considered. However, for much of the hotel sector, the R&E approach remains the most appropriate methodology. The focus should therefore be on improving transparency, evidence collection and benchmarking rather than fundamentally changing the valuation method.

The RSA notes that the current valuation scheme is derived from a relatively limited sample of trading evidence. Greater transparency regarding the analysis undertaken, the treatment of costs and profitability, and the derivation of valuation scales would assist confidence in the resulting assessments.

The hotel market is diverse, encompassing luxury, budget, airport, resort, serviced apartment and other operating models. The differential treatment adopted in previous valuation exercises demonstrates recognition of these variations and consideration should be given to whether the current categories and scales adequately reflect those differences.

The RSA also considers that greater benchmarking information would assist ratepayers in understanding their assessments. Comparative information, presented on an anonymised basis and by hotel category and location, would improve transparency and confidence in valuation outcomes without compromising commercially sensitive information.

Whilst the standardised approach remains appropriate for the majority of properties, there may be circumstances where a fuller R&E analysis is required to reflect the characteristics of an individual hotel where these are not adequately captured by the adopted scheme



Q12. What evidence do respondents have that an alternative approach would provide a more accurate valuation of hotels?

The RSA does not consider there to be a compelling case for replacing the current R&E approach for the valuation of hotels. The methodology is long-established, supported by professional guidance and case law, and reflects the reality that there is often limited rental evidence available for many hotel types.

Where reliable rental evidence exists, direct comparison should be considered. However, for much of the hotel sector, the R&E approach remains the most appropriate methodology. The focus should therefore be on improving transparency, evidence collection and benchmarking rather than fundamentally changing the valuation method.

The RSA notes that the current valuation scheme is derived from a relatively limited sample of trading evidence. Greater transparency regarding the analysis undertaken, the treatment of costs and profitability, and the derivation of valuation scales would assist confidence in the resulting assessments.

Whilst a fuller R&E analysis may be appropriate in certain cases, the principal issues raised by respondents relate to the transparency, representativeness and application of the evidence underpinning the current scheme, rather than the methodology itself.

The RSA therefore considers that improvements should focus on evidence collection, categorisation, benchmarking and transparency, rather than replacing the existing valuation approach.

Q13. How well do respondents think this evidence-gathering and analysis allows the valuation scheme for hotels to account for the market?

The RSA recognises that the current valuation scheme has been developed through engagement with industry stakeholders and provides a practical basis for valuing a large and diverse sector. However, the resulting valuation is often the only information visible to the average hotelier, making it difficult to understand how market evidence has been analysed and translated into the adopted category, percentage scale and valuation.



The RSA considers that the hotel sector is more diverse than the categories currently reflected within the Rating Manual. The RICS Red Book identifies a broad range of hotel types, including luxury, boutique, budget, aparthotel, airport, seaside and conference hotels, each with differing operational characteristics and trading profiles. Consideration should therefore be given to whether the current categorisation and valuation scales adequately reflect these distinctions.

The wider hotel market routinely uses benchmarking data to compare performance against comparable operators. Greater transparency and access to anonymised benchmarking information would assist ratepayers in understanding how their assessments compare with similar properties and help build confidence in the valuation process.

The RSA also considers that further explanation would be beneficial regarding how different hotel types, locations and operating models are represented within the evidence base. This would assist stakeholders in understanding whether the adopted valuation scales appropriately reflect market conditions across the full range of hotel properties.

The RSA considers that the current percentage scales are relatively narrow and may not always provide sufficient flexibility to reflect materially different trading and operating characteristics. For example, a Grade II listed 18th-century hotel is likely to incur significantly different operating and maintenance costs to a modern branded city-centre hotel, yet both may be assessed within broadly similar valuation parameters.

Similarly, some valuation assumptions may warrant further review. The application of deriving DBU's from suites to double bedrooms needs some adjustment to reflect the market (ADR's or room rates can help with this), rather than just counting rooms within a suite.

Q14. What evidence do respondents have on how well the categorization of hotels in paragraphs 6.15 to 6.16 reflects the market?

The RSA refers here to the Valuation Office classification of Hotels for Covid allowances and the RICS valuation standards (Red Book) which lists 12 differing hotel types. It is relatively straightforward to consider there are more categories of hotel. This would allow for greater accuracy in the valuations. Broad classifications fail to separate full-service luxury from budget/boutique models or seasonal coastal venues from year-round urban benchmarks.



Q15. What alternative or additional approaches could the government consider to better engage industry, ratepayers, and other stakeholders on developing a valuation scheme for hotels?

The RSA supports regular and structured engagement between Government, HMRC, the VO, professional bodies, industry representatives and ratepayers throughout the development of future valuation schemes. Consideration should be given to pre-revaluation stakeholder forums to test assumptions, review market evidence and improve understanding of sector-specific issues. Broader and more transparent engagement would help ensure that valuation schemes are informed by a representative range of market experience and evidence.

Q16. What evidence do respondents have about how well the Valuation Office applies the scheme to individual hotels?

The RSA notes that relatively few alterations were made to hotel assessments during the 2017 Rating List (c 900 list alterations vs c8000 hotel assessments), which indicates that the valuation scheme was broadly effective

However, it is difficult to draw firm conclusions from alteration volumes alone, given the impact of COVID-related reliefs and wider market conditions during the period. It is also too early to reach meaningful conclusions regarding the 2023 and 2026 Rating Lists, where many cases remain unresolved.

The decision in *Arma Hotels Ltd v Dawn Bunyan (Valuation Officer)* [2023] UKUT 3 (LC) illustrates the importance of applying a valuation methodology that is appropriate to the characteristics of the individual property. Whilst we fully support the concept of robust valuation schemes the VO should not lose sight of this fundamental principle.

Q17. What evidence do respondents have about whether ratepayers understand the valuation of their hotels?

The RSA notes that hotel valuations are only available to ratepayers once a property has been claimed through the CCA portal. Whilst the portal provides the adopted FMT and percentage, it gives limited insight into how those figures have been derived or where a property sits within the wider valuation scale.



The RSA considers that greater transparency would assist ratepayer understanding. In particular, it would be beneficial to provide benchmarking information, enabling hoteliers to understand how their assessment compares with similar properties in the same market segment and location.

The RSA recommends that additional information is made available regarding the basis of valuation, together with anonymised benchmarking data where appropriate. This could include comparable Revenue Per Available Room (RevPAR) assumptions and other relevant market indicators by hotel type and location. Such information would improve understanding and confidence in the valuation process whilst maintaining appropriate safeguards for commercially sensitive information

Q18. Is there additional information that could be made available to assist ratepayers' understanding of their valuations?

The RSA considers that ratepayers should be provided with additional information regarding the basis of valuation, including the scale adopted, the accommodation percentage applied, the range point selected, the number and composition of DBUs, and the accommodation receipts supporting the assessment.

The RSA also considers that anonymised benchmarking information should be made available to facilitate comparison by hotel type and location. This could include details of comparable hotels, together with relevant trading indicators and valuation metrics, whilst maintaining appropriate safeguards for commercially sensitive information.

Q19. Would it be beneficial for summary valuations to be supplied at an earlier stage?

Yes – see our response to question 10

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ENDS



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President

For and on behalf of the Rating Surveyors Association

15th October 2026