Valuation Office Agency

Rating Valuation

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Connection between Business Rates & Rateable Value

Rateable Value

Multiplier
(set by DCLG)

Business Rates

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Department for Communities and Local Government

The Valuation Officer

Statutory function –

‘the valuation officer for a billing authority shall compile, and then maintain, lists for the authority (to be called its local non-domestic rating lists)’ s.41 Local Government Finance Act 1988

Effectively the VOA sits as the independent assessor acting neither for the payer nor the receiver of the rates but with the task of preparing accurate lists of rateable values.

Non-domestic Rates

- Periodic Revaluation
- **Antecedent Valuation date** - currently 1 April 2008
- **Complied List Date** - currently 1 April 2010
- **Material day** - day on which matters affecting the physical state of the property are taken into account
- Rating lists can be altered for reasons including:
  - To correct an inaccuracy
  - To reflect a physical alteration to a property
  - To add a new entry
  - To reflect a physical change to the locality which affect value

Rateable Value is ……

- A tax on the occupation of non-domestic property.
- The amount of rent that a reasonable Tenant and a reasonable Landlord might agree in the market.
- Assumptions:
  - Vacant and to let
  - On a year to year basis with reasonable prospect of continuance
  - In a reasonable state of repair before tenancy commences
  - Tenant is responsible for reasonable costs of repairs and insurance

Valuation method

- Rental Comparative Method

- Receipts and Expenditure

- The Contractor’s Basis

The Rentals Method of Valuation

- Gathering the most appropriate rental evidence paid right across the property market from occupiers and landlords
- Adjust to a common and consistent basis to take account of any special terms (such as rent free periods) and then we breakdown the rents to £s per square metre
- Sometimes there are parts of properties that are more valuable in rental terms than others – for example a rough store will be of less value than an office – and we take this into account in our analysis of the rents judging the levels of value to be applied

The Rentals Method of Valuation

- The completed analysis gives us a picture of the level of rents being paid in an area for a range of properties, all broken down to £per square metre

- From this we determine the rental value per square metre that should be used to value each different type of property – again taking into account that some parts of property are more valuable than others

Methods of valuation- rentals

Example : 3 adjacent comparable units

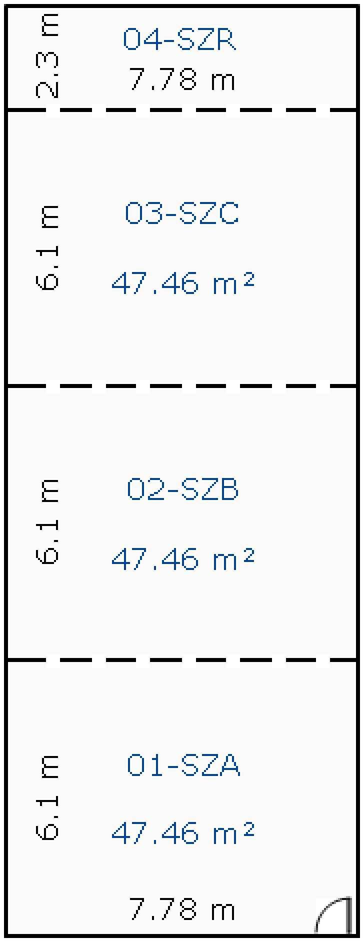
Rent	£11,000pa	£18,000pa	£6,000pa
Area	100M2	160M2	52M2
Analysis	£110/M2	£112/M2	£115/M2

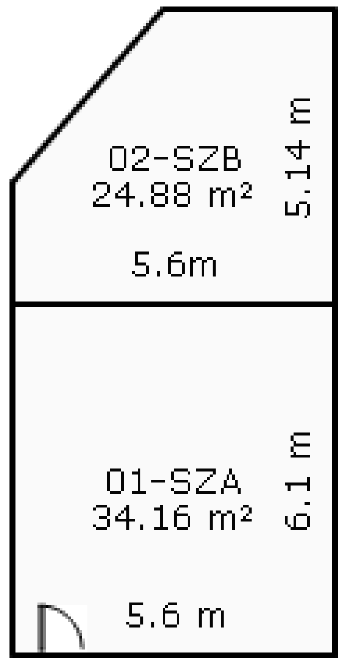
What would be your valuation for a £150m2 unit?

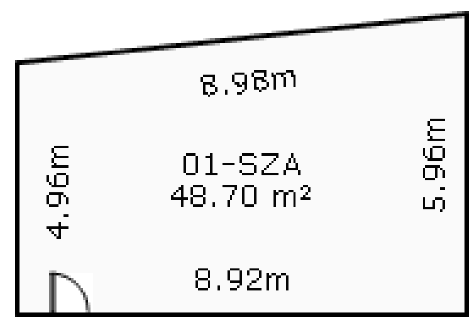
Zoning - shops

- Shops come in many different shapes and sizes, If we break each shop into standard zones we can take account of all these differences when we analyse the rents
- Zoning is a standard way of looking at retail premises for rental valuation purposes and is accepted practice used by both private and public sector valuers in traditional shopping locations with the depth of each shop varies
- Zoning is a way of measuring retail premises to recognise that the most valuable part of a shop or other retail property, is the front part nearest the window

Examples of zoning







The Receipts and Expenditure Method of Valuation

- Used to arrive at a valuation scheme where no direct rental comparison can be made and the rental value is likely to be dictated by the actual or anticipated profit of the business carried on at the hereditament.

- Examples include hotels, guest houses and holiday accommodation.
- In certain instances a shortened version of this valuation method can be adopted using a % of either the gross receipts or equivalent fair maintainable trade.

The Contractor’s Method of Valuation

Adopted in the case where the property type is unlikely to be let and does not lend itself to rental comparable or by reference to trade.

Five stages of valuation

1. Estimated replacement cost
2. Estimation of the adjusted replacement cost
3. Estimation of the site value
4. Application of statutory decapitalisation rate
5. Consideration of stage 4 to see whether it represents the correct answer on the statutory hypothesis

Further information

- VOA Rating manuals
- Online – Gov.UK
- Summary Valuations
- Valuation Schemes

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2017 Revaluation

Revaluation 2017

- Headline numbers!
  - 1.9m properties
  - 62.5 billion rateable value (Central and local lists)

- "Bulk" classes to be valued include

500,000 shops

367,000 offices

223,000 warehouses

241,000 factories, stores, etc

- "Non bulk" classes - everything else from A to Z (airports to zoos!)

55,000 licensed premises

58,000 car parks

25,000 schools and colleagues

41,000 holiday homes

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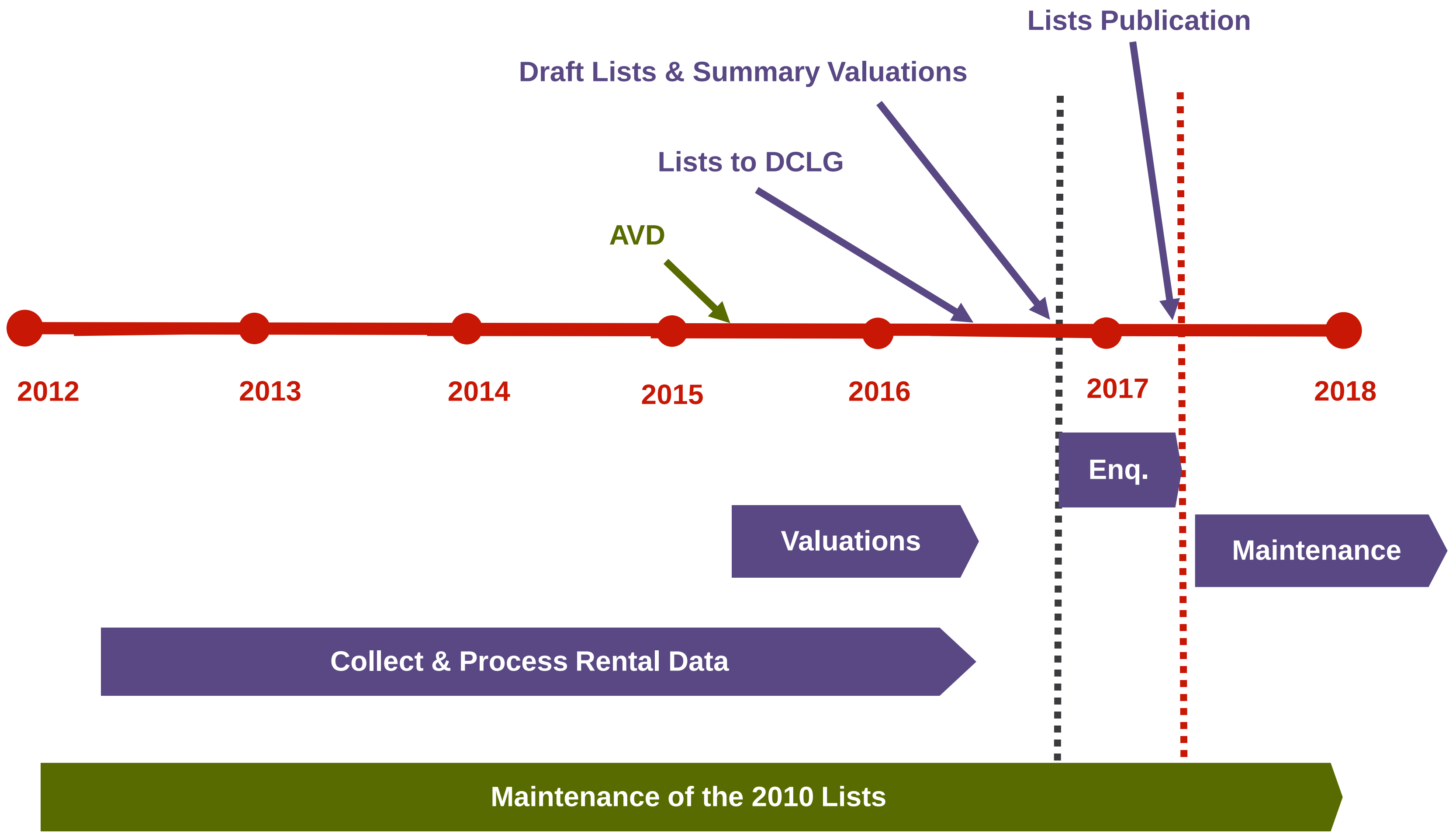
Task – Reval Timeline



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Recent cases

- Woolway (VO) v Mazars – office block merger. Unit of assessment:

http://www.irrv.net/forums_webinar/2015/10/2015_10_23/index.php

- Newbiggin (VO) v SJ and J Monk - Refurbishment - repair or not capable of beneficial occupation? – been given leave to appeal to the Supreme Court.

- Berry (VO) v Iceland Foods Limited- rateability of air-conditioning of a retail unit – awaiting Court of appeal hearing.

Future developments

- Rates Retention scheme – initially a proportion of rating income targeted locally. Recently announced the migration to a 100% rates retention funding scheme by 2020.

- Business rates review - March 2015. Awaiting outcome. Includes frequency of valuations; reliefs; RPI or CPI increases; etc.

- Reforming Appeals - Consultation period finished January awaiting outcome
  - Suggested new 3 stage check, challenge and appeal process

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Thank you

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