

# Rating Times

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Winter 2008/09

# Uniform Business Rates for 2009/2010

The uniform business rate (UBR) for 2009/2010 will increase by 5% next year – in line with September's higher than expected inflation figure. This announcement formed part of the Government's Pre-Budget Report and comes as a blow to businesses who were calling for a freeze on the UBR for next year. Although the exact details are yet to be announced, GVA Grimley expects the 2009/2010 rates, including the small business rates supplement, to be:-

Ratepayers in the City of London will continue to pay another supplement as a contribution towards the City of London Police.

We expect this to remain unchanged at 0.4p for 2009/2010.

There will be no transitional relief in 2009 / 2010 and all rate bills will be calculated as:-

**Rateable Value x Uniform Business Rate**

	09/10	08/09
England	48.5p	46.2p
Wales	48.9p	46.6p
Scotland	48.5p	46.2p

## Impact of the 2010 Rating Revaluation

The 2010 rating revaluation comes into force on the 1st April 2010 and new rateable values will be based on rental levels at the 1st April 2008. With the current economic climate the Valuation Office Agency will find it extremely difficult to accurately determine rateable values.

The worst-affected occupiers are likely to be those in Grade A office space in London's West End where we expect rateable values to more than double from their current 2005 levels.

Specialist properties such as schools and colleges, courts, hospitals, large industrials, prisons and defence establishments will also see significant increases, as the rateable values of these buildings are based on building costs and these have risen steeply over the last 5 years.

The de-capitalisation rate plays a vital role in determining the final rateable values of these properties. The rates for England and Scotland should soon be available. The

Welsh Assembly has already announced that they will reduce the de-capitalisation rate from 5% to 4.5% for most commercial properties and from 3.3% to 2.97% for educational, health and defence properties. We wait to see whether England and Scotland will follow the lead but, even if they do, rateable values for these specialist properties are likely to increase significantly.

These rateable value increases will clearly affect rate payments but the exact impact will not be known until later in 2009 when the new uniform business rate and any transitional arrangements are announced. However, looking at London's West End, if we apply the same phased increase as introduced for the 2005 revaluation, the rate liability increase will be dramatic. For example a typical Grade A office suite in Mayfair of 10,000 sq ft will experience additional rates charges of £1.2m for the 5 years from the 1st April 2010 compared to the same 5 year period from the 1st April 2005.



## Major Public Sector Contract Win

GVA Grimley is delighted to announce its reappointment to the OGC Estates Professional Services Framework Contract. The new framework agreement is an amalgamation of two previous frameworks covering estates professional services and rating support services. It provides public sector bodies with a one-stop mechanism which, whilst complying with all relevant procurement legislation, enables them to secure all their property advice. Through this appointment GVA Grimley will be able to continue to advise the Government and other public sector organisations on their business rates liabilities now and for the 2010 rating revaluation.

## New Forensic Audit Team

Our new team headed by Andy Gray adds another dimension to rates savings. By careful analysis and attention to detail, particularly on rate payment calculations and the difficult transitional relief provisions, we can identify whether your historic rates liability can be reduced. **The team has saved clients over £4.5 million in the last 12 months alone.**

## Scotland Rating Update

The 2005 rating revaluation in Scotland is reaching a turning-point as each appeal lodged against the original 2005 rateable value must, by law, be disposed of by the Local Valuation Appeals Committee by the 31st December 2008. Rather than providing a gentle wind-down of appeal work, the next few weeks provides a period of real intensity as some of the larger and more complex properties are dealt with.

The Scottish rating team has taken active steps to monitor the ongoing work being carried out by the Assessors in preparation for the 2010 rating revaluation. This period is critical as Assessors gather rental, cost and other evidence to support the level of values they will apply to properties from 1st April 2010.



# No Relief for Empty Properties

The Pre-Budget Report gave little comfort to owners of vacant property even though the Government announced that empty properties with a rateable value of less than £15,000 will be exempt from rates for the year 2009/2010. This concession should affect about 70% of empty properties and will no doubt be a significant help to small businesses. However, the exemption only covers a **small proportion of the total value** of vacant buildings and rates on these properties will continue to have a significant financial impact on businesses already under pressure from the economic downturn.

The Government continues to believe that, in the long term, beyond the initial rate-free period of 3 months (6 for industrial properties), it is right to charge rates on vacant properties as it acts as an incentive to the owner to re-let or re-use the accommodation.

In reality, most property owners do not keep property empty deliberately and the empty rate provisions are widely seen as a revenue-raising exercise (estimates suggest nearly £1 billion per annum).

Speculative development has largely stopped, raising concerns about the lack of supply of new buildings when market conditions improve. Ironically this could lead to rents rising in the longer term.

There is also a growing realisation that occupiers, as well as property owners, have been hit hard by the changes. For many

years, the manufacturing sector has been downsizing and consolidating its property assets producing surplus industrial floorspace, which previously qualified for full rate relief. To pay the full charge on these redundant buildings, many of which are un-lettable, even in normal market conditions, has a substantial impact on the profitability of a business. Consequently, many of these properties are being demolished rather than redeveloped, which is contrary to the Government's initial intentions.

Meanwhile at the other end of the property scale, Billing Authorities are actively pursuing new properties and asking the Valuation Officer to assess them for business rates. This is done through service of a Completion Notice, under Section 46a and Schedule 4a of the Local Government Finance Act 1988. A Completion Notice states a date on which the property is deemed to be complete and therefore capable of being assessed for business rates. If the property remains vacant there is a 3 or 6 month rate-free period after which the full charge is payable.

To be valid, a Completion Notice must include a number of important elements and be served in the correct manner. If you do not believe the procedures have been adopted correctly or you disagree with the date specified for completion of the building you can lodge an appeal against these Notices. Appeals must be made within 28 days of receipt and sent to the Valuation Tribunal.



The Government wants Billing Authorities to use the Completion Notice procedure more often to ensure void rate revenue is not lost. Consequently, we have seen a significant increase in the numbers issued in the last six months.

It is vital that Completion Notices are checked and, where necessary, appeals lodged. If you receive one, please send it to us for advice.

GVA Grimley continues to explore ways to mitigate, defer and, in some instances, legitimately avoid the liability.

## Minimising Your Business Rates Liability

GVA Grimley has an outstanding record of negotiating significantly lower than average rating assessments across all sectors. We proactively seek opportunities to reduce business rates liabilities and consistently deliver considerable savings. **Over the last seven years we have achieved savings of over £1.2bn for our clients.**

We offer a comprehensive rating service which provides additional opportunities for rates savings in certain situations, including:-

- Empty property
- Internal building works and refurbishments
- Changes of use
- Nearby building works, road works or other disturbances

### Delivering significant savings

The Royal Bank of Scotland Group plc occupies part of a large office building in the City. We lodged appeals against the rating assessments when the adjoining old Stock Exchange redevelopment scheme commenced.

Although the Valuation Officer agreed to reduce the assessments we did not agree with their revised valuations and our appeals were heard by a Valuation Tribunal. The Tribunal supported the Valuation Officer's approach which restricted the building works allowance to an artificial 10m zone adjacent to the building site. We appealed the decision to the Lands Tribunal.



After further negotiations, the Valuation Officer agreed to give an allowance across the whole building.

Significant savings resulted and the case has set a precedent for more generous building works allowances across the City of London.

# The National Business Rates Team Expands

Our strategy is to continue to improve and develop our service and to this end we have recently made a number of key appointments including:



Our rating team in Manchester has been boosted by the appointment of Director **Chris Stevens**. Chris was formerly the Head of the rating department in Lambert Smith Hampton's Manchester office and prior to this he spent 10 years with the Valuation Office Agency. He specialises in large industrial properties and large office buildings in the North West and acts for a variety of clients in both the public and private sectors.



**Susan D'Arcy** has joined the rating team in the Leeds office, as an Associate. Previously she worked for the Valuation Office Agency in Leeds and has 17 years of rating experience in a wide range of property types but brings particularly in-depth knowledge of the West Yorkshire office market. Prior to joining the Valuation Office Agency she spent 6 years based in the North East providing valuation advice to a number of local authorities.



**Rob Smith** has joined the national rating team as an Associate and is based in our Birmingham office. He joined from C B Richard Ellis via a short stint in New Zealand and has 8 years specialist rating experience, having been based in both Birmingham and the City of London during that time. Rob has a wide range of experience covering a variety of property types including the specialist sectors such as cinemas, hotels and leisure centres. He will strengthen the current team who deal with rating portfolio management.

For further information, please contact your usual GVA Grimley contact or alternatively any of our network of offices

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