

rating times

SPRING 2007

Lyons inquiry extended again

Uniform Business Rates for 2007/08

Opportunities to save you money

Lands Tribunal success

Partnership with the client produces
"right first time"

Taxing tourists – a new form of local taxation?

newsletter

Lyons inquiry extended again

Sir Michael Lyons' inquiry into local government finance has been extended for the second time in 18 months.

Chancellor Gordon Brown has asked him to factor in the impact of the Eddington transport study, the Leitch review of skills and the Barker review of land use planning. Sir Michael had been due to report to ministers in December 2006 but his final report is now due to be published this spring at around the time of the budget.

One specific funding issue raised is the recommendation made by Kate Barker that the government should make better use of fiscal interventions to encourage an efficient use of urban land and in particular it should reform business rate relief for empty property. In his supplementary consultation paper, Sir Michael poses the questions:

- How should empty property relief in business rates be reformed?
- How should a charge on vacant and derelict brownfield land be introduced into the existing local land and property tax system?
- Would any local flexibility on such measures be desirable?

Empty property relief reportedly costs the government £1 billion pa, so there is a real threat that a full or partial withdrawal of this relief could feature as a recommendation in the final Lyons report as there is undoubted pressure to boost local funding. This raises the spectre of a return to the practice of taking the roofs off empty factories in order to save rates.

Uniform Business Rates for 2007/08

	2007/08	2006/07
England	44.1p	42.6p
Wales	44.8p	43.2p
Scotland	44.1p	44.9p

The good news is that the small business rate supplement has been reduced to 0.3p in both England and Scotland – down from 0.7p and 0.4p respectively.

Ratepayers in the City of London pay an additional contribution to help finance the City of London Police and increased security in the area. The exact amount has yet to be announced but we expect it to be in the region of 0.4p for 2007/08.

Lands Tribunal success for GVA Grimley

On 25 January 2007 the President of the Lands Tribunal decided the case of Trafford MBC vs Mr B Pollard (Valuation Officer) in our favour, bringing to conclusion an appeal story that began in 1996.

The outcome of the case, with almost half a million pounds at stake, hinged on a single issue: should neighbouring local authority properties, one a school, the other a sports centre be assessed for rating purposes as one, or should they continue to be assessed separately?

Tony Baldwin, GVA Grimley's National Head of Business Rates, argued on behalf of Trafford that the two properties should be treated as a single "hereditament". From the mid 1980s the council had always intended that the Flixton Girls School site should be developed with the sporting needs of both the school and the wider community in mind. The result was the construction of a sports centre with a swimming pool, sports hall and a host of other facilities on part of the existing playing fields. Whilst the centre was open to the public at all times, use of the sports hall was strictly reserved for use by the school during school hours, as was the all weather pitch.

The Valuation Officer on the other hand was adamant that the two formed entirely separate properties – one was a school, the other a leisure centre – even though it was acknowledged that revenue and capital funding of the sports centre project was undertaken jointly by the council's leisure and education departments.

Whilst the President accepted that there was some merit in the Valuation Officer's argument, he nevertheless judged that on the expertly presented facts of the case, (Mr Richard Glover acted as Counsel for Trafford) a merged assessment should apply on both the 1990 and 1995 rating lists.



Flixton Girls School

Transitional arrangements for 2007/08

Transitional arrangements apply in England and Scotland only. The schemes are as follows:

England

Maximum increases in real terms

Small properties up to RV £15,000 (£21,500 in London) **10%**

Large properties over RV £15,000 (£21,500 in London) **20%**

Maximum decreases in real terms

Small properties up to RV £15,000 (£21,500 in London) **35%**

Large properties over RV £15,000 (£21,500 in London) **14%**

Transitional adjustments continue until 2008/09 with higher percentage adjustments expected in the final year.

Scotland

The allowance for 2007/08 reduces to one third of the amount given in 2005/06. This is the final year of this scheme and from 2008/09 all rates bills for properties in Scotland will be calculated as **Rateable Value multiplied by Uniform Business Rate**.

Progressing revaluation 2005

The Valuation Office Agency is now well into the 2005 rating revaluation with more appeals being targeted for discussion than ever before. By the end of March we expect most of our early appeals on shops, offices and industrial units to be completed although there is still a long way to go, particularly with the more specialised properties.

Despite the restriction on the number of appeals that can be lodged against a rateable value we are still finding unqualified, so called rating experts, targeting clients with offers of large refunds. Please be wary of any such approaches as we have known cases where these companies tie in unsuspecting ratepayers for many years at very high fee levels. If you are approached please call us and we will investigate the matter for you.

Opportunities to save you money

There are plenty of opportunities available for us to reduce your rates liability but we need your help to find them. In previous editions of this newsletter we have focused attention on some of the particular issues which could reduce your liability including:

- Empty property
- Part empty accommodation
- Building works at the actual property
- Disturbance due to outside factors e.g. adjacent building works/long term road works etc
- New development in the area that may reduce the value of your property.

Let us know if and when any of these affect your property and we will advise you whether this will reduce your liability.

Partnership with the client produces "right first time"

In February 2006 the National Assembly for Wales completed their landmark debating chamber known as the Senedd. This specialised high quality property provides a sunken modern debating chamber with a glazed viewing public area above, allowing the public to look down on their elected representatives. The building uses indigenous materials and is situated in a commanding position by the water's edge in the heart of Cardiff Bay.



The Senedd

Working closely with the National Assembly, GVA Grimley decided that a proactive and co-operative approach with the Valuation Office Agency (VOA) would best serve the assembly and provide the much-needed certainty for their budget requirements.

We engaged with the VOA early on, assisting them with their enquiries, actively providing a detailed understanding of all the complex information relating to the build costs, before agreeing the correct interpretation of the facts and figures.

The need to assess the rateable value for such a unique building presented many challenges and potential pitfalls. Our hands-on approach was extremely successful and represents a real first. By working together with the VOA we avoided a protracted appeal process. The benefit to the assembly is accurate budgets and by prior agreeing the rateable value, we have actively managed and mitigated their business rate liability for the 5-years to the 31 March 2010. This approach can be used as a model for other ratepayers.

The first rateable value reductions and rate savings were achieved whilst the debating assembly building was under construction. GVA Grimley successfully agreed temporary allowances for two of the assembly's nearby buildings as a result of the disturbance from the chamber.

Importantly on completion of the new building, GVA Grimley identified that the new chamber was contiguous with the adjoining administrative offices as well as their visitor centre known as Pierhead Buildings. We negotiated a single rateable value, which benefited the assembly as allowances were agreed for quantum and layout. This very successful outcome was achieved, as a direct result of our close working relationship with the assembly and is an excellent example of a true partnership, resulting in a benefit to them of over £1.25 million pounds.

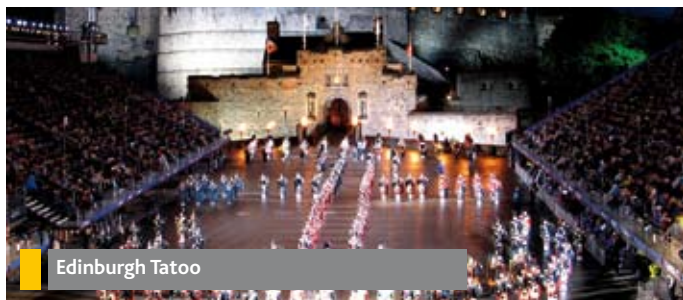
Taxing tourists – a new form of local taxation?

The local authority in Edinburgh has come up with a unique way of increasing its income to help fund the City's various festivals and pay for better infrastructure. It is considering a 'Tourist Tax' – a levy on casinos, tourist beds and an airport tax. Proposals to introduce a tax of as much as ten percent on hotel bills could cost Scotland's hotel and tourism industry £120 million a year and put over 2800 tourism jobs at risk.

This is contrary to the Scottish Executive strategy who want to double the current £4.8 billion tourism economy by 2015, but that plan could be seriously jeopardised by the proposals for a tourist tax. It has therefore invited comment from all affected parties through general consultation and early indications are that most of Scotland's local authorities are not in favour.

It remains to be seen how ministers will vote on this issue. Local authorities are under constant pressure to maintain service delivery. With their income from central grants being constantly squeezed and political pressure to limit rises in council tax, raising much needed revenue by tourist and other taxes will be very tempting.

If and when this tax is introduced there will almost certainly be implications for business rate assessments, particularly with regard to those properties valued with regard to their turnover and profits such as hotels.



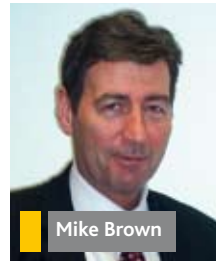
Edinburgh Tattoo

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

Regional contacts include:

Denise Trollope	London & South East	020 7911 2393
Alex Stevens	City of London	020 7911 2383
Leigh Richardson	South West & Wales	0117 988 5318
Nick Power	Midlands	0121 609 8274
Tony Baldwin	North West	0161 956 4312
Paul Manning	North East	0113 280 8013
Craigie Marwick	Scotland	0131 469 6043

This newsletter is published as part of our general service to clients. It can only give the most generalised indication of what is involved and is no substitute for proper advice on the actual properties concerned.



Mike Brown

Scottish associate joins GVA Grimley's 50-strong National business rates team

We are delighted to welcome Mike Brown who has joined our Scottish team. He has over 16 years experience with the Fife Assessors Service and has particular expertise in the valuation of telecommunications, utilities, defence establishments and public buildings.

Mike holds the RICS Diploma in Rating and is an active member of the Diploma Holder's Section of RICS. He is also a member of RICS Scottish Council and Honorary Secretary to the RICS Valuation Faculty Board for Scotland. Mike is an APC Assessor and has recently been invited by RICS to act as chairman on APC panels.

Looking forward to 2010...

With another three years to go it is almost frightening to learn that the Valuation Office Agency (VOA) is already thinking about, and gearing up for, the 2010 rating revaluation. They wish to extend their policy of 'right first time' by engaging with ratepayers and their agents to agree as many issues as possible before they formulate their 2010 rateable values. They are likely to concentrate efforts on more specialised property with early negotiations of the valuation basis. However they are also seeking agreement on the way particular common features should be valued e.g. air conditioning in retail units, CCTV, and mezzanine floors.

GVA Grimley will be responding to the VOA's 2010 strategy paper through our representation on various rating committees. We will keep you informed as developments take place.

Birmingham 3 Brindleyplace Birmingham B1 2JB	Glasgow 5th Floor – Sutherland Hse 149 St Vincent Street Glasgow G2 5NW	London – Mayfair 10 Stratton Street London W1J 8JR
Bristol University Gate Park Row Bristol BS1 5UB	Leeds First Floor, City Point 29 King Street Leeds LS1 2HL	Manchester 81 Fountain Street Manchester M2 2EE
Cardiff One Kingsway Cardiff CF10 3AN	Liverpool Mercury Court Tithebarn Street Liverpool L2 2QP	Newcastle Yorkshire Chambers 112/118 Pilgrim Street Newcastle Upon Tyne NE1 6LL
Edinburgh Quayside House 127 Fountainbridge Edinburgh EH3 9QG	London – City 25 Bucklersbury London EC4N 8DA	

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