A big bang for Business Rates:
Devolution, Revaluation & Reform

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A few caveats

- Qualified Surveyor of 25 years standing
- Member of Valuation, Commercial Property and Planning & Development Professional Groups
- Academic not a ‘practising’ surveyor
- Contents of presentation do not constitute advice to be acted upon
- Advice can only be provided under University Consultancy Contract
Outline

- Vocabulary of Business Rates
- Revaluation
- Transitional Relief
- Appeals
- Wider Reform
- Intelligence
Vocabulary of Business Rates

- Heraditament: rateable unit of property
- Rateable Value (RV): annual rental value at antecedent date of valuation (DoV)
- Antecedent DoV: 1 April 2015
- Multiplier (formerly UBR): pence in the £ ‘rate’
- Tone of the list: comparable market evidence
- Rates payable: RV x pence in the £
- Reasonable professional judgement: +/-10%?
- Material Change of Circumstances (MCC)
- Valuation Office Agency (VOA)
Good news for SMEs in the North?

- VOA has forecast reductions in business rates for retail and office sectors with no overall change for industry
- This compares with big increases for London and south east
Spatial Impact of Revaluation

BIC on VOA Agent Mode

Virtually all unit in BIC, regardless of whether office and premises, workshop and premises or just offices are value at £90 psm in the new rating list; in the last list all such units were valued at £75 per sq m
Core and office suites unchanged at £90 psm
Jupiter 9 £129.15 psm from £107.63 (base £100)
Jupiter 10 increased to £110.25 from £99.7 psm (base £95 psm)
Jupiter 11 at £129.16 from £107.63 (base rate £100 psm)
Jupiter 12 at £113.01 from £102.25 (base rate £105 psm)
Exception - larger industrial/workshop units treated differently for example 91-98 & which have new RV at £45 per sq m when on old list were valued at £55 per sq m for workshop area & £60.50 per sq m for office component

Idiosyncrasies of VOA searching by address - searching under ‘Street Name & Town’:
‘Business & Innovation Centre’ & ‘Sunderland’: 180 results
‘Sunderland Enterprise Park & ‘Sunderland’: 100 results
‘Wearfield’ & ‘Sunderland’: 15 results
Using Address ‘Business & Innovation Centre’ ‘Wearfield’ ‘Sunderland’ ‘SR52LA’: 4 results
Using postcode ‘SR52LA’: null result

https://www.tax.service.gov.uk/view-my-valuation/search
Revaluation

Until 31 March 2017:
- small business rate relief doubled to 100%
- RV <£6k pay no business rates; tapered from £6k-£12k

From 1 April 2017:
- RV <£12k (600,000 small businesses) pay no business rates; tapered £12k-£15k (50,000 businesses)
- Multiplier:
  - Small business: 46.6p (down from 48.4p) (RV threshold £18k)
  - General: 47.9p (down from 49.7p)
## Transitional Relief

From 1 April 2017:

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<tr>
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<th>Small</th>
<th>Medium</th>
<th>Large</th>
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<tbody>
<tr>
<td>Maximum increase</td>
<td>5%</td>
<td>12.5%</td>
<td>42%</td>
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<tr>
<td>Maximum decrease</td>
<td>-20%</td>
<td>-10%</td>
<td>-4%</td>
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<tr>
<td>RV thresholds</td>
<td>£20k</td>
<td>&gt;£20k&lt;£100k</td>
<td>RV &gt;£100k</td>
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Outstanding Appeals

- Previously 1m appeals on 2m hereditaments
- Now 280,000 outstanding
- $\frac{1}{3}$ resulted in change; $\frac{2}{3}$ withdrawn or dismissed
- Last date for appeals against old list end of the month
New Appeals System

- from 1st April 2017
- 3 stage: check: challenge; appeal (CCA)
- Check: material day; 30 months to challenge; if not resolved in 12m then appeal
- Challenge: actuality of proposal via online a/c; need for detail & precision; onerous
- Appeal: to Valuation Tribunal (England) if disagree with decision or no decision; max £300 fee; still
Scepticism Remains

- Will reforms improve affairs? Many are sceptical for example RICS, IRRV
- Lack of information – put in appeal to ‘flush’ information out of VOA
- Still don’t get full disclosure at appeal!
- Reasonable Professional Judgement – a field day for lawyers
- Are VOA looking to ‘frustrate’ appeals out of the system?
Reform

- Developed commercial & industrial property data model based on rating list
- Allowed us to explore potential impact of fiscal devolution and decentralisation
- Expert witnesses to:
  - All Party Parliamentary Group (APPG) round table on Reform, Decentralisation and Devolution in the UK, and
  - Communities and Local Government (CLG) Select Committee review of business rate retention
- Submitted written responses to Government consultations:
  - Transitional Arrangements
  - Reforming Business Rates Appeals
Adding some R3 intelligence

- Devolution is happening but what are its consequences for the region?
- Devolution is underwritten by business rate retention and that means the performance of existing commercial property and the development of new property stock
- How will the stock of commercial and industrial property and supply of new build influence local government funding in the region?
- There is much confusion and little detail about financialisation of real estate
- One way or another, public sector service provision is now pegged against the performance of commercial real estate; we can monitor this performance and direct its potential improvement.
Opportunity knocks: Not just about LAs

- No representation from landlord or development sectors into these enquiries – missed opportunity!

- Did you know that Local authorities make more money out of Empty Property Rates than business activity? – opportunity to reform Empty Property Rates

- Real estate development funds devolution – opportunity for landlords and developers to take centre stage and lead the devolution debate

- How will business occupiers and small businesses be affected by the way property markets respond to challenges?
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Request an exploratory meeting with either Dr Paul Greenhalgh or Dr Muldoon-Smith

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