Business Rates 2017 Revaluation

With delays to the 2015 Revaluation and the imminent release of the new Rating List, a number of factors are set to influence how your properties are valued and the subsequent impact on your business rates liability. For some, increases to the rateable value will cut into profit whilst in other locations decreases could improve the viability of previously unsustainable properties.
The UK economy has seen unprecedented change since the last business rates valuation date of 1 April 2008. As this date fell during the financial crisis, rental levels across the country now don’t correlate and bear little resemblance to the Rateable Values (RV) that have been in place since 1 April 2010.

As a result business rates have become a major topic of debate over the last 18 months, with a move to devolution and pressure on the Valuation Office Agency (VOA) to ensure that the values in the draft list, released in the autumn of 2016, are as accurate as possible. Changes under the “Check, Challenge, Appeal” proposals will add further complexity to the process as greater responsibility will fall on the ratepayer, and their advisers, making the process of appeal even harder.

The view of Colliers International, is that the 2010 Rating List figures were conservative in many locations, combined with the fact that the rates businesses are currently paying are based on rental levels from April 2008, strongly suggests that many businesses will be in for a shock when details of their RVs become clear.

“The 2017 Rating Revaluation will produce the largest changes in Rateable Value for a generation – businesses may be sleepwalking in to the effects without planning for the consequences, both good and bad”. John Webber | Head of Rating Colliers International
Understanding the Revaluation

The 2015 Revaluation was due to provide a realignment of values to reflect the market as at April 2013. This would have provided some much welcome relief for many areas of the UK where, in some cases, rental levels have fallen to such a level that rates payable now exceed annual rents. However, in October 2012 the government announced a two-year postponement of the revaluation to 1 April 2017.

The period between 2013 and 2015 saw rental levels increase sharply in some areas, particularly in London and the South East, and are now at record levels. Whereas other regions have seen a continued decrease in rents, particularly in many low performing retail high streets, with little relief to the rates burden.

Not having re-valued business rates over such a long, and economically volatile period has left the landscape of UK business rates at its most complex phase yet. There will be a significant impact across the country with many businesses finally getting some respite from years of overpayment, whilst others face the prospect of seeing a sizeable increase in their rates liability.

“In the 2017 Revaluation we expect to see a significant correction across the board. London and the South East have seen pockets of high rental growth which will be reflected in an increase of rateable values. However, in the regions that have not witnessed a reversal of seven years’ rental decline, there should be significant reductions in rateable values.”
Budget March 2016: How it affects your business

It was hard to know what to expect from the Chancellor’s final budget before the 2017 Revaluation. The positive news was the move from RPI to CPI, albeit delayed until 2020, and the acknowledgement of a need for shorter revaluation periods with a nod towards three years; however, based on the figures mentioned we predict that this will likely only occur from 2022 onwards after a final five-year period.

The headlines focus was on the increase in the threshold for 100% small business rates relief from £6,000 to £12,000 however this could be misleading for many; whilst small businesses may be jubilant currently, we suspect that when their increased RV’s are released later this year, their small business status may no longer exist.

A number of our larger clients have also enquired as to how this relief would affect them and their smaller properties; unfortunately, it is unlikely to have any effect at all as part of a wider portfolio. Larger property occupiers will benefit from the change to the threshold for the small multiplier but again the numbers may reduce following revaluation.

What has become even more apparent is that something which has always been a complicated tax has just become even more so; with a greater emphasis on devolution and a commitment to trials now in Manchester and Liverpool in addition to London, those with national portfolios need greater representation to pre-empt the process becoming even more bureaucratic.
Check, Challenge, Appeal
In their current form the changes will put significantly greater responsibility on the ratepayer and their agents, particularly during the check stage, where the accuracy and provision of missing information will become their responsibility. The emphasis on the earlier stages of the appeal process requires more work upfront. This includes new inspections to verify property information and access to detailed market data to support any appeals as the process becomes more challenging.

Devolution Revolution
The 2016 Budget confirmed the government’s intention to devolve powers from Whitehall to local authorities. By 2020 all £30.5 billion in business rate revenues could be retained by local government. This devolution will see the end to the uniform business rate with certain major cities afforded powers to reduce or increase the multiplier.

Uniform Business Rates (UBR)
The 2017 Rating Revaluation will see the setting of the highest ever business rates multiplier at the start of a revaluation period. When rates in their current form were introduced in 1990, the rate in the pound payable on rateable values was 34.8p. By 2010 this had increased to 41.4p. Colliers International anticipates a multiplier of 49.8p for the rate year 2017/18.

Division of adjacent floors
The valuation of business rates is continually shaped by case law and legislation. The 2015 Supreme Court judgement in Woolway (appellant) v Mazars (respondent) is set to have a significant impact on the way offices are valued. Any company occupying more than one floor in a building could potentially feel the effect of this decision.

Standardisation of business rates bills
The standardisation of business rates bills and the ability to receive and pay bills online is a welcome change to the current system, which sees circa 400 local authorities throughout the UK choose their own billing templates and an inordinate amount of paper hit businesses’ desks each year.

It also seems odd timing for such a substantial investment given the on-going devolution plans, and given that currently only a limited number of local authorities throughout the UK are at present set up for e-billing. In addition the timeframe, as ever, also seems overly ambitious. In order to understand just how unprepared some of the local authority systems are, you only have to look back to the disastrous 2009 deferral scheme, which saw local authorities handwriting deferment charges onto bills and unreconciled sums four years after the event, it is also worth noting that many of these systems still haven’t been updated and a migration / change of this size is no small feat. The additional burden of linking systems with HMRC will be another huge challenge for already cash strapped local authorities.
Businesses, particularly those with a national or diverse property portfolios, need to prepare for 2017. As there is even greater divergence between regions, each of the locations in which you hold premises in should be considered on a separate basis.

The revised 2017 RVs set to be adopted, following a complete revaluation by the VOA, will be open to significant interpretation.

In those areas that have seen flurries of transactional activity in an increasingly changing market, it is important to know the full details behind the deals, when these were agreed and what incentives were provided. Due to the speed at which these markets have moved, particularly over the last two years, this information may not have been fully available to the VOA when establishing the 2017 RVs and could have resulted in inaccurately high values.

While we anticipate that the Uniform Business Rates (UBR) will be close to the existing 50p figure, businesses could be further affected depending on how, or indeed if, phasing or transitional relief is implemented. This will need to be factored into any planning.

What does this mean for your business?

"Rateable values and business rates liabilities will also play an important factor in the sustainability of a business, as well as provide more leverage for rental negotiations for both landlords and tenants."
Why 2017 is closer than it seems?

As many businesses are beginning to budget and plan for the 2017 period, the correct advice and information at this time is critical as it will support financial management and could determine the sustainability of retail, office, industrial or other premises. If you have an existing adviser they should have already provided you with proposed budgets.

If the Check, Challenge, Appeal (CCA) changes are introduced, there will be even more pressure to ensure that all properties are fully re-inspected to confirm the accuracy of the Valuation Office’s factual information. For those with large portfolios this can be a demanding task and will require advisers with national spread.

The VOA has dedicated the majority of its staff to carrying out the revaluation. This is despite being faced with the additional workload of 200,000 additional appeals that were submitted prior to the 31 March 2015 deadline for the 2010 List, which has contributed to the now 300,000 outstanding appeals that the VOA are still processing. It is therefore critical that businesses start preparing now with specialist rating advisors who focus on managing liabilities as comprehensively as possible.

---

**Your business rates timeline**

Preparations for the 2017 Revaluation are already under way. In the interim, the VOA will be dealing with the 300,000 remaining appeals relating to the 2010 Rating List.

<table>
<thead>
<tr>
<th>JUNE - SEPTEMBER 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The VOA will complete their rating valuations for the 2017 List</strong></td>
</tr>
<tr>
<td>It is imperative that any outstanding 2010 appeals, that may have an impact on the values set for the draft list, are resolved.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>JULY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deadline for responses to consultation paper ‘Business Rates: delivering more frequent revaluations’</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30 SEPTEMBER 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The 2017 draft rateable values (draft list) will be published</strong></td>
</tr>
<tr>
<td>These values will need to be checked for clear factual errors as they will provide the basis for the budgeting and decisions on appeal. Re-inspections of properties, to take into account the requirements of the CCA process, should be taken so your advisors can quickly determine inaccuracies once the list is released.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AUTUMN/WINTER 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UBR multiplier for 2017/18 and transitional adjustment arrangements will be announced</strong></td>
</tr>
<tr>
<td>We have already set out in previous documentation what our estimates of the multiplier will be, as well as the implications for transitional relief. Given the seven year gap between revaluations, we expect there to be large variations, both up and down. In our opinion, this will result in a far larger percentage used in the transitional scheme than for the 2010 List.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APRIL 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The new rating list will be published and the CCA process can commence from this point</strong></td>
</tr>
<tr>
<td>All businesses will be in the same position at this stage, it is therefore critical that your advisers are fully prepared and in a position to prioritise your liabilities.</td>
</tr>
</tbody>
</table>
Our Track Record

Colliers International has been successfully delivering dedicated rating services for over 50 years. During this time we have developed a vast wealth of industry experience and knowledge which has proved crucial to the success of many of our clients from around the world.

- Colliers International’s approach to the provision of business rates services is unique to the marketplace through our comprehensive ‘Complete Circle of Business Rates Advice’.
- Our results speak for themselves. Since the start of the 2010 Rating Revaluation we have saved our clients over £500m.
- We are the only Rating team to offer all three services under one roof and one P&L, affording us greater cohesion between services and the ability to resource any contract as required.
- Our Rating team accounts for more than 10% of the Colliers UK workforce, which is more than any other major UK firm.

Why Colliers International?

- Colliers is the only Rating team in the UK with four RICS special rating diploma holders – the gold standard in rating surveying and an Officer of the Order of the British Empire (OBE) holder recognised for his services to the rating industry.
- With access to the largest network of specialists in the UK, from research, agency and valuation, to investment and development, no other adviser is better placed to manage your business rates liabilities in preparation for the impending 2017 rates revaluation.
Eliminating the risk of choosing new advisers

Changes in the market, combined with the increasing complexity of the appeal process, are encouraging businesses intent on maximising the bottom line to look at appointing new advisers. In the ever changing landscape of business rates companies can no longer be content with the status quo.

Should the expected ‘Check, Challenge, Appeal’ changes come into effect, which is highly likely, there will be a need for the re-inspection of properties and the retention of existing advisers will become less significant.

Businesses, particularly those with large portfolios requiring quick inspections en masse, should therefore consider advisers with the breadth and capacity to prioritise managing their liabilities.

Having successfully secured significant savings following mid-list instructions, Colliers International’s experience has demonstrated that, with strong communication, a detailed mobilisation plan, process mapping, carefully considered risk control measures, and a commitment to working in partnership, a seamless transition can be achieved.

“I have been very pleased that Colliers has been able to identify a number of new opportunities including appeals and historic audit, exemptions and reliefs. The team at Colliers have been extremely successful having achieved over a half a million in savings to date, relating to previously unidentified opportunities.”

COLLIERS INTERNATIONAL RATING AND ACCURATES CLIENT
Breadth and depth of team
Our local knowledge, combined with industry expertise, specialist qualifications and reputation ensures your business will benefit from the finest rating services in the UK.

Across our dedicated Rating team, which is one of the largest in the country; we have surveyors who sit on IRRV and RSA panels, over a dozen directors who have Upper Tribunal experience and the largest number of qualified surveyors that hold the prestigious RICS Diplomas in Rating.

In preparation for the 2017 rating revaluation, we have further enhanced our expertise by recruiting specialist experience from both the market and the VOA.

Access to the wider Colliers International platform
Whether you are looking for the most accurate forecasts for your budgets or greater access to services and expertise across all elements of managing your property portfolio, Colliers International is one of the few advisers to provide a dedicated rating service complemented by its wider platform of real estate experts.

A number of factors come to play in managing rates liabilities and it is this access to the experts within our agency, investment, valuation and research teams that affords us unrivalled market knowledge and data to incorporate into our assessments.
National coverage, local to you
Colliers International is one of the few advisers with a presence in every regional centre, rather than one centralised office. This enables us to provide clients with local knowledge and build closer working relationships with regional VOAs and billing authorities, ensuring every saving is maximised and Material Change of Circumstance (MCC) Appeals opportunities are never missed.
If you have a national portfolio you can have confidence that your whole portfolio is being managed as effectively as a one off occupier located anywhere in the UK.

A complete service
From challenging rateable values, examining rate records for evidence of overcharging, managing rate payments and forecasting, Colliers International was the first to offer a fully comprehensive rating service.
As one of the few advisers that do not outsource any element of our service, we can ensure quality and efficiency is provided to all of our clients.

“The professionalism, experience and diligence shown by Colliers is unrivalled. They have surpassed expectations and secured substantial rate savings for the Group. In my opinion they rank as the premier rating advisers in the UK and I would highly recommend their services to anyone who has business rate liabilities.” COLLIERS INTERNATIONAL RATING AND ACCURATES CLIENT
Unrivalled efficiency of mobilisation

Very few advisers are in a position to mobilise a project as quickly as Colliers. Our resource and presence across the UK enables us to support bulk class portfolios with heavy requirements for inspection, something which will be even more significant should the CCA changes be enforced later this year. In 2015, following a mid-list instruction we were able to mobilise our team to inspect 500+ sites for a national hotel operator within eight weeks.

You can feel confident that our breadth, resource and mobilisation planning will ensure a seamless transition.

Success-based fee structure

We can tailor our fee structure to suit individual clients, whether it’s a fixed fee, success related or a combination of both. By appointing Colliers International you can benefit from:

- A reduction in your annual overheads
- Certainty around what your future liabilities will be
- Improved cash-flow management for your business
- The ability to incorporate accurate information into your business plans
- Confidence that your account is managed by a team of dedicated experts
- Monthly reporting and updates via a personal account management service
- Transparency in reporting, so there are no hidden costs

“We are very pleased that Colliers has been able to identify a number of new opportunities including both compiled list and MCC appeals, as well as historic audit, exemptions and reliefs. The team at Colliers have been incredibly successful having achieved over £3.9m in savings to date, relating to previously unidentified opportunities.” — COLLIERS INTERNATIONAL RATING AND ACCURATES CLIENT
Our services

Colliers International’s rating service ensures you receive the best possible support in effectively planning and managing your rating liabilities, to help you save money and improve your long-term success. We do this by offering a complete range of rating services delivered by a team of experts local to your business and underpinned with experience in the rating industry over the past 50 years.

Rateable Value Review and Appeal
The RV of your property determines the cost of your business rates bill, meaning it can have a significant impact on your liabilities. Our Rating team will ensure the RV is correct and challenge it on your behalf when it’s not, so you know you are paying the right amount. This will enable you to accurately forecast and plan your business outgoings with confidence.
Material Change of Circumstance Appeals
If the quiet enjoyment of your premises has been affected in any way, we may be able to reflect this with a challenge to your rateable value. Typical examples of this include adjacent building, roadworks or new competition to your business.

Rate Account Management
Successfully managing your business rates can be a huge drain on resources. We currently manage £470m in client funds each year and over 40,000 properties, helping clients to free up much needed time and resources. As part of this service we ensure business rates bills accurately reflect all current exemptions and reliefs you are entitled to.

Business rates forensic audit
£28 billion in business rates is collected each year. However, with differing approaches to administering business rates between local billing authorities, not all bills accurately reflect what has been/should be collected. Going back as far as 1990, we forensically audit the compliance of your business rates liabilities against legislation and case law, and work to recover any overpayments.

Property usage review
Seasonal fluctuations and peaks in activity mean that not all properties operate at maximum capacity throughout the year or the life cycle of the property. With minimum intrusion on your business, we can analyse the way your operations affect your property usage. Complementing existing appeal work, this is a separate cost management project to ensure that rates reflect your property usage and minimise your business rates bills.

Empty property rates cost management
If your property is unoccupied or unused for any period of time, you could be eligible for empty property rates relief. By reviewing your current and historic empty property liability, we can recommend and implement a fully outsourced range of legislation-compliant solutions to maximise the rates relief you may be entitled to.

“We have benefitted from innovative thinking, which has delivered significant additional savings to our business, a continually timely delivery of the service and a high degree of client care which is much appreciated when we ourselves have tight deadlines to meet, often at short notice.” COLLIERS INTERNATIONAL RATING AND ACCURATES CLIENT
Colliers International

Colliers is a global leader in real estate services with more than 16,300 professionals operating out of 554 offices in 66 countries. In the UK and Ireland we employ 900 people in 13 offices. The foundation of our service is the strength and depth of experience of our specialists. Our clients can depend on our ability to draw on years of direct experience in the local market. Our professionals know their community and the industry inside out. Colliers offers a comprehensive portfolio of real estate services to occupiers, developers, owners and investors on a local, regional, national and international basis.

For further information or an informal discussion please contact our team on:

0800 358 3230
rating@colliers.com
www.colliers.com/businessrates

Colliers International is the licensed trading name of Colliers International Rating UK LLP which is a limited liability partnership registered in England and Wales with registered number OC391634. Our registered office is at 50 George Street, London W1U 7GA.