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 on 1st 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 that have been in place since 1st April 2010.

As a result business rates have become a major topic of debate over the last 18 months, with talk of devolution and pressure on the Valuation Office Authority (VOA) to ensure that the values in the draft list, released in the autumn of 2016, are as accurate as possible. Proposed changes as part of 'Check Challenge Appeal' will add further complexity to the process as greater responsibility will fall on the rate payer, and their advisors, making the process of appeal even harder.

The view of Colliers International, 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 liabilities become clear later this year.

‘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 that 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 rent. However, in October 2012 the government announced a two-year postponement of the revaluation to 1st April 2017.

The period between 2013 and 2015 saw rental levels increase sharply in some areas, particularly 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 no relief to the rates burden.

The result of 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 relief from years of overpayment, whilst others face the prospect of having to generate a sizeable increase in their rates liability budget.

“In the Revaluation 2017 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 year’s rental decline, there should be significant reductions in rateable values.”
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 on 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 affect 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 greater emphasis on devolution and commitment to trials now in Manchester and Liverpool in addition to London, those with national portfolios need even greater representation to pre-empt the process becoming even more bureaucratic.
In addition to the changes in liabilities, we are likely to see a number of fundamental changes to the business rates system, making the management of your liabilities even more complex.

‘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 even greater 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 2015 Autumn Statement announced the government’s intention to devolve powers from Whitehall to local authorities. By 2020 all £26 billion in business rate revenues could be retained by local government. This devolution will see the end to uniform business rates 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 years 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 companies 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 ebilling. 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 deferral 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 certainly no small feat. The additional burden of linking systems with HMRC will be another huge burden for already cash strapped local authorities.
What does this mean for your business?

Businesses, particularly those with a regional spread or diverse property portfolios, need to prepare for 2017. As there is even greater divergence between regions, each of the locations you hold premises in should be considered on a separate basis.

The revised 2017 Rateable Values set to be adopted, following a complete revaluation by the Valuation Office Agency, will be open to a significant amount of 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 deal, 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 Valuation Office when establishing the 2017 Rateable Values and could have resulted in inaccurately high values.

While we anticipate that the UBR (Non Domestic Rating Multiplier) 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 in to any planning.

“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 stores, offices or premises. If you have an existing advisor they should have already provided you with proposed budgets.

If the Check Challenge Appeal (CCA) changes are introduced, there is 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 requiring advisors with national spread.

The Valuation Office Agency (VOA) has transferred the majority of its staff to carry out the revaluation. This is despite being faced with the additional workload of 200,000 extra appeals that were submitted prior to the April 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 underway. In the interim, the VOA will be dealing with the 300,000 remaining appeals relating to the 2010 Rating List.

JANUARY – JUNE 2016  
The VOA will complete their rating valuations for the 2017 List  
It is imperative that any outstanding 2010 appeals, that may have an impact on the values set for the draft list, are resolved.

MARCH 2016  
The Government’s review of the rating system should be released in the budget  
This could be the biggest shake-up in the business rates system for a generation and could have wide ranging implications. The outcome of the government’s review into the business rates system and CCA Consultation is eagerly awaited.

30 SEPTEMBER 2016  
The 2017 draft rateable values (draft list) will be published  
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.

AUTUMN/WINTER 2016  
UBR multiplier for 2017/18 and transitional adjustment arrangements will be announced  
We have already set out what our estimates of the multipliers 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.

APRIL 2017  
The new rating list will be published and appeals can be lodged from this point  
All businesses will be in the same position at this stage, it is therefore critical that your advisors are fully prepared and in a position to prioritise your liabilities.
Why Colliers International?

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.

- £235m to date saved for clients on the 2010 list
- Advised on over 50,000 properties
- Managed payments of more than £350m a year on 35,000 properties
- Clients range from individual business units to portfolios of several thousand properties.
Eliminating the risk of choosing new advisors

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 advisors. In the ever changing landscape of business rates companies can no longer be content with the status quo.

Should expected ‘Check, Challenge, Appeal’ changes come into effect, which is highly likely, the need for re-inspection of properties and retention of existing advisors becomes less significant.

Businesses, particularly those with large portfolios requiring quick inspections en masse, should therefore consider advisors 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 CLIENT
Breadth and depth of team

Our local knowledge combined with industry expertise, specialist qualifications and reputation ensures your business will benefit from some of 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 Dips 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 Valuation Office Agency (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 advisors 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 advisors with presence in every regional city, rather than being managed from one centralised office. This enables us to provide clients with local knowledge and build closer working relationships with regional VOAs and billing authorities, ensuring that every opportunity is maximised.

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 advisors that do not outsource any element of our service, we can ensure quality and efficiency is provided to all of our clients and having one point of contact allows us to focus on saving money whilst freeing up your time.

“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 CLIENT
Unrivalled efficiency of mobilisation

Very few advisors, particularly those with national portfolios, are in a position to mobilise a project as quickly as Colliers. Our resource and presence across the UK enables us to support bulk classes 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 400+ 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 in to 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 CLIENT
Our services

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

Rateable Value Review and Appeal
The rateable value 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 rateable value 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 Circumstances 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 them to free up much needed time and resource. As part of this service we ensure business rates bills accurately reflect all exemptions and reliefs you are entitled to.

Business rates audit
£26 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 should be collected. We ensure business rates liabilities have been correctly calculated, both now and in the past, and work to recover any overpayments.

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

Property usage review
Seasonal fluctuations and peaks in activity mean that not all properties operate at maximum capacity throughout the year. 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.

“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 CLIENT
Colliers International

Colliers is a global leader in real estate services with more than 16,300 professionals operating out of 502 offices in 67 countries. In the UK and Ireland we employ 900 people in 13 offices. The foundation of our service is the strength and depth 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 communities 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:

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