Colliers International

2017 Rating Revaluation - Scotland

What it means for your business

PREPARED FEBRUARY 2017
With the release of the draft Rateable Value figures late last year and the forthcoming publication of the new Valuation Roll, a number of factors are set to influence how our 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 of the postponed 2015 Revaluation, business rates have become a major topic of debate over the last two years. With pressure mounting on each Assessor to ensure the new values are as accurate as possible, changes to reliefs available and recent consultations on modernising the rating system has added additional complexity to the entire process.

“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 Scotland 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 slightly increase in areas of Glasgow and Edinburgh. Whereas other regions have seen a continued decrease in rents, particularly in many low performing retail high streets and secondary shopping centres. Recent decisions by the Lands Valuation Appeal Court have also made it difficult to lodge a challenge against existing 2010 Rateable Values to reduce the existing 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.
Uniform Business Rates (UBR)
The 2017 Rating Revaluation will come into effect on 1 April 2017 and will see significant changes to the poundage rate set by the Scottish Government. For 2017/2018 the poundage rate will be set at 46.6p with a supplement of 2.6p applied to properties with a rateable value greater than £51,000. In addition, the Scottish Government have also made changes to the threshold for Small Business Bonus Scheme (SBBS) increasing the 100% relief band for eligible properties from £10,000 to £15,000. This expansion of the SBBS lifts 100,000 properties out of paying rates altogether.

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.

Transitional Relief
Following a Scottish Government consultation process Colliers International were involved in submitting responses to oppose the re-introduction of transitional relief. The Scottish Government have taken on board these views and have announced that there will be no transitional relief in Scotland.

The Barclay Review
The Barclay Review of Business Rates was set up by the Scottish Government under the chairmanship of former RBS Chairman, Mr Ken Barclay, to review the current rates system in Scotland and make recommendations to enhance and reform the system. Colliers International were invited to submit written recommendations which would benefit the system and the ratepayer. Colliers International have also been invited to provide oral evidence before member of the Scottish Government and the Review Panel. The outcome and recommendations of this Review Panel will be reported to Ministers in July 2017.
What does this mean for your business?

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 Assessors, 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 Assessor when establishing the 2017 RVs and could have resulted in inaccurately high values.

The complexity of Scottish appeal deadlines for Revaluation Appeals (30th September 2017) means that appeals must be lodged in order to protect any ratepayers interest. Colliers has lobbied the Scottish Government to amend this date to allow more time for investigation. Had this been granted then less appeals would need to be lodged cutting both ratepayers and Assessors time in dealing with appeals lodged against properties where the RV is correct.

“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.”
How to prepare for the 2017 Revaluation

As businesses budget and prepare for the 2017 Revaluation, taking correct advice is time-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.
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.

- Colliers International’s approach to the provision of business rates services is unique to the market place 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.
- Our Rating team have client-side experience providing a deeper knowledge and understanding of clients’ requirements and a dedicated Client Relationship Director to ensure a smooth transition into the 2017 Rating List, ongoing client focus and an exceptional level of support.
- 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.

Businesses, particularly those with large portfolios requiring quick inspections en masse, should 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.

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

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 assessors 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.
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. 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 works to adjacent buildings, roadworks, erection of scaffolding or other major disruptions.

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:

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