VALUATION TRIBUNAL FOR ENGLAND

2023 Rating List Appeal; Self-contained holiday units; method of valuation in dispute; receipts and expenditure method or comparables; revised fair maintainable trade considered to be reasonable; appeal dismissed.

APPEAL NUMBER:	CHG101078888	
RE:	Holiday lets at Manor Farm Barns, Manor Farm Road, Witton, NR28 9TU (the "subject property")	
BETWEEN:	Mrs Anne Byford	Appellant
	and	
	Joanne Moore (Valuation Officer)	Respondent
SITTING:	*remotely using Microsoft Teams*	
ON:	10 July 2024	
BEFORE:	Mr A Hussain, Presiding Senior Member Mr SC Kamalan, Senior Member	
CLERK:	Mr J Massey IRRV(Dip)	
APPEARANCES:	Mrs Byford, the appellant Ms P Nwosu, representing the valuation officer	

DECISION AND STATEMENT OF REASONS

Decision

1. The appeal is dismissed.

2. The Tribunal Panel found that the revised fair maintainable trade (FMT) of £110,000 was reasonable given the turnover of the subject property around the AVD and confirmed that the resulting revised rateable value of £14,750 was not excessive.

Introduction

3. This appeal had been brought in respect of the subject property. It had been entered in the 2023 Rating List as a self-catering holiday unit and premises at a single bed space (SBS) rate of £425 giving a rateable value (RV) of £6,800 with effect from 1 April 2023. Following a review, the Valuation Officer (VO) considered that the original valuation was incorrect and increased the RV to £20,250 with effect from 11 May 2023.

4. A challenge proposal was received by the VO on 28 June 2023. It had been made on the grounds that the RV shown in the rating list on 11 May 2023 was unreasonable and should be reduced to £9,500.

5. The VO issued a challenge case decision notice on 30 January 2024 which stated that the rating list entry was unreasonable based on the evidence and information available and proposed a reduction to RV £14,750 with effect from 11 May 2023.

6. In accordance with regulation 13A of the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009, as amended, an appeal was made to the Valuation Tribunal for England (VTE) on the grounds that the VO's revised valuation of £14,750 for the appeal property was not reasonable.

7. This statement of reasons is not and does not purport to be a full verbatim record of the proceedings.

Background

8. The subject property was a collection of six self-catering holiday units comprising a total of 27 SBS as follows:

   - Skylarks Nest 6 SBS
   - Stags Rest 4 SBS
   - Foxes Den 4 SBS
   - Badgers Retreat 4 SBS
   - Barn Owl 4 SBS
   - Squirrels Drey 5 SBS

9. Skylarks Nest had been added in November 2021, prior to which there were five separate units containing a total of 21 SBS.

10. For assessments which are made up of four units or less, the valuation method used is to apply a value per single bed space (SBS). For larger complexes, those with more than four units, the valuation is based on a simplified receipts and expenditure (R & E) method where the RV is calculated on a percentage of the fair maintainable trade (FMT). FMT is a level of trade that a "reasonably efficient operator" would expect to achieve on the assumption that the property is in good repair and suitably equipped. It represents the annual income a property is expected to generate if let to its full potential and a percentage multiplier is used to account for void periods.

11. The increase in RV with effect from 11 May 2023 was brought about by the respondent discovering an error in that the RV of £6,800 was based on four units containing only 16 SBS. In correcting this error, the VO had determined that as there was a total of six units, the simplified R & E method should be used, and adopted a FMT of £150,000 based on the turnover figures provided by the appellant for 2021/22. During the challenge process, the VO

determined that a revised FMT of £110,000 was more representative of a consistent and sustainable trade for the subject property, which resulted in a revised RV of £14,750.

Preliminary issue

12. On 3 June 2024 the appellant sent to the respondent and the Tribunal a screenshot of the accounts for the subject property for the current financial year which she wished to be considered as evidence at this hearing. The respondent's representative objected to the additional evidence as it only showed accounts for part of the current financial year, which was too far from the AVD to provide an indication of the FMT at that date.

13. In determining whether to allow the late evidence, the panel had regard to the Standard Directions for 2017 List and later List NDR appeals issued with the notice of hearing

    Further evidence

    *1. No later than **four weeks** before the date of the hearing, a party must make written application to the Tribunal (with a copy to the other parties) if it intends to include at the hearing any new evidence which:*

    > *a) was not included within the notice of appeal but which all parties have subsequently agreed in writing to include (together with a copy of the written agreement); or*
    >
    > *b) relates to the ground on which the proposal was made, was not known to the party and could not reasonably have been acquired by the party before the proposal was determined under Part 2 of the NDR Regulations.*

    2. The application must specify the reasons for the late application and if under b) above set out:

    • why the evidence was not available earlier;
    • when it came into the possession of the party.

    3. Starting from the date the notice is served on them requesting the inclusion of the new evidence, parties to the appeal have two weeks to raise with the Tribunal any objection in writing and issue copies to all other parties.

14. The panel noted that the request to include further evidence was received by the Tribunal four weeks before the hearing. The appellant stated the current year's turnover was referred to in her challenge, and she considered that it would assist the panel to have the most up to date position of the current turnover for the subject property. However, given the requirement to consider relevant evidence at or before the AVD of 1 April 2021, the panel did not consider that the current year's account related to the grounds on which the appeal had been made, and determined that it should not be allowed.

Relevant Law

15. Rateable value is defined in Paragraph 2(1) of Schedule 6 of the Local Government Finance Act 1988, as amended by The Rating (Valuation) Act 1999 as:

"… an amount equal to the rent at which it is estimated the hereditament might reasonably be expected to let from year to year on these three assumptions:

> a) the first assumption is that the tenancy begins on the day by reference to which the determination is to be made;
> b) the second assumption is that immediately before the tenancy begins the hereditament is in a state of reasonable repair, but excluding from this assumption any repairs which a reasonable landlord would consider uneconomic;
> c) the third assumption is that the tenant undertakes to pay all the usual tenant's rates and taxes and bear the cost of the repairs and insurance and the other expenses (if any) necessary to maintain the hereditament in a state fit to command the rent mentioned above."

16. Statute requires that the appeal property be valued reflecting certain matters as they existed on the material day, which in this case was 11 May 2023, and by reference to values pertaining at the Antecedent Valuation Date ("AVD") which was 1 April 2021. The matters which must be taken at the material day are set out in paragraph 2(7) of Schedule 6 Local Government Finance Act 1988.

17. Due to the lack of rental evidence available for Holiday Lets, a consistent method of deriving a valuation is to consider the FMT from turnover of the subject property and other similar properties as close to the AVD as possible.

Discussion

18. The main dispute was the assessment of the subject property by the VO using a receipts and expenditure approach rather than by reference to comparable properties. The panel was satisfied that actual rental evidence for properties of this type is very scarce, and almost non-existent in some areas. Whilst it can be useful to make comparisons with comparable properties, the panel considered that a more accurate valuation could be determined by reference to the receipts and expenditure method of valuation which had been discussed with the English Association of Self-Catering Operators (EASCO) and has been examined on a national basis.

19. In this scheme the FMT is determined for a property, and rateable value is calculated by multiplying this by a percentage, which is determined by the standard and location of the property. The subject property had been designated a category B property, a standard quality let with self-catering facilities and with no outstanding features, for which a percentage of 13.5% has been adopted.

20. Within the evidence bundle, the parties had provided turnover for the following financial years, which in the appellant's case, ran from 1 November each year:

    2017/2018 £99,664
    2018/2019 £83,996
    2020/2021 £94,000
    2021/2022 £154,000

21. The panel considered that the first three trade figures represented the turnover for the subject property when it consisted of 21 SBS, and as these periods covered the AVD of 1 April 2021 or the years leading up to it, the panel considered they would provide the best indication to a

hypothetical tenant of the FMT achievable for the subject property, and would determine the rental bid that tenant would make for the subject property. Taking the average of these three turnover figures resulted in a FMT of approximately £92,500 for the subject property when it comprised five units with a total of 21 SBS. At the material day, Skylarks Nest had been added, creating an additional six bed spaces, and the panel considered that the FMT would have increased proportionately. It therefore found that the FMT of £110,000 adopted by the respondent was fair and reasonable, resulting in the revised RV of £14,750 effective from 11 May 2023.

22. The appellant had compared the valuation of the subject property to the valuations of a number of other holiday lets in the area which she considered to be in more desirable locations.

- Manor Farm Holiday Barns Lower, Holt NR25 6PU comprised six units containing a total of 35 SBS and had a rateable value of £15,250. The respondent has classified this property as category A (high quality, modernised, swimming pool) for which a percentage of 11% is adopted.
- Pilgrims Holiday Cottages, Walcott Road, Bacton, NR12 0EY comprised five units containing a total of 30 SBS and had a rateable value of £10,500. The respondent's records show the RV to be based on 18 SBS over four units valued at £600 per SBS. The remaining SBS are contained in a separately assessed property.
- The White Lady, Front Street, Worstead, NR28 9RW - comprised 26 SBS over 6 properties as well as the B&B on top of this and a rateable value of £18,250. This property has been assessed by the respondent as a public house, self-catering accommodation and premises and is therefore valued under a different method.

23. The panel was not persuaded by the comparable assessments provided by the appellant that the revised RV of £14,750 proposed by the respondent was excessive.

Disposal

24. In view of the above findings and conclusions, the panel dismissed the appeal.

Date issued to parties: 25 July 2024

Right of further appeal

Any party who is aggrieved by the Tribunal's decision, and who appeared or was represented at the hearing, has the right of appeal to the Upper Tribunal (Lands Chamber). Any such appeal should be made within four weeks of the date of this decision notice.
