VALUATION TRIBUNAL FOR ENGLAND

Non-Domestic Rating Appeal: Local Government Finance Act 1988; Accuracy of the RV in the Rating List; Offices and Premises; Rental and assessment comparable evidence; Tone; Appeal allowed in part.

APPEAL NUMBER: CHG101180442

RE: Sterling House, Hallingbury Road, Bishops Stortford CM23 5LY (the "subject property")

BETWEEN: Herts Insurance Consultants Limited — Appellant

and

Ms J Moore

(Valuation Officer) — Respondent

SITTING: *remotely using Microsoft Teams*

ON: Thursday 22 May 2025

BEFORE: Mr A Hussain, Senior Member
Ms J Morton

CLERK: Mrs S D Morgan

APPEARANCES: Mr M Clayton – Appellant's representative (Ryan Property Tax Services UK Ltd)

Ms N Awoyokun – Valuation Officer's representative

DECISION AND STATEMENT OF REASONS

Decision

1. The appeal is allowed in part.

2. The panel confirmed a revised rateable value (RV) of £302,500 with effect from 1 April 2023.

Introduction

3. This is a 2023 rating list appeal. Sterling House, Hallingbury Road, Bishops Stortford CM23 5LY (the subject property) had been entered into the 2023 rating list as ‘offices and premises’ at a RV of £332,500 with effect from 1 April 2023.

4. The challenge proposal was submitted by Altus Group now known as Ryan Property Tax Servies Ltd on Rima Design Limited and was received by the Valuation Officer on 5 February 2024. It had been made on the grounds that proposer disputes the RV in the Rating List. The Valuation Officer issued a challenge case decision notice which disagreed with the proposed alteration of the list and stated that the rating list entry was reasonable based on the evidence and information available.

5. In accordance with regulation 13A of the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009, the appeal to this Tribunal has been made on the grounds that the valuation for the hereditament is not reasonable. The appeal was lodged by the appellant’s representative on behalf of the appellant and received by the Tribunal on *6 December 2024.*

6. Mr Clayton appeared on behalf of the appellant as advocate and expert witness. In view of the Upper Tribunal’s judgment in *Gardiner & Theobald LLP v David Jackson (VO)* [2018] UKUT 0253 (LC), Mr Clayton explained that he was instructed on a contingency fee basis and he declared that he understood and accepted his duty to the Tribunal in giving his evidence and he would comply with this as well as the requirements of his professional body, regardless of whether the evidence supported the client’s case.

7. The panel accepted this expert witness evidence on the above basis as the appeal is not complex and to do otherwise would be contrary to regulation 3 (Discharge of VTE functions – general) of the Procedure regulations and is allowable due to the Tribunal’s rules on admissibility of evidence (regulation 17(2)(a) where the Tribunal can admit evidence whether or not it would be admissible in a civil trial).

8. Ms Awoyokun appeared on behalf of the Valuation Officer acting as advocate and expert witness.

9. The hearing was held remotely via Microsoft Teams.

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

Background

11. The evidence bundles before the panel comprised of the evidence disclosed and exchanged during the challenge. It included comparable assessments, location plans, photographs of the subject property and comparable properties and the parties’ skeleton arguments.

12. The subject property was built in 1993 and refurbished between 2013 and 2016. It is a purpose-built office block with brick walls and a tiled roof. Its features include open office space with raised floors, full air conditioning and heating. The refurbishment works were carried out separately by the occupiers of the floors. Following the works done on the property, there is no difference between the subject property and the comparable properties

within the same scheme. The subject property has a total floor area of 1579.50m^2 arranged over three floors and is included in valuation scheme 629716.

13. The current tenant leased the ground and first floors of this building formerly known as Unit 3 Anglia House since 1/4/2016 and acquired the second floor from 1/4/2021. The property address was changed to Sterling House with effect from1/7/2022.

14. The unadjusted main space price of £190/m^2 was in dispute. The appellant's representative contended for a main space price of £118/m^2 with a proposed revised figure of £232,000 RV with effect from 1 April 2023. The Valuation Officer's representative believed the existing assessment was fair and reasonable.

Relevant Law

15. Rateable value is to be determined in accordance with paragraph 2(1) of Sch.6 to the Local Government Finance Act 1988, which provides:

"(1) The rateable value of a non-domestic hereditament none of which consists of domestic property and none of which is exempt from local non-domestic rating shall be taken to be 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 usual tenant's rates and taxes and to bear the cost of the repairs and insurance and the other expenses (if any) necessary to maintain the hereditament in a state to command the rent mentioned above.

Discussion

16. The subject hereditament must be valued for the purpose of non-domestic rating on the basis of the rent at which it might reasonably be expected to be let from year to year on a number of assumptions. Those assumptions are listed in paragraph 2(1) of Schedule 6 to the Local Government Finance Act 1988.

17. In accordance with the Rating Lists (Valuation Date) (England) Order 2014 (SI:2014 No.2841), the date of the hypothetical rent was 1 April 2015, the antecedent valuation date (AVD). This common date was used to ensure that every property was treated in a consistent way.

18. Matters that affected the physical state or enjoyment of the property or the locality were to be taken at the material day, as outlined by the Non-Domestic Rating (Material Day for List Alterations) Regulations 1992 (SI 1992 No. 556) as amended. In respect of the subject hereditament, the material day was 1 April 2017.

19. In the case under consideration, the panel had analysed the competing evidence having regard to the authoritative guidance in *Lotus & Delta v Culverwell (VO) and Leicester City Council* [1976] RA141. The rent on the subject property is considered to be the correct starting point but, where available, rents on similar properties are also to be taken into account. The assessments on other comparable properties may also be relevant. All of the evidence can then be weighted.

20. Looking at the appellant's representative's evidence first, the subject property is held on a new lease effective from 02/04/2021 for a term of 10 years at a passing rent of £290,000 per annum (pa), with an initial rent-free period of 12 months. The rent adjusted to a net effective rent of £232,000 pa which, using an ITMS of 1,569.37m^2, analysed to a revised rate of £117.94/m^2. When comparing the current tone with other comparable properties, the appellant's representative contended that it was out of line with the rent passing from exactly on the AVD, and therefore it should be considered as the best evidence as per *Lotus and Delta Ltd v Culverwell* (VO).

21. Unlike the valuation officer's representative, the appellant's representative did not believe that the rent was held on a lease renewal as the appellant only occupied one floor prior to the lease of 2021, when they took on additional floors. He therefore contended that this was a new letting for the whole building rather than part. In addition, the valuation officer's representative had analysed the rent-free period over the whole 10-year term despite there being a break option in year 5 of the term. He argued this approach was incorrect as the incentive should be taken up to the break when the tenant could exit the lease.

22. The nearest comparable property in terms of size was Ground to 2nd Floor Lhs, Tees House 95, London Road, Bishops Stortford, which measured 1,521.60m^2. It was in the same valuation scheme as the subject property, and both were valued at £190/m^2. The appellant's representative believed that Tees House was arguably more superior to Sterling House as this comparable was constructed in 2014 and had the benefit from full air conditioning whereas the subject property featured only comfort cooling which was evidenced in the photographs. With an age difference of over 20 years and with full air conditioning in Tees House, the expectation would be that these two properties would have been valued at different levels of value rather than the same.

23. A joint inspection was carried out in December 2023. It was noted by the valuation officer's representative that the subject property had full central heating, air conditioning and had been refurbished at some point from 2013. The appellant's representative contended that the subject property had not been refurbished. He accepted that some minor works had taken place which included redecoration work, installing different flooring along with repairs to the ceiling grid and some lighting replacement and switch rewiring. He contended that these elements would be reflected in the rent agreed in 2021. He sought an adjusted rate of £118/m^2 giving a revised RV of £232,000 with effect from 1 April 2023.

24. The valuation officer's representative confirmed that during the joint inspection, discrepancies were found in the survey details which included the number of car spaces, air conditioning on all floors and an element of plant and machinery. She disagreed that the works carried out were just repair works. The appellant had spent £130,000 previously to upgrade the first floor of the property. In her view the lease was a renewal, and the analysed rent should be taken over the full term of 10 years.

25. In support of the valuation officer's case, reference was made to the rental evidence of comparable assessments at Tees House (built in 2014) and Innovation House (built in 2016), both in London Road, Bishops Stortford. The ground to second floors on the left-hand side of Tees House had a rent of £300,100 pa for a term of 15 years from 1 April 2019. This analysed to £262.29/m^2. It had an unadjusted rate of £190/m^2.

26. Innovation House measured 1186.50m^2. The rent on this property was £275,479 pa from 1 June 2021. It analysed to a figure of £211.44/m^2 and had been assessed at an unadjusted rate of £190/m^2. The valuation officer's representative was of the opinion that there were no differences between the subject property and the comparable properties within the same scheme. She therefore believed that the unadjusted rate of £190/m^2 for the subject property was fair and reasonable.

27. The panel examined the evidence provided by the parties. The appellant's representative had relied on the 2021 rent for the subject property on the AVD believing this to be a new lease which analysed to £117.94/m^2 to justify his proposed unadjusted rate of £118/m^2. The valuation officer's representative, on the other hand, had referred to rental evidence from comparable properties in the locality which were within the same valuation scheme at Tees House and Innovation House. The valuation officer's representative believed there was no justification to reduce the level of value any further than the unadjusted rate of £190/m$^{2.}$.

28. The panel accepted the discrepancies outlined by the valuation officer's representative following the joint inspection in December 2023 and her comments with regard to the subject property having a lease renewal at the AVD rather than a new lease. It had been explained that upon review, the tenant had previously occupied the first floor of the property for a fixed term without recourse to a renewal. At the expiration of that lease, the tenant took up additional space on a new lease. The panel agreed with valuation officer's representative contention that this was not a tenant coming fresh to the scene, but one with an existing relationship with the landlord which took further space within the building. The panel was also satisfied that the analysis of the rent should be taken over the 10-year period of the lease.

29. Having examined the evidence presented by the parties, the panel found that there appeared to be a quality difference for those within the same scheme, with the subject property appearing to be of a lesser quality than the comparable properties. It believed that the hypothetical tenant would reduce his rental bid taking into account the specification and age of the subject property compared to the comparable properties. With this in mind, the panel determined that an unadjusted rate of £170/m^2 would take into account the lesser quality/age of the subject property and determined the following.

Floor	Description	Area	£ per m^2	Value
Lower ground	Reception	40.50	£121.21	£4,909
Ground	Office	780.90	£161.50	£126,115
Ground	Kitchen	6.30	£161.50	£1,017
First	Office	745.50	£161.50	£120,398
First	kitchen	6.30	£161.50	£1,017
	Surface covered spaces	73	£700.00	£51,100
				£304,556

		SAY		£302,500

30. In view of the foregoing, the panel is satisfied that the subject property should be reduced to £302,500 RV with effect from 1 April 2023. Consequently, the appeal was allowed in part.

Disposal

31. Under the provisions of regulation 38(4) of The Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009, the Valuation Tribunal for England orders the Valuation Officer to amend the entry in the Rating List to £302,500 RV with effect from 1 April 2023.

32. Under regulation 38(9), the Valuation Officer must comply with this order within two weeks of the date of its making.

33. The appellant is also entitled to a full refund of the fee paid in accordance with regulation 13E(1)(a) of the Non-Domestic Rating (Alterations of Lists and Appeals) (England) Regulations 2009 (as amended)) provided there is no review of the Tribunal's decision. The refund will take around six weeks to process.

Date issued to parties: 11 June 2025

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.

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