

RATING VALUATION

1 SUMMARY

- 1.1 Members to consider the recent Lands Tribunal decision on East Sussex Leisure Centres and the impact on the Business Rate payable in respect of Clements Hall Leisure Centre.

2 INTRODUCTION

- 2.1 In 1997 a number of like minded authorities formed a consortium to challenge the Valuation Office Agency (VOA) in the assessment of local authority leisure centres and similar properties such as conference centres and museums. The original consortium members were:-

Eastbourne Borough Council
Rochford District Council
Torbay Council
Wealden District Council

At a later date, Derby City Council joined the Consortium.

- 2.2 These five authorities, with the initial support of the Local Government Association, sought to raise £500,000 by way of contributions to an Appeal Fund. The Head of Service acted as fundraiser and Treasurer.
- 2.3 The Consortium was sponsoring two appeals on leisure centres in East Sussex which were heard by the Lands Tribunal in July 2001. At that time 127 Councils had contributed around £481,000 to defray costs associated with solicitors, barristers and expert witness fees.

3 FOUNDATION OF APPEAL

- 3.1 The Consortium mounted a four-pronged attack on the VOA's assessment methodology; any of which, if successful, would generally result in reductions in the assessment of Business Rate. They were:-
- Assessment by reference to receipts and expenditure or the "shortened profits" basis
 - Reductions because of under-utilisation ("superfluity")
 - Allowances because of the constraints on local authority finance in 1988 and 1993 ("financial constraint")
 - Assessment by reference to a simple modern substitute building ("Tin Shed" valuation)

- 3.2 For a variety of reasons still under analysis by the Head of Service and the Council's appointed rating surveyors (who also advised the Consortium), the first three challenges were rejected with the Tribunal favouring the "Tin Shed" approach.
- 3.3 The decision has resulted in a reduction in assessment of 40% for Eastbourne Borough Council and 15% for Wealden District Council. The reason for a lower level of reduction for the Wealden Leisure Centre was the fact that it was a fairly basic model of "warehouse type" construction.
- 3.4 Even so, the authority will secure a reduction of £30,000 in cash terms (plus interest). Like most other local authorities in the Consortium, the contribution to the fund was £5,000. This represents a good return for the investment.

4 IMPLICATIONS FOR CLEMENTS HALL LEISURE CENTRE

- 4.1 Clements Hall Leisure Centre (CHLC) is a much more substantial building than the Wealden Leisure Centre, more akin to the property at Eastbourne. Although some very detailed discussions now need to be opened with the VOA, both at a national and local level, early indications are that CHLC should enjoy similar reductions to that applied to the Eastbourne Leisure Centre
- 4.2 As far as the national level is concerned the Chief Executive's Office at the VOA have been contacted to open negotiations to enable a "simple modern substitute" formula to be applied to all leisure centres. Two meetings have been scheduled, one for the end of October and a second early in November.
- 4.3 The final financial impact on the CHLC will not be known until a national agreement has been reached and local negotiations are concluded. Regrettably, the VOA are unlikely to move at a pace which would result in an early settlement date. What is favourable to Rochford is that the rating surveyors retained by the Consortium (who will be involved in national negotiations) are also the Council's rating surveyors and will represent us at local level.
- 4.4. Council have outstanding appeals on CHLC against the 1990, 1995 and 2000 Valuation List assessments and have consistently refused to negotiate on values until the outcome of the Lands Tribunal decision was known. Any reductions in assessment will attract interest at the Government declared standard rate. This will be substantial in view of the time scales involved.

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- 4.4 The Council's budget strategy for 2001/2 includes an estimated "windfall" from the appeal amounting to £400,000. At this stage, early indications are that this figure should not be compromised. A better indication of the outcome should emerge as the national agreement progresses. Accordingly, this will be fed into the budget process over the ensuing months to build to the 2002/3 strategy.

5 WEBSITE

- 5.1 If any member wishes to view the full decision papers of the Lands Tribunal, they are available on <http://www.courtservice.gov.uk/tribunals/lands> then go to "Decisions" then "RA".

6 RESOURCE IMPLICATIONS

- 6.1 These were reported to Corporate Resources Sub-Committee by the Chief Executive on 18 September 2001.

7 PARISH IMPLICATIONS

- 7.1 CHLC falls in the Hawkwell Parish but there are no financial implications to the Parish Council.

8 RECOMMENDATION

it is proposed that the Committee **RESOLVES**

- 8.1 That, as the national negotiations progress, the local effect on CHLC be fed into the 2002/3 budget process.

S J Clarkson

Head of Revenue and Housing Management

Background Papers:

None.

For further information please contact Steve Clarkson on:-

Tel:- 01702 318005
E-Mail:- steve.clarkson@rochford.gov.uk