

Further to the APPG for Beers investigation into the issue of Business Rates, I thought I would provide my personal experience of someone who has challenged the rating system and achieved a result.

I have also provided you with some evidence as to how the BBPA got involved with the VOA back in 2002 – 2005, which helped them secure a favourable system for the Pubco model and to that end have attached a redacted e mail from Rob May (who was head of the Trade related valuation group and also the national rent Controller for Enterprise Inns) to one of my colleagues Solicitors. In this e mail he explains the BBPA's involvement, which I'm sure you will find interesting.

1. The Boat Inn

We took the Pub on in March 2012. The Pub had been owned by Punch Taverns from 2006 to 2012 and had been shut for 3 Months, before being privately purchased.

The valuation record was showing a rateable value of £12,750 based on a Fair Maintainable Turnover of:

£140,000	Wet
£60,000	Dry
£200,000	Total

These figures were supported by the following accounts information.

1998	50 week's trading
2001	52 Weeks
2002	52 Weeks
2003	52 Weeks
2008	19 Weeks

So, whilst I am unaware of the exact details of the figures supplied, they were sufficient for the valuation office to arrive at a RV of £12,750 subsequently reduced to £8,400 (see below)

In April 2012 I contacted the valuation office and challenged the information and as a result of that telephone conversation the FMT was changed to:

£120,000	Wet
£20,000	Dry
£140,000	Total

The RV was subsequently changed to £8,400

The 2017 valuation

In 2017, the valuation office asked for accounts for the previous trading years and these were supplied.

Those figures were as follows:

		Wet	Food		
2013	Full Year	£192,593	£140,331	Total	£332,924
2014	Full Year	£220,000	£173,319	Total	£393,319
2015	Full Year	£240,000	£192,684	Total	£432,684

As a result of this my FMT was upgraded to £205,000 wet and £160,000 food totalling:

£365,000 which is slightly under my average of the 3 years.

My initial rates valuation was set at £33,000 an increase of £24,600 or 392 %

After a phone call to the valuation department, this was amended to £26,000 an increase of 309.5 %

After a further phone call, it was reduced to £23,000 an increase of % 273.8

Comparable Evidence

<u>Pub</u> <u>Valuation</u>	<u>2010 valuation</u> +/-	<u>2017</u>	
Malt Shovel £100	£6,000	£6,100	+
Blacks Head £1,750	£12,750	£11,000	-
Kings Head	£5,900	£6,100	+ £200
Barley Mow	£5,500	£3,500	- £200
Red Lion £1,250	£14,000	£12,750	-
Midland Hotel	£24,250	£19,000	- £5,250
Princess Victoria	£2,500	£8,000	+ £5,500
2010	£9,300	£11,500	+£2,200
The Bell	£3,000	£5,000	+ £2,000
Greyhound Hotel	£12,000	£14,000	+ £2,000
The Fishpond	£12,000	£60,000	+ £58,000
The Boat £14,600	£8,400	£23,000	+

The only three Pubs that have seen an increase in rates are:

Princess Victoria
The Fish Pond
The Boat Inn

These are also the only Pubs that have seen an increase in trade.
They are also the only 3 Pubs that have gone from being tied to being free of tie

My check, challenge, appeal took 2 years and my RV was subsequently reduced to £15,500 in 2020.

2. The BBPA and the VOA

As described in the e mail attachment, effectively the BBPA:

- Steered the VOA into accepting a varied version of their own RICS pub rental guidance as accepting the RICS guidance as the way to assess pub rents.
 - The Rateable Value in law is supposed to be the market rent. The pubcos and the BBPA needed the VOA to accept a method that undervalued the high rents being charged by pubcos so that rateable values could be lower such that pubcos could raise their rents even more using the RICS guidance written by Rob May.
 - The pubco thinking was clear. If they could artificially depress rateable values then they would lower rates payable by their tenants and then use the lower cost of rates to justify higher rents. The alleged benefit to the tenant was that in some way they would be a 50% beneficiary and as such they shouldn't question it and should get involved with the BBPA.
 - If Enterprise at the time, for example, had 8,000 pub freeholds and could depress actual rateable values by 5K per pub, thereby lowering rates payable by 2.5K per pub then there was potential uplift to them of perhaps GBP10m per year and on a yield of even 7% that amounts to an enhanced capital value of around GBP150m.
 - In simple terms most tied pubs are over-rented and perform badly in terms of trade. So the pubcos wanted the VOA not to base their system on rents paid in the market (which were higher and would lead to higher rates putting knife-edge tenants out of business) but instead on some actual trade information which could lead to lower rates but ever higher actual rents. The BBPA (via the RICS) of course want their actual rent reviews based on a hypothetical tenant not actual trade. On the ground it all works against good quality free of tie pubs who may be doing good business and risk ludicrously high rates based on their actual trading information.
 - The release of trading information was often managed by a group of select surveyors who were (and remain) deeply conflicted.

I hope that this evidence is useful and I believe it was put in front of the Treasury select Committee back in 2018 by Paul Crossman who was giving evidence (links below) His evidence caused quite a stir if I remember and a rather amusing response from Simon Townsend.

On the 7th May, Paul Crossman a Multiple Operator was invited, along with a number of other parties to give evidence re business rates.

His evidence can be viewed here from 14.18 on the second panel, here:

<https://www.parliamentlive.tv/Event/Index/a0699b04-e8da-4377-aae8-f44f69bc9a71>

His written evidence is here:

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/impact-of-business-rates-on-business/written/101341.pdf>

As a result of that evidence Simon Townsend wrote to the committee.

Paul then had an opportunity to rebuff Mr Townsend's letter

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/impact-of-business-rates-on-business/written/104747.html>

Dave Mountford