

**LANARKSHIRE
APPEAL PANEL**

VALUATION

**STATEMENT OF REASONS RELATIVE
TO APPEAL**

by

**BELHAVEN BREWERY COMPANY
LIMITED**

in respect of

**PUBLIC HOUSE, THE KIRKTON INN,
10 KIRKTON STREET, CARLUKE**

This is an appeal arising out of the year 2005 Revaluation.

There was agreement that the preferred method of valuing these subjects, had the requisite evidence been available, would have been a valuation by the application of percentages of properly evidenced turnover of the appeal subjects as at the tone date of 1st April 2003. The Committee appreciated that both the Assessor and the agent for the Appellants had been faced with difficulties in carrying out a valuation of the appeal subjects given the absence of properly certificated turnover figures as at that date.

The agent for the Appellant had valued the subjects on a turnover basis estimating the turnover as at 1st April 2003 by projecting the turnover figures contained in the accounts to 31st December 2001 and contended for a net annual value of £16,500. The Assessor had valued the subjects on the comparative method and was defending a figure of net annual value £22,250.

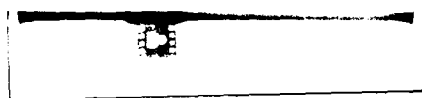
The Committee considered the passage from the judgement of Lord Salvesen in the case of Haggart –v- Assessor for Leith – 1912 S.C.784 at 787. This is the passage reproduced in Armour on Valuation for Rating, Fifth Edition, at para 20-28. The Committee took note of the passage in its entirety but particularly noted the last sentence:- “The Assessor here was of opinion, and the Valuation Committee have agreed with him, that when he has reliable information as to the drawings of a particular shop, those drawings afford the very best basis upon which to estimate the rental which one year with another a tenant would pay for the premises.” The difficulty here was over the absence of reliable information as to drawings of the appeal subjects at the tone date.

The turnover information available was to be found in the profit and loss account for the appeal subjects for the year ended 31st December 2001 which contained, as well as the figures for 2001, the comparative figures for the year 2000. These accounts were not certified. They had been supplied to the Appellants by the accountants acting for the former owner when the subjects were being bought by the Appellants. There was also available a net sales summary for the years 1991 to 2002 showing for each of these years starting with December 1991, monthly sales figures totalled for each year. These were again not certified.

The agent for the Appellants had adjusted the sales figure for the year ended 31st December 2001 for tobacco sales and machine income in respect of which assumptions had to be made. He had adjusted for entertainment costs, he had then projected the resultant figure to 31st March, 2003 using the retail prices index.

The Committee agreed with the Assessor that this approach was unsatisfactory. It did not amount to the use of reliable information as to the drawings of the appeal subjects sufficient to form the basis of a valuation by turnover.

The Assessor was correct in these circumstances to seek to value the subjects using the comparative method. However, the Committee was not satisfied that the Assessor's valuer had carried out the comparative exercise adequately. She had concentrated on two comparisons, the Railway Inn and the Caledonian Bar, both in Kirkton Street, Carlisle. She had selected a final value rate of £1,600 per square metre for the appeal subjects. The Railway Inn with a reduced area of 98.93 square metres had a value of £1,700 per square metre and the Caledonian Bar, with a reduced area of 180.03 square metres had a value rate of £1,186. The reduced area of the appeal subjects is 159.26 square metres. The Committee could not understand why there was such a variation in rates per square metre between the appeal subjects and the Caledonian Bar given that the two were of relatively similar reduced area. Equally the Committee could not understand why the rate per square metre for the appeal subjects was so close to that of the Railway Inn, given the significant difference in size between these subjects. While the Committee accepted that the two comparisons situated in Kirkton Street were the best comparisons, the Committee also felt that the Assessor should have attached more weight than had been done, to the other comparison subjects in Carlisle town centre, all of which were situated relatively close to the appeal subjects which would have given a more balanced view of value. The Committee felt that the criticisms made by the agent for the Appellants of the way in which the Assessor had applied the comparative method and of the conclusions drawn by the Assessor were largely justified.



The Committee gave careful consideration to the correct approach to take in these circumstances. The Committee would have preferred to support in full either the value contended for by the Assessor or the value contended for by the Appellants rather than substitute a value of its own. However, the Committee, for the reasons stated, considered the Appellants' method of valuation to be unreliable. It considered the Assessor's method to be the correct one although flawed in its actual application. The Committee felt that it had adequate evidence available to it to select an appropriate value rate per square metre in substitution of that used by the Assessor. The Committee felt it preferable to do this rather than to adopt the Appellants' figure which in the view of the Committee had not been demonstrated to be soundly based.

In the circumstances, the Committee adopted a rate of £1,300 per square metre. In the view of the Committee this fitted well with all the comparison evidence it had available to it particularly taking into account the reduced areas of the comparisons in Kirkton Street, Carlisle which it acknowledged were the best of the available comparisons. Applying this to the appeal subjects produced an adjusted estimated turnover of £207,038. The appropriate percentage to apply in terms of the Scottish Assessors' Association Practice Note on valuation of licensed premises, public houses and licensed restaurants for the 2005 revaluation was 8.75% producing a figure of £18,116 rounded down to a net annual value of £18,100. The Committee fixed this as the value of the appeal subjects.

