

Statement of Reasons

Relative to an Appeal

By

Ovec Systems Ltd

In respect of

Workshop, 5 Brown Street, Coatbridge, ML5 4AS

This appeal was an appeal against the net annual value of the appeal subjects as entered by the Assessor in the 2010 valuation roll.

The appeal subjects comprise a workshop built in or about 1977. They were extended in 1979 to create offices; inspan office space was added in 1995. There is a mezzanine above the internal office space. Between 2008 and 2010 further inspan partition office and storage areas had been created. They are located in an area of industrial type properties of varying ages, construction modes and sizes.

There was agreement between the parties with regard to the gross external area of the appeal subjects which extended to 552 square metres and the area of the mezzanine within them which extended to 73 square metres.

The net annual value of the appeal subjects entered in the valuation roll as published was £23,500. The Appellants contended for a net annual value of £11,500. The Assessor spoke to a proposed net annual value of £22,500.

The dispute concerned the rate to be applied in valuing the appeal subjects; the Appellants contended for a basic rate of £19 per square metre and the Assessor argued for a basic rate of £37.50.

The Appellants proposed rate was derived from the rate which had been applied to subjects at unit 6, 6 Whifflet Trading Estate, Tenant Street, Coatbridge which the Appellants contended was the only valid comparison with the appeal subjects as it was similar in size, character and location.

The appeal subjects are owner occupied and there is therefore no passing rental in respect of them. The Appellants produced no rental evidence to support their proposed rate.

The Assessor sought to value the appeal subjects in accordance with the rating hypothesis. Accordingly, he had analysed rentals passing in respect of other subjects which he argued formed valid comparisons with the appeal subjects in terms of their use, size, location, age and construction.

He produced rental evidence in respect of five properties; 2 Brown Street, unit 7 Viewfield Park, 251 Dundyvan Road, 18 Stewart Street and 16 Palacecraig Street. The analysed rent rates ranged from £40 to £50 in the period from 2006 to 2008 which spanned the tone date of 1st April, 2008. In valuing these subjects the Assessor had applied a basic rate of £37.50 to the subjects at Viewfield Park, Dundyvan Road and Stewart Street. The rate applied to Brown Street was £45 and the rate applied to Palacecraig Street was £35.

The Committee agreed the Appellants' approach to the valuation of the appeal subjects was flawed. Firstly, reference by the Appellants to the increase in the net annual value as entered in the valuation roll was considered by the Committee to be irrelevant as each re-valuation constitutes a completely fresh start and the Assessor is not fettered by previous valuations in respect of the appeal subjects. See Armour on Valuation for Rating 5th edition paragraph 2-06.

Secondly, in terms of Section 6(8) of the Valuation and Rating (Scotland) Act 1956 the net annual value of any lands and heritages shall be the rent at which the lands and heritages might reasonably be expected to let from year to year if no grassum or consideration other than the rent were payable in respect of the lease and if the tenant undertook to pay all rates and to bear the cost of the repairs and insurance and other expenses, if any, necessary to maintain the lands and heritages in a state to command that rent. The correct manner in which to assess what a hypothetical tenant might pay in rental for the appeal subjects is a proper analysis of evidence of actual rents in respect of the appeal subjects and comparable subjects to them struck at or around the tone date. As there was no passing rental in respect of the appeal subjects, such analysis was limited to rental evidence of comparable subjects. The Appellants had produced no rental evidence to support their position.

The committee accepted that the comparisons referred to by the Assessor were valid comparisons and that the Assessor in analysing the rentals of them and arriving at a rate had taken account of any made adjustments to account of the differences between the comparison properties and the appeal subjects; for example in terms of size, age and mode of construction. His analysis was reasonable as was the rate derived from it by him. This view was supported by the fact that there had been professional agreement in relation to the basic rate in relation to one of the comparisons and acquiescence in relation to others.

The Committee noted the dispute which existed with regard to the construction of the mezzanine and the material of the flat roof covering the office extension. They did not consider that these issues had a material effect on the valuation of the subjects. If it was correct, as contended by the Appellants, that the mezzanine was wooden and not steel and there was no asbestos on the roof of the office extension, the difference in value would be lost in the rounding to arrive at the overall valuation.

The Committee were satisfied that the Assessor had properly explained his valuation and the Committee have therefore dismissed the appeal at the valuation contended for by the Assessor of £22,500.