Report on	Non-domestic property revaluation 2020
Date of Meeting	Thursday, 3 May 2018
Reporting Officer	Director of Finance
Contact Officer	Director of Finance

Is this report restricted for confidential business? If 'Yes', confirm below the exempt information category relied upon	Yes	
	No	X

1.0	**Purpose of Report**
1.1	To provide Members with an update in relation to the Land and Property Service's (LPS) scheduled revaluation of non-domestic properties, which will be effective for Rates purposes from 1 April 2020.
2.0	**Background**
2.1	Members will recall that Council and Regional Rates are levied on both non-domestic and domestic hereditaments (or properties).
2.2	The Rate burden is shared between the non-domestic and domestic sectors in the same proportion as it has been since Rates were introduced in 1976. This means that if 60% of the Rate burden was borne by the non-domestic sector in 1976, 60% of the Rate burden will be borne by the non-domestic sector in 2018.
2.3	Within each sector, the Rate burden is apportioned between properties on the basis of their: • Non-domestic sector – net annual value (NAV); and • Domestic sector – capital value
2.4	Although the Valuation List is updated throughout each year as properties are added to or deleted from or amended in accordance with information supplied to the LPS, periodic revaluations of the properties within each sector are conducted to ensure that the Rate burden borne by that sector is distributed as equitably as possible.
2.5	The most recent revaluation of the non-domestic sector became effective from 1 April 2015 and was based on the properties being valued using April 2013 rental values. It is not possible to perform a revaluation of approximately 75,000 non-domestic properties and introduce those revaluations to the Valuation List with effect from a given date and use a valuation basis of the same date. This is simply because the revaluation exercise requires a lead time of approximately 2.5 years.

3.0	**Main Report**
3.1	Council has received correspondence (attached) from the LPS, which advises that LPS is in the process of commencing the non-domestic revaluation 2020. This revaluation will be based on rental values at 1 April 2018.
3.2	The correspondence explains that the revaluation has been provided for in legislation and is being performed now, just over three years since the last revaluation's effective date, i.e. 1 April 2015, to ensure that the Valuation List is as up to date as possible from a valuation perspective. This will help ensure that the Valuation List is as closely aligned to market property values as possible, which should help ratepayers understand and their Rate bill.
3.3	Frequent revaluation also helps to ensure that redistribution of the sectoral Rate burden between individual ratepayers does not present massive swings in their Rate liabilities. Where rating appeals occur and are successful, frequent revaluations also help minimise the scale of backdating Rate reductions. Equally, close proximity of revaluations also restrict the period where business Rates can be backdated to the financial detriment of the ratepayer.
3.4	Members should remember that Rating revaluations will not increase the amount of Rates collected; they simply redistribute the Rate burden between ratepayers. Individual ratepayers may become liable to pay more or less Rates because of movements in the valuation of their property relative to the total value of properties in the Valuation List but the total amount of Rates collected is not impacted by the revaluation. The total amount of Rates collected is determined by the District and Regional Rates, which are set by district councils and the Assembly respectively.
3.5	Members may wish to communicate notice of the impending revaluation and its potential consequences for individual ratepayers to any constituents who pay business Rates to enable them to consider whether they could be exposed to a significant increase in their business Rates due to the revaluation.
4.0	**Other Considerations**
4.1	**Financial, Human Resources & Risk Implications**
	Financial: No impact on total amount of Rate income collectable by Council but individual ratepayers may see their Rate bill increasing or decreasing as a consequence of the revaluation
	Human: N/A

	Risk Management: If there are significant swings in property valuations, individual ratepayers will see their Rate bill increase or decrease accordingly. This could result in certain ratepayers seeing an unforeseen increase in their Rate bill in April 2020, which, if not planned for, could expose some to financial distress. Financial distress could impact on Council in two ways: 1. Negative publicity 2. Business failure, which would result in a loss of Rate income to Council
4.2	**Screening & Impact Assessments**
	Equality & Good Relations Implications:
	Rural Needs Implications:
5.0	**Recommendation(s)**
5.1	That Members note the contents of the Report.
6.0	**Documents Attached & References**
6.1 6.2	Letter dated 20 April 2018 from LPS to Council's Chief Executive providing notice of the forthcoming revaluation Revaluation factsheet prepared by LPS for benefit of elected Members