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# Specialist Estates Services Notification 17/02

**17 January 2017**

**For action by:**

Chief Executives, NHS Health Boards and Trusts  
Estates and Facilities Directors and Managers, NHS Health Boards and Trusts

**For information only:**

Directors of Finance  
Copy to: Head of Capital, Estates and Facilities, Department of Health and Social Care, Welsh Government

Dear Colleague

## **2017 RATING REVALUATION**

Further to SESN 15/07, which recommended obtaining proper professional advice in respect of the new rating assessments from the 1 April 2017 due to the 2017 non-domestic rating revaluation, I write to inform you of some significant rating changes you are likely to encounter.

You may have recently received, or are likely to shortly, a considerable amount of paperwork from the Valuation Office Agency (VOA) in relation to multi-occupied properties you own/occupy. This relates to the recent decision in a Supreme Court case known as *Woolway v Mazars*.

Prior to the *Woolway v Mazars* decision, the unit of assessment for rating purposes was a relatively straightforward issue, satisfied by two basic tests; geography and function. Where two units of property were physically touching and in the same occupation, this would be deemed to be one hereditament. If two units of occupation were physically split by an adopted road, say in the case of a factory and premises, these could still be assessed as one if it could be proven that they were functionally essential to one and other. However, in July 2015 the Supreme Court gave judgement on *Woolway v Mazars*, which overturned leading rating case law on how the unit of assessment is determined. The case related to the 2nd and 6th floors of Tower Bridge House in London where the Ratepayer (*Mazars* – hereinafter used as the case name) served an appeal to merge the 2nd and 6th floors claiming they were functionally essential and also requested an end allowance for a sub-divided unit. The Supreme Court not only determined that the 2nd and 6th floors should be separately assessed, but they also went on to state (*obiter dicta*) that where two geographically contiguous units do not intercommunicate and can only be access via another

property such as areas shared in common with other occupiers, then these should also form two separate assessments. Therefore, even where one ratepayer occupies a contiguous 1st and 2nd floor of an office property, which were previously assessed as one; if access from one to another can only be via common parts, this will now result in two separate assessments for rating purposes. Furthermore, the functional test, which formerly played a large part in determining the correct unit of assessment, was reduced in its importance by the Mazars decision; especially with regard to standard property types such as offices and industrial premises.

Following the Mazars decision, the VOA intends to change the way in which multi-occupied buildings are assessed for rates and is starting to issue paperwork to this effect. An extreme example of the magnitude of the proposed changes is a multi-occupied Primary Care Centre in Wales where the VOA is proposing a move from 6 to 64 separate hereditaments!

Whilst the full impact of this will only be known once the VOA issues its assessment of each property, the implications will be an increase in the number of assessments and a likely increase in the business rates liability. Unfortunately, in Wales, the effective date of this change will be backdated to 1 April 2010 which will only increase the financial liability to health boards and Trusts in Wales.

Given this impact, I recommend you contact your rating consultant at an early stage in order to better understand the implications for your organisation. In the meantime should you require further information or have any queries, please contact Clive Ball, Head of Property on 029 2090 4106 (email [clive.ball@wales.nhs.uk](mailto:clive.ball@wales.nhs.uk)) or Sian Cornwell-Shaw, Property Surveyor on 029 2090 4115 (email: [sian.cornwell-shaw@wales.nhs.uk](mailto:sian.cornwell-shaw@wales.nhs.uk)).

Yours sincerely,



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**Director Specialist Estates Services**

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