

NON DOMESTIC REVALUATION 2003

CLASS 241

LIVESTOCK MARKETS

INDEX

SUBJECT	PARAGRAPH
DESCRIPTION	1.0
DISTRICT RESPONSIBILITY	2.0
4 TH REVALUATION /BASIS OF VALUATION/ HISTORICAL BACKGROUND	3.0
5 TH REVALUATION BASIS OF VALUATION	4.0
INSPECTION PROCEDURES	5.0
FORMS OF RETURN	6.0
VALUATION APPROACH	7.0
WORKED EXAMPLES	8.0
CONTACTS	9.0
APPENDIX 1 –INSPECTION FORM	
APPENDIX 2 –FORM OF RETURN	
APPENDIX 3 –COVERING LETTER FOR FORM OF RETURN	

1.0 DESCRIPTION

1.1 This note refers to properties currently classified under

CLASS: 241

SUB CLASS: L MART

**TYPES: LL –Large Livestock Markets
ML – Medium Livestock Markets
SL – Small Livestock Markets**

1.2 This covers the three principal types of livestock markets readily identifiable throughout N. Ireland.

- (1) Modern purpose built market complexes generally situated on the edge of important District towns (primarily west of the Bann) often with ancillary accommodation providing related services to market customers. Examples of these would include Omagh and Enniskillen.
- (2) Older long established centrally located markets in the larger towns with ageing facilities and perhaps with both parking and access difficulties. Examples of these would include Ballyclare and Cookstown.
- (3) Small local markets in minor towns and villages dotted across the country – often with poor facilities and some less frequently operated (seasonal only). Examples of these would include Fivemiletown and Plumbridge

2.0 DISTRICT RESPONSIBILITY

2.1 The Craigavon /Omagh District will handle research, Valuation and Co-ordination matters. Inspection of marts will be carried out by each District completing the pro forma inspection sheet and updating survey in the usual manner.

2.2 Because of the relatively small number of hereditaments involved, the need for relativity and the complexities inherent in the valuation method it is considered that the Craigavon District should prepare all valuations in this sub class of hereditaments.

3.0 4TH REVAL BASIS OF VALUATION/HISTORICAL BACKGROUND

3.1 4TH Revaluation Basis

The method adopted for 4th Revaluation was the “Receipts and Expenditure Method”. It was used due to the unique trading characteristics of each market and because the sparse rental

evidence available was of little assistance. It helped to maintain a degree of relativity between the valuations but also could be adjusted to take account of the individual characteristics of each market. These characteristics would include.

- (1) Accommodation standards and upgrading obligations.
- (2) Trading practises deviating from the accepted norm.
- (3) Personal goodwill attached to the Auctioneer

3.2 Historical Background

The Lands Tribunal in GB while accepting rating assessments based on accounts (Thrapston Market Co V Newton (VO) (LT1968 RA 415) stated that such a method was not obligatory and other methods could be used.

In Northern Ireland the Tribunal has not dealt with rating assessments of livestock markets to date. In two referrals under the Business Tenancies Act (NI) 1964 Bond & Norris and Londonderry Development Commission (BT/12/1969) and Robinson, O’Kane, & Duncan and Omagh District Council (BT/7/1979) the rental value was assessed by reference to the accounts with the Tribunal commenting that “it is the profitability of a livestock auction mart that determines the amount of rent the tenant can afford to pay.”

4.0 5TH REVAL BASIS OF VALUATION

4.1 Let Markets

Each Market is essentially unique and where a rent closely conforms to or is readily adjusted to the basis of rateable value the basis of that rent paid should be considered the best evidence of that market rental and thus the rateable value.

4.2 Other Markets

As stated above the “Receipts and Expenditure” is the most appropriate method of assessment. This will provide the means of preparing a valuation that can be adjusted to take account of each markets individual characteristics. The collection of information from both the Market Operators and D.A.R.D. will play a key part in the completion of accurate assessments.

The methodology and associated guidelines are described in Section 10 – “Valuation Approach”.

5.0 INSPECTION PROCEDURES

- 5.1 The inspection pro forma (Appendix 1) should be used for each inspection and completed before leaving the hereditament.

6.0 FORMS OF RETURN

- 6.1 Forms of Return will be issued to all market operators

See Appendix 2 and 3 for specimen Form of Return and covering letter

- 6.2 The Omagh district will be responsible for issuing and receiving FOR's. These together with copy accounts and up to date surveys are the key documents in the valuation process. Information received from D.A.R.D. Veterinary Service will be used to confirm the accuracy of the information provided by the Market Operators.

7.0 VALUATION APPROACH

7.1 Let Markets

The actual rent should be carefully examined to ascertain the extent to which it conforms to the Schedule 12 Part 1 definition of Net Annual Value. All of the circumstances of the letting must be considered in order to establish if the letting was an "arms length " transaction. (A letting to an operator of an adjoining market may be suspect depending upon the tenant's motives). If it is adjudged to conform to Net Annual Value then it can be applied directly to that particular market as the best indication of its Net Annual Value. In such cases a useful check should be made on the N.A.V. assessed in this way by examining the certified profit and loss accounts and preparing a profits valuation to arrive at N.A.V

7.2 Other Markets

The Net Annual Value of other markets should be assessed using the Receipts and Expenditure method

- 7.2.1 The foundation of this approach is the examination of the certified profit and loss accounts. The objective is to firstly establish a figure representing average gross commissions that the hypothetical tenant could reasonably expect to sustain. The actual average gross commissions figure is critically examined to establish if the average tenant could reasonably expect to maintain it.

Important factors to be considered are: -

- (a) **Personality of the auctioneer:** Many markets owe their “lifeblood” to the personality of the auctioneer(s) who take to rostrum. Trade is generally built-up over a number of years with trusting relationship between auctioneers, seller and buyer an essential requirement for continued trading success. However prospective tenants (which of course includes the actual occupier) will be assumed to be competent in their business manner and could reasonably expect to achieve commissions in line with actual commissions shown in the accounts in a year to year to year basis. It is always a very difficult judgement to make when asserting that one particular auctioneer commands such a reputation that gross commissions exceed what a reasonably competent hypothetical tenant could reasonably expect. However where such an allowance is considered appropriate it should be based on the type of market as follows:

- Type 1. 15% Max
2. 10% Max
3. N/A

- (b) **Credit Policy:** The effect of an operators credit policy can have significant effect on his gross commissions. Normal practice is for the vendor to be paid within 1 week with most receiving their cheques within 3-5 days. Purchasers are in the main expected to pay within 7/14 days though new customers are generally ask to settle before removing the stock from the sales yard. Meat Plants normally pay within one week.

Some markets pay the vendor “on the sales day” and this practise certainly bolsters trade but is not the normal practise. Higher levels of commission may be levied in this instance.

Similarly extended credit periods may be offered to purchasers. This also tends to increase trade but with the attendant risks and cost implications (bank interest charges).

Bad debt is one of the major problems currently facing Market Operators. This problem has been brought to the fore with the closure of the marts (February to August 2001) with the Foot and Mouth outbreaks.

- (c) **Commission Rates:** Average commission rates are 2.0%-2.5% subject to a minimum charges depending upon the type of animal. Average rates that vary significantly from these may artificially boost or depress gross commissions. Adjustments to average gross commissions may be necessary where abnormal rates are encountered.

An additional charge of £2.00/head on cattle to purchasers has been introduced in January 2001 by the Auctioneers to bolster

income/commissions due to the overall decline in trade/ associated problems because of the B.S.E. This new/additional charge will not have any great impact on our assessments as they will be based on average gross commission for a period of three years (only last 3 months) up to 31 March 2001.

- 7.2.2 From the adjusted average gross commissions must be deducted average working expenses, which a hypothetical tenant would allow. This will require appropriate adjustments to the average expenses shown in the profit and loss accounts. Obvious expenses to exclude are Rent, Director's salaries and pension scheme provisions and interest charges on capital invested (including working capital). Rates can properly be included as an expense. An allowance can also be made here for a fixtures and fittings renewal fund.
- 7.2.3 This process will produce a divisible balance from which the rental value can be assessed. The tenant's share should be taken at 50% of the divisible balance. However some care is required where negligible bad debt provisions are made in the expenses (would appear to be an on-going problem for market operators)- in which case the tenant's share could be increased by 5%-10%. These higher percentages may also be warranted where perceived business risks are higher than the norm- a number of marts are situated geographically close together and competition for business is sharp (reduced fees or exceptionally attractive credit terms to buyers).
- 7.2.4 A number of Markets include canteen or restaurant facilities. Where these are controlled by the rateable occupier of the Mart they should be treated as part of the Mart business and the turnover generated included in the total turnover adopted.

If however these are franchised / let to a third party and the relationship between the parties is such that the canteen etc. can be considered to be a separate hereditament, they then should be valued as separate hereditaments on a price /m2 basis.

At inspection full details of any such letting should be obtained – terms of lease/agreement; rent paid etc.

In the above example the total E.C.U. was calculated at 37002 which was made up as follows

28900 Mature Cattle at 1.0 unit	= 25289.
7225 Calves at 0.4 unit	= 2505
4505 OTMS at 1.0	= 4504
106860 Sheep at 0.1 unit	= 4704
71240 Fat Lambs at 0.1 unit	=
Pigs	Nil

This gives a figure of £1.25/ECU. This check figure will help to maintain relativity between marts and can be used directly where no profit and loss accounts have been provided.

9.0 CONTACTS

Northern Ireland Livestock Auctioneers Association- Chairman-
Shaun Irvine, Sales Yard Ballyclare. Tel No.02893352727

Department of Agriculture and Rural Development
Animal Health Division, E.J.H. Weir, Dundonald House, Upper
Newtownards Road Belfast, Tel No. 02890524647, Fax No.
02890524982
Veterinary Service, Owen Denny and David Torrens Dundonald
House, Upper Newtownards Road Belfast, Tel No. 02890524110, Fax
No. 02890524317

Northern Ireland Livestock Meat Commission; Lissue House, 31
Ballinderry Road Lisburn -John Wilson and David Ritchie, Tel No.
02892633000

Nigel Alexander, V.L.A. Omagh, Tel No. 02882 254765

LIVESTOCK MARKETS: INSPECTION SHEET

Property Code: _____

Reval Registered No: _____

District	Ward	Street	No
_____	_____	_____	_____

Operator/Company Name: _____

NO	YES

TENURE (Confirmation of attached FOR Detail)

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Site Details

Location (Town Center/Periphery/Industrial Estate etc)
 Immediate Transport Network (Rail/Road/Class etc)
 Total Site Area (Ac/m²)

	Area	Surface Type
Trailer/Lorry Parking		
Car Parking		

Buildings

Use	Construction	Age	Area	No
Covered Pens				
Sales Rings				
Offices				
Marking Pens				

Pens

Type Repair **Surface Type** **Drainage** **Construction**

Covered

Open

Other

Animal Capacity **Cattle Calves** **Sheep** **Pigs**

Covered

Open

Other

Services

Sewage (Effluent Disposal Method)

Water

Electricity

Gas

Ancillary Accommodation

Construction **Age** **Repair** **Area** **Rent**

DANI Offs

Canteen/Kitchen

Shops

Offices

Equip Sales Yards

Other

Auction Details

Hours **Day of Sale** **Commission %** **Operating**

Cattle

Sheep

Pigs

Calves

Additional Comments (Seasonal/Pedigree sales OTMS collection point etc).

Other Details

Vehicle Washing Equipment _____

No of Power Washers _____

No of Washing Bays _____

Lairage

**APPENDIX 2
FOR OFFICIAL USE ONLY**

Date of Issue	Class
	

**THE RATES (NORTHERN IRELAND) ORDER 1977
NOTICE UNDER ARTICLE 59 REQUIRING A RETURN TO BE MADE
FOR THE HEREDITAMENT AT POSTAL ADDRESS**

You are required by law to provide the information required in the Schedule below.

SCHEDULE

Please supply the following information:

1.	a.	Name of Market Operators
	b.
	c.	Name of Occupier
	d.
		Daytime Telephone Number
		I/We are Landlord(s)/Tenant(s)/Owner Occupier(s) (Delete as Appropriate)

Whether you are a Tenant or Landlord of the premises please state:

2.	a.	Commencement Date of Lease
	b.	
	c.	Length of Lease (e.g. 3, 10, 20 years)
	d.	Rent Review every

<p>e.</p> <p>f.</p> <p>g.</p>	<p>Years (e.g. 3, 5, 7 years)</p> <p>Current Rent Payable £..... Per</p> <p>From when Date of last rent review.</p> <p>Name and address of your Landlord/Tenant (delete either)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>If the rent includes rates Yes/No</p>
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Please specify annual gross commission earned in the table below:

3. YEAR ENDING (or your own financial year)	CATTLE	CALVES	SHEEP	LAMBS	PIGS	OTHER (Specify)	OTMS (if applicable)
31 March 1999							
31 March 2000							
31 March 2001							
Commission Rate							

Please indicate below the numbers of animals sold:

4. YEAR ENDING (or your own financial year)	CATTLE	CALVES	SHEEP	LAMBS	PIGS	OTHER (Specify)	OTMS (if applicable)
31 March 1999							
31 March 2000							
31 March 2001							

Please indicate above the numbers of animals sold:

5.	a. b. c. d.	Credit Allowed to Purchasers? Days/weeks/months. Sale Days Mon/Tues/Wed/thurs/Fri/S at (Underline) How many employees? full time part time Do you hold pedigree sales on the premises: Yes/No
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I confirm that to the best of my knowledge the above information is correct.

Signature:

Date:

Telephone Number if different form 1c above

The Manager

Lisnaskea Livestock Auction Sales Ltd

Your Ref:

Our Ref:

Date:

Dear Mr/Sir/Madam

NON-DOMESTIC REVALUATION: LIVESTOCK MARTS

As you may already be aware, the Valuation and Lands Agency is in the process of carrying out a Rating Revaluation of all non-domestic property in Northern Ireland - including Livestock Marts.

To help ensure that the new assessments will be fair and relative District Valuers require all occupiers of Livestock Marts to supply information about their businesses.

I enclose a Notice of Return, which I would ask you to complete and return in the prepaid envelope provided, (addressed to)
within 28 days.

I also require copies of your last 3 years certified Profit and Loss Accounts and these should be sent direct to the Omagh Valuation and Lands Agency in the prepaid envelope provided for that purpose (addressed to the Omagh Office) - once again within 28 days.

All information submitted will of course be treated in the strictest confidence and will not be used for any other purpose whatsoever.

Should you wish to discuss the matter please contact the undersigned.

Yours faithfully/sincerely

For District Valuer