

Revaluation 2023

Commercial Properties Committee

Practice Note 27 Valuation of Bingo Halls

1.0 Introduction

- 1.1 This practice note applies to the valuation of subjects operating as licensed Bingo Halls, under a restricted gaming licence, with all participants requiring to be members (with membership either free or by payment of a membership charge).

2.0 Basis of Valuation

- 2.1 The subjects in this Practice Note should be valued on the comparative principle, with the application of an appropriate percentage, derived from rents, to receipts. The range of percentages to be applied is shown in Appendix 1.

3.0 Classification

3.1 Modern Bingo Halls

These may be stand-alone or located on a leisure/retail park with ample car parking. They are generally a flat floor arrangement on ground or first floor. Converted retail warehouses are included in this category.

3.2 Converted Bingo Halls

- 3.2.1 These properties are usually found in town locations and may or may not have their own car parking areas.

- 3.2.2 Varying degrees of adaptation may have been carried out and valuations should be carefully considered to ensure that a realistic account is taken of the extent of adaptation (see 4.7).

- 3.2.3 Where an older building has been modernised to such an extent that the character of the premises is similar to a modern bingo hall, it may be appropriate to refer to the modern percentages.

4.0 Receipts

- 4.1 A Bingo Club member pays for admission, participation and stake money. All the stake money, less gaming duty, is returned to the players as prize money, which means that the main game is non-profit making. The operator of the premises obtains his profit from admission money, participation fees, gaming machines, payments for link and prize bingo, bars and buffet/restaurant, car park takings, advertising revenue etc.
- 4.2 For valuation purposes certified gross receipts (excluding VAT and Gross Profits Tax) from all sources, excluding stake money, should be obtained for the years 2019-2022 and examined for any trend. Turnover for the full financial years 2020/21 and 2021/22 together with a small period mid March 2020 to 31 March 2020, will have been impacted by enforced closure or restricted operating capacity due to the Covid pandemic. Consequently any consideration of the turnover in these periods should be treated with caution when considering the hypothetical achievable turnover for the tone year.
- 4.3 Where the returns included income from any café, restaurant or licensed bar and where it is considered that this part of the premises operates in competition with and is similar in character to any nearby shop, licensed restaurant or public house, consideration may be given to excise such income and value the appropriate accommodation by reference to rates prevailing for the similar subjects in the vicinity. In these circumstances the resultant valuations may require downward adjustment to recognise their unum quid nature with the bingo hall. Otherwise such income should be included as part of the total gross receipts.
- 4.4 If live entertainment is provided as an attraction, the income generated should be included in the gross drawings of the bingo hall.
- 4.5 Following the introduction of Machine Gaming Duty in 2013 operators can no longer recover VAT on the rental of gaming machines. Where this irrecoverable VAT, specific to gaming machines, can be clearly identified, this amount should be deducted from the gross receipts.
- 4.6 Where trade is “bought in” by methods such as additional prize money and free transportation of customers, this is referred to as Promotional Expenditure. Converted Bingo Halls may show levels of Promotional Expenditure that will require adjustment to their gross receipts. See Appendix 2 for appropriate deductions to be applied.
- 4.7 Where it is considered that the value produced by a strict application of percentage of receipts does not properly reflect the age, quality, character or condition or any combination of these factors, a reduction in the percentage applied to the gross receipts may be appropriate.

5.0 Car Parks

5.1 Whether or not a car park is available will be reflected in the receipts and no further adjustment will be necessary.

5.2 Separate consideration may, however, be required if a separate entry for a car park is necessary.

6.0 Valuation on Rate per Seat Basis

6.1 Effective seating capacities may be useful for valuing subjects where no receipts are available.

6.2 In some establishments (particularly in converted cinemas), a proportion of the seating may be surplus to requirements, or operationally unsuitable. Where these conditions apply, the actual seating numbers should be reduced in accordance with the table comprising Appendix 3, in order to identify the effective seating capacity.

Appendix 1

Gross Receipts	Percentage to NAV
Converted Bingo Halls	
Below £420,000	3.25 – 4.00
£420,000	4.00
£700,000	4.50
£975,000	5.00
£1,950,000	5.50
£3,350,000 (and above)	6.75
Modern Bingo Halls	
£700,000 (and below)	4.50
£975,000	5.00
£1,400,000	6.00
£2,100,000	7.00
£2,800,000 (and above)	7.50

Interpolate between points

A deduction of up to 1% may be made from the above percentages in the case of converted cinemas or other such buildings with little or no adaptation, the extent of the deduction being dependent on the degree of adaptation and modernisation undertaken.

Appendix 2

In order to recognise the diminishing effect on profitability of higher promotional expenditure the following scales of deductions from the adopted receipts should be applied.

Converted Bingo Halls Promotional Expenditure as a Proportion of Gross Receipts	Percentage of Promotional Expenditure <u>in excess of 13% of</u> <u>Gross Receipts</u> allowable as a deduction from adopted Receipts
under 13%	no adjustment
13%	10%
14%	20%
15%	30%
16%	40%
17%	50%
18%	60%
19%	70%
20% plus	75% Interpolate between points

For the purposes of this adjustment, promotional expenditure will cover the following items:-

Added prize money, give-aways (eg gifts and other additional prizes), printing and postage of special promotional flyers, transportation in/out of customers and live entertainment.

Appendix 3

Adjustment to produce “effective number of seats”

Any part of the property used for prize or cash bingo or for gaming machines should not be adjusted.

Part of Premises	Deduction
Auditorium/stalls	NIL
Circle	50%
“Gods”	75%