

11 The National Property Revaluation Programme

- 11.1** The Valuation Office (the Office) is responsible for the valuation of commercial and industrial property in the State for the purposes of levying of commercial rates by local authorities. The Office also provides property valuation services to government departments and State agencies. The Commissioner of Valuation (the Commissioner) is responsible for the work of the Office.
- 11.2** Valuations by the Office are conducted according to the standards and procedures prescribed in the Valuation Acts 2001 to 2015. The value of a property is determined by estimating its 'net annual value' by reference to the property's category and use, location, type of structure and trading data where appropriate.¹
- 11.3** The main methods used by the Office to assess the net annual value are set out in Figure 11.1.² The comparative method is the most commonly applied.

Figure 11.1 Standard methods used to assess the net annual value of property

Valuation method	Description
Comparative method	Valuation is by direct comparison with annual rental values of similar properties in the same local authority area.
Contractor's method	Valuation is by a percentage of the aggregate of the depreciated replacement cost of the property and the site value.
Receipts and expenditure method	Valuation is by reference to the receipts and expenditure of one or more undertaking(s) carried on at the property.

Source: Valuation Office

- 11.4** Local authorities calculate commercial rates bills by applying a locally determined annual rate on valuation (ARV) to the valuations determined by the Office.
- 11.5** In order to bring the valuation of all commercial properties up to date and to redistribute rate liabilities based on current market conditions, a national revaluation programme was provided for in the Valuation Act 2001. In local authority areas not yet revalued under the programme, valuations in use are based on property values which reflect market conditions in 1988.
- 11.6** A revaluation of a local authority area begins with the signing of a revaluation order. After all properties are revalued, a new valuation list is published. The list becomes effective for commercial rates purposes from 1 January of the year following publication provided it is published in advance of the local authority holding its annual budgetary meeting. Local authority budget meetings are held during a period directed by the Minister for Housing, Planning and Local Government. The Minister has directed that this period be 1 November to 30 November for 2016 and 2017. The key steps in the revaluation process are set out in Annex 11A.

1. Net annual value is defined as the annual rent expected from a property where the maintenance costs are borne by the tenant.

2. The Valuation Office has stated that these valuation methods are based on international best practice and have been endorsed by the Valuation Tribunal and the Courts.

- 11.7** The revaluation process does not increase income for local authorities but rather redistributes its payment — after revaluation, some ratepayers are expected to pay less commercial rates while others pay more. The overall aim is to have a more equitable and uniform distribution of the rates burden, by reference to current property market conditions.
- 11.8** In addition to the work on the revaluation programme, the Office may conduct a review of the value of an individual property on a valuation list. An occupier of a property, an interest holder in the property or the local authority may apply to have the valuation of a property revised. A revision is only carried out if a material change of circumstances has taken place since the property was last valued. The revised valuation becomes effective for rates purposes in the year following revision.
- 11.9** The Office also conducts valuations of new properties. The valuation of new properties becomes effective immediately for rating purposes.
- 11.10** In the years 2012 to 2016, valuations were revised for 23,345 existing individual properties, and 5,603 new properties were valued.

Progress to date on the National Revaluation Programme

- 11.11** At March 2017, there were approximately 180,000 properties on valuation lists. At September 2017, revaluations had been completed for 15 local authorities accounting for 43% of all rateable properties (78,000). Revaluation of properties in the remaining 16 local authorities — which account for over half of all properties in the State — is planned for completion over the next five years (see Figure 11.2).
- 11.12** The first revaluation undertaken under the 2001 Valuation Act related to South Dublin County. This commenced in November 2005 and was completed in December 2007. The Act specifies that a period of not less than five years and not more than ten years can elapse before valuations of all properties are updated. Accordingly, a second revaluation of South Dublin County Council was completed in September 2017. Further revaluations for other local authority areas will be necessary in the coming years.
- 11.13** The Valuation (Amendment) Act 2015 made provision for new approaches to revaluation. In addition, it provided for changes to the valuation appeals process.

Figure 11.2 Status of revaluation programme, by local authority, September 2017

Local authority	Number of rateable properties ^a	Status of revaluation	Year of completion/ planned completion
Carlow County Council	2,375	●	2017
Cavan County Council	3,200	●	2019
Clare County Council	4,843	●	2021
Cork City Council	8,065	●	2021
Cork County Council	20,669	●	2021
Donegal County Council	6,923	●	2021
Dublin City Council	20,439	●	2013
Dun Laoghaire Rathdown County Council	5,194	●	2010
Fingal County Council	6,142	●	2009
Galway City Council	4,234	●	2021
Galway County Council	6,531	●	2021
Kerry County Council	7,213	●	2021
Kildare County Council	5,812	●	2017
Kilkenny County Council	4,035	●	2017
Laois County Council	2,409	●	2018
Leitrim County Council	1,519	●	2017
Limerick City and County Council	6,617	●	2014
Longford County Council	1,703	●	2017
Louth County Council	5,485	●	2019
Mayo County Council	6,507	●	2021
Meath County Council	4,903	●	2019
Monaghan County Council	2,962	●	2019
Offaly County Council	3,444	●	2017
Roscommon County Council	3,292	●	2017
Sligo County Council	2,955	●	2017
South Dublin County Council	6,937	●	2007 & 2017
Tipperary County Council	7,514	●	2019
Waterford City and County Council	3,949	●	2013
Westmeath County Council	3,559	●	2017
Wexford County Council	5,504	●	2019
Wicklow County Council	5,493	●	2019
All properties	180,427^b		2021

Source: Valuation Office

Key: ● Revaluation complete ● Revaluation not yet started

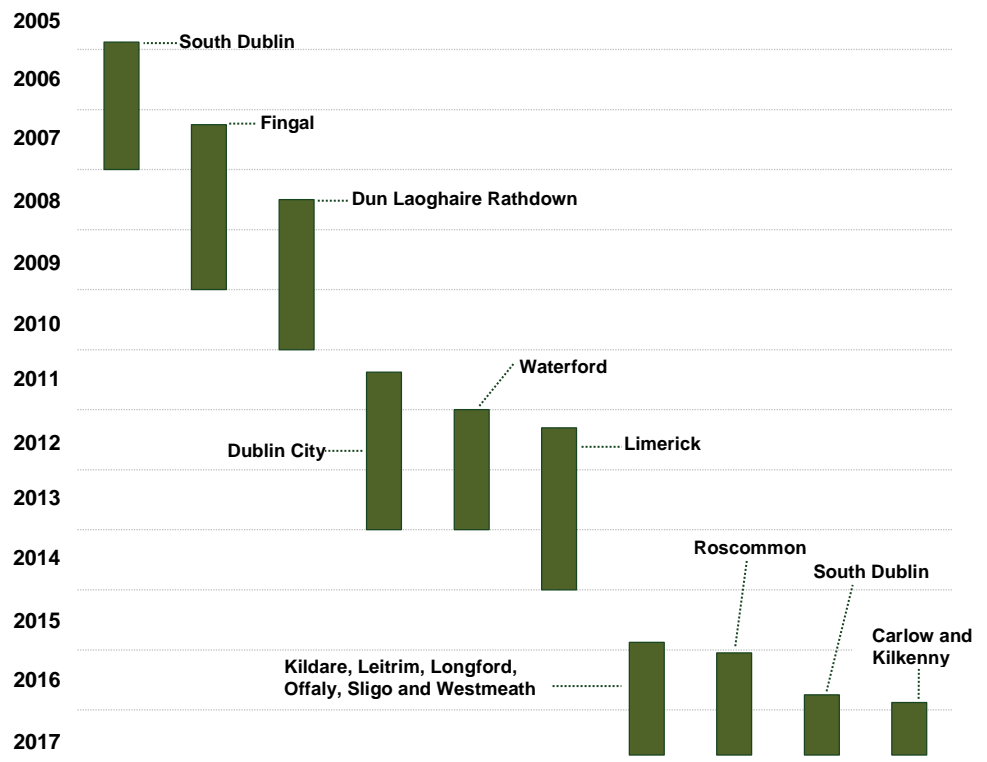
Notes: a Rateable properties as at 28 March 2017. The number of properties in any local authority changes as a result of changes in use, amalgamation or subdivision of properties, etc.

b The Valuation Office estimates that the number of properties will be approximately 160,000 following the completion of the revaluation programme.

11.14 There was an initial delay in commencing the national revaluation programme related to industrial action that continued until 2004 and a high level of staff turnover between 2004 and 2006. The Office had a number of retirements at senior level between 2007 and 2010 that caused further delays. The Commissioner has stated that the volatility of the commercial property market in the period 2008 to 2011 also created highly unfavourable conditions for conducting revaluations.

11.15 Figure 11.3 sets out a timeline of the revaluations completed since the commencement of the programme.

Figure 11.3 Timeline of revaluations completed



Source: Office of the Comptroller and Auditor General

- 11.16** The average time taken by the Office to complete the revaluation of a rating authority prior to 2015 was two and a half years. This compares to an average of 22 months for revaluations completed by the Office after 2015.¹ The outsourced revaluations of Carlow and Kilkenny took 12 months.
- 11.17** The elapsed time for individual revaluations does not reflect the number of properties to be revalued. For example, the 6,142 rateable properties in Fingal County Council were revalued in 33 months whereas the revaluation in Dublin City Council with over three times as many properties (20,439) took 31 months to complete.
- 11.18** The Commissioner has stated that the amount of time required to carry out a revaluation is principally governed by statutory procedures and associated timelines which are determined by the relevant provisions of valuation and rating legislation. The number of staff available is also a major factor.

External valuation services

- 11.19** In September 2016, the Office contracted private valuers CBRE to revalue all commercial properties in Carlow and Kilkenny, prepare valuation lists for each county and manage any appeals subsequent to the publication of the lists. The contract value is €2.4 million based on 5,052 properties.² The valuation lists were published in September 2017.
- 11.20** A programme board set up by the Office has overall responsibility for the delivery of all revaluations that are planned for completion in 2017, including the work performed by CBRE. The Commissioner has stated that the data received from CBRE is audited and an experienced manager is responsible for day-to-day liaison with CBRE. In addition, and similar to all revaluations that take place, the CBRE project is subject to oversight by a separate review board.

Occupier assisted valuation

- 11.21** Planning is underway to pilot an 'occupier assisted valuation' approach in County Laois rating authority. Under this methodology, occupiers will self-assess the value of their properties within guidelines and regulations prescribed by the Office. The Commissioner intends to sign the valuation order to commence the occupier self assessment of County Laois rating authority in November 2017 and to publish the new valuation list in September 2018.
- 11.22** A business case for the use of external valuation services and the planned 'occupier assisted valuation' was not prepared. The Commissioner stated that neither of the new approaches had been deployed in this or neighbouring jurisdictions previously. Therefore, relevant, reliable examples on which to base the development of a business case were not available. As a result, it was decided that appropriate pilot projects should be undertaken. It is planned to commission an independent review of the external valuation services once complete. The Office also intends to review the outcome of the pilot 'occupier assisted valuation' approach. The reviews will form the basis for any future business case to conduct further revaluations using these methods.

¹ This excludes the second revaluation of South Dublin County Council which was completed in 14 months.

² Inclusive of VAT.

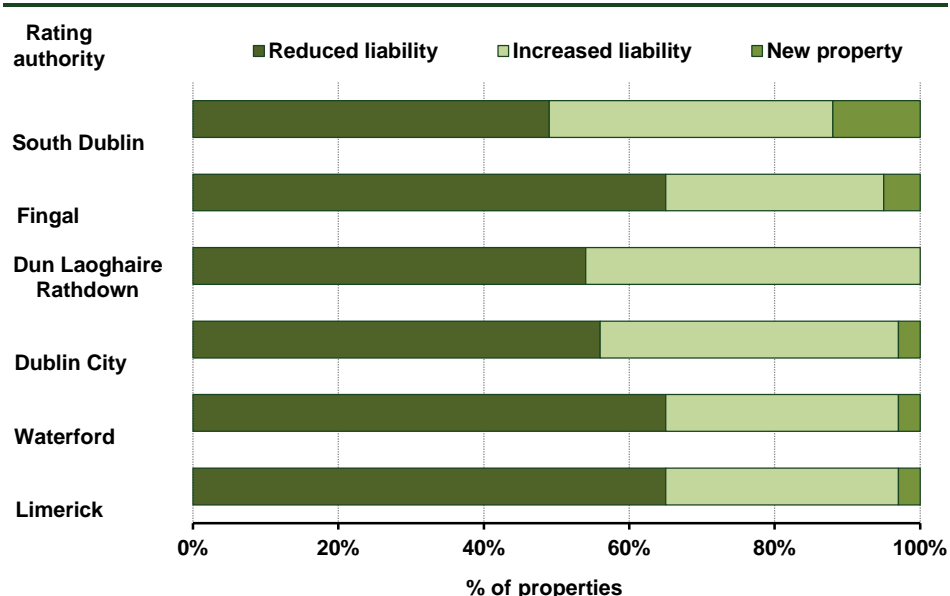
Statistical valuation techniques

11.23 Statistical valuation techniques involve the use of general market data or aggregated data (including statistical and computer-aided techniques) in determining valuation where it is considered appropriate to do so. This facilitates the move to a multiple property approach as opposed to the process in place prior to the legislative changes in 2015 where revaluation was on a property-by-property basis. The Commissioner indicated that the Office uses some statistical techniques to apply common valuation levels from its market analysis to individual properties and categories of properties.

Outcome of completed revaluations

11.24 Before September 2017, the revaluation process had been completed in six rating authorities. The redistribution of rates following these revaluations is set out in Figure 11.4. Overall, the number of ratepayers who experienced reductions from the revaluation has exceeded those who have experienced increases.

Figure 11.4 Redistribution of rates following revaluation

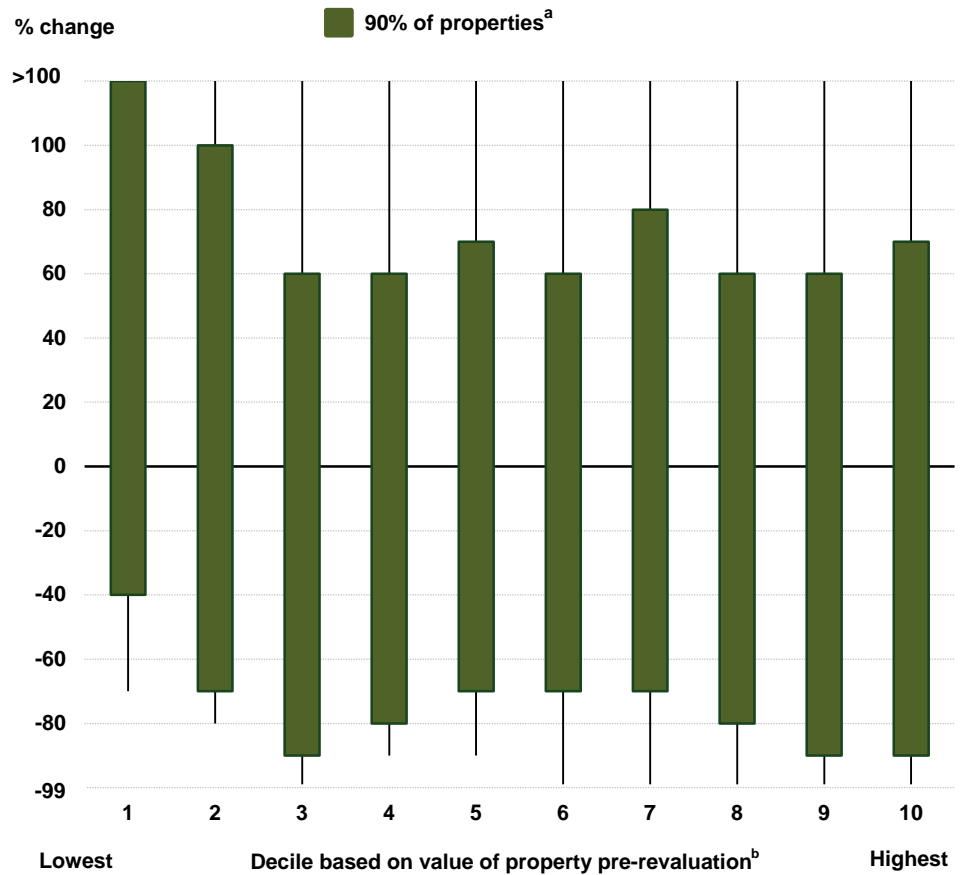


Source: Valuation Office

11.25 An in-depth analysis of the impact of the revaluation in Limerick based on the value of the property pre-revaluation was undertaken as part of this examination (see Figure 11.5).

11.26 The properties with the lowest pre-revaluation values generally incurred the highest proportionate increase in rates payable, but they account for a small proportion of overall rates. The rate payable increased for 61% of these properties compared to on average 28% of the properties in the other deciles.

Figure 11.5 Changes in the rates payable, Limerick



Source: Analysis by the Office of the Comptroller and Auditor General

Notes: a Analysis excludes new properties valued for the first time during revaluation.

b Each decile is 10% of the pre-revaluation property listing. Decile 1 contains the lowest value properties and decile 10 contains the highest value properties.

11.27 Revaluation can have a significant impact on the rate payable for individual properties. For example, for one property in Limerick, the annual rate payable increased by €474,000 to €490,000. In the case of another property, the annual rate payable reduced by €558,000 to €2.4 million.

11.28 The Commissioner has stated that the Office conducts analysis of the outcome of revaluations such as the rate of increase/decrease in the rates payable by district and by category of business. A programme to increase the awareness of ratepayers in relation to the outcome of revaluations is a priority for the Office. It is developing geographic information systems to present the outcome, for example, 'heat maps' showing valuation levels in particular locations. The Office also intends to explore making the background data sets available through an open data portal.

Appeals

- 11.29** An appeal can relate to a revaluation or a revision and can be made by an occupier of a property, a rating authority or an interest holder. Prior to the Valuation (Amendment) Act 2015, an appeal was required to be made first to the Office followed by a further appeal to the Valuation Tribunal.¹ If an appellant is dissatisfied with the decision of the Tribunal, an appeal can be made to the High Court or to the Court of Appeal on a point of law. Under the 2015 Act, appeals are made directly to the Tribunal within 28 days of the publication of the valuation list in the case of revaluations, or of the issue of a valuation certification in the case of revisions.²
- 11.30** Previously, the legislation required that an appeal was decided within six months. Under the new legislation, the Valuation Tribunal is required to endeavour to make a decision within six months. The number of appeals to the Office in the last five years is set out in Figure 11.6.

Figure 11.6 Appeals to the Valuation Office, 2012 to 2016

Year	Revaluation cases			Revision cases		
	Appeals received	Processed	On hand at year end	Appeals received	Processed	On hand at year end
2012	—	—	—	90	349	154
2013	—	—	—	118	96	176
2014	2,810 ^a	2,810	—	218	266	128
2015	301	301	—	145	82	191
2016 ^b					128	63

Source: Valuation Office

- Notes: a There was a significant number of revaluation appeals in 2014 due to the finalisation of the revaluation for Dublin City Council and Waterford City and County Council at the end of 2013.
- b The Valuation Office did not receive any appeals in 2016 due to the abolition of that appeal avenue.

- 11.31** The Office received 3,682 appeals in the period 2012 to 2014. The revaluation appeal cases were dealt with in the year they were received. At the end of 2016, the Office had 63 appeal cases on hand relating to revision work. All these cases are over a year old and have exceeded the six month statutory deadline.
- 11.32** The number of appeals to the Valuation Tribunal in the last five years is set out in Figure 11.7.
- 11.33** In the period 2012 to 2016, the Valuation Tribunal received 1,469 appeals. Just over one fifth (312) were on hand at the end of 2016. Of the 312 cases on hand, 239 are yet to be heard, 71 were heard and are pending a decision, and two cases are with the courts. The number of appeals to the Tribunal from 2017 onwards may increase substantially as a result of the elimination of the first appeal to the Office.

1 The Valuation Tribunal is an independent body set up to settle disputed valuations between the Valuation Office and ratepayers or local authorities.

2 Prior to enactment of the 2015 Act, an appeal could be lodged up to 40 days after publication of the valuation list or the issue of a valuation certificate.

Figure 11.7 Appeals to the Valuation Tribunal, 2012 to 2016

Year	Revaluation cases			Revision cases			Total
	Appeals received	Processed	On hand at year end	Appeals received	Processed	On hand at year end	On hand at year end
2012	—	273	13	74	96	66	79
2013	—	13	—	11	70	7	7
2014	1,001 ^a	13	988	62	29	40	1,028
2015	68	623	433	113	31	122	555
2016	—	290	143	140	93	169	312

Source: Valuation Office

Note: a There was a significant number of revaluation appeals in 2014 due to the finalisation of the revaluation for Dublin City Council and Waterford City and County Council at the end of 2013.

Rate and outcome of revaluation appeals

11.34 The average rate of appeal to the Office for properties revalued up to the end of 2014 was 12%. Figure 11.8 outlines the rate of appeal for each local authority area, and the outcome of those appeals.

Figure 11.8 Appeals of revaluations by local authority^a

Local authority area	No. of properties	No. of first appeals ^b	Rate of appeal	Outcome of appeal		No. of appeals to Tribunal
				Valuation Upheld	Valuation changed	
South Dublin	6,937	804	12%	480	324	228
Fingal	6,142	883	14%	457	426	100
Dun Laoghaire Rathdown	5,194	1,160	22%	588	572	303
Dublin City	20,439	2,581	13%	1,256	1,325	927
Waterford	3,949	229	6%	48	181	74
Limerick	6,617	301	5%	94	207	68
Total	49,278	5,958	12%	2,923	3,035	1,700

Source: Valuation Office

Notes: a Appeals do not arise until the revaluation is complete and the new valuation list is published.

b First appeal to the Valuation Office.

- 11.35** The rate of appeal in the later revaluations (Waterford and Limerick) is significantly less than in the earlier revaluations. However, the percentage of appeals that had the valuation revised is greater.
- 11.36** Overall, 29% of first appeal cases were further appealed to the Valuation Tribunal. The outcome of these cases is set out in Figure 11.9.

Figure 11.9 Outcome of revaluation appeals to the Valuation Tribunal

Local authority area	Appeals received	Outcome of appeal		Did not proceed	Appeals on hand
		Valuation upheld	Valuation changed		
South Dublin	228	16	27	185	—
Fingal	100	9	25	66	—
Dun Laoghaire Rathdown	303	12	118	173	—
Dublin City	927	16	43	750	118
Waterford	74	10	13	46	5
Limerick	68	5	5	38	20
Total	1,700	68	231	1,258	143

Source: Valuation Office

- 11.37** The Valuation Tribunal had 143 appeals relating to the revaluation programme on hand at the end of 2016. Of those, 86% related to revaluations completed in December 2013. When the appeals were received the requirement to make a decision within six months was in place.
- 11.38** Almost three quarters of the appeals received by the Valuation Tribunal did not proceed. The valuation was changed in 77% (231 cases) of the appeals processed by the Valuation Tribunal.
- 11.39** The Commissioner has stated that an appeal manager monitors the outcome of appeals and disseminates the determinations of the Tribunal on an ongoing basis. This informs future actions including whether individual training and skills development are required.

Cost of revaluation programme

- 11.40** The Office does not have a costing system that allows it to accurately identify the costs attributable to the revaluation programme or the cost of the revaluation for each of the local authorities completed to date. Based on actual costs attributed to the programme for the years 2001 to 2010 and an apportionment of the total costs of the Office from 2011, it has estimated that the total cost of work on the revaluation programme carried out 'in-house' up to the end of 2016 was around €41 million.
- 11.41** The cost of the contract with CBRE for the revaluation of 5,052 properties in Carlow and Kilkenny is €2.4 million i.e. around €475 per property.¹ Taking into account estimated internal Office costs of €250,000 associated with the contract, the overall cost to revalue each property is expected to be around €525 per property. To date, €1.4 million has been paid under the contract.²

1. This may vary pro rata with the number of properties.

2. As at 13 June 2017.

Conclusions and recommendations

- 11.42** The national revaluation programme is a major project involving the revaluation of an estimated 180,000 properties. There has been slow progress on the programme. In the fifteen years since the Valuation Act 2001 provided for a programme, only 43% of rateable properties have been revalued. The revaluation of over half of all properties is yet to commence. Arising from a requirement that no more than ten years can elapse between the date of a valuation list and any subsequent valuation list, further revaluations of properties in already completed local authority areas will be necessary in the coming years. Already, one such revaluation has been completed.
- 11.43** There has been an improvement in the time taken to complete revaluations since 2015 — a reduction on average of eight months.
- 11.44** The change in the rates bill for a particular property can be substantial — one property in the Limerick rating authority incurred an increase of €474,000 in its annual rates bill as a result of the revaluation, while for another property the rate reduced by €558,000.
- 11.45** Except for the contracted out revaluation for Carlow and Kilkenny, the costs of the revaluations are not known. Because of the range of approaches to revaluation now available to the Office, accurate cost information in relation to each approach is increasingly important to enable business case analyses of the relative merits of the different approaches.

Recommendation 11.1

The Office should review its approach to the recording of costs associated with the revaluation programme to ensure that accurate costings of the different elements of and approaches to revaluation are available. This will inform decisions on the most effective approach to revaluing property given the various options open to the Office.

Accounting Officer response

Agreed. The Valuation Office acknowledges that there are inadequacies in its ICT operational systems which do not currently support it in accurately attributing costs to individual revaluations. These shortcomings were identified in a process review carried out in 2015 by external consultants. The current ICT system used by the Valuation Office for revaluation and revision work does not have the appropriate functionality in relation to activity costing of its work, conducting detailed cost-oriented case management or workflow stage costs. This is a priority for the Office and is acknowledged as such in the Strategic Plan 2017-2019. A specific recommendation to address the shortcoming is an important component of a new ICT strategy for the organisation which will be finalised shortly.

- 11.46** The revaluation of the local authorities of Waterford and Limerick were completed in December 2013 and December 2014 respectively. While the rate of appeal was low, the level of adjustment to valuations following the first appeal was significant in both areas compared to the areas previously revalued. In such circumstances, it is important that the Office develops an understanding of the reasons for the high level of appeal cases that resulted in a change to the valuation.
- 11.47** There is a significant delay in dealing with appeals that were previously referred to the Valuation Tribunal following an appeal to the Office. With the change in appeal process brought about by the new legislation, the level of appeals to the Tribunal may increase significantly.

Recommendation 11.2

A review of the appeals process within the Appeals Tribunal should be conducted in order to identify and address the causes of delay in dealing with appeals.

Accounting Officer response

Agreed. The Tribunal has recently conducted a review of its operations and is carrying out a number of developments and initiatives to address delays in dealing with appeals. A 'call over' system has been introduced that alerts the Tribunal to cases that are ready to proceed so that hearing dates can be assigned and affords the Chairperson an opportunity to give directions to the parties' representatives to progress the appeal.

The Tribunal proposes whenever possible to hold two hearings a day to deal with the expected influx of appeals that will follow the revaluation of ten counties in September 2017 as all appeals will now be made to the Tribunal in the first instance. Four temporary clerical staff were assigned to the Tribunal from August 2017 to assist in the administration of casework. A recruitment campaign is planned for later this year to bring the membership of the Tribunal to the full complement of 28.

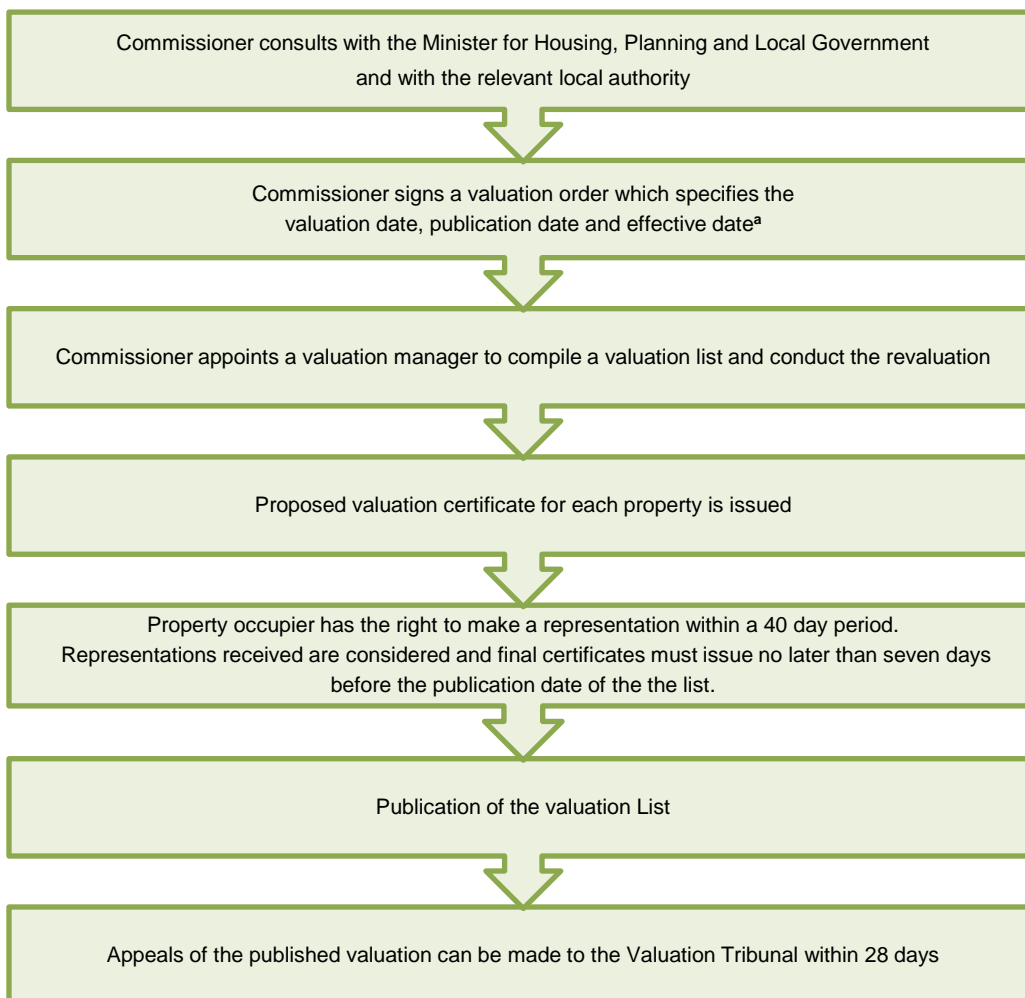
An on-line appeals application process and electronic payment of appeal fees which is expected to expedite the processing systems is being introduced.

The Valuation (Amendment) Act 2015 provides that appeals may be determined by a single member of the Tribunal based on written documentation thereby removing the need to hold a hearing which should ensure that appeals can be dealt with more expeditiously. The Tribunal proposes to identify appeals suitable for disposal in this manner. The Tribunal is also preparing draft rules to regulate Tribunal practice and procedures so that appeals can be commenced and heard within the statutory time frame.

The aforementioned measures will go a considerable way to addressing the delays in determining appeals and result in a more efficient and timely appeals process. At the end of June 2017, the number of appeals on hand was reduced by 50% and it is anticipated that the remaining appeals will be dealt with by the end of this year.

Annex 11A

Figure 11A.1 Summary of the Revaluation Process for a Local Authority



Source: Valuation Office

Note: a Valuation date is the date the valuation is based on, the publication date is the date the valuation list will become public and the effective date is the date the valuation list will take effect.

