Chapter 14 Valuation Office

Valuation Output and Performance

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14.1 In February 2008 a special report was completed on the Valuation Office (the Office). The report examined two main issues

- progress on a project to revalue rateable property throughout the country
- the work of that Office on the ongoing revision of valuations.

14.2 Following consideration of that report by the Committee of Public Accounts two main issues were identified for follow up review

- the timeliness of the revaluation programme
- the methods used to measure the output of ongoing revision work by the Office.

14.3 This report records the current status of developments in those two areas.

Revaluation Programme

14.4 The revaluation programme is designed to bring rateable property valuations into line with current rental values throughout the country. The Office commenced its national programme of revaluation in November 2005 in the rating authority of South Dublin County Council (SDCC).

Audit Concern - Revaluation Programme

There has been slow progress on the national revaluation of property. The 2008 special report concluded that it was necessary to reassess the resourcing, timeframe and budget of the revaluation programme, building on the experience of the first full cycle of revaluation in SDCC. I enquired into progress to date.

Audit Findings

14.5 A new valuation list for SDCC was published on schedule on 31 December 2007. The rate of appeal to the Commissioner against valuations was 11.5%. All appeals were determined by early August 2008. Further appeals were lodged against the Commissioner’s decision to the Valuation Tribunal in 227 cases. 219 of these cases were determined within the statutory deadline (within six months of receipt).

14.6 The Office began a review of the revaluation programme in June 2008. The review was led by a retired Commissioner of Valuation in Northern Ireland. The initial remit of the review was to identify and propose, within current resource parameters, practical measures, which could be implemented in the shortest possible time with a view to expediting the progress of the revaluation programme, while at the same time maintaining or, where necessary, enhancing the quality of outcomes.

14.7 The review was subsequently extended to include most of the elements due to form part of a broader review which was originally intended to be completed at the conclusion of the full revaluation cycle in SDCC. The review report (known as the Rainey Report) was submitted to the management committee at the end of August 2008.

14.8 Key recommendations of the Rainey Report included

- moving away from 100% inspection of properties to be revalued
- pursuing an adjustment of a facilitation agreement with unions that gives rise to significant inflexibilities in the operations of the Office
- securing the necessary flexibility to deploy available staff resources so as to meet business needs and deliver on the mandate of the Office in the most efficient and effective manner.

14.9 In September 2008, the management committee substantially endorsed the conclusions and recommendations contained in the report.

14.10 The Accounting Officer informed me that these recommendations were currently the subject of exchanges between Office management and unions. He said that their successful implementation was critically important to the efficiency of the programme.

Change Management Challenge

14.11 The Accounting Officer stated that assuming full implementation of the Rainey proposals the national revaluation programme could be completed within a period of ten years, in contrast to the estimated several decades which it would take if the current inflexibilities, structural demarcations, working practices and methodologies continued to apply. He acknowledged that addressing deployment inflexibilities was vital to delivery of the national revaluation programme within a reasonable timeframe.

14.12 He stressed, however, that to achieve the ten-year timescale full implementation of the Rainey Report recommendations was essential. This, in particular, would require a significant change of mindset and attitude on the part of staff, unions and management and the possible outsourcing of some elements of the data capture process. He also stated that a structural problem created by the deployment of contract valuer resources to the revaluation task must also be addressed. Trained contract valuer staff working in the Revaluation Unit (the only area of the Office in which such staff can, currently, be employed) were invariably successful in competitions for permanent posts elsewhere in the Office, resulting in high turnover and a loss of trained and experienced staff to the Revaluation Unit. This, in turn, gave rise to a continuous programme of recruitment (there have been five successive competitions since the revaluation programme commenced) and frequent diversion of resources to the training of new staff.

14.13 He said that flexibility in terms of staff deployment and mobility could only be achieved by the effective removal of the distinction between valuers working on ongoing revision and those working on revaluation. While it was not envisaged that this would involve increased costs to the Office it would require Department of Finance approval. He added that completion of the project within ten years by fully implementing the Rainey Report clearly held open the potential for a final cost very significantly below the figure outlined in the special report on the Office.

14.14 On the assumption that the Rainey Report recommendations and suggestions were implemented in full, both he and the Office management viewed as realistic and achievable a ten year timescale for completion of the national revaluation programme, the overall objective of which was to address anomalies in rateable valuations throughout the country, leading to more equitable, robust and defensible valuation lists for rating authorities.

Conclusions – Revaluation Timescale

The completion of the national revaluation programme within a ten-year timeframe depends on removal of the inflexibilities and structural demarcations which currently exist within the organisation. Critical to this is the abolition of the distinction between valuers working on revision and revaluation which is necessary to facilitate more flexible deployment of staff throughout the organisation. The outcome of management/union negotiation is central to the achievement of a more streamlined business process within the organisation.

Valuation Revision Programme

14.15 As Departments and Offices move to report their output, there is a need to ensure that the output measures are consistent, internally coherent and relevant. It is acknowledged that the Office faces two main challenges in measuring its work

- valuation revision requests from rating authorities and ratepayers can generate a variable number of valuation revisions
- the amount of work devoted to different classes of revision varies.

14.16 In its Output Statement for 2008, the Office set a target of 10,000 revisions. A total of 13,187 revisions were reported for 2008 – 7,676 requests were processed which generated a further 5,511 new property records. However, only 8,152 of the reported output related to revisions that were 'list rateable'.[44] Output details provided by the Office for the three years 2006 to 2008 are shown in Figure 50 below. Less than 60% of cases reported as output, currently culminate in income to the Office.

Figure 50 Statutory Valuation Work Undertaken by the Office 2006 – 2008

Year	Revision Output[a]	Number of 'List Rateable' Properties	Percentage of Overall Cases	'List Rateable' Properties which Incurred a Fee[b]	Percentage of 'List Rateable' Cases Charged	Percentage of Cases Charged
			%		%	%
2006	14,194	8,389	59	8,162	97	58
2007	10,998	6,669	61	6,242	94	57
2008	13,187	8,152	62	7,182	88	54

Notes:

a This includes valuation revision requests processed and additional records for new properties generated. Work on global and special project valuations is not included.

b A fee is not raised in instances where a shop or workshop may be 'list rateable' but has 'no value' giving rise to a zero valuation. In addition, a premises may be temporarily closed giving rise to a zero rateability but the property is still categorised as 'list rateable'. Furthermore, a fee is not charged for 'list rateable' properties which are not revised (i.e. parent lots listed for identification only).

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44 'List rateable' properties are those that are occupied for profit and should generate rates income.

Audit Concern – Work Measurement

As well as employing the most appropriate business processes in the achievement of its objectives the Office needs to account transparently for its outputs. Without a reasonably clear linkage between the resources it consumes in terms of voted appropriations and the output achieved using those resources it would be difficult for it to demonstrate the value for money delivered.

14.17 In regard to why outputs over and above those which were 'list rateable' were counted on equal terms, the Accounting Officer informed me that properties classified as 'not rateable' on revision required some level of input and that this input could be substantial in some cases. He stated that insofar as such cases involve some level of input it was considered reasonable that they be reckoned as output of the Office for performance reporting purposes. However, he acknowledged the merit of a review of the Office's performance measurement methodologies and informed me that an initiative to examine and refine, as necessary, its measurement system had been included in its Statement of Strategy for 2009 – 2011. He stated that the issue of which properties should be reckonable for performance reporting purposes would form part of that examination.

Cost Recovery

14.18 Currently due to the combination of fee rates and non-charging for certain output approximately 22% of the Office's costs are recovered by way of receipts. Figure 50 indicates that in 2008 only 88% of 'list rateable' properties were charged fees which represented 54% of valuation revision output.

Basis of Fees

Under Section 4 of the Valuation Act, 2001 (the Act) the Minister for Finance may make regulations enabling the Commissioner to charge fees on such basis or bases as is or are specified in the regulations in respect of proceedings brought before the Commissioner. Statutory Instrument — S.I. No. 381 of 2004 (Valuation (Revisions and New Valuations) (Fees) Regulations), enables the Commissioner to charge fees on the basis of an application to him pursuant to Section 27 of the Act and for each additional entry on the valuation list resulting from such an application. It provides that a separate fee of €250 is payable for each application and for each additional entry on the valuation list as aforementioned.

This instrument came into effect in May 2004. The practical effect of the instrument is to charge a fee on each output rather than for each application received from rating authorities. Ratepayers continue to pay fees at the time of application.

14.19 In regard to the non recovery of fees for all output, the Accounting Officer stated that the Office had jurisdiction to revise a property valuation only on foot of a specific request from a rating authority and when drafting the fee proposals it was the clear intention that fees would not be charged for outputs with a classification other than 'list rateable'. He informed me that it was reasonable to assume, given budgetary constraints on rating authorities that properties whose status had changed from 'list rateable' to a non rate-collecting classification would not be listed by rating authorities for review if those applications attracted a fee. He stated that this would lead to a progressive undermining of the accuracy of the valuation lists across rating authorities and could jeopardise the rates income of local authorities.

Conclusions – Performance Measurement

The move to output reporting by Government Departments and Offices is a positive development which will help inform the debate about the appropriate level of allocation for the services provided and the value being achieved for the State's outlay. However, as the experience of the Valuation Office demonstrates, it is apparent that the quest for more refined measures of output will need to continue over the next few years if the process is to be fully useful.

In the case of the Office, the relatively low level of input required for certain classes of output, including cases involving the removal of entries from the register and no material change of circumstances cases, should cause them to be weighted lower in terms of output than normal revision cases.

The fact that fees can only be justified for, less than 60% of output reported in the Office's Output Statement also emphasises the need to address how output is measured at the level of both the organisation and the individual valuer.

The proposed review of the Office's performance measurement system should encompass all valuation activities carried out by the Office and attribute an appropriate weighting value to each activity to facilitate better costing and reporting on outputs. Overall, while the output of some Departments and Offices is difficult to quantify, the foregoing case demonstrates that the existence of countable outputs should not necessarily lead to all outputs being counted equal.