

ASSESSOR'S APRIL 2017 PROGRESS REPORT TO THE BOARD



10 April 2016

1.0 PURPOSE OF REPORT

This report provides information to the Board as regards recent activities within the Assessors organisation.

An end of year performance report in association with the unaudited accounts shall be provided at the next meeting of the Board.

2.0 ELECTORAL REGISTRATION

2.1 Local Government Election 4th May 2017

Poll cards were delivered to electors for this election on the 15th/16th March. This generated considerable engagement with the office by way of telephone enquiry and via email. The main reason for contact is in respect of the provision of an absent vote. During this contact electors are advised of the anticipated issue dates for absent votes and advised that they should consider making proxy vote applications should these dates not suit their circumstances. For this election the main issue of postal ballot packs by the Returning Officers shall be on the 13th April, followed by a second on the 14th April and a third on the 25th April.

The number of eligible postal voters for the election currently stands at 122,373 which equates to 18.8% of the total eligible electorate.

At the point of publication of the register on 1st December 2016 the electorate holding the required franchise that allows participation in the Local Government election was 651,569. This compares with 634,065 for the same time in 2015.

An exercise of engagement with 16/17 year olds is ongoing with 30 visits to secondary schools throughout Lothian undertaken so far. The current registration level for this group is 86.83% and further encouragement is underway.

We have encouraged registration through attendance at events for BME and young people groups organised by Edinburgh and Lothians Regional Equality Group. In addition we have worked with Housing Associations providing registration information for tenants. This information has been provided in both English and Polish. General advertising in publications and on buses has also been undertaken.

2.2 Absent Vote Personal Identifier Refresh

An exercise required under legislation to contact those electors whose personal identifiers (Signature/Date of Birth), provided at the point of their absent vote application, did not match those on the Postal Vote Statement submitted with their completed ballot paper at the EU Referendum in June 2016 has been completed.

2.3 Canvass 2017

Preparations are underway for the 2017 household canvass involving the increased application of hand held technology during the door to door process, and the amendment to forms that negates in certain circumstances the need for a further issue.

2.4 Individual Electoral Registration

Information regarding additional IER funding for 2017/18 is, at the time of writing, still awaited from the Cabinet Office. However confirmation has been received that a bid for additional funding for 2016/17 has been successful.

3.0 VALUATION ROLL

3.1 2017 Revaluation

Draft values for the 2017 Revaluation were released on the SAA Portal during December 2016. Official notification of finalised values was provided by the issue of Revaluation Notices to all proprietors, tenants and occupiers appearing on the Roll on the 16th March with values effective from the 1st April 2017.

There has been considerable reaction to the impact of this Revaluation from certain property sectors. This has resulted in an unprecedented level of enquiry during January to March from ratepayers and elected members. Every opportunity has been taken to explain the process of Revaluation, to provide information, and enter into detailed valuation discussion where appropriate.

Following the issue of notices, telephone and email enquiries continue to be received from ratepayers and although in low numbers, formal appeals are being received.

Ratepayers have until the 30th September 2017 to lodge appeals with the Assessor.

Following the Board meeting of 6th February 2017 members were provided with statistical information identifying levels of rateable value increase across a broad range of property categories. Attached as an appendix to this report is additional information regarding the role of Assessors and the processes undertaken in preparation of a Revaluation.

The Joint Board's web site has also been enhanced to provide the ratepayer with additional information concerning the 2017 Revaluation.

Moving forward a timetable for dealing and disposing of revaluation appeals is under construction with the intention of commencing the process during late summer and early autumn. Prior to this period every effort shall be made to deal with enquiries received from individual ratepayers.

4.0 SUMMARY OF SERVICE PRIORITIES AND KEY DATES

- Processing of all applications to register, postal vote and proxy applications for the 4th May Local government election
- Provision of all necessary data for poll card and postal vote issues to Returning officers specified printers by the due dates
- Maintenance of a call centre service to the elector in advance of and on the election date and a direct line of communication established for Returning Officers on the day of election
- Provision of candidates registers and Absent Voters lists from 22nd March
- Poll card delivery on 15/16th March
- Last date for registration is midnight on 17th April
- Last date for absent applications to be received is 5.00pm on the 18th April
- Issue dates of postal voting packs by the Returning Officers - First, and main, issue 13th April, Second issue 14th April and Third/Final issue 25th April
- The deadline for ordinary proxy applications is 5.00pm on 25th April. Emergency proxy applications can only be made after 5.00pm on 25th April until 5.00pm on 4th May
- Commence the 2017 Household canvass during August 2017
- Publish the Electoral register on 1st December 2017
- Continue to deal with ratepayers enquiries concerning the 2017 Revaluation
- Commence the creation of a timetable in respect of the disposal of 2017 Revaluation appeals
- The last date for ratepayers to lodge appeals against the 2017 Revaluation is the 30th September 2017.
- Continue with maintenance activities in respect of both the Valuation Roll and Council Tax List

5.0 RECOMMENDATIONS

As there are no financial implications arising nor approvals sought, the Board is asked to note the contents of the report.

Graeme Strachan

1. ROLE OF THE ASSESSOR

There are 14 Assessors in Scotland covering the 32 local authority areas. Assessors are responsible for the valuation of property for non-domestic rating purposes. In carrying out their function they are entirely independent of both local and central government and reach decisions in accordance with applicable statute and case law.

Such independence is essential for the proper performance of his/her statutory duties, ensuring that the balancing of each ratepayer's interest is done solely by reference to factual considerations of value and not subject to political pressures. This is important in order that the allocation of the rating burden should be and can be seen to be a matter in which the rating authority plays no part. It is vital that the valuations carried out by the Assessor are free from political influence and interference.

The correctness of valuations or the methods by which the computation is made are not matters for which the Assessor is answerable to the local authority. Instead a legal remedy is provided to the ratepayer by way of appeal to the Assessor and ultimately the Courts.

The Assessor has a statutory duty to compile and maintain the Valuation Roll.

The Valuation Roll for Lothian is a list of all lands and heritages which are required to be valued by the Assessor for the purposes of non-domestic rating. The Roll provides information on the property description, its address, names of all proprietors, tenants and occupiers who have an interest, the net and rateable value, and the date those values are effective from.

The Valuation Roll forms part of the overall system of local taxation and provides the base information on which business, or non-domestic, rates are levied by each local authority.

The duty to compile and maintain the Valuation Roll was originally given legislative authority in the Lands Valuation (Scotland) Act 1854, with major revision being introduced with the Valuation and Rating (Scotland) Act 1956.

It was the 1956 Act that introduced the system of regular quinquennial revaluations of the entries shown on the Valuation Roll.

2. **REVALUATION 2017**

Revaluations have taken place regularly every 5 years since 1985. The expected 2015 Revaluation was delayed until 2017.

The purpose of a Revaluation is to ensure that the distribution of the rates burden between ratepayers remains equitable and the key aim of regular revaluations is to ensure that the tax paid should be based on an assessment of property values which are as up to date as possible. Rates are a property tax and property values change over a period of time. Regular revaluations are therefore necessary to give effect to the changes which have occurred in the property sector. Revaluations and the rateable values entered on the Valuation Roll reflect movements in the property market.

Each Revaluation is a fresh start and the assessor is not bound or concerned with levels of value, methods or schemes of valuation used at the time of the last Revaluation. As a result comparison with what has happened before and the level to which a valuation has increased following a Revaluation are not relevant grounds for complaint.

The property market is subject to constant change. There are variations in the demand for different categories of properties, for example between offices compared to factories compared to shops. These variations are not constant between areas nor within areas, and local variation is common. Such variation is influenced by physical changes within localities that cause both improvements and deteriorations.

Revaluations take all these changes into account and adjust the rating burden between ratepayers of different classes of property ensuring that a close link is created between modern property values and the amount of business rates paid by individual ratepayers.

Rateable Value

The Rateable Value calculated by the Assessor is an estimate of annual rental value. It is defined by the Valuation Acts as “the rent at which the lands and heritages might reasonably be expected to let from year to year...if the tenant undertook to pay all rates and bear the costs of the repairs and insurance and other expenses if any, necessary to maintain the lands and heritages in a state to command that rent”

The best evidence to use therefore in order to assess rateable values are the rents passing between landlords and tenants in the property market.

The majority of subjects appearing in the Valuation Roll are in the nature of shops, offices and industrial subjects and the rental market provides adequate information upon which to base assessments.

Assessors, prior to each revaluation, ingathering rental and other information that shall be used during the valuation assessment process.

Where rental evidence is sufficient the Comparative principle approach to valuation shall always be taken. As the Assessor is seeking to establish an annual value that the hypothetical tenant would be willing to pay the analysis of rental evidence shall look to disregard high or low rents and seek to strike an average rent for any particular location of type of subject.

Using this information the Assessor shall create Schemes of Valuation for a wide selection of property types. Invariably a rental rate per square metre is established that reflects the location, quality, facilities and use of the property.

In some cases a property shall be of such character that no rental evidence exists. Examples of these are churches, schools, halls, hospitals etc. In this instance an annual value is set by applying a percentage rate to the cost of construction with an addition for the value of the site. This is known as the Contractors basis of valuation. Cost information is ingathered on a wider national basis and cost rates per square metre are determined for various building types adjusted for such factors as construction, age and condition in order to reflect the actual subject being valued. The percentage applied to the resulting cost figure in order to achieve an annual value is directed by Valuation Order. For the 2017 Revaluation these percentages are 4.6% for the majority of properties valued in this fashion, with 2.9% applied to educational, health care and religious subjects.

In very limited circumstances Assessors may revert to the receipts and expenditure method of valuation. This has very limited application but is used in respect of such subjects as harbours or larger public utilities.

The Revaluation "Tone"

Date

It would be impossible to undertake the process of revaluation at the date at which a values become effective. The gathering of information and its analysis followed by the actual calculation of values takes some time.

To accommodate this the values that become effective on the 1st April 2017 shall reflect the market position as at 1st April 2015. This date is known as the "tone date" for the 2017 Revaluation. The physical attributes of a property that shall be reflected in the value shall be those in existence as at the 1st April 2017.

Alterations to Values between Revaluations

The majority of values appearing on the Valuation Roll shall remain static between Revaluations. The act of revaluing is in essence snap shot exercise reflecting the state of the property market at the tone date. The property market, especially during times of economic uncertainty, can fluctuate wildly between Revaluations however this does not give cause to alter rateable values in the intervening periods between Revaluations.

There are limited circumstances that allow a value to be altered between Revaluations. These are where there are physical alterations such as an extension or a part demolition, where a value has been reduced on appeal, where an error has been found in the value which satisfies the definition provided within the Valuation Acts, where a property has been merged with another, or where a property has been split to form two or more properties, also new properties that come into existence shall be added to the Roll and properties that have been demolished shall be removed.

3. IMPACT OF THE 2017 REVALUATION

As in past Revaluations, the 2017 Revaluations has produced movement in the rating burden between property categories but also in some cases witnessed significant increases of individual valuations.

In general terms within the Lothian area there has been an overall reduction in total rateable value of between 2% and 4% for retail and office properties, less than 10% increase in the industrial sector and those valued using the Contractors approach to value, a 40% increase in licensed properties, and a 20% increase for miscellaneous subjects that do not fall into the other categories, for example visitor attractions, utilities, ground, etc.

These percentages only provide a very broad indication of movement within the Roll. Looking more closely at value movement it can be seen that out of 30,549 properties on the current Roll and which have not been subject to any sort of physical change at the point of revaluation, allowing direct comparison to be made, 8,943 shall see values being reduced, while 13,048 shall have values increased by 25%, and 8,558 shall see values increasing beyond 25%. 212 properties shall face an increase in excess of 3 times.

It has to be remembered that a Revaluation is fresh start for the Assessor who is in no way fettered by levels of increase or even the approach to valuation of a particular property category that was used at the past Revaluation.

The levels of value for the main commercial property categories are determined and led by the annual values existing within the property market at the time of the revaluation.

Individual properties or groups of properties can “buck the trend” which a general picture shows.

For example a street of shops in a location that has experienced growth in terms of new housing, or are in an area that has become fashionable may well face increases in rateable value beyond the general trend. The exact extent of which shall be determined by the rental evidence the Assessor has been able to gather and analyse.

The Scottish Government has amended the Small Business Rates Relief Scheme so that properties with rateable values under 15,000 pay no business rates (subject to a qualification concerning multiple ownership). While this matter is one for the collecting authorities it would appear that almost 50% of the entries on the Valuation Roll shall not pay business rates.

Of course the existence of a relief scheme and the impact of a revaluation can have the effect of moving ratepayer from having no rates liability to facing considerable charges as the rateable value moves from falling within the relief scheme to not being covered at all.

4. PUBLIC HOUSES, RESTAURANTS AND CAFÉS

Most of the enquiries received to date have concerned this group of properties.

The valuation of public houses, and restaurants with the facilities to sell alcohol separately from the normal food and drink operation, is based on the application of a percentage to Gross Turnover.

This approach reflects that rents are struck in the open market for these property types are closely related to, and a reflection of, gross turnover.

The rental information gathered by the assessor is analysed against the gross turnover supplied by the operator in order to establish a percentage. This percentage can then be applied to similarly used property.

The gross turnover is in effect used in the same way as the physical area is used in the valuation of shops, offices etc. It is the yardstick that reflects a range of criteria that have impact on value, for example location, size, layout, nature of operation, etc.

Where the gross turnover is deemed unreliable for example it may be regarded as being too high or too low in comparison with other similar operations, then the Assessor can adopt a Hypothetical Achievable Turnover.

In cases where restaurants fall to be considered not on the same terms as public houses, then an analysis of rental information against gross internal area is undertaken to establish an overall rate per square metre. This shall then be applied to restaurants in an area where that level of value is applicable. Location plays an important part in the setting of annual rents between tenants and landlords and in the case of restaurants this is of particular relevance where restaurants are perhaps more sensitive to locational factors. Locations which have seen regeneration and new house building, perhaps aimed at younger groups in society, shall invariably show a growth in the rental market for such subjects.

In respect of Café's the picture is very similar. At this revaluation a café culture has emerged which has shown itself through the rental market whereby café operators are prepared to pay higher rents than surrounding shop properties.

This higher level of value has been identified by the Assessor and applied to café's in a manner similar to that outlined above.

Failure to acknowledge that a new market existed would mean that the burden of rates was not being properly reflected in the Valuation Roll, and that the higher rents for these properties was being allowed to inflate the levels of value applied to surrounding shop properties.

5. CURRENT ENGAGEMENT

We are currently engaging with ratepayers who contact the assessor's office and likewise providing information and assistance to elected members at all levels.

The Assessor is prepared to look again at the values that are currently proposed ensuring that the information upon which values have been based is robust and defensible. Where additional information can be provided ratepayers this shall also be taken into account and may influence the review process.

Following a meeting with ratepayers in the Portobello area, further rental came to light which has allowed a reconsideration of a number of the values proposed.

As part of the Revaluation process the Assessor issues many forms to ratepayers seeking information on rents, turnover and costs. The level of return in respect of these forms can have a direct bearing on the accuracy of the values that the Assessor calculates.

In terms of rental information, for this Revaluation, around 60% of forms issued has have been returned. This provides an adequate base on which to proceed. As regards turnover information from licensed properties, only a 40% return has been achieved. Every opportunity must be taken to encourage ratepayers to provide the information requested.

It is also vital that ratepayers engage directly with the Assessor as it is only through that process that value can be thoroughly discussed. Many valuations contain information that is subject to Data Protection principles and is commercially sensitive. It would be inappropriate for valuations to be discussed in open forum.

While it is understandable that ratepayers wish to raise issues concerning the Revaluation with elected members it is only by direct discussion with the Assessor that a level of understanding can be achieved and matters resolved. There is no hesitation on the part of the Assessor to reduce values if it is felt to do so would be the fair and reasonable course of action and is supported by the evidence available.

Ratepayers should be encouraged to contact their local Assessor whenever the opportunity arises.

6. APPEAL PROCESS

Whether discussions have taken place with the Assessor beforehand or not inevitably ratepayers may be of the view that the rateable value for their property is too high.

In such cases the Valuation Acts provide a legal remedy by way of an appeal process.

Ratepayers have until the 30th September to lodge appeal with their local Assessor against the values that come into effect from the 1st April.

This should be done in writing either by way of letter, e-mail or by going on-line at www.saa.gov.uk.

As part of this process Assessor's staff shall contact the ratepayer in order to discuss the valuation. If no solution can be found the appeal shall proceed to be heard before the Valuation Appeal Committee.

This is a legal court comprised of lay volunteers who shall hear the case as presented by the ratepayer and the Assessor and upon which a decision shall be made.

Graeme Strachan
Interim Assessor & Electoral Registration Officer

February 2017