

# REPORT OF THE VALUER GENERAL

Ensuring an open and  
transparent valuation  
system for the people  
of New South Wales



The Valuer General is a statutory position responsible for land valuations made under the *Valuation of Land Act 1916*.

The Valuer General is the principal valuation adviser to the NSW Government.

The position reports administratively to the Minister of Lands and the Director General of the Department of Lands and is accountable to the Joint Parliamentary Committee on the Office of the Valuer General.

The Valuer General is also responsible for the determination of compensation under the *Land Acquisition (Just Terms Compensation) Act 1991* and the provision of valuation opinions in relation to other state legislation.

**Vision**

The Valuer General's vision is to ensure the delivery of valuation services that are customer focused and outcome driven.

The Valuer General is committed to providing a valuation system that is focused on meeting the needs of a range of stakeholders and to deliver outcomes that are transparent, consistent and provide value for money.

This involves:

- Provision of a quality, cost effective valuation process
- Providing an open and transparent valuation system
- Focusing on continuous improvement as a cornerstone of the valuation system
- Implementing measurable quality standards for valuation services
- Developing good working relationships with stakeholders through

regular consultation and an open communication strategy

- Improved communication with all stakeholders including members of the public
- Providing professional leadership to and liaison with, the valuation industry.

**Parliamentary Committee**

The New South Wales Government established the Joint Parliamentary Committee on the Office of the Valuer General in July 2003 under section 85 of the *Valuation of Land Act 1916*. The primary function of the Committee is to monitor and review the exercise of the Valuer General's functions with respect to land valuations under the *Valuation of Land Act 1916* and the *Land Tax Management Act 1956*. In particular, the Committee monitors the methodologies employed for the purpose of conducting valuations, monitors the arrangements under which valuation service contracts are negotiated and entered into, and monitors the standard of valuation services provided under the contracts.

The Committee conducted a number of meetings with the Valuer General during 2005/06 on the general operations of the Office of the Valuer General and the New South Wales Ombudsman's Investigation and Report titled 'Improving the quality of land valuations issued by the Valuer General'.

The Committee has examined current performance reporting on the Office of the Valuer General and prepared a report titled 'Best Practice Reporting Review', November 2005. The Valuer General has accepted the Committee's recommendation of the production of an annual performance report booklet. The initial booklet is currently being developed with publication expected early 2007.

**Land Valuation Advisory Group**

The Land Valuation Advisory Group, comprising representatives of valuation industry groups and stakeholders, was formed as a result of the 1999 Walton Report. The group's primary focus is to provide advice to the Valuer General on the application of mass land appraisal techniques. The group also provides feedback to the Valuer General on general valuation matters.

The Group met once during the year. The principle outcomes of this meeting were:

- Monitored progress of research to improve the quality of the NSW Valuation System. Matters considered include potential areas of risk for the application of the mass appraisal valuation system; component and benchmark composition; qualitative statistical measures and key performance indicators.
- The review of the Ombudsman's report into the NSW Valuation System, consideration of the recommendations and the processes for improvement.

- Parallel valuation project – A sub committee of the Land Value Advisory Group was formed to oversee a number of independent parallel valuations for the 1 July 2005 general valuation. The parallel valuation project monitored the quality of valuations prepared through the mass valuation system. The project will continue during 2006/07 as part of the quality assurance process.

**Relationship with Land and Property Information**

Land and Property Information (LPI) provide the link between the Valuer General and the valuation service contractors, landowners and the public.

LPI provides a range of valuation services to the Valuer General, including

valuation contract management, auditing of valuations, processing of objections, provision of property information and data to valuation service contractors and the day to day management of valuations completed under the *Land Acquisition (Just Terms Compensation) Act 1991*.

LPI's services to the Valuer General are formalised through a Service Level Agreement.

The Service Level Agreement continues to evolve to provide greater focus on key performance areas and ongoing enhancement of the valuation system.

The agreement covers the areas of valuation services, managing valuation contracts, provision of other valuation services, customer service, external communication and the management of the valuation data and systems.

The Service Level Agreement is current for the 12 months commencing 1 July 2005.

**The valuation process**

Currently within New South Wales there are approximately 2.4 million land valuations produced annually. The Valuer General provides land values to local councils and the Office of State Revenue for rating and land tax purposes.

Land value reflects the market value of the land as at 1 July in the year of valuation, and assumes the land is vacant.

Most land in NSW is valued using the 'component method' of valuation, where properties are placed together and valued in groups called components. The properties in each component are similar, or are expected to reflect changes in value in a similar way.

Valuers will inspect and analyse a large number of sales in a locality to gain an in depth understanding of the real estate market. To assess land value, valuers

may consider both vacant and improved property sales, making adjustments for the added value of improvements.

Representative properties are selected from components and are individually valued each year to determine how much the land value has changed from the previous year. This factor is then applied to all properties in the component to determine their new value. Sample valuations are then checked to confirm that the new values are supported by the market evidence. A proportion of properties will have their land values assessed through individual value verification.

The comparison between the sales and the land being valued will relate to the size of the land and other factors such as services available and the use or potential use of the land.

Other factors relating to comparability could include surrounding development and amenities. These would include both positive factors, such as parks or views, as well as negative factors such as frontage to a busy road in a residential situation.

The independent contract valuers undertaking the valuations for the Valuer General use a range of material and information, including sales evidence, town planning information and deposited plans that allow them to determine accurate valuations.

Each valuation is recorded in the Register of Land Values and to keep valuations consistent, land is valued as at 1 July each year.

*The Valuation of Land Act 1916* contains provisions for the individual review of property values through an objection process.

**Tendering of valuation service contracts**

The Valuer General has the responsibility

to enter into and monitor valuation contracts as part of his statutory duties. All valuations for rating and taxing purposes are undertaken by contractors. The Valuer General retains the statutory responsibility for the final valuation.

The tenth round of Valuation Service Contracts were let in 2005 for contracts commencing as at 1 May 2006. This involved eleven contract areas:

Contract areas	Successful Tenderer
Canterbury/ Bankstown	Southern Alliance Valuations
Goulburn	Benchmark Property Advisory
Lismore	Southern Cross Valuations
North Harbour	Crown Valuation Services
Nyngan	Aspect Property Consultants
Orange	Benchmark Property Advisory
Outer Hunter	Property Valuation Services
Penrith	Property Valuation Services
St George/ Sutherland	Southern Alliance Valuations
Upper North Sydney	Crown Valuation Services
Warringah	Westlink Consulting

A tender evaluation panel, made up of various stakeholder groups, is responsible for evaluating the tenders and providing a recommendation as to the preferred valuation service provider.

**Communication strategy**

The Valuer General continued to implement a new communications strategy that applies to all stakeholders, including rate and land taxpayers. The strategy ensures communication is open and transparent. In addition, the strategy encourages the provision of more information to stakeholders on the valuation process and more detailed information on the property market.

An open and informative approach has been implemented for all correspondence. In addition, priority has been placed on the provision of timely responses to Ministerial enquiries as well as letters received from rate and taxpayers.

Positive feedback has come from stakeholders, including the Office of State Revenue, Local Government and Shires Association, Department of Local Government, the Association of Mining Related Councils, individual councils and individual landowners concerning the more consultative approach to valuation matters.

A newsletter from the NSW Valuer General was developed during 2004 to improve transparency and access to valuation information to members of the public. The positive response to the newsletter has resulted in ongoing publication.

The third newsletter was published in January 2006 and approximately 800,000 copies were distributed with the 1 July 2005 Notices of Valuation. The principle topics covered include an overview of the 2005 valuations, the availability of the general valuation sales report, keeping accurate records and frequently asked questions.

A mailing list has also been established to issue the newsletter by email or post

to interested parties including members of the public and organisations with interests in land valuation.

The fourth newsletter was published in July 2006 and will be distributed by local councils with rates notices. The majority of councils have supported the concept of the newsletter. Approximately 1.2 million newsletters will be distributed.

The Lands' website has continued to be upgraded with improved information to assist rate and taxpayers in understanding how their land value was determined. The newsletter and other publications are now available on the website. Enhancements will be on going and continue throughout 2006.

**Enhancements to the valuation system**

**Land Value and Data Review Project:** In 2004, the Valuer General implemented a pilot study in two local government areas to examine the benefits of reviewing individual land values and associated data. Interim analysis provided evidence of improved accuracy and consistency of land values.

The New South Wales Ombudsman in his 2005 Report, 'Improving the Quality of Land Values Issued by the Valuer General', recommended a structured review similar to the pilot study, be introduced throughout New South Wales. The Valuer General accepted this recommendation and the Government has provided funding for the project. This support for the project recognises the Government's commitment to ensuring the New South Wales valuation system provides valuations that are consistent, accurate and credible.

The project commenced formally on 1 May 2006 and will involve approximately 20% of the 2.4 million land values in New South Wales being reviewed each year.

**General Valuation Sales Report:**

Landowners can now access sales information that has been analysed by an independent valuer in preparing land values for a locality. The report includes the identification of the sale property; legal description; land area; sale price and date, as well as the analysed sale land value and the land value applied. Feedback from the publication of this report has been extremely positive. The report is available from the Lands' website [www.lands.nsw.gov.au/records/](http://www.lands.nsw.gov.au/records/) valuation; as part of the Valuation Objection Kit or by phoning our call centre on 1800 110 038.

**Objection Kit:** The Valuation Objection Kit has been introduced to simplify the objection process and provide guidance in lodging a valid objection. The kit includes a brochure that details the objection process, a fact sheet on what constitutes valid supporting information for objections, a model objection, the valuation objection form and the General Valuation Sales Report. Objection kits are available from the Lands' website at [www.lands.nsw.gov.au/records/](http://www.lands.nsw.gov.au/records/) valuation, Land and Property Information valuation offices or our call centre on 1800 110 038.

**Access to Land Values:** Land values are now available through the Lands' website, [www.lands.nsw.gov.au](http://www.lands.nsw.gov.au), or from Land and Property Information Offices. Current land values are available to landowners free of charge from our call centre on 1800 110 038.

**Valmap:** Contract Managers and independent valuation contractors now have access to thematic mapping. This allows the linking of valuation and spatial data to improve valuation quality and accuracy.

**Legislative reform**

The Valuer General regularly reviews the *Valuation of Land Act 1916* to determine where amendments are required. A number of amendments have been made during 2005/06 to improve the clarity, consistency and application of this legislation. In addition section 76 has been amended to authorise the Valuer General to supply NSW public authorities with information about land valuations. This amendment will bring NSW into line with the supply of information to Commonwealth public authorities.

Further amendments will continue to be considered as the Valuer General strives for increased transparency and clarity within the *Valuation of Land Act 1916*.

**CHALLENGES FOR THE FUTURE**

**Pricing of valuation services**

The Valuer General, in consultation with the State Government, local government and the Independent Pricing and Regulatory Tribunal (IPART), is seeking a review of pricing for valuation services to Treasury and local government. The last review occurred in July 1996.

It is proposed that the review will commence in 2007, with any adjustment to pricing being reflected for the financial year commencing 1 July 2008.

**Review of roles and responsibilities – valuation contractors and Land and Property Information**

It is essential that the quality of valuation outcomes continuously improve to meet the increased expectations

of all stakeholders. Integral to the improvement in the quality of valuation outcomes is the role of the valuation service contractor (VSC's) and the contract managers within LPI.

New processes and policies have been developed in consultation with VSC's and LPI to ensure that there is improved rigor in the valuation and audit processes. This will include ongoing auditing of the valuation process during the year, as well as the development and implementation of an integrated valuation and mapping facility. The result will be improved valuation accuracy and work process efficiencies.

**Water Management Act 2000**

The *Water Management Act 2000* allows for the separation of water rights from the land title. Previously, water rights were included in valuations prepared under the *Valuation of Land Act 1916*. The new legislation requires the value attributable to a water access licence, not be included in the land value of a property. New valuations are being determined on a progressive basis, with completion scheduled for December 2006.

**New South Wales Ombudsman's investigation**

The New South Wales Ombudsman, published in October 2005, a report, 'Improving the Quality of Land Values Issued by the Valuer General'. This comprehensive report provided a total of 38 recommendations. The Valuer General has welcomed the recommendations which will assist in providing further enhancements to the valuation system.

The Valuer General has implemented the majority of the recommendations

that are within his jurisdiction. One of the principle recommendations is the implementation of the Land Value and Data Review Project. This project is discussed more fully in 'Enhancements to the Valuation System.'

**Enhancement of valuation quality**

In the Valuer General's continued drive to improve the quality of valuations for the benefit of all stakeholders, there are a number of key projects that continued to receive focus and commitment during 2005/06. This included providing clearly defined roles, responsibilities and accountabilities for valuation service contractors and LPI contract managers; the implementation of an integrated mapping and valuation system; the implementation of ongoing valuation audits and independent parallel valuations.

An ongoing research project in conjunction with the University of Western Sydney was instigated to examine and improve various aspects of the valuation system, including the composition of valuation components; benchmark selection and review; and the improved application of qualitative statistical techniques. The initial contract term is for 12 months.

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Key performance outcomes	Target	2004/05	2005/06
<b>Ratepayers</b>			
% Notices of Valuation issued within 31 days	95%	86%	95%
% Notices of Valuation for general valuation issued to property owners by 16 January	100%	100%	49% <sup>1</sup>
<b>Councils</b>			
% general valuation land values issued to relevant councils by 30 November	100%	100%	64% <sup>2</sup>
% supplementary valuations to councils within 31 days	95%	95%	95%
<b>Office of State Revenue</b>			
% objections to land tax assessment to be completed within 90 days	50%	55%	30%
% objections to land tax processed within 180 days	95%	84%	69%
% objections to land tax, where land value is greater than \$1 million, within 120 days	95%	55%	40%
% new land values issued to all property in NSW to OSR by 16 November	100%	100%	99% <sup>3</sup>
<b>Supplementary Valuations</b>			
Total supplementary valuations issued		46,806	41,987
Average days to complete	< 95 days	82 days	100 days
Average number of days to return from contractor	< 45 days	27 days	31 days
% supplementary valuations returned from valuation contractor within 45 days	95%	92%	86%
<b>Total Valuations Prepared (Register of Land Values)</b>		2,380,417	2,394,352
<b>Valuations Issued (Rating and Land Tax)</b>		1,413,362 <sup>4</sup>	1,097,000 <sup>5</sup>
<b>Objections</b>			
Number received		16,515 <sup>6</sup>	8,559 <sup>7</sup>
Objections received as a % of valuations issued		1.17%	0.78%
Number completed (all valuing years)		10,179	14,420
Average number of days to complete	< 90 days	116 days	157 days
% completed within 90 days	90%	52%	26%

1 Release of Notices of Valuation delayed to avoid Christmas/New Year period.

2 Does not include 6 LGAs which were subject to water separation valuations.

3 Does not include 6 LGAs which were subject to water separation valuations.

Very little land tax liable properties in those LGAs.

4 Date of valuation 1 July 2004

5 Date of valuation 1 July 2005

6 Date of valuation 1 July 2004

7 Date of valuation 1 July 2005



Philip Western  
Valuer General