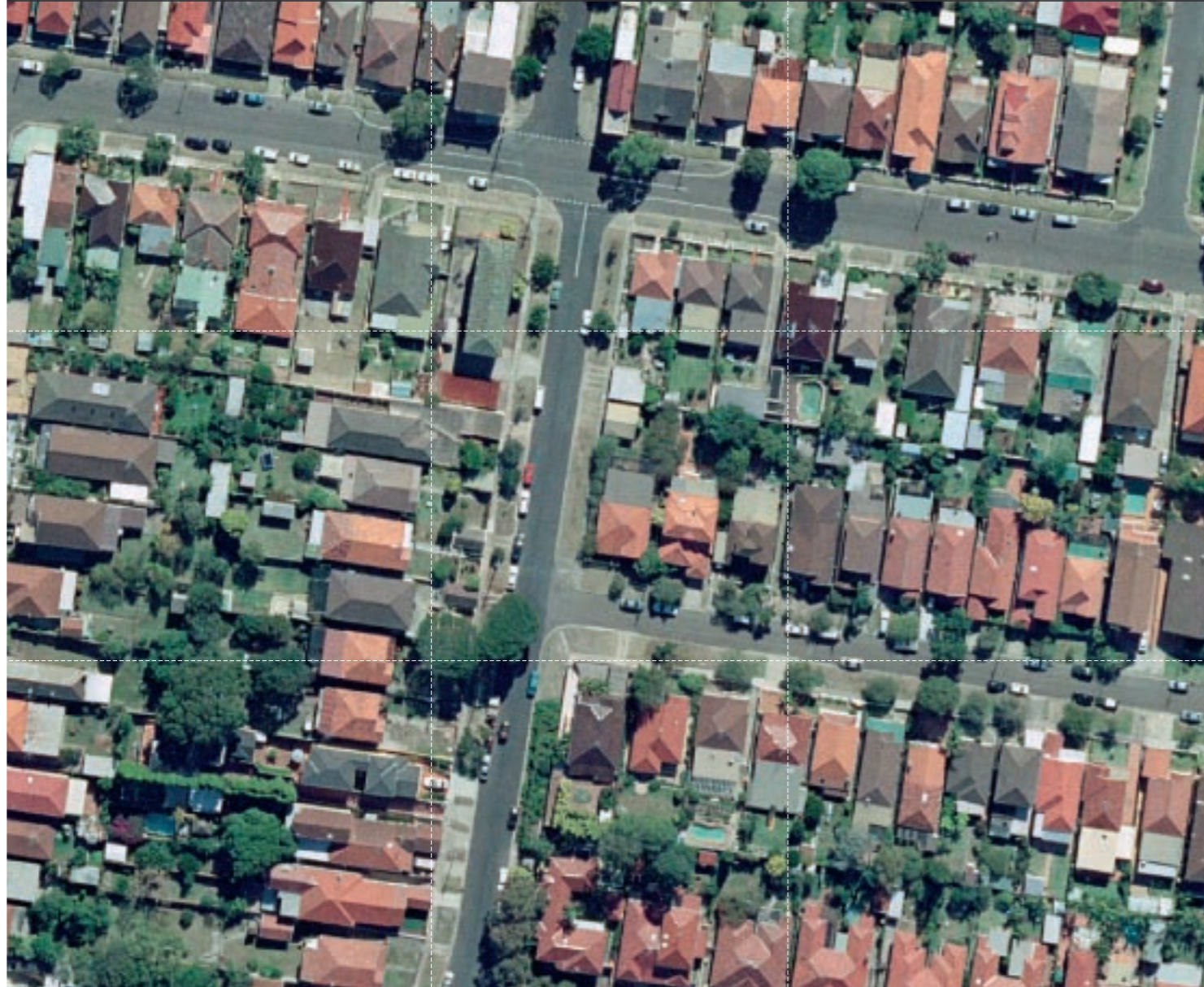


Valuer General's Report

Ensuring an open and transparent valuation system for the people of NSW

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

The Valuer General oversees the valuation process managed by the Department of Lands to ensure the accuracy, consistency and transparency of land values for all stakeholders.

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 delivering outcomes that are accurate, consistent, transparent and provide value for money.

Objectives

- provide a quality, cost effective valuation process
- provide an open and transparent valuation system
- focus on continuous improvement as a cornerstone of the valuation system
- implement measurable quality standards for valuation services
- develop good working relationships with stakeholders through regular consultation and an open communication strategy
- improve communication with all stakeholders including members of the public
- provide professional leadership to and liaison with, the valuation industry.

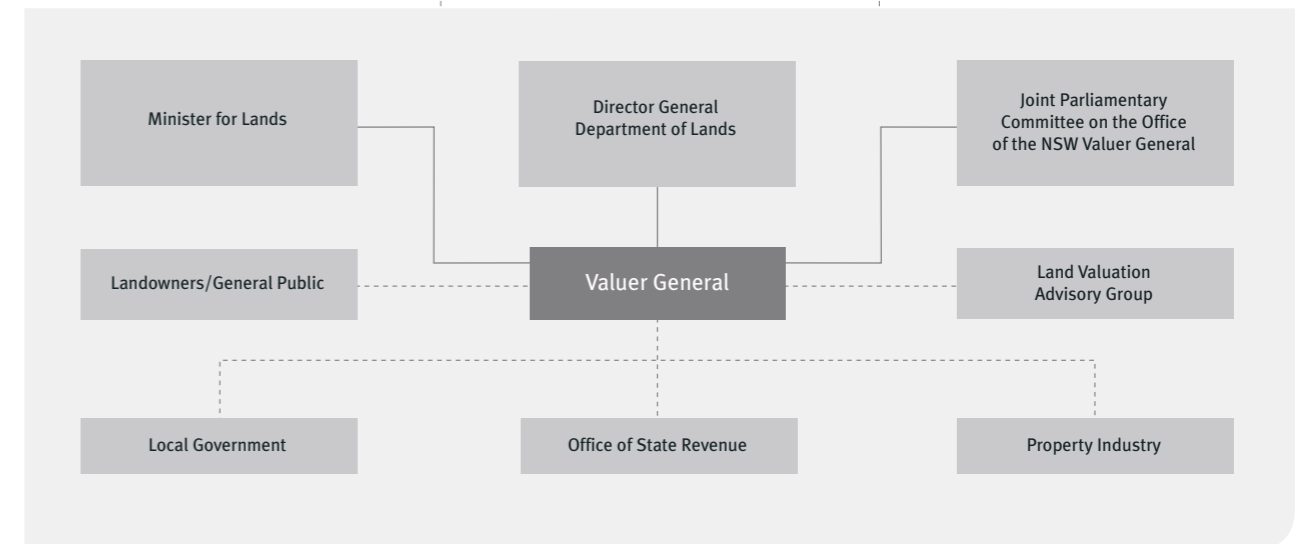
Valuation process

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

Land value reflects the market value of the land as at 1 July in the year of valuation and is based on the land being 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.

Each valuation is recorded in the Register of Land Values.



Valuer General's Report

Governance

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 Lands and is accountable to the Joint Parliamentary Committee on the Office of the Valuer General.

Parliamentary Committee

The NSW 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, the arrangements under which valuation service contracts are negotiated and entered into, and the standard of valuation services provided under the contracts.

The Valuer General attended two formal meetings and two informal briefing sessions with the committee to answer questions and update the committee regarding improvements to the valuation system.

Matters addressed at the formal meetings included:

- objection management
- valuation contract management
- valuation service pricing
- valuation information to the public including information for strata owners
- monitoring the implementation of

recommendations from the October 2005 Report of the Ombudsman 'Improving the Quality of Land Valuations issued by the Valuer General'

- valuation information provided to strata owners
- development of an annual performance report.

Land Valuation Advisory Group

The Land Valuation Advisory Group, comprises representatives of valuation industry groups and stakeholders. 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 twice during the year. Principal matters for discussion, consideration and advice were:

- the implementation of the recommendations of the October 2005 Report of the Ombudsman 'improving the Quality of Land Valuations issued by the Valuer General'
- objection review process
- parallel valuation project
- integration of Property Valuation Services (Department of Commerce) with Land and Property Information (Department of Lands)
- availability of information to the public
- pricing of valuation services
- input into the development of a performance report for the Valuer General
- frequency of valuations.

Structure of the Office of the Valuer General

The Office of the Valuer General comprises the Valuer General and four permanent staff.

During 2006/07 a new senior position of Program Manager – Valuation Standards and Quality was created within the Office of the Valuer General. This position will provide the Valuer General with independent expert valuation advice and provide increased transparency of valuation policy advice within the valuation system.

Land and Property Information Division

The Land and Property Information Division (LPI) manages the valuation system under the governance of the Valuer General. LPI provides the link between the independent valuation service contractors and the Valuer General.

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 agreement for the next 12 months commences 1 July 2007.

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, valuation accuracy and consistency, data quality and the management of valuation data and systems, management of valuation contracts, provision of other valuation

services, customer service and external communication. Refer to LPI's Valuation Services report on page 40 for details on performance outcomes.

Report on Performance Tending of valuation service contracts

All valuations for rating and taxing purposes are undertaken by independent contractors. The Valuer General retains the statutory responsibility for the final valuation.

Until February 2007, the Valuer General had the responsibility to enter into and monitor valuation contracts as part of his statutory duties.

Responsibility for rating and taxing valuation tenders and contracts has now been transferred from the Valuer General to LPI. This improves transparency, reinforcing the separation of the roles of the Valuer General and LPI.

Property Valuation Services (PVS) (Department of Commerce) has withdrawn from the provision of rating and taxing valuations as at 1 March 2007. A total of 15 rating and taxing contracts, previously serviced by PVS were put to tender.

The eleventh round of Valuation Service Contracts were let commencing as at 1 March 2007. This involved 20 contract areas (see table).

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

The Valuer General continued to implement an improved communications strategy that applies to all stakeholders, including rate payers and land tax clients. 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 including or resulting in:

- positive feedback continues 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, as well as individual landowners concerning the more consultative approach to valuation matters
- an open and informative approach to all correspondence
- priority is placed on Ministerial enquiries being answered with a thorough and timely response
- priority is placed on answering enquiries from landowners with a thorough and timely response
- the Valuer General's newsletter, developed in 2004 to improve access to valuation information, has continued to receive positive feedback and increasing support from local councils
 - the fourth newsletter was published in July 2006 and approximately 1.2 million copies were distributed by local councils with rates notices
 - the fifth newsletter published in January 2007 was distributed with 1 July 2006 Notices of Valuation, issued in January 2007 (approximately 820,000 copies were issued)

Tender outcomes - 1 March 2007	
Contract area	Contractor
Bathurst	Aspect Property Consultants
Parramatta	Crown Valuation Service
Coffs Harbour	Inland Pacific Property Group
Bega	Langshaw Valuations
Penrith	Lunney Watt & Assoc
Sydney East	MVS Valuers Australia
Griffith	Quotable Value Australia
Queanbeyan	Quotable Value Australia
Sydney City	Quotable Value Australia
Wagga Wagga	Quotable Value Australia
Wollondilly	Quotable Value Australia
Deniliquin	Riverlink Valuers
Maitland	Robertson & Robertson
Burwood	Southern Alliance Valuation Services
Campbelltown	Southern Alliance Valuation Services
Taree	Tim Haffner & Assoc
Muswellbrook	Tremain Prowse
New England	Tremain Prowse
Tweed/Byron	Valuers Australia
Shoalhaven	Walsh and Monaghan

Valuer General's Report

- approximately 1.5 million copies of the sixth newsletter will be distributed by councils during July 2007
- the newsletter is distributed to all members of the NSW Parliament and through the Valuer General's mailing list
- the newsletter is also available on Lands' website www.lands.nsw.gov.au
- the brochure Your Objection Guide and improved objection form were developed in 2006 to assist landowners in lodging a valid objection. The new brochure provided detailed information about the objection process and examples of both valid and invalid objection criteria
- in 2007 we improved access to the objection process through landowners being able to lodge their objection online
- a fact sheet has been developed to assist landowners in understanding their Notice of Valuation
- an email address for feedback about the valuation system has been promoted to assist landowners and members of the public to contact the Valuer General about the valuation system
- Lands' website has continued to be upgraded with improved information to assist rate payers and tax clients in understanding how their land value was determined. Individual land values and the general valuation sales report are available through the website. Our publications are also available on the website. Enhancements to the website are ongoing.

Land Value Verification 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. Analysis provided evidence of improved accuracy and consistency of land values.

The NSW Ombudsman in his 2005 report, 'Improving the Quality of Land Values Issued by the Valuer General', recommended a structured review of land values across NSW, similar to the pilot study, be introduced.

With the support of the NSW Government, the Valuer General implemented the Land Value Verification Project on 1 May 2006 as part of the drive to enhance the quality of land values. Over the five year period of the project all land values and attributable data will be reviewed. The project will involve approximately 20% of the 2.4 million land values in NSW being reviewed each year.

In the period 1 May 2006 to 30 April 2007 the project reviewed 19.3% of land values within the state.

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*.

Legislation now requires land values for irrigated rural land to ignore the added value of any water secured by a water right.

The Valuer General has issued all affected councils and landowners with new land values that ignore the existence of water access licences. The Valuer General has met with and assisted councils with the

implementation of the new land values for rating purposes.

Ombudsman's investigation

The NSW Ombudsman published a report in October 2005, 'Improving the Quality of Land Values Issued by the Valuer General'. This comprehensive report provided a total of 38 recommendations, of these 33 were the responsibility of the Valuer General. All 33 have now been implemented.

Objection Processing Group

The Valuer General is focused on improving the objection component of the valuation system. In January 2007 a new team specifically focused on processing objections and improving service to landowners was set up. The team has implemented new processes and continues to work towards improving objection processing. The review process will have improved transparency with landowners having access to the report prepared by the independent contract valuer reviewing the objection.

Statistical research

The research project in conjunction with the University of Western Sydney to examine and improve aspects of the valuation system including the composition of valuation components, benchmark selection and review, and the improved application of qualitative statistical techniques is continuing.

Business rule recommendations around increasing the number of benchmark and representative properties are being considered.

Research into further qualitative analysis tools for measuring valuation outcomes is occurring.

Legislation

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 2006/07 to improve the clarity, consistency and application of this legislation.

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 local government. The last review occurred in July 1996.

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

Water Management Act 2000

In accordance with the *Water Management Act 2000*, the Valuer General will continue to provide councils with assistance to implement the new land values that ignore the existence of water access licences.

Enhancement of valuation quality

Work will continue towards improving the quality of valuations for the benefit of all stakeholders. Key projects:

- land value verification project
- review of the selection criteria and number of benchmark properties used in the valuation process

- parallel valuation project
- development of qualitative analysis tools for measuring valuation outcomes
- ongoing valuation audits.

Benchmarking of the valuation system

The Valuer General is committed to ensuring that the NSW valuation system is efficient in terms of cost, valuation quality and outcomes when measured against other leading valuation jurisdictions in Australia and the world.

Customer satisfaction surveys

Critical to the success of the valuation system is feedback from stakeholders, including landowners. The Valuer General, in conjunction with LPI will, in 2007, commence development of a customer satisfaction survey to gain a better understanding of the services and outcomes provided from the system.

The objection process

The improvement of objection processing times is a priority. The results of the new procedures developed and implemented from January 2007 will be closely scrutinised to ensure that the review of land values through the objection process are undertaken thoroughly and decisions with supporting information are provided to stakeholders in a timely manner.



Philip Western
Valuer General

Valuer General's Report

Indicators	Target	2004/05	2005/06	2006/07
Ratepayers				
% Notices of Valuation issued within 31 days	95%	86%	95%	98.2%
% Notices of Valuation for general valuation issued to property owners by 16 January	100%	100%	49%	100% ¹
Councils				
% general valuation land values issued to relevant councils by 30 November	100%	100%	64%	100%
% supplementary valuations to councils within 31 days	95%	95%	95%	96.4%
Office of State Revenue				
% objections to land values for land tax completed within 90 days	30%	55%	30%	8%
% objections to land values for land tax completed within 180 days	75%	84%	69%	27%
% objections to land values for land tax, where land value is greater than \$1m, within 120 days	95%	55%	40%	20%
% new land values issued to all property in NSW to OSR by 16 November	100%	100%	99%	100%
Supplementary Valuations				
Total supplementary valuations issued		46,806	41,987	40,350
Average days to complete	< 95 days	82 days	100 days	85 days
Average number of days to return from valuation contractor	< 45 days	27 days	31 days	26 days
% supplementary valuations returned from valuation contractor within 45 days	95%	92%	86%	87%
Total Valuations on Register @ 30 June		2,380,417 ²	2,394,352 ²	2,389,193
Valuations Issued (Rating and Land Tax)		1,413,362	1,097,000	1,508,534
Objections				
Number of objections received		16,515	8,559	11,133 ³
Number of objections received as a % of valuations issued		1.17%	0.78%	0.74%
Number of objections completed (all valuing years)		10,179	14,420	12,023
Average number of days to complete objections	< 90 days	116 days	157 days	169
% of objections completed within 90 days	90%	52%	26%	8%

1. The date for issuing Notices of Valuations has been changed to 9 February to avoid Christmas/New Year period.
2. These figures represent the total valuations prepared for all valuation dates during 2004/05 and 2005/06. The basis for calculation has changed to the total valuations on Register of land values at 30 June.
3. The basis for calculation has changed to the total objections received during the year for all valuing years therefore the number of objections has risen.

Land and Property Information Division Report

Providing fundamental land and property data which underpins a vibrant and robust NSW property market

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