

## Report of the Valuer General

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

As Valuer General, I am 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 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**.

As Valuer General, I am 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 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, 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 2004-05 on the general operations of the Office of the Valuer General and on land valuation methodology in particular.

The First General Meeting of the committee and the Valuer General was held in October 2004, with the Second General Meeting being held in May 2005.

### 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 twice during the year. The principle outcomes of these meetings were:

- Supported the Valuer General's proposal to commission further research to identify and examine factors that should be taken into account in deciding whether property valuations should be handcrafted; future areas of risk for the application of mass appraisal valuation; component and benchmark composition; additional qualitative statistical measures.
- Discussion with Kaye Griffin MLC (Chair - Parliamentary Committee on the Office of the Valuer General) on the role of the committee and the group.
- Commitment of the group to implement independent parallel valuations in conjunction with the 1 July 2005 general valuation.
- Development of provisions for contractors to assume greater accountability and responsibility for risk in the compilation of land values.

A small working group was formed to oversee the implementation of the independent parallel valuations for the 1 July 2005 general valuation. This group met on two occasions during the reporting period.

Parallel valuations were commissioned over a range of property types and locations, throughout New South Wales.

**Relationship with Land and Property Information**

Land and Property Information (LPI) provide the link between the Valuer General and the valuation service contractors, rate/taxpayers 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 has undergone extensive review to provide greater focus on key performance areas and ensure the continuous development of a quality 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 2004.

**The Valuation Process**

Currently within New South Wales there are approximately 2.4 million land valuations produced annually by the Valuer General. These are provided principally for rating and land tax purposes.

Land value refers to the value of the land only and does not include the value of improvements to the property such as a home. It does not generally reflect the price that could be obtained for the sale of the property.

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 likely to change 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.

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 uses to which the land may be or is being put.

Other factors relating to comparability could include surrounding developments 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 ninth round of Valuation Service Contracts were let in 2004 for contracts commencing as at 1 May 2005. This involved nine contract areas:

#### Contract areas Contractor

Wollongong	Crown Valuation Services
Blacktown	Crown Valuation Services
Newcastle	Dupont Valuation and Property Research
Central Coast	Robertson and Robertson
Coffs Harbour	Property Valuation Services
Bega	Property Valuation Services
New England	Property Valuation Services
Dubbo	Aspect Property Consultants
Albury	Quotable Value Australia

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

I have continued to implement a new communications strategy that applies to all stakeholders, including rate and 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.

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.

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.

A newsletter from the Office of the Valuer General was developed during 2004 and taken up by a large number of Councils for distribution to approximately 660,000 ratepayers. The principle topics covered in the newsletter included an explanation of the valuation methodology,

improvements being made to the valuation system and the opportunity for rate and taxpayers to provide suggestions for further improvements to the valuation system.

A second newsletter was published in June 2005, and distributed by Councils to approximately 1.35 million property owners. Positive feedback in response to the first newsletter resulted in a significant increase in the number of Councils requesting the newsletter.

Feedback supports the publication of the newsletter at least once per annum.

The Lands website has continued to be upgraded with improved information to assist rate and taxpayers in understanding how their land value was determined. These enhancements will be on going and continue throughout 2005.

### Legislative Reform

The Valuer General regularly reviews the Valuation of Land Act 1916 to ascertain where amendments are required.

Section 33 of the Valuation of Land Act 1916 was amended to require rate and tax payers objecting to their valuation to complete a standardised objection form. This has assisted objectors in focusing on what their concerns are and in providing additional supporting information in relation to their objection. The implementation of the form has also greatly improved the processing times for the receipt and review of objections.

Further amendments will continue to be considered as I strive for increased transparency and clarity within the Valuation of Land Act 1916.

### Challenges for the future

#### Pricing of Valuation Services

As Valuer General, in consultation with local government and the Independent Pricing and Regulatory Tribunal, I am reviewing the pricing of valuation services to local government. The last review occurred in July 1996. This review is being undertaken in conjunction with an overall review of pricing for valuation services to various stakeholders.

In consultation with local government and the Independent Pricing and Regulatory Tribunal, a framework for consultation and timing of discussions and decisions will be developed during 2005. This will be followed by a pricing review.

It is proposed that the review will be completed by March 2006, to ensure that any price adjustments can be included within individual Council's 2006-07 Management Plans.

**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 on going 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. Currently water rights are included in valuations prepared under the Valuation of Land Act 1916. There is a need to ensure that the value attributable to a water access licence, that is currently included in some rural land valuations, is removed to reflect the new legislation. This will be undertaken on a progressive basis, with completion scheduled for March 2006, to ensure that Councils have the amended land valuations to utilize for rating purposes for the year commencing 1 July 2006.

**New South Wales Ombudsman's Investigation**

The New South Wales Ombudsman, is currently undertaking an investigation of the valuation system, with focus being on, (a) the quality control assurance measures employed by the Valuer General to ensure the accuracy of valuations; and (b) an examination of the handling of objections to valuations including the provision of information to potential and actual objectors.

The Valuer General welcomes the investigation and any recommendations that will assist in providing further improvements to the valuation system.

**Enhancement of Valuation Quality**

In my continued drive to improve the quality of valuations for the benefit of stakeholders, there are a number of key projects that will require focus and commitment during 2005 - 2006. These will include 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 on going valuation audits and independent parallel valuations.

A 12 month research project in conjunction with the University of Western Sydney will be 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.

## Key performance outcomes period 1 July 2004 - 30 June 2005

Ratepayers	Target	Actual
<ul style="list-style-type: none"> <li>• % Notices of Valuation issued within 31 days</li> </ul>	95%	86.1%
<ul style="list-style-type: none"> <li>• % Notices of Valuation for general valuation issued to property owners by 16th January 2005</li> </ul>	100%	100%
<b>Councils</b>		
<ul style="list-style-type: none"> <li>• % general valuation land values issued to relevant Councils by 30th November 2004</li> </ul>	100%	100%
<ul style="list-style-type: none"> <li>• % supplementary valuations to councils within 31 days</li> </ul>	95%	95.4%
<b>Office of State Revenue</b>		
<ul style="list-style-type: none"> <li>• % objections to land tax assessment to be completed within 90 days</li> </ul>	50%	52%
<ul style="list-style-type: none"> <li>• % objections to land tax be processed within 180 days</li> </ul>	95%	81%
<ul style="list-style-type: none"> <li>• % objections to land tax, where land value is greater than \$1 million, within 120 days.</li> </ul>	95%	61%
<ul style="list-style-type: none"> <li>• % new land values issued for all property in NSW to OSR by 16 November 2004.</li> </ul>	100%	100%
<b>Supplementary Valuations</b>		
<ul style="list-style-type: none"> <li>• Total supplementary valuations issued</li> </ul>		46,806
<ul style="list-style-type: none"> <li>• Average days to complete</li> </ul>	< 95 days	82 days
<ul style="list-style-type: none"> <li>• Average number of days to return from Contractor</li> </ul>	< 45 days	27 days
<ul style="list-style-type: none"> <li>• % supplementary valuations returned from valuation contractor within 45 days</li> </ul>	95%	92%
<b>Objections</b>		
<ul style="list-style-type: none"> <li>• Number received:</li> </ul>		16,515
<ul style="list-style-type: none"> <li>• Number completed:</li> </ul>		10,179
<ul style="list-style-type: none"> <li>• Average number of days to complete</li> </ul>	< 90 days	116 days
<ul style="list-style-type: none"> <li>• % completed within 90 days</li> </ul>	90 %	52 %



**Philip Western**  
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