

Valuer General's REPORT 2

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

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VALUER GENERAL'S Report

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 for 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.

- 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.

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 mass valuation approach, where properties are 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.

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.

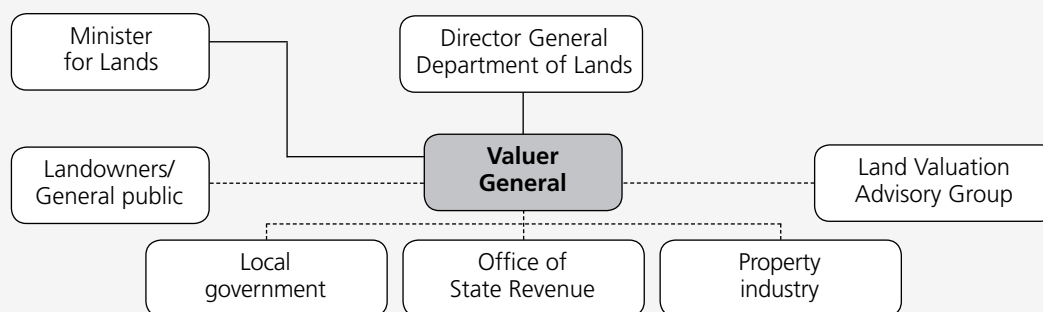
Valuation process

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

Governance

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

The position reports administratively to the Minister for Lands and the Director General of the Department of Lands.



“ 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 ”

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 once during the year. Principal matters for discussion, consideration and advice were:

- the 1 July 2007 valuations
- the ongoing parallel valuation project
- the objection process
- the outsourced valuation call centre
- the structure of Land and Property Information (LPI)
- rating and taxing valuation tenders
- progress on the implementation of the Ombudsman's recommendations
- pricing of valuation services
- the review of the *Valuation of Land Act 1916*.

Structure of the Office of the Valuer General

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

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 on 1 July 2008.

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 page 34 for details on performance outcomes.

Report on performance

Tendering 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.

Responsibility for rating and taxing valuation tenders and contracts was transferred from the Valuer General to LPI in February 2007. This improved transparency and reinforced the separation of the roles of the Valuer General and LPI.

NSW is organised into 36 mass valuation contract areas for rating and taxing purposes. Following a competitive tendering process, LPI entered into new contracts for six contract areas which commenced on 1 March 2008.

New valuation service contracts commencing from 1 March 2008

Contract area	Contractor
Albury	Westlink Consulting
Blacktown	Crown Valuation Services
Central Coast	Robertson & Robertson
Dubbo	Aspect Property Consultants
Newcastle	Robertson & Robertson
Wollongong	Crown Valuation Services

Tenders were also let for the independent review of objections received. This resulted in 78 valuation contractors completing approximately 8,814 objection reviews during the year.

Communication

The Valuer General continued to implement an improved communications strategy that applied to all stakeholders, including ratepayers and land tax clients. The strategy ensured communication was open and transparent. In addition, the strategy encouraged the provision of more information to stakeholders on the valuation process and more detailed information on the property market including or resulting in:

- continuing positive feedback 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 on the consultative approach to valuation matters
- an open and informative approach to all correspondence

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- priority being placed on Ministerial enquiries being answered with a thorough and timely response
- priority being placed on answering enquiries from landowners with a thorough and timely response
- the Valuer General's newsletter, has continued to receive positive feedback and increasing support from local councils
 - the sixth newsletter was published in July 2007 and approximately 1.2 million copies were distributed by local councils with rates notices
 - the seventh newsletter published in January 2008 was distributed with 1 July 2007 Notices of Valuation, issued in January 2008 (approximately 700,000 copies were issued)
 - 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 the Department of Lands' website www.lands.nsw.gov.au/valuation
- enhancements to the brochure *Your land value review guide* (previously *Your objection guide*) and the valuation objection form to further assist landowners in lodging a valid objection. The revised booklet provides more detailed information about the objection process
- over 37 per cent of objections in 2008 were lodged by landowners using the online objection facility
- an email address for feedback about the valuation system continues to be promoted to assist landowners and members of the public to contact the Valuer General about the valuation system
- the Department of Lands website continuing to be upgraded with improved information to assist ratepayers and land tax clients in

understanding how their land value was determined. Individual land values and the general valuation sales report are available through the website. Other publications are also available on the website. Enhancements to the website are ongoing. A full review of the valuation section of the website commenced in June 2008.

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.

The project is on track to meet the 40% target of verified land values in the period 1 May 2006 to 30 April 2008.

Water Management Act 2000

The *Water Management Act 2000* allows for the separation of water rights from a 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 titled, *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 is focusing on the timely completion of objection reviews, providing greater transparency in the decision making process and in advice to landowners. The team has implemented new processes and continues to work towards improving objection processes. The objection review process now provides improved transparency and landowners are provided with a valuation objection report prepared by the independent contract valuer reviewing the objection.

Statistical research

The Valuer General in conjunction with

the University of Western Sydney is conducting a research project to examine and improve aspects of the valuation system. These include 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 to improve valuation accuracy and consistency have been implemented.

Research into further qualitative analysis tools for measuring valuation outcomes continues.

Legislation

The Valuer General regularly reviews the *Valuation of Land Act 1916* to determine where amendments are required. Amendments will continue to be considered as the Valuer General strives for increased transparency and clarity within the *Valuation of Land Act 1916*.

Pricing of valuation services

The Valuer General, in consultation with the state government, local government and the Independent Pricing and Regulatory Tribunal (IPART), has sought a review of pricing for valuation services to local government. The last review occurred in July 1996.

IPART commenced the review in 2007. A final pricing determination is expected by 31 July 2008.

Customer satisfaction survey

Feedback from stakeholders, including landowners, is critical to the success of the valuation system. In 2008 the Valuer General commissioned an independent research company to conduct a survey

to measure the level of landowners' satisfaction with the valuation call centre and follow up contact from LPI.

Initial findings from the survey show that customers had an overall high satisfaction level with both the outsourced call centre and LPI's follow up action.

It is intended that the results be used as a benchmark of services and that a further survey be conducted in the future.

Challenges for the future

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.

The Valuer General is currently providing guidance to a working group of affected councils and the Department of Local Government examining possible changes to what improvements are included in the land value for rating purposes.

Enhancement of valuation quality

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

- the land value verification project
- review of the selection criteria and number of benchmark properties used in the valuation process
- the parallel valuation project
- the development of qualitative analysis tools for measuring valuation outcomes
- ongoing valuation audits.

Valuation system benchmarking

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 overseas.

The Valuer General is working closely with several overseas and Australian state valuation jurisdictions in a drive to further improve the NSW valuation system, the quality of land values and the delivery of efficient valuation outcomes.

Customer satisfaction surveys

In 2008/09 the Valuer General, in conjunction with LPI, will continue to research levels of customer satisfaction in order to gain a better understanding of the services and outcomes provided from the valuation system.

The objection process

The improvement of objection processing times and the transparency of how decisions are made remains a priority. The results of the new procedures developed and implemented in 2007/08 will be closely scrutinised to ensure that the review of land values through the objection process are undertaken efficiently, thoroughly and decisions with supporting information are provided to stakeholders in a timely manner.



Philip Western
Valuer General

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Indicators	Target	2004/05	2005/06	2006/07	2007/08
Ratepayers					
% Notices of Valuation issued within 31 days	95%	86%	95%	98.2%	89.7%
% Notices of Valuation for general valuation issued to property owners by 16 January	100%	100%	49%	100%	15.3% ¹
Councils					
% general valuations land values issued to relevant councils by 30 November	100%	100%	64%	100%	80%
% supplementary valuations to council within 31 days	95%	95%	95%	96.4%	95.4%
Office of State Revenue					
% objections to land values for land tax completed within 90 days	30%	55%	30%	8%	6%
% objections to land values for land tax completed within 180 days	75%	84%	69%	27%	30%
% objections to land values for land tax, where land value is greater than \$1m, within 120 days	95%	55%	40%	20%	24%
% new land values issued to all property in NSW to OSR by 16 November	100%	100%	99%	100%	100%
Supplementary valuations					
Total supplementary valuations issued	-	46,806	41,987	40,350	52,150 ²
Average days to complete	< 95 days	82 days	100 days	85 days	71 days
Average number of days to return from valuation contractor	< 45 days	27 days	31 days	26 days	20 days
% supplementary valuations returned from valuation contractor within 45 days	95%	92%	86%	87%	95%
Total valuations on Register at 30 June	-	2,380,417³	2,394,353	2,389,193	2,403,557
Valuations issued (Rating and Land Tax)	-	1,413,362	1,097,000	1,508,534	1,456,741
Objections					
Number of objections received	-	16,515	8,559	11,133 ⁴	6,660
Number of objections received as a % of valuations issued	-	1.17%	0.78%	0.74%	0.45%
Number of objections completed (all valuing years)	-	10,179	14,420	12,023	9,770
Average number of days to complete objections	< 90 days	116 days	157 days	169 days	140 days
% of objections completed within 90 days	90%	52%	26%	8%	16%

1. The date for issuing Notices of Valuations has been changed to 9 February to avoid Christmas/New Year period. Service Level Agreement has a date of 8 February – using this date the result was 100%.

2. Increase from past years - includes 'changed verified values'.

3. 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.

4. 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.