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2 THE VALUER GENERAL'S REPORT

ENSURING AN OPEN AND TRANSPARENT VALUATION SYSTEM FOR THE PEOPLE OF NSW



Valuer General

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Philip Western is the principal advisor to the NSW Government on valuation issues.

Philip has been responsible for overseeing some significant enhancements to the NSW valuation system, in a drive to improve the quality of land values and communication with the public.

Previously Philip worked extensively in senior management roles in the field of rating and taxation valuations.

Philip is a fellow of the NSW division of the Australian Property Institute (API), the NSW National Councillor on the National API Board and was recently elected as the National Junior Vice President of the API.

Philip is a member of the advisory board for the Canadian based International Property Tax Institute.

In his spare time, Philip is President of the Board of NSW Gymnastics and a member of the NSW Rhythmic Gymnastics Sports Management Committee.

The Valuer General oversees the valuation process managed by Land and Property Information, Department of Lands to ensure fair, consistent and transparent land values for all stakeholders.



The Valuer General is a statutory position responsible for:

- the provision of fair and consistent land values for rating and taxing purposes made under the *Valuation of Land Act 1916*
- determination of compensation following compulsory acquisition of land under the *Land Acquisition (Just Terms Compensation) Act 1991*
- the provision of specialist valuation and property advice to government.

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 timely outcomes that are fair, consistent, transparent and provide value for money.

OUTCOMES

- A quality, cost effective valuation process.
- An open and transparent valuation system.
- Our focus remains on continuous improvement as a cornerstone of the valuation system.
- We measure the quality of our valuation services through recognised quality standards and international benchmarks.
- Working relationships with our stakeholders are founded on regular consultation and open communication.
- Improved communication with all stakeholders including members of the public.
- The provision of professional leadership and stewardship to the valuation industry by the Valuer General.

VALUATION

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, as well as a number of other government agencies.

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.

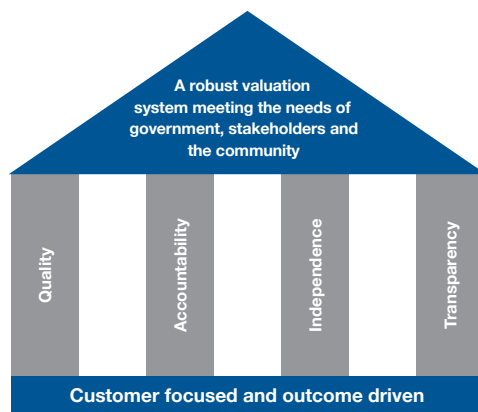


FIGURE 9 | Valuation system

Land and Property Information division

The Valuer General oversees the valuation process managed by Land and Property Information (LPI). 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 the management of valuation contracts, the provision of information to contract valuers, the objection review process, the provision of information to stakeholders, as well as auditing and ensuring the quality of land values 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 2009.

The 2008/09 agreement covered areas including valuation services, valuation accuracy and consistency, data quality and customer service. Refer to LPI's Valuation Services report on page 30 for details on performance outcomes.

GOVERNANCE

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

The Committee on the Office of the Valuer General monitors and reviews the functions of the Valuer General.

Parliamentary committee

The Committee on the Office of the Valuer General was first established in July 2003 as a joint statutory committee and operated until the end of the 53rd Parliament in early 2007.

The committee was re-established in the 54th Parliament on 25 September 2008 as a joint standing committee, by resolution of the Parliament.

The committee comprises five members, including two members of the Legislative Council and three members of the Legislative Assembly.

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 can monitor valuation methodologies, the arrangements under which valuation contracts are negotiated and entered into, and the standard of valuation services provided under such contracts.

The committee has met with the Valuer General and examined the general operations of the valuation system and reviewed issues raised by the previous committee.

The committee has tabled its report on the fifth general meeting with the Valuer General.

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 2008 valuations
- valuation contract management
- the ongoing parallel valuation project
- the outcomes of the survey on customer service satisfaction
- research into alternate valuation methodologies.

Structure of the Office of the Valuer General

The Office of the Valuer General comprises the Valuer General and 4.4 permanent staff.

REPORT ON PERFORMANCE

Communication

The Valuer General's communication strategy ensures communication is open, informative and transparent. It encourages feedback and discussion.

The strategy has resulted in the provision of more information to stakeholders on the valuation process and more detailed information on the property market.

Continuing positive feedback has been received from stakeholders including the Office of State Revenue, Local Government and Shires Association, Department of Local Government, Rating Professionals Association, individual councils and individual landowners on the consultative approach to valuation matters and the quality of service. Information on the customer satisfaction survey undertaken in 2008 is below.

Publications available from the Office of the Valuer General include Your land value - a brief guide to the land valuation process, Your land value review guide, Valuer General newsletters, Our service to you, Notice of Valuation fact sheet and Land values for irrigation properties.

The biannual Valuer General's newsletter was developed in 2004 to improve access to valuation information. The January newsletter is distributed with Notices of Valuation. The July newsletter is distributed by participating councils with rates notices. A wide distribution of the newsletters was achieved.

- July 2008 newsletter – approximately 1.4 million copies.
- January 2009 newsletter – approximately 750,000 copies.

A review of the valuation information for the Department of Lands website was completed in 2008.

The content was evaluated to ensure the information met the requirements of our customers and was accurate and accessible. The Valuer General's media releases are now available on the website.

The valuation information on the website is continually monitored to ensure it is accurate and up-to-date.

Customer satisfaction survey

The Valuer General commissioned an independent survey in 2008 to measure the level of landowners' satisfaction with the valuation call centre and follow up contact from LPI.

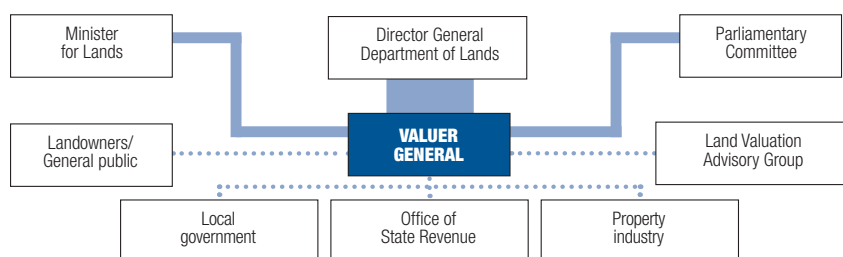


FIGURE 10 | Valuer General governance

Key areas of service considered in the survey included:

- understanding your enquiry and providing the information you need
- being knowledgeable
- speaking clearly and using language that is easy to understand
- being polite, patient and courteous
- promptly answering your call.

Over two-thirds of survey participants rated the quality of their overall experience as high. No area of service was rated as low.

A significant determination from the survey was that effective and prompt resolution of an enquiry is the key to higher customer satisfaction.

A review of our overall customer service has occurred in light of the survey results and a number of improvements have been implemented to enhance the ability of the valuation call centre's staff to thoroughly answer customers' enquiries. For example, procedure manuals and frequently asked questions have been expanded and more extensive property information and customer activity records are now available to officers at the valuation call centre to improve their ability to resolve enquiries.

If an enquiry cannot be answered during the initial call it is referred to a specialist staff member such as a registered valuer or team leader within land data management and the customer advised of the time frame for follow up action.

The Valuer General has introduced a key performance indicator to ensure the majority of referred enquiries are responded to within three days.

It is intended that the results of the survey will be used as a benchmark for further surveys.

Land Value Verification Project

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. Approximately 20% of the 2.4 million land values in NSW are reviewed each year.

The project met the 60% target of verified land values in the period 1 May 2006 to 30 April 2009.

Valuation objections customer service

The Valuer General continues to focus on improving the objection and customer service component of the valuation system. The role of the team set up in 2007 to focus on processing objections and improving service to landowners has been extended to provide

comprehensive customer service for all valuation enquiries.

The new processes to improve objection processing times have had a positive impact in reducing time frames and are being further built upon to ensure continuous improvement.

Research

The Valuer General, in conjunction with the University of Western Sydney, is conducting ongoing research 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. Key outcomes during 2008/09 included:

- the identification of improved monitoring of valuation outcomes and contractor performance through more comprehensive data analysis leading to the introduction of the Valuation Analysis Package by LPI
- identification of parameters to increase the number of 'representative properties' individually valued within components throughout the state
- independent analysis of objection processes and outcomes to further improve the quality and efficiency of the valuation system
- independent analysis of valuations in the City of Sydney. This has shown improvement in the accuracy of land values from 1 July 2007 to 1 July 2008.

Valuation system benchmarking/Cost efficiency

The Valuer General is committed to ensuring that the NSW valuation system is efficient in terms of cost, valuation quality and outcomes.

The International Property Tax Institute (IPTI) undertook a benchmarking study which compared the cost of determining valuations for rating and taxing purposes from a number of leading valuation jurisdictions around the world including England, Wales, various provinces of Canada, various jurisdictions of the United States, New Zealand, Hong Kong and most Australian states.

KMPG analysed the results of the IPTI study and concluded that NSW is a cost effective valuation provider.

In examining the pricing of valuation services to local councils the Independent Pricing and Regulatory Tribunal (IPART) determined that valuation services were provided cost effectively.

Consultation with overseas jurisdictions has shown the public feedback and communication systems in NSW are comparable to leading agencies such as England and various Canadian provinces.

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 NSW Government, local government and the Independent Pricing and Regulatory Tribunal (IPART), sought a review of pricing for valuation services to local government. IPART last set prices in 1995 which applied until 30 June 2009.

IPART commenced its review of pricing for valuation services to local government in 2007 and made its determination in July 2008. The Valuer General provided a submission to the review and took part in interviews and a public consultation process.

As part of the review IPART examined the efficiency of the valuation services provided to councils and determined that valuation services provided to our customers are cost efficient.

IPART supported the Valuer General's determination that services to councils are responsible for 40% of the costs incurred by the Valuer General.

In its final determination IPART has increased prices to councils to reflect the efficient costs of providing valuation services. In considering the impact of the price increase on councils IPART determined that the new pricing structure be phased in over five years to recover local councils' share of full efficient costs by 2013/14.

Comparison of current prices and the new price from 1 July 2009

Residential valuation	1995-2008	\$3.60	2009-2010	\$4.24
Non-residential valuation	1995-2008	\$7.90	2009-2010	\$9.31

FIGURE 11 | Valuation price comparison

FUTURE FOCUS

Valuation quality

Continue towards improving the quality of valuations for the benefit of all stakeholders. Key projects include:

- the Land Value Verification Project
- increasing the number of 'representative properties' individually valued within components throughout the state
- expansion of the parallel valuation project
- further development and application of qualitative analysis tools for auditing and quality control of valuations
- consideration of expert contract valuers to determine land values state-wide for specialist property such as mines and shopping centres.

Land value review process

Continue to improve the valuation review process including faster objection processing.

Communication

Continue to improve our service to all stakeholders including ratepayers, land tax clients, local councils and the Office of State Revenue through:

- monitoring and building upon the customer service improvements implemented as a result of the customer satisfaction survey
- undertaking further surveys for customer service
- engaging in regular consultation with our stakeholders.

Integration of data

Develop and improve access to electronic data from across the Department of Lands and other organisations to enhance the availability of information for the valuation process.

Staff development

Build a skilled, capable and valued workforce by investing in enhancing the expertise of staff and contractors including further development of skills in the use and interpretation of statistical reports, so the information can be used to best effect in ensuring the quality of valuations.

Valuation system benchmarking

The Valuer General will continue to work with the International Property Tax Institute, international 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.



Philip Western
Valuer General

Key Performance Indicators (KPI)	Target	2004/05	2005/06	2006/07	2007/08	2008/09
Total valuations issued for rating and taxing purposes		1,413,362	1,097,000	1,508,534	1,456,741	1,506,235
Total valuations on register of land values at 30 June		2,357,280 ¹	2,372,936 ¹	2,389,193	2,403,557	2,416,581
Ratepayers						
% Notices of Valuation issued within 31 days	95%	86%	95%	98.2%	89.7%	96.5%
% Notices of Valuation for general valuation issued to property owners within agreed SLA timeframe	100%	100%	100%	100%	100%	100%
Councils						
% general valuations land values issued to relevant councils within agreed SLA timeframe	100%	100%	64% ²	100%	100%	100%
% supplementary valuations to council within 31 days	95%	95%	95%	96.4%	95.4%	99.9%
Office of State Revenue						
% objections to land values for land tax completed within 90 days	30%	55%	30%	18% ³	16% ³	37%
% objections to land values for land tax completed within 180 days	75%	84%	69%	61% ³	77% ³	92%
% objections to land values for land tax, where land value is greater than \$1m, within 120 days	95%	55%	40%	22% ³	24%	67%
% new land values issued to all property in NSW to OSR by 16 November	100%	100%	99%	100%	100%	100%
Supplementary valuations						
Total supplementary valuations issued		46,806	41,987	40,350	52,150 ⁴	38,775
Average days to complete	<65 days	82 days	100 days	85 days	71 days	65 days
Objections						
Number of objections received for all valuing years		16,515	8,559 ⁵	11,133	6,660	6,885
Number of objections received as a % of valuations issued		1.17%	0.78%	0.74%	0.45%	0.46%
% objections to land values completed within 90 days	25%	52%	27%	20%	18%	39%
% objections to land values completed within 120 days ⁶	60%	67%	42%	33%	43%	65%
% objections to land values completed within 180 days ⁶	95%	81%	68%	65%	77%	93%
Average number of days to complete objections	<90 days	116 days	157 days	169 days	140 days	105 days

FIGURE 12 | Office of the Valuer General KPIs

FOOTNOTES:

1. New figure – preceding annual reports represented total valuations prepared for all valuation dates.
2. Does not include six LGAs which were subject to water separation values.
3. New figure – calculation amended.
4. Includes changed verified values.
5. Includes only objections received for 2005 valuing year.
6. New record.