

Report from 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.

Mr Peter Cunningham retired from the position of Valuer General in 2003 after 13 years service in the position.

Following an external recruitment process, I was appointed to the role of Valuer General in September 2003.

Vision

The Valuer General's vision is to ensure the delivery of valuation services that are **"Customer Focused and Outcome Driven"**.

As the 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.
- Implementing measurable 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 on 22 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* and the *Premium Property Tax Act 1998*. In particular, the committee will monitor the methodologies employed for the purpose of conducting valuations, monitor the arrangements under which valuation service contracts are negotiated and entered into and monitor the standard of valuation services provided under the contracts.

Land Valuation Specialist Advisory Group

The Land Valuation Specialist Advisory Group, made up 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:

- Developed an understanding with the group of the new Valuer General's philosophy.
- Instigated further research to identify and examine factors that should be taken into account in deciding whether property valuations should be handcrafted.
- Commenced discussions with an appropriate university to undertake further work on statistical analysis and improving the quality of valuation outcomes.
- Development of provisions for contractors to assume greater accountability and responsibility for risk in the compilation of land values.

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 new Service Level Agreement will take effect on the 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 an area 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. Unsuitable sales, for example sales between related parties or those with special circumstances are discarded.

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, the services available to it and the uses to which it 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 contract valuers undertaking the valuations for the Valuer General use a range of material and information, including sales evidence, town planning information maps 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 an objection to be made to both a rating and a land tax land value.

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 eighth round of Valuation Service Contracts were let in 2004 for contracts commencing as at 1 May 2004. This involved eleven contract areas:

Area	Contractor
Sydney East	Crown Valuations
Parramatta	Crown Valuations
Sydney City	Quotable Value Australia
Campbelltown	Quotable Value Australia
Burwood	Quotable Value Australia
Bathurst	State Projects and Regional Services
Wollondilly	State Projects and Regional Services
Bathurst	State Projects and Regional Services
Byron/Tweed	State Projects and Regional Services
Muswellbrook	State Projects and Regional Services
Wagga Wagga	State Projects and Regional Services

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 put in place a new communications strategy that applies to all stakeholders, including ratepayers 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 and individual councils, 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.

I am investigating additional ways to better inform members of the public about the valuation process and the property market. The option of a regular newsletter, sent out to rate and taxpayers, is being considered.

Legislative Reform

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

Section 37 of the *Valuation of Land Act 1916* has been amended to give rating and taxing authorities the provision to appeal valuations beyond the objection stage to the Land and Environment Court and higher courts.

Further amendments to the Act are being considered and include the addition of a formalised objection form.

Implementation of Walton Report

The recommendations adopted by Government following the 1999 Walton Report have been implemented. The Valuer General continues to build upon these recommendations to continually improve the valuation system and the valuation deliverables to all stakeholders.

Annual Review of Land Tax Thresholds

As part of the statutory requirements under the *Premium Property Tax Act 1998* and the *Land Tax Management Act 1956*, the Valuer General ensured that the annual review of the land tax thresholds was undertaken in line with the formulas laid down in the provisions of these Acts.

In accordance with section 12 of the *Premium Property Tax Act 1998*, the amount of \$1,970,000 was determined as the premium tax threshold for the 2004 land tax year.

In accordance with section 62TB(2) of the *Land Tax Management Act 1956*, the amount of \$317,000 was determined as the land tax threshold for the 2004 land tax year.

Changes to the premium property tax and the removal of land tax thresholds announced in the April 2004 Mini Budget will remove the need to calculate thresholds for the 2005 land tax year.

Challenges for the future

Pricing of Valuation Services

The Valuer General in consultation with local government and the Independent Pricing and Regulatory Tribunal is reviewing the pricing of valuation services to local government. The last review occurred in July 1996.

The Valuer General, in consultation with local government and the Independent Pricing and Regulatory Tribunal, is developing processes for the consideration of future pricing of valuation services. This will be followed by a pricing review.

The Valuer General proposes to have the review completed for the commencement of the 2005/06 financial year.

Objection Process

The Valuer General has implemented a review of objection management and associated processes. It is expected the review will be finalised in late 2004. The outcome of the review will ensure that objections received are completed as efficiently and as promptly as possible.

Water Management Act 2000

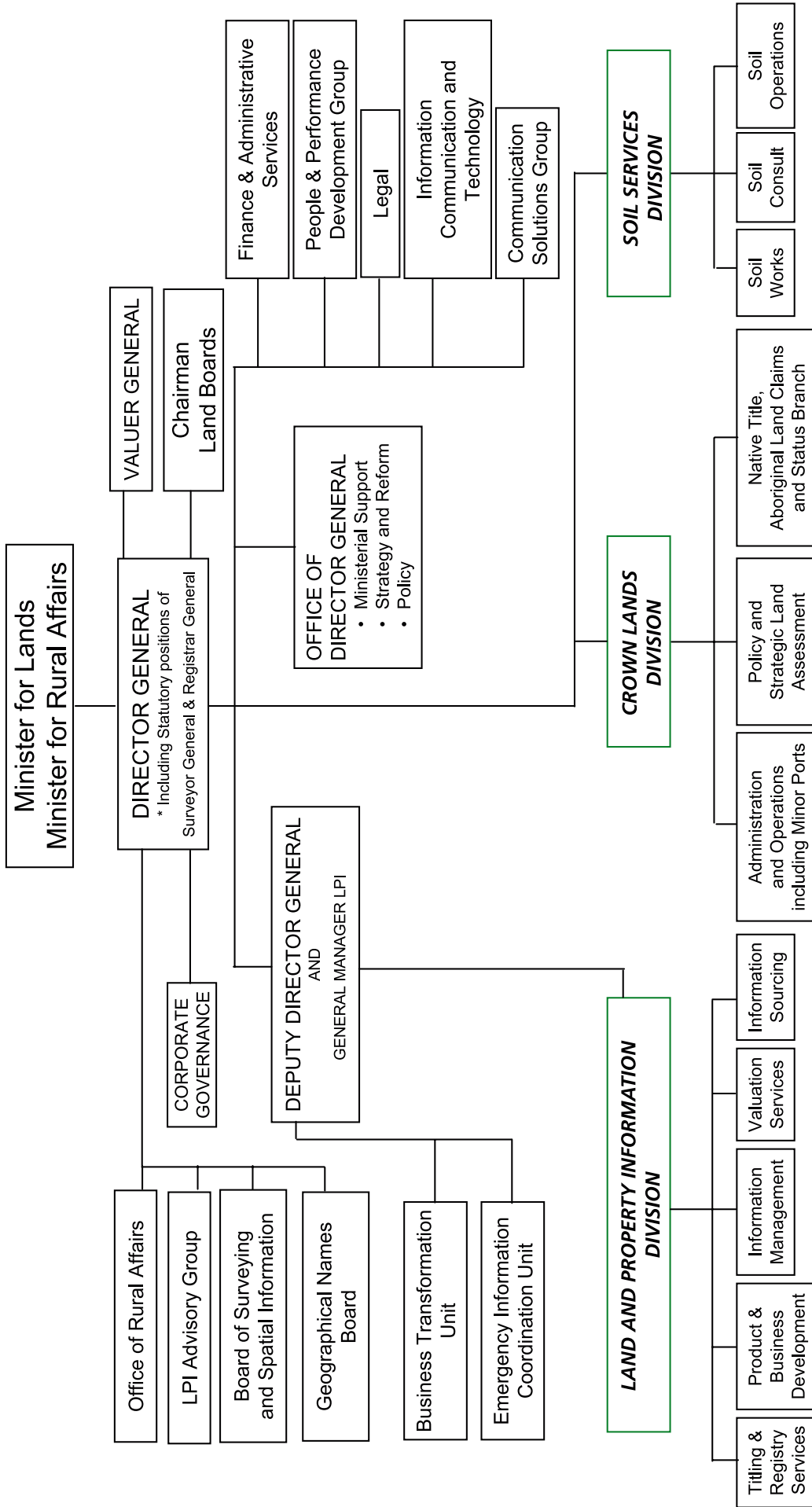
The *Water Management Act 2000* allows for the separation of water rights from the land title. Currently water rights are included in valuations prepared under the *Valuation of Land Act 1916*. There is a need to ensure that valuations, where the water right is currently included in the land valuation, have the value attributable to the water right removed, to reflect the new legislation. With limited established market evidence for the trading of water rights, valuations will not be adjusted until 1 July 2005 at the earliest.

Review of Tendering Process

The Valuer General implemented in May 2004, a review of the existing tender and contract documentation for rating – taxation valuations. It is proposed to develop a document in plain English, that gives tenderers and administrators clear guidelines and parameters of what is required. The enhanced documentation will be utilised for tendering of valuation service contracts as at 1 May 2005.



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