

# **2011 statutory valuations**

an independent review into  
Mid-Western, NSW local authority area

For

**New South Wales Valuer General**  
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By

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## SUMMARY

The Valuer General of New South Wales (NSW) has concerns over valuations that were applied to the Mid-Western Regional Council effective from 1 July 2011. On the face of it, there were anomalies and changes in relativities with certain assessments, of particular interest was the state of the market in the Bylong Valley area, located about 65 kilometres east of Mudgee.

The author of this review has considerable background in theoretical and application parameters of statutory valuation in Australia and was given a wide brief to further investigate the matter.

### *The brief*

This brief required an independent review of the appropriateness of the activities of the consultant valuers (also referred to as contractors) in carrying out their duties and the factors that resulted in what were considered by the Land and Property Information, Valuation Services (LPI) as a significant number of errors. Secondly, the review was to consider the role played by the LPI in their quality assurance processes and how the developing issues in the Mid-Western (MW) Region were managed and addressed.

The review also required to establish if such issues were isolated cases or had the potential to be more widespread. Finally, it was to suggest some remedies and solutions that could be instigated to address current and future issues of this type.

### *Methodology and timing*

The investigation included desktop review of documents of general relevance and/or specific to the case, three visits to Sydney for discussions with the Valuer General and to interview members of the Valuer General's staff and senior officers of the LPI Division of the Department of Finance and Services of NSW. This also included a separate visit to Mudgee and surrounds to interview local council staff, LPI and contract staff, land owner/objectors and industry representatives operating in that area. Later interviews were also held with some contracting valuers from elsewhere in the state.

The period of this review was from October to December 2012. The accessibility of certain interviewees delayed the initial deadline.

## *Concept of ad valorem tax*

To appreciate the specifics of this case, some context regarding the nature of ad valorem tax systems is required. These taxes are amongst the oldest in recorded history and are robust and remain important in the taxation mix of practically all developed and developing countries.

Ad valorem tax has a range of advantages over many other forms of taxation assessment however are not without risk areas. Principal risks here relate to the maintenance of accuracy and relativities across such a large number of individual assessments (about 2.45 million per annum in NSW) within typically tight time constraints and cost parameters.

With these potential risks in mind, statutory valuation systems have developed to a sophisticated level, based on international standards and on the continuous valuation and update of data. Landowners' rights are further protected by objection and appeal provisions established within legislation.

The level of sophistication of such systems varies from state to state and the system applied in NSW is generally accepted as the most advanced in Australia – which would be expected given that it has the largest number of annual assessments, the greatest capital value of the property base and the greatest concentration of complex property types. Whether or not this system is always applied successfully or if further refinements to it are required are separate questions.

As an overall observation and starting point, it can be confidently stated that statutory valuations systems in NSW and Australia provide assessments that are generally reliable and solicit relatively small numbers of objectors. (In many cases too, those objections relate to 'difficult to value' or 'one-off' properties such as regional shopping centres.) Significant or widespread erroneous valuation levels should be (and in fact are) rare. Occasional issues and complaints still emerge but the level of objections and of significant faults found with valuation systems across Australia were found to be relatively low.

The level of objections is only one performance measure for these systems. Principally because there is a level of subjectivity in the assessment of value, some objection should be considered as almost inevitable. Quite pragmatically too, if there were little or no objections then that may be an indicator that assessed values are being set well below true market.

Contemporary statutory valuation systems typically have a range of inbuilt risk management and quality management steps and overlays within the annual valuation process. These include quality assurance, statistical modelling and the use of benchmarking techniques. These are important in mass appraisal as they provide important indicators of significant variations from past assessments or anticipated

outcomes and trends. Variations, particularly those identified through software models, may not indicate error – there may well have been unexpected variations and movements in the market in that locality or for that specific property. They may also be exposing some anomaly from past assessments. In any case, the value of such techniques lies in that they can, relatively easily, either confirm the relativities of previous assessments (perhaps with uniform trends in the market in one direction or the other) or identify unexpected aberrations requiring further investigation for confirmation or modification.

### *Review process*

The stage which follows is critical to the success of the entire process and reflects the unique character of property assets in general and each individual property within it. Based on the initial quality assessments identified above and the cases presented by objectors, valuers with sound experience in property practices and statutory valuation and with close local knowledge of property and non-property market determinants, must review the preliminary outcomes. This includes the ability to use their professional judgement and acumen to ‘override’ the general modelling where necessary to accommodate the special characteristics of a particular situation, location or individual property.

Changes, if considered necessary, should not be viewed as errors but simply the merging of computer-based modelling (essential to provide accuracy and relativity across a huge number of individual valuations) with the recognition of the unique and dynamic nature of property and of the professional opinion of experts. The process over time has a range of positive effects – confirming and continually improving data and assessment.

This is not to imply that radical amendments will be necessary – and indeed, in a mature system and in well-established regions, major change will be very unusual. A good understanding of the nuances of local property market and of community and economic indicators will help early ‘tell-tale’ indicators of emerging issues. Once potential risks are identified, remedial actions can be instigated early before more serious problems develop.

### *Specific application in the Mid-Western case*

Such activities are identified as a matter of significance here. In the case of the Mid-Western Regional Area disparities in valuation from past assessments in a well-established and relatively stable rural locality would appear unusual and requiring of closer examination early in the valuation cycle. Here it would seem that the extent of changes proposed and the reasoning behind them were not adequately explained in the first instance but, subsequently, a range of emerging indicators/issues (or ‘tell-tales’ signs) were either not identified or not adequately followed up.

The Valuer General's signing off of valuations, and indeed, the entire statutory valuations system in NSW, is fundamentally underpinned by two components of professional trust. The first is that of trust in the contract valuer in providing accurate assessments and professionally informing and explaining significant changes in those new assessments.

The second level of professional trust lies between the LPI and the Valuer General. It must be remembered that contractors are employed and are under the supervision of the LPI. Consequently, the sign off and commitment to quality and accuracy by LPI to the Valuer General is critical. Given the scale of the task and volume of assessments involved the Valuer General must rely, to a very great extent, on LPI advice. It could reasonably be argued that this is the more important of the two, given that the contract valuer is retained and supervised by LPI and LPI has sophisticated quality control systems and regionally based employees to undertake those tasks. Such duties would also include the professional responsibility to keep the Valuer General informed of all relevant information and developments in particular markets and regions.

Senior LPI officers meet regularly with the Valuer General to review matters and issues pertaining to the statutory valuation process. The author is not privy to those discussions but recognises the strategic and operational importance of such information flows. The Valuer General would have to consider, using the Mid-Western case as an example, whether those meetings and their contents adequately meet the Valuer General's requirements for pre-warning on important or emerging issues.

Statistically, the Mid-Western case needs to be kept in proportion. Of some 672 properties that required review over the second half of 2012, it was finally decided to amend the valuation of 310, representing a relatively small proportion of 2.44 per cent of the approximate 12,700 properties in the Council area. Overall too, the total number of objections across the area was not significantly higher than might have been expected.

As important as these statistics are, they miss the point somewhat. At the end of the day, a number of key stakeholders and landholders in this area now have limited confidence either in the assessment system, its logic and quality and/or those responsible for it. For any taxation system, such a loss of confidence is a critical issue.

The series of events (some of which were coincidental, some the result of staff changes and illness) that occurred in the Mid-Western case through that period are unlikely to occur in a similar fashion; nevertheless, there are several underlying matters which are generic and where changes in current systems and procedures are warranted and recommended.

It is simplistic, even in retrospect, to ascribe blame to a single group or individual; there were errors and oversights made by a number of parties. No party could consider that relationship management, teamwork, communication or information flows between

professionals were well handled in the Mid-Western case. Whilst the case is complex, these issues lie at the core of many of the events that evolved.

Again these matters need to be placed both in perspective and in context. Across New South Wales, a very large number of statutory valuation assessments have to be carried out, reviewed and issued over a very short period of time. Even in a high quality, well managed system certain, localised or recent issues may become apparent only after valuation notices are issued and objections raised by the particular landowners. Such events should be unusual but, as noted elsewhere in this report, a sound, statutory valuation system should be able to recognise and accommodate such issues as soon as they arise.

### *Findings and recommendations*

It must be reported that, to a significant extent, many of the matters that arose in the Mid-Western case were avoidable. More positively however, it is considered that changes in certain approaches, strategies and management practices, particularly within LPI, in part returning to certain previous arrangements, would greatly reduce the likelihood of any repetition elsewhere. (That is not to imply that all issues and problems here lie with LPI. That is clearly not the case but it is largely within the province of LPI to be the catalysis for positive change.)

It is encouraging to note that, even in recent weeks, some of these changes are being instigated.

Based on all of the above, the key findings of this review are as follows:

- NSW has a quality and robust ad valorem tax system and adheres to international valuation standards and sound practices, arguably the best of its type in Australia. The model applied involves the outsourcing of all initial statutory valuations and a separate system of the consideration of objections which, unique in Australia, involves a reassessment, normally outsourced to another private contractor. Such an approach, whilst having underlying benefits creates its own management challenges.
- It is self-evident that the role of LPI is pivotal to the effective operation of the New South Wales system and the role requires exact definition. In essence, LPI is responsible for the delivery of accurate and timely statutory valuation assessments to the New South Wales' Valuer General and to keep the Valuer General apprised of market information and on emerging issues pertaining to those activities. The role includes the presentation of summary data and reports and dealings with ongoing operational matters and enquiries.

These responsibilities need to be understood in the context of accepted mass appraisal methodologies. These must be based on quality geographic and property specific data which is continuously updated and rigorously quality managed.

The sheer volume of the task and the idiosyncratic nature of property, however, mean that no such system can be without discrepancies or error (albeit small). No party can or should be required to provide some form of guarantee of '100% correctness'. Rather, the commitment must be that agreed best practice systems are in place, are being operationalised and anomalies / objections etc. are within agreed performance levels.

In New South Wales, LPI outsources the actual assessment task to private contractors who act under LPI's guidance and direction but are professionally and contractually responsible for the quality of their own work. Performance parameters for those contractors should parallel the criteria for statutory valuation as outlined above. Such outsourcing is, however, simply a delivery strategy and should not distract from the key responsibilities identified above.

Over recent years, there appears to have been changes to LPI management strategy to increasingly require greater responsibility from contractors. Within their relationship with LPI and the parameters of a statutory valuation system, contractors can, and should, accept professional responsibility for their assessments – indeed that is what they are retained and remunerated to do. Under the prevailing approach, the LPI appears to focus principally on contract and quality systems management – both of which seem quite remote from the regional assessment work that is the core task at hand.

There is a general principle of risk management to the effect that 'risk', once identified, should be allocated to the party best able to control and manage that risk through the process involved. Whether or not the current level of devolution of this high level of risk to contractors represents sound risk management in the current LPI approach may need to be reconsidered. There is clearly a balance to be struck in such matters but the Mid-Western case would indicate that this remains unsettled.

Not unrelated to this, is the apparent current separation of contract management from the professional and senior valuation expertise within LPI. This may be detrimental to communication flows on important valuation issues. In any case, it must be reported that, in the Mid-Western review, the roles of the various groups involved under current arrangements needs to be further explained to key stakeholders. It is noted that LPI over recent months has now put into practice an

improved structure to ensure improved communication between LPI and contractors.

- Under the above scenario, the identification of upcoming threats and challenges becomes more difficult. The critical role of District Valuers needs to be reconfirmed to ensure that they truly become the ‘local eyes and ears’ and expert advisors to the Valuer General which, it is the author’s understanding, was their traditional role.
- It is stressed that actual valuation assessments were outside the scope of this research/investigation and the author takes care not to comment on those matters specifically – without the thorough investigation of values in the area, it is dangerous and unfair to do so.

Nevertheless, in this particular case, the contract valuer appears to have made significant changes from previous valuation levels and relativities, even though (except for sales to coal companies – which had been disregarded) there appeared to be little overall change in values in the locality, nor across most of rural NSW, in the period investigated. A relatively small number of sales were relied upon which to base these assessments. Perhaps more importantly, the changes appeared uneven when compared with assessments made in previous periods. Finally, it is reported here that the manner in which the value of house site and curtilage on rural blocks assessed appeared to have inconsistencies.

- As regards changing relativities, a process of ‘verification’ (i.e. a parallel and complimentary exercise ensuring that all previous valuations in earlier assessments were correct and in relativity) was included in the revaluation – as it was across NSW, as part of an overall, continuous improvement process. The Bylong Valley and nearby areas created some complications in this process, given the complexity of certain country classifications. Overall however, the verification process, employed by this contractor, which was normally undertaken progressively over a series of years, does not appear to have caused serious problems or challenges in other regions in the past. If in this case unusual circumstances caused particular problems or major aberrations for this process, more detailed explanations and comments would obviously have assisted.

Whether or not those changes were justified is not disputed here. Two other matters, germane to this review arise. Firstly, the changes made were significant and do not appear to have been adequately highlighted nor explained in the original submissions made from the contract valuers in the second half of October 2011. Written summaries provided seemed generalised in nature and senior LPI staff advised that sections appeared to be simply replicated from the previous year’s review – even though there were significant changes proposed and valuation

challenges existed. This is surprising given the experience and good reputation of the firm involved and LPI could have reasonably expected highlighting and explanation – again, whether expressly requested or not.

Secondly, and regardless of any reviewing issues, quality control processes within LPI should not only have recognised the aberrations but also, as matters developed, should have triggered specific and direct enquiries with their contract valuer – with meetings or joint inspections as necessary carried out to resolve the matters before they began to escalate (e.g. when incorporated in Council budgets etc.).

The argument can be reasonably put that the contractors must be responsible for their own work – and that is strongly endorsed. When serious matters of valuation practice and changing relativities are identified in later quality assessment (by LPI), reasonableness would require detailed investigation and questioning of the contractor. The appropriate level of investigation and discussion with the contractor as problems emerged do not appear to have taken place in this case.

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# **Section 1 INTRODUCTION**

## **1.1 Brief**

On 18 October 2012, instructions were issued by Philip Western, Valuer General of New South Wales (NSW) to the author of this review, requesting an independent study into the statutory valuation processes carried out for the Mid-Western Regional Council local authority area assessed as of 1 July 2011.

This brief, primarily required a review of the appropriateness of the activities by the contractors (also referred to as consultant valuers) in carrying out their duties and the factors that resulted in a major review being called late in the process. Secondly, the review was to consider the role played by Land and Property Information (LPI) in their quality assurance processes and how the developing issues in the Mid-Western local authority area were managed/ addressed as regards the review of assessments made by contractors and time lags that seemed to have been encountered in managing stakeholders.

The review also was to establish if such issues were isolated cases or had the potential to be more widespread. Finally, it was to suggest some remedies that could be instigated to address current and likely future issues of this type.

Except for assistance in establishing meeting times etc. from the Office of the Valuer General, there were no restrictions placed on who was interviewed and in what circumstances interviews and other investigations were undertaken.

## **1.2 Parameters and approach**

In the first instance, it is confirmed that, for whatever the reason or series of reasons, significant and unusual issues have emerged in the 2011 statutory valuation process for parts of the Mid-Western Regional Council and confusion and criticism remain with a number of stakeholders to the date of this report.

These represent fundamental issues for any taxation system which must hold confidence, certainty, transparency and predictability as primary tenets to successful operations and outcomes, particularly in the long term.

It is relatively easy in retrospective reviews such as this to simply apportion blame and come to simplistic, perhaps expedient, conclusions. Hopefully, this review avoids that and recognises the esoteric and complex nature of these matters, reflected in the nature of statutory valuation and property taxation itself.

The openness of many of the informants to this investigation is appreciated, though it is also recognised that, because of the position and relationships of some, their responses were at times somewhat guarded. A number of the informants requested confidentiality of discussions and this has been accommodated in this review. That approach is accepted as one of the parameters of the investigation but has not overly affected the conclusions in any case.

Informants often have differing views and recollection of events and processes but, as much as possible, this review has attempted to avoid the simple repetition of unsubstantiated opinion or overly generalised comments. That is not to imply that such comments made were necessarily wrong or were made in anything but good faith. To accept all of that at face value, however, presented the significant risk of the study becoming anecdotal. The review was based to be the best and most reliable sources and information. The visit to Mudgee was particularly informative. Some of the observations emerging from that visit may not align with the understandings of others who may not have had such an opportunity to visit and discuss the matters with key informants. The author was asked to visit the area to investigate the circumstances of the case, to undertake interviews and to use his professional knowledge and experience to assess the basic/underlying causes of the matters at hand. The task was and is undertaken in an objective and unbiased way. Not all the matters are evidential (nor could they ever be in such an investigation) but neither are they hearsay.

The review attempts to refer back to what are accepted key outcomes to be achieved from any statutory valuation process and whether, in the case at hand, the activities represented effective and efficient processes and whether they passed normal tests of business acumen, logic and professional conduct.

The study was also based on recognised international valuation standards, prior professional knowledge, written reviews and correspondence pertaining to the case and, finally, specific interviews and discussions.

Two further parameters also require notation:

- (a) This review has not included the accuracy of valuation of individual properties in the Mid-Western Regional Council area – nor was that the intent of it. The review focussed on the application of valuations for statutory purposes in that local

authority area and the circumstances and events that resulted in the current situation; and

- (b) As important as the investigation and resolution of the Mid-Western 2011 assessments are, it is of much wider impact to establish whether this was a ‘one off’ event or perhaps whether issues identified had the potential to reoccur more widely and in other regions.

If there were, on the face of it, certain systemic matters identified, this review described the issues and suggest further paths for actions.

Also, some of the comments here may be considered outside the brief/instructions provided (even allowing for the wider scope provided). They have included because they were considered important in the wide understanding of the matters reviewed.

### **1.3 Activities**

Principal activities undertaken in this investigation and preparation of this review were:

- Regular meetings/discussions/correspondence with the NSW Valuer General, commencing in early October and included detailed, face-to-face meetings on 22 October and 27 November 2012.
- A review of previous academic research/papers, government investigations and industry papers pertaining to statutory valuation, internationally, nationally and particularly with reference to NSW. (In January 2012, the author, in association with Adjunct Professor Terry Boyd, has provided guidance to the NSW Department of Finance and Services regarding a review by that department into the Land and Property Information Division (LPI). Through that and earlier work, a wide working knowledge of LPI and its operations has been established. Additionally, through 2010/11, the author was responsible for a series of reviews, some with Professor Boyd and another jointly authored with PriceWaterhouse Coopers which saw the complete rewriting of the valuation legislation for Queensland and significant and successful changes in the statutory valuation approach in that state. A list of related publications and reports are provided at the end of this review.)
- A number of telephone consultations with Associate Professor John MacFarlane, University of Western Sydney regarding quality assurance and statistical analysis systems applied within the NSW statutory valuation processes.

- On 22 October 2012, interviews were held in Sydney with the NSW Valuer General, his staff, executive and senior officers of LPI and, per teleconference, that organisation's representatives from Orange and Queanbeyan.
- On 4, 5 and 6 November 2012, visits to Mudgee and region were undertaken. That visit included interviews/consultations with councillors and council staff of the Mid-Western Regional Council, Mudgee, land owners and objectors, valuation contractors and members of LPI regional staff, together with a general inspection of the Bylong Valley region and other areas of contention.
- On 27 November 2012, further discussions held in Sydney to complete discussions with the NSW Valuer General and members of his office staff, executives and senior officers of LPI and, per teleconference, regional staff and further consultations with Associate Professor John MacFarlane.
- Finally, a summary meeting was held in Sydney on 22 February 2013 with the Valuer General and senior staff to discuss the draft review and issues and likely recommendations emerging therefrom.

That completed the investigations and this final review was prepared for the Valuer General and submitted.

## Section 2 BACKGROUND

To obtain a wider appreciation of this case, it is important that it be placed in the context of statutory valuation theory and philosophy and how those principles have evolved to the present day.

This section represents a brief summary of that.

### 2.1 Statutory valuation role and history

An ‘ad valorem’ system is the allocation of a statute-based levy or taxation proportionally on the basis of relative value of the affected asset (normally real property), assessed in accordance with the provision of that legislation.

It represents one of the oldest forms of taxation and forms part of the taxation mix of practically all capitalist countries. Such taxes have inherent simplicity. The taxable commodity (i.e. the real estate asset) can be easily identified as can, on the face of it, those liable for tax (the owner). Consequently, such taxation has wide appeal and is often a dominant taxation revenue source across developing countries.

Even though a wider tax base is available in more sophisticated, developed capitalist economies, ad valorem taxes normally remain very important to the ‘taxation mix’. In Australia, for example, even though the proportion of total tax levied against property has fallen progressively since federation, property/valuation-based taxation in Australia still represents about 8 per cent of total tax revenues from all levels of government.

Even some of the more contemporary taxes (such as the Commonwealth government’s indexed Capital Gains Tax, introduced in 1985) are obviously based on changes in market value. Other more traditional taxes, such as general rates (for local authorities) and land (i.e. *de facto* wealth) taxation typically applied by state governments, are critical revenue sources for those tiers of government. Importantly and unlike most other significant taxation revenue bases, they remain under the direct control of those taxing authorities.

Such tax regimes continue to evolve through to the present day and the longevity of taxation based on value, extending over millennia, says much about the robustness, acceptability and the inherent simplicity and adaptability of such systems. That success relies on certain norms and principles to maintain the confidence of taxing authorities

and taxpayers alike (see Section 2.2 below). The maintenance of relativity between comparable properties being assessed is an important criterion here.

Economists rank the effectiveness of various forms of taxation using such criteria as efficiency, effectiveness, targeting, acceptability and equity. All forms of taxation prove successful or otherwise based on the aggregate assessment measured against such criteria.

Ad valorem-based taxation systems continue to rate highly against commonly applied taxation options. On the face of it, it is a progressive tax – those individuals and corporations who have more potentially pay more with little or no ability to influence or manipulate affairs to minimise that exposure.

Property taxes are relatively simple and easy to collect and, for taxpayers, convenient to pay though, in the case of ad valorem taxation, a reliable and consistent methodology and carrying out of regular assessments is necessary. Further, on the matter of convenience, due payments do not necessarily coincide with productivity or positive cash flow events flowing from that asset.

The basic assessment methodology (i.e. applying a rate or per cent in the dollar against capital value) is easy to understand and clearly separates the equity base (i.e. property value) from the rate (i.e. rate in the dollar) that is to be applied by and is the responsibility of the taxing authority.

Over recent times, there have been, in most jurisdictions, demands to include a range of peripheral (non-property) matters into such assessments for taxation purposes. Theorists would hold that a single market value should be set and any adjustments / concessions from that be made by the taxing authority. In practice, that is not always the case. Those aside, these forms of taxation have the considerable comparative advantages over other forms of taxation in being able to be applied with few variations or exceptions to set norms. (It is noted that a recent legislative option to transfer such concessions back to the taxing authority was not taken up.)

If proper assessments are made, these forms of taxation can exhibit high levels of horizontal and vertical equity in both assessment and taxation rates applied. If that can be achieved, then there will be, amongst taxpayers, a reasonable acceptance based on fairness, confidence and trust in the independence of those carrying out valuation assessments. The statutory, independent role of a Valuer General has proven an essential components in providing that level of confidence and transparency. If that can be achieved, then tax evasion and tax minimisation activities will be also reduced and

there will be limited criticism or political disturbance through tax application and operations.

Compared with many other taxes (particularly those available to state governments, such as stamp duty, payroll tax, gambling taxes etc.), ad valorem property taxes have quite limited secondary impacts on sensitive areas such as employment, economic production or internationally traded commodities.

In many applications of ad valorem tax, taxpayers can see a direct relationship between the taxes that they pay and government services provided. Whilst that is not always the case (e.g. state-based land taxes), even general local authority rates levies can be observed by taxpayers/land owners as positively affecting the operations of their immediate locality/local communities.

These are all important and very positive attributes that need to be fostered and encouraged and certainly not taken for granted. It needs to be recognised that ad valorem taxation systems in Australia and in comparable countries overseas do maintain high levels of community confidence.

As will be examined later in this paper, there are, almost inevitably, cases where that confidence is tested, but it is important to recognise that, for the great majority of those paying these taxes, (i.e. the huge numbers of suburban property owners), the system is reasonably well understood and accepted and objection very infrequent.

## **2.2 Underlying principles**

With the legitimacy of an ad valorem tax system established, the next issue is to provide a system to undertake those assessments in an effective manner, securing the base for essential government revenue while maintaining the trust and confidence of taxpayers.

Almost ironically (and paralleling a number of other sensitive activities of government), a test of the system is the comparative lack of controversy. Understandably, there will rarely be positive community or media responses to government initiatives such as taxation collection and the best that can ever be achieved is that such activities proceed with the confidence of all stakeholders and that the process and framework is recognised as professionalism, efficiency, timeliness and transparency, but with little or no profile except for the sharing of information, explaining procedures etc.

A key outcome of any assessment of asset value must be consistency, whatever the purpose – i.e. to assess the market value of that asset if offered for sale on the open market under a ‘willing buyer, willing seller’ scenario and in accordance with other

specific criteria for that valuation (in this case, assessment within the parameters of the *New South Wales Valuation of Land Act 1916* (as amended) (see Section 3 below). Clearly, however, the manner in which one would undertake the assessment of value under a mass appraisal system (e.g. approximately 2.45 million assessments of value that are required each year of the Valuer General in NSW) must be approached differently with a different level of detail than say, the valuation of a single dwelling for mortgage collateral purposes or of a commercial asset for sale.

This cannot be taken as a licence for inaccuracy or a ‘broad-brush’ approach to valuation and, indeed, an advantage of the statutory process is that each new round of assessments is based on the knowledge that was secured from the previous assessment (plus modifications for property changes that have occurred in the meantime). This must allow for the accumulation of more and more accurate property databases over time. If properly applied, contemporary quality control systems, benchmarking, modelling and information sharing will add considerably to the quality, accuracy and reliability of data over time.

Mass appraisal methodology and application have improved remarkably in recent years with the availability of improved geographic information systems (GIS) and much more sophisticated statistical modelling. However, no such system can ever be perfect and aberrations will occur. Even if a near-perfect operational system could be established, the properties themselves, their locations and markets will evolve and change over time and new issues will emerge to challenge and distort the established relativities. This simply reflects the dynamic nature of property assets and their economic and physical environments. The fundamental challenge here is not to see aberrations as some measure of failure but rather, to consider how many of those aberrations could have been foreseen and their effects at least minimised or addressed early in the process. Secondly, a challenge will always be to consider how systems can continue to evolve to accommodate those changes and trends.

In successfully addressing these matters, a number of principles emerge, namely:

- Well established, international standards exist and are promoted professionally. These must form both the foundations and parameters for all activities in the field.
- The system must be based on one of continuous improvement, using modelling, quality control systems and procedures to continually refine and improve what will always prove to be an imperfect system (for the reasons outlined above).
- The main tenets of confidence by all stakeholders are based on transparency, education, information sharing and the meeting of the reasonable expectation that

the system will protect fairness, equity and relativity. Experience across many jurisdictions would indicate that the lack of true understanding of both the system and its application to a particular case lies at the core of many complaints and the proactive sharing of logical, intelligible information can greatly improve overall success and stakeholder satisfaction.

- The use of statistical analysis and modelling as part of a quality assessment regime is essential. It allows, on a first cut, a relatively simple mathematical basis, apparent aberrations or potential problem areas to be identified and compared, on a longitudinal basis with earlier assessments in that location. They also allow for improved comparative analysis between locations and wider if required.
- It needs to be stressed here that from assessment period to assessment period, all areas will show variations (which may or may not represent serious anomalies). As identified above, property, individually or in locality/precincts, is a dynamic asset class, changing over time. Consequently, mathematical modelling, whilst a fundamental and essential first step, can only ‘suggest’ areas that may be aberrant. Depending on the circumstances, however, that modelling might be identifying more than one unusual factor or perhaps showing erratic or apparently random variations across the population being researched. There may have been difficulties with the historic benchmarks with which contemporary data is being compared.
- A second and equally important step, is that an experienced professional needs to interrogate that original data in an objective way that mixes property/valuation experience with local knowledge. In other words, and subject to reasonable parameters, professional, experienced opinion needs to have the ability to override simple statistical analysis.
- If the system does indeed provide continuous improvement and builds on the quality of data and experience from one valuation period to another, the need for such interventions (whilst never disappearing altogether) should diminish over time.

Related to that, it might be noted that a mature system should not require persistent or widespread interventions; such a situation would in itself be grounds for concern and further investigation.

- Assessments must be of market value, a slightly conservative approach is justified here, not to make defence of assessed values easier but rather to follow and not attempt to lead the market, particularly where few closely comparable sales exist.

There must be good and ongoing reasons why the precedent of past valuations and relativities should be changed to any significant extent. Additionally, care must be taken not to deliberately ‘undervalue’ which results to further aberrations and distortions and will be difficult to reconcile and rectify in subsequent assessment rounds.

- Finally, the relativity of values assessed needs to be maintained to ensure the integrity of and confidence in the system. Whilst not accepted as grounds for objection or appeal, relativity, property-to-property, is both of technical importance and, on the basis of equity and transparency, is important to landowners. The maintenance of relativities also involves longitudinal analysis between assessment periods. The appropriate management of objections and appeals must be such as to reasonably retain those established valuation relationships.

## **2.3 Emerging issues**

Despite the longevity and obvious resilience of ad valorem-based taxation, the contemporary environment presents a range of new challenges to its structure and methodologies. These demand continuous improvement and refinement of approaches to ensure that the validity of, and confidence in, such taxation systems are maintained.

Three particular challenges emerge:

### **2.3.1 The complexity of contemporary property assets**

The sheer volume of valuation assessments to be undertaken is daunting (some 2.45 million separate assessments in NSW), these raw figures in some ways place the wrong emphasis on the real challenges that are emerging now and will be very significant into the future.

As noted above, the vast majority of individual property assets continue to create few problems in the application of mass valuation techniques. Whilst there will be aberrations (as noted in Section 2.2 above), for the vast majority of properties, particularly single-unit residential, there is enough sales, benchmark evidence and homogeneity of assets to make the application of mass appraisal accurate and reliable and, in fact, that over time is being enhanced by improved geographic information systems, data bases and statistically based quality control mechanisms. Efforts made in NSW over recent years to post, on relevant web sites, more detailed information on valuation processes and specific market data and objection processes have added

considerably in public understanding and involvement as has the establishment of a specialist customer service centre.

Notwithstanding all of that, other more sophisticated, contemporary land use types present serious issues for mass appraisal.

These largely emerge from the intensity of urban development in Australia and similar OECD countries and the concentration and high value of those assets, which are unique in character and development form, often integrating a range of different uses. Attempts to blend such properties into generic classes or to attach them to specific benchmarks are challenging and increasingly require property-by-property considerations.

Increasingly too, there is great diversity in development types in a particular locality or precinct. Elsewhere, some property types now have national markets and implications and may represent a ‘one-off’ facility in their specific locality. Regional shopping centres, major tourist resorts, airports and a range of other contemporary uses represent examples of these property types now being frequently encountered and which do not lend themselves to aggregation for mass appraisal within their particular locality.

In the past also, issues such as contaminated land and heritage buildings provide further complications where the level of impact on value (whether positive or negative) is esoteric to that particular property and therefore require specific consideration.

Perhaps the most widespread of these rising complexities are the assessment of intangible assets that may or may not ascribe to particular properties as a result of infrastructure charging, development approvals and other potential ‘value adds’ that emerge from town planning and development control. In this, there are two issues – one being whether the ownership of such rights attaches to the land or to the applicant and, secondly, the value that is to be ascribed to them or to analysed sales/benchmarks in arriving at site value.

The resolution of such matters can be facilitated by clarity and amendment to legislation. (In Queensland, the 2010 legislation prescribes that such intangible assets will not be included in the assessment of site value but the individual characteristics of each lot still needs to be considered, particularly in the analysis of sales.)

### 2.3.2 Objection and appeal provisions and governance

In the contemporary environment, there is a sometimes difficult balance that needs to be struck between the parameters of mass assessment and the individual rights of the land owner to object, appeal or otherwise challenge the assessment.

Cost and time parameters mean that there is little likelihood (nor arguably need) for individual properties to be physically inspected on an annual basis. No jurisdiction in Australia can afford to do that. It can be quite reasonably argued that, on the basis of historical data, the use of benchmarks, GIS and quality assessment modelling, an accurate assessment of the value of individual properties can be made and, in practice, that is normally the case. Care needs to be taken when the assessing valuer is conversant with the character and attributes of sales and of benchmark properties. The system is enhanced by the ability of the assessing valuer to use professional judgment and experience to over-ride the standard models/templates where considered appropriate.

Whilst fit-for-purpose, it could not be held that such an approach could ever be as accurate as a block-by-block inspection. Where, in the opinion of the property owner, there are grounds for objection or appeal, that property owner is not particularly interested in the Valuer General's challenges of efficiently and effectively undertaking such a huge number of valuations across the state. Rather, the issue now becomes highly specific to that property and the Valuer General's assessment of it. The information provided and the negotiations and possibly litigation that follows must be at a level to accommodate the characteristics and idiosyncrasies of that parcel.

As a result of that objection, a change in valuation level may become necessary and this can have significant flow-on effects to valuation levels and benchmarks applied to the region and, downstream again, the assessed rating base of the local authority or, in the case of land taxes, and the state government.

### 2.3.3 Update of data bases and land information

On the face of it, the update of data bases with new and improved systems increases the accuracy of the system and is therefore highly beneficial. Such changes ('verification processes' as they are sometimes known) need to be carefully explained to stakeholders. Relativities with previous assessed values and/or with other properties in the locality do not represent valid grounds for objection in NSW nor, indeed, in other jurisdictions. Nevertheless, relativity is an important matter in the minds of landowners and a matter that they will be more familiar with than, say, abstract benchmarks or sales with which they may have no familiarity or ability to analyse. Hence, to keep high levels of

confidence and transparency in the system, such transitions need to be carefully explained and managed.

This appears to have been a matter of some importance in the Mid-Western local authority area revaluations.

## Section 3 CONTEXT

Ad valorem taxation systems in Australia are state-based and, to better understand the specific issues of the Mid-Western local authority area assessments and those wider across NSW, some explanation of these parameters is necessary.

### 3.1 Australian and New Zealand context

The fundamental concepts of ad valorem taxation apply principally to general rates to support local authorities and, for urban lands in all Australian states, as a basis for land tax. (Land tax is not applied in New Zealand.)

There are acknowledged bodies of knowledge and practice standards for all types of valuations undertaken for rating and taxation purposes. The standards and guidance notes of the International Valuation Standards Council (IVSC) establish those principles. Whilst having much in common, the manner in which such rating systems are applied and managed has evolved independently in each state.

Most accept a 'site value' approach for urban lands and an unimproved value approach for rural.

All states have Valuers-General as a statutory officer to be able to reasonably and independently attest, through audit and other forms of investigation, that the valuations applied are fair and reasonable. (For an 18-year period up until 2010, Queensland alone did not have a Valuer General and, in retrospect, the absence of a statutory officer with independent powers was a fundamental cause for disastrous levels of disputation, litigation and political embarrassment in that state from 2005 to 2008 – a fact retrospectively accepted by that state government.)

Over decades, all states have evolved their application and management of statutory valuation principles. Often, changes and evolution within systems have occurred because of changes in political direction, or inquiries, or as a result of what were seen as failings of existing systems at that time.

Queensland and Western Australia maintain a system whereby the majority of valuation work is undertaken within the public service whereas NSW and Victoria effectively outsource all of the actual valuations – in the case of Victoria, also directly involving the local authorities in the administration of the process.

All jurisdictions have, in recent years, now incorporated much improved public information/education sessions and overall this added transparency appears to have had an inversely positive reaction on the number of objections received and later appealed.

Likewise, objections are dealt with in a number of ways, the latest being incorporated in the *2010 Land Valuation Act* in Queensland which allows for independently chaired objection hearings for higher value properties. This appears to be working extremely well as an alternate dispute resolution (ADR) approach.

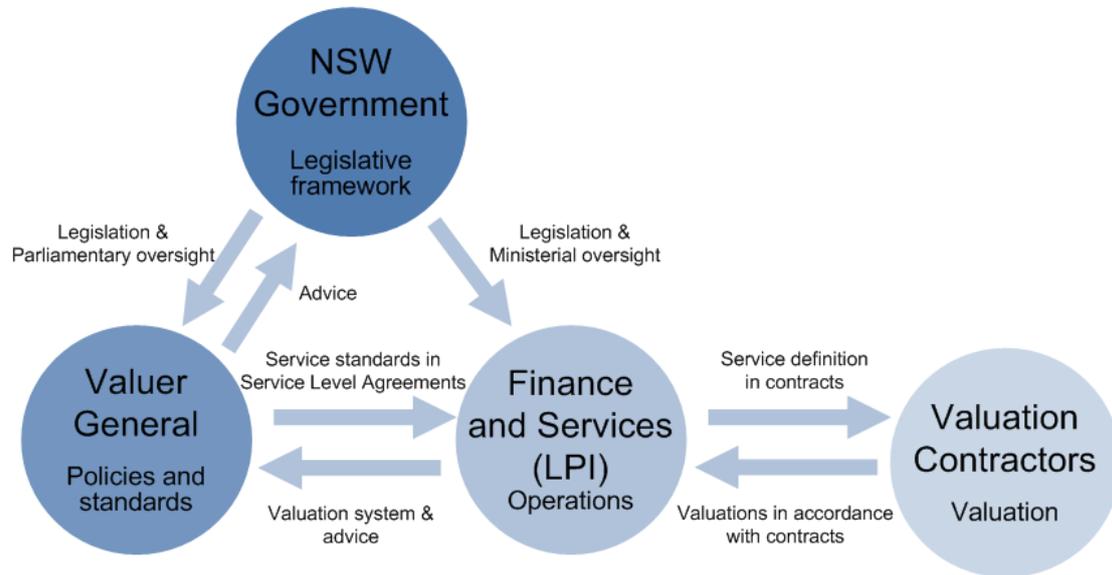
### **3.2 New South Wales context**

NSW has the most sophisticated statutory valuation system in Australia – an observation that would be reasonably anticipated given the scale of the task each year and the complexity of a range of land use types from major urban, commercial, retail and industrial properties through to remote rural lands.

Key characteristics of the NSW system are:

- The establishment of the Valuer General as an independent statutory officer with responsibility to oversee the valuation system, including the setting of appropriate standards that meet the needs of the landowners, the general public and state and local government. The Valuer General reports administratively through the Department to the Minister for Finance and Services and the Director-General of that department and also to a special committee of Parliament, the Parliamentary Committee on the Office of the Valuer General that monitors and reviews the exercise of the Valuer General's functions. The Valuer General is also supported by a Land Valuation Advisory Group made up of representatives of the property industry and stakeholders to assist in the monitoring of the quality of land valuations and to provide a channel for communication between the Valuer General and the property sector.
- The carrying out of valuations for statutory purposes of all local authorities in the state is outsourced to private valuation contractors/consultants of whom there are currently about 22 such private firms contracted at this point in time.
- A division of the Department of Finance and Services, LPI, manages the valuation system on behalf of the Valuer General. This includes the management of customer services and the provision of information to stakeholders, valuation contracts and the provision of information to contract valuers, the objection and review process, together with auditing of work undertaken.

- A revised illustration of the organisational and contractual relationship between the major stakeholders is as follows:



[Source: [http://www.lpi.nsw.gov.au/valuation/role\\_of\\_the\\_valuer\\_general](http://www.lpi.nsw.gov.au/valuation/role_of_the_valuer_general) - corrected]

The NSW system varies in some important ways from other Australian jurisdictions:

Whilst other states, to varying extents, outsource valuation services to the private sector, NSW not only fully outsources its requirements but maintains, in Sydney and 13 regional centres, a number (understood to be approximately 46) of valuers and contract administrators to manage the system.

All Australian jurisdictions apply a range of statistical tests and quality measures on valuation work undertaken and NSW appears to provide the most sophisticated auditing and quality control systems in valuation in Australia.

NSW is the only state where, as a matter of policy and in the majority of cases, objections to valuations are referred to an independent (private contractor) valuer who has had no previous involvement in the case to carry out a second assessment and submit that review to the LPI.

## **Section 4 THE MID-WESTERN LOCAL AUTHORITY AREA CASE**

### **4.1 The overall process**

The statutory revaluation process is fairly well established and, for the most part and with variations, follows a reasonably similar overall path in jurisdictions across Australia.

Data bases are in place and amendments (as a result of land subdivisions and other information coming to hand) progressively added during the previous year. Valuation tasks are then allocated in particular regions (typically aligning with local authority boundaries) and broken down into sub-groups – normally a combination of localities/communities of interest and/or generic land use types.

Benchmark properties are identified or reconfirmed in each of those areas to provide reference points for the valuations to be undertaken and the assessments are then commenced. It would be normal practice to quite closely follow the relativities established by the assessments in previous periods but to also provide the valuer undertaking the assessment with the ability to over-ride those where anomalies are uncovered or, for one reason or another, relativities have changed. (A key advantage of this this type of valuation is, in fact, that it is typically built on relativities and property information that has accumulated and been tested over many previous assessments.)

Once the valuations are complete, the information is then submitted with reports and justifications/explanations and computer-based quality assurance/modelling is undertaken to identify whether or not there is consistency in the application of the valuations, again referring to benchmark properties and to previous assessments.

Such statistical analysis is meant to simply identify aberrations from the anticipated norm or an acceptable range. Reviews of variations do not, of themselves, identify error (except perhaps in extreme cases). Various checks are then undertaken and the assessing valuer would then be asked to comment on what appear to be anomalies. In cases where errors are identified, alterations in values/relativities are made in the normal course of the process.

Because of the nature of mass appraisal, it would be anticipated that some variations would be almost inevitable but the final result should be, within the parameters of mass appraisal methodologies, robust and defensible by that stage.

The valuation data would then be discussed with and provided to the local authority so that they could use it in establishing the revenue base for their budget for the forthcoming year. Concurrent with that or soon thereafter, valuation notices would be issued under the signature of the Valuer General to all landowners. An objection period is then provided for landowners who consider the assessment of their property to be incorrect. Thereafter, objections are considered by the valuing authority and, in the case of NSW, the opinion of a second, independent valuer is sought, with the individual objection being upheld, in whole or in part, or rejected. Subsequent appeal rights, to a court of suitable jurisdiction, are available to landowners.

Amended figures are then provided to the local authority. Landowners are typically required to pay rates (and, if relevant, land tax) at that assessed value on rates and taxation notices; however, if any objection or subsequent appeals are outstanding, later adjustments can be made to the valuation and therefore rates/taxes payable backdated to the date of effect.

In most jurisdictions, any variation in value may affect relativities with comparable nearby lands and, in such cases, new valuation notices will be issued on those affected properties.

In the case of the revaluation of the Mid-Western local authority area (and particular areas such as Rylstone and the Bylong Valley), significant issues with and challenges to the application of new valuations (dated 1 July 2011) would seem somewhat unusual. Certainly, there was no overall rise or significant variations in most land use types throughout the region in that period or, indeed, across most of rural NSW.

The Mudgee area is influenced to some extent by the recreational Sydney market but that influence was perhaps waning at that time as were the fortunes of the extensive vine planting areas in the region. There were sales to coal companies which may well have been inflated because of the special use to those purchasers and there may well have been some spill-over enhancement of value because of that interest. It is understood, however, that the positive influence on values from coal mining activity/acquisitions was not accepted as evidence of market value in these assessments. (The disregarding or discounting of certain sales based on 'special value to the owner/purchaser' that is not reflected in the wider market is normal and sound valuation practice.)

The region is well established and known (as regards productivity, soil and rural use type etc.) and, even though there were complexities resulting from a variety of land uses in the Bylong Valley, it would be difficult to imagine that such issues had not been widely investigated and accounted for in the previous assessments extending back over many decades.

Even more surprising, was that the proposed values for a range of properties varied from those of past assessments without exhibiting similar overall patterns or relativities to those of the past. Again, this should not be taken as being necessarily incorrect but certainly a matter that would be considered as unusual in such an established area and would, on the face of it, be a matter that would require further detailed explanation and/or investigation.

Rural landowners in particular were perplexed by these changes, in some instances having significantly different effects even across their own aggregations. They concluded that the changes must be attributable to coal land sales, despite statements to the contrary by government. Concerns were heightened by the relatively high rural local authority rates level applied in the Mid-Western local authority area, a matter that was already contentious in the local elections occurring about that time. Some farmers in the Bylong Valley reportedly lobbied to be transferred to the adjoining Muswellbrook Shire, so further increasing tensions – citing significantly higher rates payable in Mid-Western. (Assessed value is a key – but certainly not the only component of general rates payable and, not infrequently, is drawn into such arguments, whether justified or not.)

## **4.2 Sequence of events**

The mass appraisal/statutory valuation process needs to be undertaken in a sequence and within time windows to ensure that the needs of the various stakeholders (many of them statute based) are met. The issue of new valuation notices to all landowners (which commences the objection process) is one of those milestones. A second, very significant time parameter is the supplying of reviewed valuations in a very advanced state (i.e. settled final valuations with only a very small number of objections or appeals outstanding) to the local authority to prepare their annual budgets.

It needs to be remembered also that LPI must deal simultaneously over a very short period with valuation programs for all local government areas in the state. They therefore need to rely heavily on their contract valuers to supply the quality product for which they are paid.

In the case of the Mid-Western Regional local authority area revaluations, the base date was 1 July 2011 and the contracting valuers (Aspect Property Consultants) undertook that work and submitted a final review and assessments of properties in that area, on time, in the second half of October 2011. (This was part of the normal valuation cycle with the previous base year being 2007.)

It is stressed that actual valuation assessments were outside the scope of this review and the author takes care not to comment on those matters specifically – without the thorough investigation of values in the area (as mentioned earlier) it is dangerous and unfair to do so.

Nevertheless, in this case, the contract valuer appears to have made some significant changes from previous valuation levels and relativities, even though (except for sales to coal companies – which had been disregarded) there appeared to be little overall change in values in the locality in the period. A relatively small number of sales were relied upon which as a basis for these reassessments. Perhaps more importantly, and as noted above, the changes appeared non-uniform when compared with assessments made in previous periods. Finally, it is reported that the manner in which the value of house site and curtilage on rural blocks was assessed appeared to have inconsistencies.

Whether or not those changes were justified, block-by-block is not disputed here – that may only be resolved by a detailed review of the actual valuation levels struck, a matter outside the scope of this review. However, two matters, germane to this review arise. Firstly, the changes made were significant and do not appear to have been adequately highlighted nor explained in the original submissions made from the contract valuers in the second half of October 2011. Summaries provided seemed to be very general in nature and senior LPI staff advised that sections appeared to be replicated from the previous year's review, even though significant changes were proposed and valuations challenges existed.

Secondly, regardless of any reviewing issues, quality control processes within LPI should have not simply recognised the aberrations and but also have triggered specific enquiries with their contract valuer, with conferences and joint inspections as necessary, to resolve the matters before they escalated further (e.g. when incorporated in Council budgets etc.).

The argument can be reasonably put that the contractors must be responsible for their own work – and that is endorsed. Nonetheless, when serious matters of valuation approach/practice and changing relativities are identified, reasonableness would require detailed investigation and questioning of the contractor, regardless of the level of objections being received. This does not appear to have occurred in this case.

Some apparent anomalies were identified earlier by LPI but were not considered unusual and were addressed through the normal iterations of the quality assessment (statistical modelling) system. Even following closer analysis by LPI however, it is understood that there was no detailed discussions between the LPI and the contractor

and no property investigations nor detailed ‘physical spot checks’ carried out that involved the two parties.

Given the volume of valuations being undertaken across the state and the high level of activity through certain periods of the valuation cycle, it may be reasonably held that there is insufficient time nor resources to ‘ground proof’ valuation submissions, particularly in a case such as this where, though aberrations existed, the level of objection or criticism, at that time at least, was not high. An alternate view, with ramifications for the management of this entire system is that, above all, this is the assessment of property. As important as ‘first cut’ statistical analysis is, it cannot, and does not purport to be to be, a replacement for esoteric property, valuation and local knowledge.

In January 2012, about 12,705 notices of valuation for new values as at 1 July 2011 were issued for the Mid-Western Regional Council Area and, on 5 February 2012, one LPI staff member and two representatives from the valuation contractors attended a meeting to brief the council on the new values.

Opinions as regards that meeting are varied. It does appear that the meeting was quite short (about 30 to 40 minutes) but that may have been normal practice and enough to address the main issues. According to both LPI and contractor records, the presentation provided a general overview, advised of the verification process and noted the avoidance of use of coal related sales. It appeared however that others at the meeting, particularly local authority councillors (one of whom held properties in the Bylong Valley where many valuations had changed significantly), remained quite concerned and that was expressed.

It is understood that there may have been follow-on discussions with some council officers (immediately following the previous meeting) but that did not involve key individuals.

Particularly for those without a professional background in such matters, these are complex and sometimes confusing issues – particularly where controversy already exists (e.g. coal mining impacts) and a ‘verification’ process was being undertaken simultaneously. Though there seems no doubt that such matters were presented at the meeting on the 5 February, key councillors interviewed for this research had no recollection of what ‘verification’ meant or entailed and were still of the opinion that ‘coal sales’ were responsible for assessment changes. This does serve as an example of the need for detailed communication and follow up in such matters to ensure that important messages are not only received but understood.

It is recognised that, in dealing with councillors or other representatives, it is sometimes difficult to comprehensively explain complex issues and, quite legitimately, there can be a range of other political priorities and agendas running in parallel. (In this case, there were ongoing, very sensitive areas, particularly in the Bylong Valley, between graziers and coal miners and, additionally, a local authority election occurring about that time.)

With all that in mind, there is no suggestion that such briefing sessions will, or could, have resolved all issues. However, in this case, issues and misunderstandings were still quite evident and yet they appear not to have been further managed or adequately followed up.

Communication and timely discussion between key stakeholders represents an essential part of these processes to help explanation of what are quite esoteric and complex matters. Problems in this regard and an apparent lack of clarity of ‘who says what to whom and when’ seemed to underlie the issues that emerged.

Through this period also, the potential for issues escalating increased further as key LPI regional staff were away, in one case on extended sick leave, and a second on extended recreation leave. Large organisations, particularly those carrying out public duties must however accommodate such, almost inevitable, events whilst still meeting corporate objectives and timetables. In any case, relief staff may not have been particularly aware of the developing issues in Mudgee given that the LPI, through the period, considered the matter to be within the normal range of objections that had been received in the past.

Meanwhile, despite obvious significant changes in valuations in parts of the Mid-Western local authority area, newsletters and press releases from both the Valuer General and LPI gave the overall opinion that values were not changing or changing modestly – again a cause for confusion in the minds of some of the key stakeholders interviewed as part of this investigation. The supply of more detailed information from the contractor highlighting the variations may well have assisted here and it is also recognised that the nuances of complex valuation changes in a particular area are not matters that will be fully explained in, or even understood by, the media. These limitations in communication flow to the media and the risks that this may involve need to be carefully managed and improved. Prior consultation among contractors, LPI and the Valuer General’s office before the issue of such releases would assist in avoiding misinterpretation of such data. (It is understood as of this writing that the Valuer General’s office has instigated improvements to this process.)

Through this period (March to July 2012), the level of criticism and overall objection to the new valuations in areas of the Mid-Western local authority area were gaining momentum.

It is important to note here that the overall level of objections remained well within anticipated parameters. Further, even in the later review of 672 broad acre properties, reassessment by LPI (and third party contractors) resulted in only 310 assessments being amended as being outside acceptable variances. This represented only 2.44 per cent of the approximately 12,700 properties within the Mid-Western Local Authority Area. As significant as these statistics are, they do not reflect the wider criticism of and reduced confidence in the system and process that are now at issue.

The council sought confirmation of the valuation assessments so that they could develop and present their 2012/13 budget and, given what they considered were unusual increases, on 29 February 2012 had also sent letters to landowners, drawing attention to these significant changes and to landowners' rights to object. This would be considered an unusual but not unprecedented action by a local authority but again, to the LPI and others, it could have been seen as identifying an emerging issue. It is understood that some weeks may have passed before LPI became aware of the existence of the letter and its wide circulation.

The Mudgee area has a very active farmers' group, organised mainly through the Mudgee District Council of the NSW Farmers' Association who were already recently involved in farming/coal mining interface issues. They quickly became involved in this valuation matter, again organised joint action and later, in June, wrote to the Valuer General complaining of valuation inconsistencies. Local media were also now reporting on the story.

The valuation contractors advised that, verbally at least and on a number of occasions, they alerted LPI of the level of controversy that was now emerging. LPI advise that they have no formal record of that advice. This review cannot make a conclusion on these contradictory recollections / lack of records, though it is clearly an important issue.

There are arrangements in place for regular meeting between LPI and contractors. In this period, these occurred on 27 February (teleconference), 30 March (face-to-face meeting), 4 June (teleconference), 16 July (teleconference) and 3 September (teleconference). It has been advised by a number of contractors that these types of discussions were often procedural and related to contract management matters and it is uncommon that they would involve in-depth discussion of assessment matters / valuation issues. Again LPI holds a different view. The Mid-Western case may confirm this. According to contractor records, no mention were made of the LPI reviews either commencing nor underway nor related issues at the meetings of 27 February, 30 March, 4 June nor 3 September. The existence of LPI's 'Review of Rural Land Values for 1 July 2011 Mid-Western Regional Council' was, according to those records, advised prior to a later meeting on 20 November 2012.

Given the difficulties that were becoming increasingly obvious in the Mid-Western case, it stands as a criticism to both groups that these forums were apparently not used to fully explore the issues and to plan remedial action as necessary. In this case, time was apparently wasted through a critical and protracted period and the current structure, chairing, participation, content and agreed actions / follow up flowing from these important meetings need to be reviewed – apparently more widely than this particular case.

Again, poor communication, and the lack of real discourse and information sharing between professionals (that would be reasonably expected in any such activities) emerges as a fundamental weakness in all of this.

The Mid-Western Regional Council on 25 June 2012 wrote to the Valuer General requesting a review of rural valuations where values had increased by greater than 20 per cent. LPI responses appear to have been internalised.

At the end of June (by which time the council budget was imminent) and at the request of the Valuer General, LPI undertook a first, short, specific investigation. That was undertaken by the Regional Valuer and submitted in early July. More detailed investigations were then undertaken by LPI with a review being issued by 27 September 2012.

These reviews identified what were considered to be anomalies in the initial valuations that had been submitted in late October 2011. Through that time too, some of the reassessments by third party valuers as part of the objection process were also arriving at lower values.

Somewhat surprisingly, these investigations / reviews appeared not to involve further meetings or consultations with the initial contractors. On the face of it, that firm should have been in the best position to inform the debate and explain / defend earlier valuation decisions taken.

LPI advised, quite reasonably, that they relied on the responses by the contractor to queries raised under the earlier quality assurance process. With apparently serious issues identified, it would have seemed essential (together, as necessary, with other separate investigations) to now make specific enquiries directly with that contractor. The contractors involved advised, however, that, except for the normal quality control processes earlier in the process and earlier in the year, they were not aware nor had they been contacted on the nature or significance of these matters until they were advised in writing of the apparent issues on or about 24 July 2012 and requested to attend a

meeting in Sydney with senior LPI staff later that week, on 27th July to discuss what was then described as ‘serious problems’.

Meanwhile, key stakeholders such as the Farmers Association and the Mid-Western Council were apparently not contacted until mid-August 2012, with a wider, follow-up teleconference to the Council on the 18 September 2012.

It is recognised that full investigations take time but, given the clear problems that were by now emerging as significant issues, consultations with the key stakeholders (e.g. council, farmers group and contractors) to better assess the issues and to begin to address mounting criticism would have appeared to be a necessary course of action. By then, the local authority budget had been announced and this late change would result in potential loss.

This review must advise that there is still considerable ill feeling and confusion regarding the entire process in the region and the performance of all of those involved. Regardless of extenuating circumstances, there must be serious questions regarding how such matters, with strict time constraints, could be allowed to remain largely held as internal review when valuation information by that stage had been at hand for about nine months and where ‘tell-tales’ of an emerging problem were increasingly obvious.

If, now, the original valuations are considered to be in error and, in LPI’s view, now require major review, it must call into question the adequacy of quality assurance measures that the LPI used to endorse the issue of the new notices of valuation in January 2012.

The single meeting on these issues between the contractors and LPI staff was held in Sydney on 27th July 2012. That and subsequent events are important in all of this and there appears to be some difference in recollections. (As noted previously, this review does not intend to simply describe differences of opinion – that would be counterproductive and there is no way of establishing such matters definitively in any case. That notwithstanding, there are some important matters that emerge from that meeting that require elaboration).

LPI advise that, at this meeting, the contractor was told of the general results of LPI quality reviews and investigations and of criticism emerging in the Mid-Western region. (The contractor was already aware of the latter). LPI asked the contractor to review the valuations made in certain broad-acre rural areas, particularly the Bylong Valley (thought by that stage, it is understood the original valuations were already with council and had been factored into established budgets).

The contractor further advised however, that, at that meeting, information was raised regarding certain subsequent sales, not available at the time of the original assessment. Further, there were apparently certain issues with flood affected access to a cluster of properties that had been overlooked in original assessments but which came to light through the objection process. These should have been identified and remedied in the verification process which was part of the contractor's brief.

This resulted subsequently in the contractor reviewing and amending 32 original assessments – 24 on the basis of subsequent sales evidence, 8 in a particular locality related to access issues noted above. Even though this was at a later stage of the valuation cycle and the contractor should have identified the access matter earlier, that adjustment to such a small number of assessments (about .002 per cent of all properties in the region) would appear justified and sound. (The use of sales subsequent to the date of valuation is, in theory, somewhat suspect and problematic, but in this case, where few sales were apparently previously available, it was reasonable to be cognisant of them.)

The contractor advised, and still holds to the contention, that the land values for the balance of the assessments were sound.

LPI believe that the contractor's need to amend these 32 assessment gave rise to their loss of confidence in their work overall and prompted their later full review and advice to the council on 18 September 2011 that the original assessments were flawed. It may well be that LPI had come to that conclusion from their other investigations but it would be the opinion of the author that, even at this late stage, the amendment to a relatively small number of assessments such as those outlined above would not be grounds to lose confidence in all assessments.

LPI's investigations had, from their early investigations conducted some months before, identified the use of limited sales evidence, issues of consistency in assessing home site values on rural lands and of some land classifications and several other matters. These were quite legitimate questions to present – and on the face of it, they had every reason to interrogate further.

The question remains why this was not taken up much sooner and in a much more comprehensive way with the contractor, and perhaps at a local level where the physical / property parameters could be better assessed. A second, related question may be whether the internal reviews carried out by LPI were suitably 'ground proofed' with inspections, detailed local knowledge and discussions with all key stakeholders to come to a definitive conclusion. One might have hoped that those investigations could have

been more widely based. The decisions may have well been the same but a more inclusive approach with those stakeholders would almost certainly have been beneficial.

Following discussions between the LPI and the Council in mid-August, a teleconference was held between those two parties on 18 September 2012 wherein senior LPI officers advised that widespread errors were now considered to exist in the assessed values of certain rural properties / classifications in the local authority area that a substantial revaluation (of properties over 100 hectares) was required.

### **4.3 Stakeholder involvement**

The successful introduction of a new level of statutory valuations in a region/local government area is, in essence, fairly similar to the development and introduction of many other types of government policy and activities. This is based on:

- a clarity of objectives and requirements for compliance (in these cases established by legislation and regulations;
- a recognition of who is the client(s), who are the true stakeholders and what represents an acceptable outcome for them;
- good quality structures and processes suitable for the task at hand and encouraging upfront planning – thus avoiding later damage control/major reworks, i.e. a quality first/continuous improvement, organisation and structure;
- timeliness and project planning and resources in place to meet deadlines and to identify in advance delays and emerging issues so that they may be subject to remedial action;
- professional trust between bureaucracy and professional groups working across the initiative;
- quality, well planned information provided to stakeholders and through to the wider public in a form that is logical and understandable to them;
- throughout the initiative to closely monitor public/business/community opinion, keep communication lines open and take remedial action where necessary;
- identification of changing circumstances and evolving events and the ability to respond to them in an appropriate, effective and timely way; and

- recognition of milestones and completion points achieved with assessment of results undertaken to benchmark performance and allow for further development/improvement into the future.

The outcomes required by key stakeholders in the cases of valuation and taxation are fairly generic – certainty, transparency, adherence to pre-established standards and methodologies, equity and reasonable understanding/explanations of approach and changes to existing standards deemed necessary. In addition to these generic requirements, individual stakeholders would also have their own, clearly identifiable requirements:

- Valuer General as the responsible officer, to be well informed of activities and particularly emerging issues, to have confidence in the delivery of the programs (time, cost and quality) underway in a particular year and, whilst recognising the potential for this agreement in mass valuation assessments, to avoid unnecessary controversy resulting from the delivery of the program.
- Local authorities - the timely delivery of valuation assessments, with adequate explanation to council and ratepayers and the avoidance of untimely or retrospective changes which adversely affect the revenues of the council.
- LPI – the delivery (by whatever means is practicable and within the parameters of the mass appraisal system) of accurate and timely valuations for issue under the name of the Valuer General.
- Valuation service providers – to provide a professional, valued service that respects their role and challenges, which reasonably involve them in the process and provides them with a profitable and sustainable business.

The Mid-Western valuation process, in retrospect, has been less than acceptable in meeting these reasonable expectations of many of the stakeholders and, from this point, it needs to be established if these represent unusual circumstances or if such issues may be more widespread.

#### **4.4 What appears unusual**

Section 4.2 above observed that assessments in such a well-established and relatively stable rural/provincial area should not experience widespread, apparently scattered and somewhat random changes in statutory valuation levels from year to year unless strong market evidence existed that suggested that such changes were warranted.

Such changes were not apparent in this case which would reasonably lead to the question of what was unusual in this case.

In this regard, this review would make the following observations (summarising earlier description).

From early stages of this process, there were a number of reasonably obvious issues and parameters in the revaluation process which should have given grounds for concern or further investigation/inquiry with the contract valuer and others. These included:

- continuing implementation of the verification program which had the potential to present otherwise unexpected changes to pre-existing valuation bases and relativities
- the identified small number of sales used, the possible distortions of sales related to coal mining activities and the emergence of certain subsequent sales which may have influenced values
- a local government election which was held on 8 September 2012 and, in the run-up to such an election, matters such as the rates and valuation base may well have been contentious or brought into the debate
- particular (and apparently ongoing) issues in the Bylong Valley as regards long-standing certain land types, conjecture regarding coal mining (and effects on land values) and a very well organised farming community coordinated by the NSW Farmers Association local branch
- subsequent to that, issues raised at council briefings on 5 February 2012, information letters sent to all ratepayers by the council on 29<sup>th</sup> February 2012 and the emergence of media coverage
- an arguably inconsistent approach to the assessment of home site values on rural/acreage lands and use of a quite limited number of sales.

Throughout the entire process, communications with stakeholders were poor at a number of levels:

- The need for better co-ordination of and wider input to media releases has been previously noted to avoid incorrect perceptions being provided or unhelpful generalisation being promulgated. It is recognised that this has difficulties given

the brevity required for press releases – and the even shorter extracts that might be finally published. Given that situation, however, the use of press releases at all for what are complex matters need to be closely considered. Further, the use of sales information which, whilst well intentioned to inform landowners of sales evidence, may well prove confusing and above the layperson's comprehension.

- An objection application process considered by landowners interviewed as too onerous and (in their opinion) acting to discourage objections.
- (As noted above) the apparent reluctance to enter into detailed discussions with a range of stakeholders who, if engaged earlier, may well have placated many of the problems that emerged.

The issues outlined in this section are diverse. Some are quite localised and made worse by several unfortunate coincidences. Others show imperfections in wider systems and operations / application that need to be addressed. None however represent some form of overall systems failure.

## Section 5 CONCLUSIONS AND RECOMMENDATIONS

This review identifies a number of quite serious issues related to the undertaking of the 2011 statutory valuations for the Mid-Western local authority area.

Like most complex undertakings, there is not a single root cause and there is not one party fully responsible. There is nothing to suggest in this that the fundamentals of statutory valuation are in some way flawed nor are the underlying methodologies of valuation practice, established over decades and based on international standards, compromised.

The problems uncovered are to some extent an unfortunate coincidence and sequence of events but many of these could have reasonably foreseen, strategically managed and/or completely avoided.

The Valuer General cannot be satisfied with performance in the case.

Significant changes in value and changes in relatively would not have been expected in the Mid-Western local authority area during this period – and yet they were presented in October 2011. These valuations were without sufficient highlighting of variations and explanations for them. Even in early analysis, LPI identified a number of apparent anomalies and inconsistencies in a number of areas. There was insufficient further investigation on those matters and no detailed, direct inquiry made to the contractor until some later time. The valuations meanwhile had been signed off by LPI and, on advice, the Valuer General and forwarded to the council. From that point, any review or variation would be difficult and involve a widening group of stakeholders.

Although the levels of objections were low, there were a range of indicators from a number of sources predicting that problems were likely to escalate.

Whilst not over simplifying what are complex matters, poor communication by and between key stakeholders – particularly LPI and the contractor and inadequate stakeholder management by LPI were critical issues. This situation was made worse by a number of unavoidable staff changes at LPI at that time – but any major organisation must be able to accommodate such events.

The entire episode is surprising given that the NSW system is considered the most sophisticated in the country and LPI, highly regarded.

From wide discussions held, there appears to have been, about 3 or 4 years ago, changes in strategic direction by LPI. Under this, LPI focused its efforts on contract management and the ‘on the ground’ involvement of District Valuers seemed to have reduced. It seems that LPI’s appreciation of events, nuances and developments in complex, local property environments may have reduced with that change. LPI may well dispute that observation, as is their right; it is however the author’s professional opinion and is seen as an important issue in all of this.

The case shows that over-reliance on contractor reviews and on statistical modelling cannot replace, and was never meant to, the combination of grounded local knowledge, valuation experience and the trust and rapport with stakeholders. The limited stakeholder consultation throughout the case under review also gives credence to those observations.

This review must advise that there remains a level of reputational damage to LPI and, to some extent, to the Office of the Valuer General as a result of the 2011 revaluation of the Mid-Western local authority area and subsequent events through 2012.

Contractors are quite reasonably required to provide correct and timely valuations within the parameters of statutory valuation systems and, as with any contract, a commercial distance needs to be maintained between parties to such contracts. Nevertheless, the final objective is to provide NSW with a reliable, consistent and accurate valuation service that should include a level of professional collegiate behaviour. Parties involved in all of this, need to closely consider that maxim as there is little evidence of that exhibited in this case.

The positive aspect of what is a disappointing episode is that it is quite within the power of those involved in the valuation process, and particularly in the LPI, to quickly make management and operational changes to ensure that such events do not re-occur elsewhere.

It is gratifying to see that there is a genuine interest in a ‘continuous improvement’ philosophy within these organisations and actions seem to be already underway to address a number of areas raised in this review.

More specific recommendations and actions are as follows.

## **5.1 As regards the Mid-Western local authority area revaluation**

It is understood that provisions may exist under the *Local Government Act* to recover current losses from the wider rates base over time.

As is obvious from the letter from the council to the Minister in September 2012 and from recent conversations with them in Mudgee that there is still considerable disappointment, confusion and lack of confidence in the system and this review would confirm those feelings across a number in the wider community.

It is recommended that two actions would significantly address this situation, even at this late stage:

- (a) that the Valuer General (not LPI) visit Mudgee and explain to the council and, separately, to selected interested parties, details of the process and that such remedial action is possible and now underway; and
- (b) that a revaluation of the local authority area be brought forward to 2014 to completely recalibrate the statutory valuation of this area.

## **5.2 As regards property and valuation information provided to the media in general and to property owners in particular**

If general media releases on the state of the market are to be provided at all, they must have some level of detail included. Unless changes are occurring across a region or across the whole sector, general comments on rises, falls or lack of movement need to be carefully considered as they may well not reflect movements in particular land types or localities, so adding to uncertainty overall when individual assessments are later issued.

It is recognised that press releases must be brief and, even then, will only be selectively used by the media. These reports, out of context, may indeed do more harm than good – especially in explaining complex matters. Reference to state government web sites, where more information might be provided to landowners and to the wider community, would appear to be a better more reliable strategy for the dissemination of information.

It is sound practice to provide some property market information or sales evidence at the time of issue of valuation notices. This has been proven elsewhere to add to the transparency of the process and, overall, to reduce the number of objections. This overall approach is therefore strongly endorsed.

The provision of a schedule of analysed sales may, however, result in misinterpretation to the untrained observer and, thereby, may add to, rather than reduce, uncertainty. Instead of the identification of specific sales, consideration could be given to the issuing, with the valuation notice, of a narrative of valuation movements in the locality and, whilst not quoting individual sales, making overall quantitative and qualitative

observations on the regional market overall and providing a general justification for the range of changed values recommended under the revaluation for the region and for various land categories. Comments on market aberrations (such as, in case of the Bylong Valley, the disregard of contentious sales to coal mining interests) would also assist in allaying misconceptions in the community from the outset.

This would provide a more logical synopsis of the approach being taken. Details of sales could still be provided on request or on the appropriate website, should some landowners wish to avail themselves of that information.

In this regard too, care needs to be taken in contentious issues that customer service centre staff is fully briefed on changes to policy as soon as such changes occur. Whilst anecdotal, advice was received from landowners in this case that dated and incorrect information was, at times through these events, being supplied from that call centre. This cannot be verified in retrospect but the process for the flow of correct information to 'front line' service providers should be reviewed, given its vital role.

### **5.3 As regards current objection processes**

There is a strong opinion amongst landowners and interest groups interviewed that the current objection process, and particularly the information required in making an objection, is far too onerous and, in fact (in the opinion of some), 'conspires to make the submission of an objection as difficult as possible'.

As in other states, statute provides for the right to object and it is the responsibility of the responsible department to facilitate that process.

It is recognised that any owner consciously making an objection must provide reasonable grounds and make the application in their own name and under their own signature. The system should not allow for frivolous or unsubstantiated objections nor should the ability for third parties to submit individual or group objections without proper delegated authority. Objections must be properly made but, at the same time, they should not require legal or specialist valuation assistance or knowledge to complete.

It was observed that, given the effort and time that needed to be committed to the objection process in New South Wales, it was fair to require detailed grounds and other information from objectors. That is a reasonable approach but care must be taken to avoid (as may be the case here) that some landowners forgo their rights on the basis that the process is simply 'too difficult'.

The premise of such a long and expensive objection process that is provided for in NSW may itself be questioned, though that is a matter outside of the scope of this report.

Other states have well addressed these issues and a balance of to secure the interests of both the government and landowner/landowner groups has been achieved. The department may wish to review current practices here and consider the adoption of similar, contemporary approaches. Suffice to say for the purposes of this review, that the current arrangements are resulting in considerable frustration among those attempting to make objection, a process which, for landowners, may already be an occasion of some emotion and contention.

#### **5.4 As regards relationships between the Valuer General and LPI**

Matters regarding levels of responsibility and risk management taken by all parties under current arrangements needs to be clearly and simply reaffirmed.

It would seem reasonable that, given LPI's resources and professional capabilities, they should be able to endorse and take primary responsibility for valuations undertaken by their valuers – either in-house or contractors. This is not to imply that, in a statutory valuation system, anyone, including LPI, can ever guarantee 100% correctness. Land valuation generally and statutory valuation in particular simply does not have that level of exactitude. It can, however, guarantee the systems and processes that result in the accurate and defensible assessments made by its contractors. In turn, those contractors must (and, as far as this investigation can assess, appear to be willing) to accept professional responsibility for their work, again within the parameters of statutory valuation principles and practice.

It might be observed that, particularly over recent years, LPI has increasingly focused on process and contract management. It is not suggested of course that such activities are not important and, indeed, in an outsourced system such as that in NSW, they are critical. Nevertheless, LPI's good reputation was built on its valuation knowledge and systems – and its ability to interpret and respond to changing property markets across the state. It must ensure that it does not erode that essential 'value add'.

The overall objective of the entire program is to produce timely, cost-effective and correct valuation assessment for rates and taxation purposes under a transparent process in which all stakeholders have confidence. For LPI, that identifies the Valuer General, local authorities and (as regards land tax) the state government as the key clients and LPI officers and valuation contractors as strategic partners in achieving those outcomes.

This, in fact, may well be the current situation, but its overt restatement would assist in clarifying strategic and operational arrangements.

On a wider point here, LPI has a range of roles within this process – key advisor to the Valuer General, procurer of valuations, responsibility for quality assessment, contract management and a range of others. Whether such a multitude of diverse roles represents best management practice and provides the overall risk management is worthy of further study. It may be that some of these roles, for example, that of auditing and/or independent / special investigations may better be held within the Valuer General's office. Again, these matters are beyond the scope of this report but worthy of further consideration.

## **5.5 As regards the existing contract management system**

The separation of contract management from operations (which appears to have been instigated three or four years ago and continues to be applied) is arguably having an adverse effect on valuation quality and operational priorities and needs to be reconsidered.

There is no doubt that, under any outsource model, the effective establishment and management of contracts is critical but, in the name of risk management, additional responsibilities and work (some not particularly related to the valuation product) can be devolved down to contractors, at times without sufficient recognition or reward.

In this regard too, all LPI staff and contractors should be made aware of, and commit to, timetables not only related to LPI requirements but to those of other stakeholders, particularly local government budgetary cycles.

Importantly here, the critical role of the District Valuers may have changed in recent years and their roles in mentoring and providing legislative and operational guidance to contractors, in providing to LPI and, particularly, to the Valuer General, with accurate local market and wider intelligence and in maintaining regular contact with key stakeholders may have been diluted somewhat.

A strong recommendation of this report is that a balance be formally reinstated whereby contract management, statistical analysis and verification are recognised as essential but, at the same time, the fundamental and primary importance of applying valuation principles and field application is accepted. In that, the District Valuer has a key, overview role in the delivery of the assessments in any particular locality and needs to have the power to enforce considered professional opinion. The use of either in-house or contract valuation staff is simply a delivery option and should, for the most part, be

immaterial to that maxim. Without that authority, the role of District Valuer has limited meaning. Properly structured, such arrangements will not interfere with the 'appropriate distance' from contractors

Finally here, the author notes from the Mid-Western investigations and from other unsolicited comments received, that the current working relationship between LPI and a number of contractor organisations may somewhat strained and not conducive to producing the best possible outcomes. As noted above, a commercial 'arm's length' relationship is necessary but within that, improved professional interaction and information flows could assist greatly in producing the final objective of all – the timely production of correct valuation assessments. Even relatively small changes – such as reference to those firms and 'consultants' rather than 'contractors'- would not change legal responsibilities but would better reflect professional roles.

## Related documents

This review was based on a wide range of Valuer General's, LPI and Mid-Western Regional Council records and files, including individual pieces of correspondence, press releases, media reviews etc.

Of particular (but not exclusive) notation are:

Aspect Property Consultants: (undated – thought to be late October 2011) *Valuation Analysis Review, Mid-Western Regional Council*

Aspect Property Consultants: (undated – thought to be late October 2011) *Final Review for Mid-Western Regional Council.*

Aspect Property Consultants: (15 February 2012). PowerPoint presentation to Mid-Western Regional Council

LPI: (18 July 2012) Benchmark / Contract Review – Mid-Western Regional Council.

LPI: (17 July 2011) Mid-Western Rural Land Review (Dubbo/ Aspect Property Consultants) LA-LP-VS-VNT-LI-00016.

LPI: Rating and Taxation Procedures Manual 6.2.2

LPI: (undated) Memo Director Valuation Services to Valuer General TRIM OGM 12/383

LPI: (19 October 2012) GM LPI to Valuer General: Review of Land Valuations in Mid-Western Region Local Government Area. TRIM OGM 12/464

LPI: (19 October 2012) GM LPI to Valuer General: Incorrect Land Values. Mid-Western Regional Council. TRIM OGM 12/456

Hefferan, M and Boyd, T (2012) Guidance Paper and Background Notes – for the NSW Department of Finance and Services Review of Land and Property Information Division.

Hefferan, M and Boyd, T (2012) A Review of the Operations of the State Valuation Service and the initial year of operations of the Queensland Land Valuation Act 2010.

New South Wales Valuer General (18 October 2012) Letter of instruction to Professor Mike Hefferan.

## About the author

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Mike Hefferan is Pro-Vice Chancellor and holds the chair in Property Economics and Development at the University of the Sunshine Coast (USC). He is also an Adjunct Professor at the Queensland University of Technology (QUT), where he previously ran QUT's Institute for Sustainable Resources.

His career has related mainly to property in the public sector. He commenced his career as a Valuer in the Department of Lands, with various postings throughout the state carrying out statutory valuations. He later specialised in acquisitions and resumptions. For many years he was an Executive Director within Queensland's Department of State Development responsible for much of that government's property portfolio and for major property development projects throughout the state. Subsequently he has been frequently retained as a consultant to various government bodies, including the full review of the land valuation system in Queensland from 2010 to 2012.

He has a PhD, Masters of Applied Science and postgraduate management qualifications. He is a registered rural and urban valuer and is the Immediate Past President of the Queensland Division of the Australian Property Institute (API) and chair of its National Education Board. Professor Hefferan is also a Fellow of the Australian Institute of Company Directors (AICD), Royal Institution of Chartered Surveyors (RICS) and Urban Development Institute of Australia (UDIA) and is actively involved in the Property Council of Australia (PCA).

He is the author of a range of property papers and reports, including property text *Real Property in Australia – Foundations and Application (2013)*.

Other related publications:

**Hefferan, M** 2012, *Guidance paper by pre-eminent persons to New South Wales Department of Finances and Services in relation to stage 1 of the review of the NSW Department of Finance and Services*, review prepared for the Office of the Valuer General New South Wales.

**Hefferan, M**, Boyd, T & Macfarlane, J 2012, *A review of the Operations of State Valuation Service and initial year of operations of the Land Valuation Act 2010*, a review to the Valuer-General Queensland prepared by the Independent Peer Review Panel.

**Hefferan, M** & Boyd, T 2011, *A valuation methodology proposal for the Torres Strait Regional Authority ILUA template 2011*, review prepared for the Torres Strait Regional Authority.

Price Waterhouse Coopers 2010, *Queensland Statutory Valuation Reform Review*, review prepared for the Department of Environment and Resource Management, Queensland Government.

**Hefferan, M** and Boyd T, 2010, 'Property Taxation and Mass Appraisal Valuation in Australia – Adapting to a New Environment', *Property Management*, vol.28, no.3, pp. 149-162.

**Hefferan M** & Boyd T, 2009 'Property Taxation and Mass Appraisal Valuations in Australia – Adapting to a New Environment' *Proceeding of the Pacific Rim Real Estate Conference*, Wellington, New Zealand January 2009.

**Hefferan, M** & Boyd, T 2008, 'An Investigation Into Different Land Valuation Methodologies For Complex Valuations For Statutory Purposes' review prepared for the Department of Natural Resources and Water (DNRW), Queensland Government.

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