

## **INQUIRY INTO LAND VALUATION SYSTEM**

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*Advancing Professionalism in Revenue Raising*

The Chair,  
Joint Standing Committee on the Office of the Valuer General  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Kean,

Thank you for the opportunity for the NSW Revenue Professionals to submit a response to the "Inquiry into the Land Valuation System".

Please find attached our comments in this matter.

I apologise for the lateness of the submission.

If your committee requires any further information in regards to any of the matters raised please do not hesitate to contact me.

Yours sincerely

John Towers  
President  
NSW Revenue Professionals

1. *To investigate the extent to which the current land valuation system delivers transparent, efficient, equitable and consistent outcomes for stakeholders. This includes monitoring and reviewing the exercise of the Valuer General's functions with respect to land valuations under the Valuation of Land Act 1916 and the Land Tax Management Act 1956, including:*

**a) Volatility in land valuations;**

- i. The current three (3) yearly revaluation system used in NSW is considered adequate and takes away the peaks and troughs in valuations that would be experienced if a more frequent system was in place, particularly in times of boom and bust.
- ii. It is acknowledged that some Councils would prefer a more frequent delivery of values and that in some rural areas a longer time between values would also be suitable.
- iii. Further, Councils should if they desire have the ability to request and receive a yearly revaluation, although this would be at the cost of the individual Council.

**b) Complexity in the valuation system;**

- i. It is imperative that the legislative framework should, at least, be robust enough to ensure that valuations supplied to NSW councils meet rigorous tests so they are accurate and for valuations from private contractors i.e. trustworthy.
- ii. It would be ideal if investigations were carried on the various different service delivery methods in other states, to ensure that NSW has the best possible valuation base for rating and taxing purposes.
- iii. In general, it is considered important that valuation supply should be efficient, simple, transparent, equitable, sustainable & accountable.

**c) Any legislative changes required;**

- i. The current provisions of the Valuation of Land Act and associated Acts, lots within Strata and Community Plans are not separately valued. Consequently, the rates levied can be low, inequitable and inconsistent with those of other ratepayers who have a single dwelling house.
- ii. Using CIV or AAV as a valuation base for strata plans and community plans would allow for greater equity in rating.
- iii. Provision should be made within Section 14 Valuation of Land Act for an allowance to be made for those properties which are currently subject to postponed rates under Section 585 of the Local Government Act.

**d) Drivers of efficiency in the system including market distortions, and administration and compliance costs; and**

- i. Due to the fact that the Valuer General contracts out the provision of valuations to private contractors, it is vital to build quality control factors into both its Service Level Agreements with the contractors and the Valuation Legislation.

**e) Any inequity in the valuation system.**

- i. As stated earlier there are inequities within the present system between free standing houses and properties contained within strata plans etc (See c above). In many cases these strata properties are much more expensive than close-by free standing properties yet make a significantly lesser financial contribution by way of rates and taxes.
- ii. The current situation where the right to objection to the valuation is available on more than the issue of the valuation, particularly where objections are made to land tax usage of a valuation and Councils have used the valuation for some time and is then required to adjust rates retrospectively in some instances for several years and at quite a short term expense to Council – Section 35A and Section 38 Valuation of Land Act.
- iii. The approach to the valuation of shopping centres etc needs to be reconsidered. Evidence would suggest that whilst other properties regularly increase in valuation properties such as these increase at a significantly reduced percentage or do not change at all over several valuation cycles. This is despite their value when sold generally increasing substantially.
- iv. The premise that strata units are low valued housing stock is not relevant and causes financial inequity by low rating assessments (see 2e)

*2. To make recommendations on the issues above including but not limited to:*

**a) Any legislative changes required;**

- i. A significant and important change would be for the Valuer General to provide to Councils Improved Valuations as well as Land Valuations and possibly AAV. The option should then be made available to Councils to choose which valuation to use for rating purposes and which best suits their community profile.
- ii. Changes to the various pieces of legislation relating to strata lots eg Strata Schemes (Freehold Development) Act 1973, Strata Schemes (Leasehold Development) Act 1986. This is in addition to any changes to the VLA and the LGA.

**b) Changes consistent with best practice in comparable jurisdictions;**

- i. The optimum situation would be to give Councils the power to select either of the LV, CIV or AAV as a valuation base dependant on each specific rating category & also for Strata & Community plans. Some consideration to a change in the Valuation of Land, Strata & Local Government Acts to cater for this, would obviously be required, if this was a popular choice.
- ii. That properties are valued according to their current use rather than the highest and best use as is currently the case.
- iii. The approach to the valuation of shopping centres etc needs to be reconsidered. Evidence would suggest that whilst other properties regularly increase in valuation

properties such as these increase at a significantly reduced percentage or do not change at all over several valuation cycles (see 1e above).

**c) Measures to improve transparency within the system;**

- i. The current Act is very difficult to understand and should be made clearer. Some sections of the Act are hard to distinguish from others (e.g. Sections 14A (2) & 60A (1)).

**d) Measures to improve greater efficiency within the system;**

- i. As in other Australian states, Councils could be given the option of contracting with their own private Valuer, or requesting that the Valuer General supply the service. This could have the effect of improving the timeliness of the provision of valuations for subdivisions etc particularly for Councils which are part of the growth areas.

**e) The need for possible amendments to the Valuation of Land Act: and**

- i. A metropolitan Council had over 2,900 re-ascertainments for the 2008 Base Date. This has improved a great deal for the current 2011 Base Date, with only 9 to date. However, as Council does not have the ability under the current legislation to recover income lost due to re-ascertainment's, which can be quite substantial, it is imperative that quality controls are far more stringent.
- ii. The Australian property market has substantially changed in the last 30 years with urban density increasing. By 2050 most urban dwellers will live high density housing stock thereby placing increasing financial burden on dwelling residents and distorting the property market to benefit investors. This fundamental shift has brought about the situation of strata apartments and town houses that have comparable capital value to occupied dwellings in the market place. The premise that strata units are low valued housing stock is not relevant and causes financial inequity by low rating assessments.
- iii. The land value, as currently used, is not reflective of the current capacity to pay as strata unit prices now exceed dwelling prices in high density local government areas.

**f) A cost benefit analysis of proposed changes to the system.**

- i. In the interests of fairness and equity it is considered that IPART should continue to determine valuation fees. However, this should be on an annual basis, rather than on the current five year term, as it is notional and does not reflect actual CPI for that year.