

## **INQUIRY INTO LAND VALUATION SYSTEM**

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Mr Matt Kean MP  
Chair  
Joint Standing Committee on the Office of the Valuer-General  
Parliament House  
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### **SUBMISSION TO THE INQUIRY INTO THE LAND VALUATION SYSTEM**

This is a submission to the Inquiry into the land valuation system on behalf of the Broken Hill Chamber of Commerce.

On Wednesday 6<sup>th</sup> March 2013. The President and Executive Officer of the Chamber of Commerce, Messrs Paul Seager and Dennis Roach, were invited to appear before the Standing Committee to give evidence on this matter, in Broken Hill. We would like to thank the Committee for the opportunity to attend the hearing and to give evidence. The Chamber of Commerce is keen to assist the Committee with its Inquiry and we now provide this written submission.

#### **About the Chamber of Commerce**

The Broken Hill Chamber of Commerce was established in 1891, 122 years ago. At its establishment the Chamber was seen as one of the five pillars of the Broken Hill community, these were:

- Mine managers
- Unions
- Broken Hill City Council
- Pastoralists Association of the West Darling
- Broken Hill Chamber of Commerce

Today the Chamber works collaboratively with partners and stakeholders to achieve win-win business, economic and industrial relations outcomes, for the benefit of the Broken Hill and the Far West Region of NSW.

The role of the Chamber is to:

- Foster a positive economic outlook and promote business confidence.
- Business advocacy.
- Partnership brokering for major projects (eg the proposed Silverton wind farm).
- Provide industrial relations information to the Chambers members.

#### **Perilya Valuation Issue**

The Perilya mine lease valuation appeal and the possible requirement for Broken Hill City Council to repay approximately \$6.8m in over-paid rates have negatively impacted on business and community

confidence. The Community is aware that the repayment of this money could well be the cause of significant rate increases and substantial levels of borrowing to cover the liability accrued by Council.

The financial uncertainty caused by this appeal and the flow on effects is already having an impact to businesses especially smaller businesses. It has seriously undermined business confidence. Rate increases would significantly impact on the viability of a number of small businesses. This would have a flow on effect to employment in Broken Hill.

Recent decisions by Broken Hill City Council (BHCC) to make provision for the repayment of rates to the Perilya have already impacted on a range of community events. For example:

- The Resources and Energy Symposium – Which brings a substantial amount of business to the tourism and hospitality industries.
- The St Patricks Day Race Meeting – This is an institution in Broken Hill, attracting over 8,000 people as well as visitors from Far Western NSW and interstate, again this is a significant boost to Broken Hill the tourism and hospitality industries'
- The Broken Hill Civic Debutantes Ball – Again this is a significant social event, as Broken Hill is the major regional centre in Far Western NSW.

These decisions have been highly unpopular with the business and broader community, as these events stimulate economic activity in the city and are major social events in the Far West Region.

However, Council must consider all options to cover the extensive liability incurred by the valuation appeal. Council is unable to undertake effective forward planning, due to the uncertainty about its current financial position and has to look at cost cutting measures, such as reducing public library opening hours.

This uncertainty is exacerbated by the potential for other landowners to appeal valuations, in particular the other mine operators. This matter requires prompt resolution, to restore business confidence and to ensure that Council can continue to deliver a full range of quality services to the Broken Hill community.

### **Broader Valuation Issues**

In NSW, valuations are based on the notional unimproved land value. For example In South Australia valuations are based on the capital or improved value. That is, a two-storey house would be rated at a higher level than a vacant block of land next door. This seems to be a more equitable rating model.

The Land Value Verification Project was conducted by the Office of the Valuer-General from May 2006 and completed in April 2011. The purpose of this Project was to enhance the quality of land values. It is a reasonable assumption that the completion of this project should have given Council an assurance that the valuation data available is of sufficient quality for Council to determine the level of rates payable and therefore certainty in their budget estimates.

This situation poses a significant material risk for Council, as:

- Land valuations are determined by the Valuer-General, there is no other source of data available.
- Rates levied by Council are based on the Valuer-General valuation.
- If the valuation is successfully appealed, as in this case, Council is held accountable for over-charging rates, which materially affects Councils financial position.
- Council has a reasonable expectation that valuations are correctly determined.
- Responsibility for the valuation rests with the Valuer-General.

Therefore what accountability does the Valuer-General have for the financial impacts of these valuations? In addition, what recourse does Council, representing the Broken Hill Community, have and how does Council alleviate the financial distress caused by defects in the valuation system?

### Community Attitudes to the Valuation System

Generally the Community does not understand how the valuation system works and how Council obtains and uses valuation data. Rates notices issued by Council contain information about the rateable value of a property but as it is in a notice under Council's letterhead it is perceived that the data is generated by Council.

The valuation system is not transparent, and there is no incentive to rate payers to be fully informed about how a valuation has been determined.


The appeals system against a disputed valuation is complex, time consuming and perceived as costly and financially open ended. This is a disincentive to the person and small business operator to protect their rights and appeal against a valuation perceived as incorrect, excessive or plainly wrong.

### Recommendations

The Broken Hill Chamber of Commerce makes the following recommendations for the Valuation system in NSW, and in particular in Broken Hill:

1. Introduction of valuations based on the capital or improved value. This would be a more equitable rating model for smaller land holders.
2. Recognition that Council has a reasonable expectation that valuations are correctly determined and that responsibility for the valuation rests with the Valuer-General.
3. Recognition that Council, representing the Broken Hill Community, should receive financial assistance to alleviate the financial distress caused by defects in the valuation system.
4. Provide clear and transparent information to the Community on how the valuation system works and how Council obtains and uses valuation data. It is recommended that when Council issues Rates notices under Council's letterhead an attachment on the Valuer-General's letterhead should include the actual valuation as well as advise rate payers as to how the valuation has been determined.
5. The introduction of an appeals system against a disputed valuation that is simple, clearly understood and with minimal cost (a nominal lodgement fee, refundable in successful cases) or no cost at all. This should also include a community information campaign to ensure that all ratepayers are fully aware of their appeal rights.

On behalf of the Broken Hill Chamber of Commerce we would like to thank the Committee for accepting this submission.

  
Paul Seager  
President

8/3/13

  
Dennis Roach  
Executive Officer

8/3/13