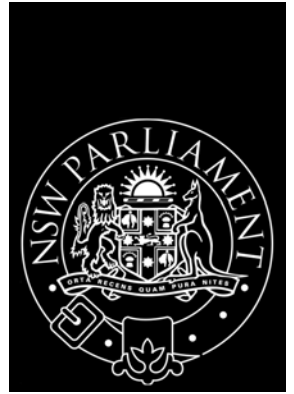


PARLIAMENT OF NEW SOUTH WALES



Joint Committee on the Office of the Valuer General

REPORT ON THE FOURTH GENERAL MEETING WITH THE VALUER GENERAL

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Chair's Foreword

This is the Fourth and Final Report of the Joint Committee on the Office of the Valuer General for the 53rd Parliament.

The Report marks end of an important process of reform monitoring, which I believe has contributed to improving the integrity of operations of the NSW land valuation system. The recommendations of the Report highlight aspects of the valuation system, which the Committee believes would benefit from continued monitoring.

The Committee sees the oversight of Statutory Officers, such as the NSW Valuer General, as a key element in maintaining public accountability and transparency in Government activities.

The Committee has worked productively with the NSW Valuer General and I am pleased with the collaborative approach taken by the Committee on the issues raised.

I would like to thank both past and present Members of the Committee, the Valuer General - Mr Philip Western, and the Committee Secretariat for their assistance during the activities of the Committee. I would particularly acknowledge the efforts of Ms Carolynne James, Committee Manager, in advising and assisting the Committee.



Kayee Griffin MLC

Chair

Findings and Recommendations

FINDINGS

The Joint Committee was established in 2003 to monitor and review the exercise of the Valuer General's functions with respect to methodologies, valuation contract arrangements and the standard of valuation services. In these three areas the Committee finds that substantial improvements have been achieved.

The Committee has monitored and reported on various reforms to the NSW land valuation system in its previous Reports to the NSW Parliament. However it believes that further monitoring and accountability checks on the Valuer General would be of benefit in maintaining public confidence in the land valuation system in NSW. Whether such monitoring or oversight is performed via this existing Joint Committee, or through some other scrutiny mechanism, will be determined by the Government in the 54th Parliament.

RECOMMENDATION 1

Objections Management - The Committee recommends that the NSW Government maintain scrutiny of the land valuation objection management process in NSW.

RECOMMENDATION 2

Workforce Capability - The Committee recommends that the NSW Government examine the workforce capability and qualification requirements for valuers with the aim of ensuring a diversity and breadth of professionals available to provide a contestable service to the Valuer General.

RECOMMENDATION 3

Strata Information - The Committee recommends that the NSW Government examine the provision of valuation information to owners of Strata properties, in particular information about the total land valuation of the Strata property and its dissemination to individual lot owners.

RECOMMENDATION 4

Public Accountability - The Committee recommends that the NSW Government ensure the Valuer General continues to provide independent and transparent information to the public about the valuation system. The Committee sees the delivery of an Annual Performance Report by the Valuer General and the completion of a survey of effectiveness of public communications as key outputs for building public confidence and demonstrating transparency.

Committee Functions

The Joint Committee on the Office of the Valuer General was established by the New South Wales Parliament in 2003. It comprises five members, including two members of the Legislative Council and three members of the Legislative Assembly.

The Committee was established under the *Valuation of Land Amendment (Valuer-General) Act 2003*. Under this Act (s 85), the Committee's main functions are:

- 1) to monitor and to review the exercise of the Valuer General's functions with respect to land valuations under the *Valuation of Land Act 1916*, *Land Tax Management Act 1956*, *Premium Property Tax Act 1998*¹ and in particular:
 - to monitor the methodologies employed for the purpose of conducting such valuations,
 - to monitor the arrangements under which valuation service contracts are negotiated and entered into, and
 - to monitor the standard of valuation services provided under such contract;
- 2) to report to both Houses with such comments as it thinks fit, on any matter connected with the exercise of the Valuer General's functions referred to in 1);
- 3) to report to both Houses any change that the Committee considers desirable to the Valuer General's functions referred to in 1); and
- 4) to inquire into any question in connection with the Committee's functions which is referred to it by both Houses of Parliament and to report to both Houses on that question.

The Act provides the Committee with the ability to monitor and to review the exercise of the Valuer General's functions with respect to land valuations under the *Valuation of Land Act 1916*, the *Land Tax Management Act 1956* and the *Premium Property Tax Act 1998*.

In particular, the Committee can monitor valuation methodologies, the arrangements under which valuation contracts are negotiated and entered into, and the standard of valuation services provided under such contracts. Land valuation in New South Wales, as defined by the *Valuation of Land Act*, is based on the sum that vacant land might be expected to realise if offered for sale on reasonable conditions to a bona fide purchaser.

The Committee does not, however, have the ability to review individual valuations or objections to individual valuations. The processing of these issues will remain the responsibility of the statutory officer, the Valuer General.

¹ Premium Property Tax Act 1998 was repealed on 1 June 2004 by the State Revenue Legislation Amendment Act 2004.

Abbreviations and Explanations

Abbreviations

IPART	Independent Pricing and Regulatory Tribunal
IVMS	Inwards Volume Management Strategy
LGSA	Local Government and Shires Association
LPI	Land and Property Information
LVAG	Land Valuation Advisory Group
NOV	Notices of Valuation
OSR	Office of State Revenue
PIS	Process Improvement Strategy
SLA	Service Level Agreement
WMA	Water Management Act 2000

Explanations

Land value/ unimproved value	refers to the value of the land only and does not include the value of improvements to the property such as a home. Consequently the land value does not generally reflect the full sale price of a property with a residence.
Handcrafted valuation	refers to the individual valuation assessment of a particular property conducted by a valuer.
Mass valuation system	refers to the generation of land values for multiples properties at a given date. Mass valuations are generated by standardised computer methods as distinct from individual or handcrafted valuations.
Component method valuation	refers to the NSW methodology for generating mass valuations. The method involves grouping properties that are similar or are likely to change in value in similar ways. These groups or components contain benchmark properties, which are handcrafted and serve as a standard basis for mass generation of land values.
General re-valuations	refers to valuations that are reassessed by the Valuer General. General revaluations may be initiated because of formal objections by property owners or other mechanisms.
Re-ascertainments	describes the process where valuations are reviewed outside the objection process.
Separation of water rights	refers to the decoupling of the value of water access licences that have been historically tied to rural land value assessments. This process has occurred as a result of reforms implemented by the Water Management Act 2000.

Chapter One - Commentary and Committee Program

INTRODUCTION

- 1.1 This report outlines discussion and issues arising from the Fourth General Meeting of the Joint Committee on the Office of the Valuer General held on 23 October 2006.
- 1.2 The Committee was established for the life of the 53rd Session of the NSW Parliament and this report forms a conclusion to the Committee's activities for the Session.
- 1.3 The report overviews the activities and developments since the Third General Meeting on 6 March 2006. It also provides a summary of the Committee's projects and highlights some future issues for consideration.

HIGHLIGHTS OF THE VALUER GENERAL'S REPORT TO THE MEETING

- 1.4 The Valuer General, Mr Philip Western, presented his report at the Fourth General Meeting on 23 October 2006. The report maintained the format of his previous reports with sections titled: General Valuations and Reviews; Valuation Reforms; Contract Management; and Other Issues.
- 1.5 The key items outlined were that:
 - 822,000 valuations will be issued for the July 2006 period with Notices of Valuations being distributed to councils in the November 2006 to February 2007 period;
 - 2.4 million valuations will be provided to the Office of State Revenue on 31 December 2006;
 - 10,939 objections were received about valuations, representing a 0.95% objection rate;
 - the rollout of a standardised objection form and general valuation sales reports have taken place and feedback from the public is being collated; and
 - the valuation call centre, established in 2005, received over 35,000 calls from NSW landowners and approximately 85 percent of those calls were resolved by the call centre.
- 1.6 A new issue that was noted in the Valuer General's report was the dissolution of the Department of Commerce's "Property Valuation Services" (PVS) Unit. This was a business unit in the Department that competed for valuation contracts against private providers. The winding up of the unit, which was deemed not to be viable in the medium term, involved the transfer of some of the PVS functions and staff to the Department of Lands divisions.
- 1.7 Approximately 35 positions have been created across the Department of Lands which will be filled through merit selection. Ten of these positions will be taken up with activities related to the reforms and programs arising from recommendations of the NSW Ombudsman's report into the Valuer General (October 2005). PVS will continue to service valuation contracts until February 2007. Some Committee comments about training and capability are discussed later in this Chapter.

ITEMS FROM PREVIOUS 3RD GM REPORT

- 1.8 Four outstanding items in the Committee’s Third General Meeting report were addressed by the Valuer General in the Fourth General meeting. These items were the Check/Parallel Valuations project; the monitoring of public education and confidence; the completion of the annual “Best Practice Report”; and improvements to objection turnaround times.
- 1.9 **Parallel (Check) Valuations Project.** The Valuer General tabled a Report by the Land Valuation Advisory Group called the Parallel Valuation Project Report (Attachment A). The Committee had expected this project to be completed by the Third General Meeting and made representations to the Director General of the Department of Lands to ensure that the Committee would be able to examine the project outcomes by its Fourth General meeting.
- 1.10 The Parallel Valuations Report was a summary of a project originally titled “check” valuations. The Project involved the independent re-checking of a random sample of valuations around the State against the values generated by the mass valuation process. The NSW Ombudsman’s report recommended the undertaking of the Project as a mechanism for evaluating the robustness of the valuation methodology (Recommendation 6:37 of NSW Ombudsman’s Report). The recommendation also included a specific review of the Project by the Joint Committee.
- 1.11 Eleven LGA areas were selected for the Parallel Valuations Project, which included commercial and industrial property valuations as well as residential valuations. Overall, the results of the Project indicated a robust result consistent with best practice standards. Most valuations fell within the 15 per cent acceptable variation limit, except for some valuations in two of the LGAs selected. Residential property valuations in Byron and Tamworth LGAs showed slight inconsistencies outside the acceptable variation limits.
- 1.12 At the meeting, the Valuer General also presented his response to the results of the project (See Attachment B and Transcript). The Valuer General’s response to the report was positive and he argued that the project overall endorsed the integrity of the current system but also highlighted areas for improvement.
- 1.13 With regard to specific variations in regions the Valuer General pointed to a combination of factors that would make variations move outside expectations such as: quality of contractors; unusual variations in specific areas such as the Sydney CBD market; and the opening of new release areas. The Valuer General specifically outlines the general causes of variations in each area of difference in his response report at Attachment B.
- 1.14 The Valuer General cites various initiatives that will build up the integrity of the system to improve and reduce these variations in the mass valuation system. In particular, the Land Value and Data Review Project, which will revise the components and benchmarks used in the mass valuation process, is intended to feed into the framework that underpins the mass valuation process. This Land Value and Data Review Project has already been commenced by the Valuer General and is being rolled out over five years to refresh core valuation data.
- 1.15 As noted in the Valuer General’s comments:

Mr WESTERN: ...In terms of my conclusion, I have probably gone through enough as far as saying what sorts of changes we are making to try to ensure that we get those valuations

more accurate. I have gone over those before. It is probably worthwhile reading the last two paragraphs of my report. I have said, "Overall, I am satisfied that results of the 1 July 2005 parallel valuation project indicate that the enhancements to the valuation system that have been introduced over the past 18 months have begun to improve valuation outcomes.

However, as I have continually emphasised and as noted in the 2005 Ombudsman's report, further work is still required." I go on to note, "Indeed, continuous improvement will remain the fundamental cornerstone of the New South Wales valuation system for the future."

- 1.16 The Committee is satisfied that the Parallel Valuation Project was independently undertaken and that the Valuer General is addressing the issues raised by the Project. The Committee sees that the integration of other initiatives should further refine and improve the valuation process.
- 1.17 **Public Accountability.** Another outstanding issue from the Third General meeting was the Committee's view that evaluation was needed to assess the effectiveness of the Valuer General's public information materials in building confidence and accountability in the valuation system.
- 1.18 For example, the Valuer General has established a newsletter to residents, a call centre and online information products, which the Committee supports. However, the Committee argues that some form of assessment of the impact of these activities is necessary. The Committee raised this with the Valuer General at the meeting. The Valuer General noted the usefulness of having Committee scrutiny as one form of confidence building for the public. He also cited activities in other Commonwealth jurisdictions such as England, Vancouver and Quebec whose public feedback systems he felt were superior to NSW and could be used to benchmark against NSW initiatives. Specifically, the Valuer General went on to explain:

Mr STEVEN PRINGLE MP: The public education issue, which is why the Committee was set up—and Mr Torbay has already covered that—do you want to expand a little bit more on how you see the monitoring process occurring post March next year?

Mr WESTERN: In respect of overview or my monitoring of it?

Mr STEVEN PRINGLE MP: Your monitoring the public perception and public confidence in the system.

Mr WESTERN: Okay. I guess some people would say one of the ways of doing that would be to look at the number of objections received, although I would dispute that, because often you have an objection put in because people do not like paying taxes and therefore will put in an objection regardless of whether they understand it or not, but it certainly is a guide to how things are progressing, and one of the difficulties we are having with it and I guess why we want to move to benchmarking is that we simply do not know at the moment if we make a change to the system, what is the added benefit of doing that and what is the dividend that is returned as a result of doing that? As far as looking at how we might be able to continue to monitor the system I see there are a number of ways of doing that. One would be through, effectively, a consumer group I set up last year. We had a couple of members of the public on that just to get their feedback in respect of publications that we were looking at. We gained some information there.

We were also getting some feedback through the regular publication of the Valuer-General's newsletter as to how things are going, and also getting ad hoc feedback coming through the valuation profession. I used to get a lot of inquiries from individuals about their valuations and they had real concerns about it, but I am not getting as many inquiries now, and that is telling me that things are starting to come right, and that is another positive step.

But I think particularly, I mentioned before about the customer survey we need to develop. If we are able to construct that in such a way that we can go to a wide variety of the public as far as looking at, for example, when we notify a supplementary valuation, whether they understand what it is, whether they understand their rights of objection, and they understand the valuation process associated with that, and you can do that for a whole lot of things, such as the general valuation or where you are handling an objection, how did you find the service, did you understand the process and did you understand your rights, things like that. There are a number of different areas we can work on to gauge public perception of how the valuation system is going and how it is being responded to.

- 1.19 The Committee considers that these evaluation tools, proposed by the Valuer General, will assist Government to assess the public confidence in the valuation system. The Committee urges the Valuer General to commence these survey activities by 2008. In addition, the Committee urges the prompt publication of the Annual Performance Report by the Valuer General in early 2007 as discussed below.
- 1.20 **Best Practice Report.** In November 2005, the Committee released its report titled “Best Practice Reporting Review” where it recommended the Valuer General publish an annual Performance Report, separate from the annual report information provided in the Department of Lands Annual Report.
- 1.21 The purpose of this Performance Report is to show the independence of the Valuer General from the NSW Government and to publish key data and meaningful measures of improvement in a transparent and publicly accessible format. In December 2005, both the Valuer General and the Minister for Lands endorsed the Best Practice Reporting Review’s recommendation and the Valuer General agreed to develop a Performance Report.
- 1.22 At the Third General Meeting, the Valuer General indicated his intention to release such a report in conjunction with the 2005/06 Annual Report of the Department of Lands. At the Fourth General Meeting, the Valuer General noted he has not yet completed the report:

Mr WESTERN: To update you about where it has gone, we started work for that in the middle of 2006 and have had extensive discussions with various stakeholders across the State. I also had Professor John McFarlane involved, as I said before, in looking at key performance indicators. We are now in a position where we have a draft performance booklet available and we will be looking to implement that early in 2007. As per the Committee's thoughts on this booklet, it will be simple in design, it will not be a bulky annual report but at this stage I am looking at seven to eight pages, but very user-friendly in terms of reader style and presentation.

- 1.23 In developing the Performance Report format, the Valuer General has consulted with key stakeholders and has commissioned additional research on key performance indicators that could be applied. The Valuer General is now considering the Performance Report’s release in early 2007. The Valuer General noted that a release at this time may be preferable, as it coincides with the distribution of Notices of Valuations rather than being synchronised with the Department’s Annual Report release and may therefore attract more public interest.
- 1.24 The Committee supports these proposed enhancements to the development of the Performance Report on the basis that there are no further delays beyond early 2007.
- 1.25 **Objection Management.** A key finding from the Third General meeting was the need to improve turnaround times for the consideration of objections. The Committee identified

that in 2005/6 less than 50 per cent of objections were being processed within 90 days. This was an improvement on the 2004 rate of 25 per cent turnaround that the Valuer General identified. The Committee had noted its concern about these extended turnaround periods.

- 1.26 The Valuer General noted in the Fourth General Meeting report that the objection turnaround rate remained below the target of 50 per cent at around 25 percent of objections processed in less than 90 days. However this is to be expected given the short time period between the Third and Fourth General meetings between July 2006 and October 2006. Moreover, the Valuer General's initiatives that are aimed to improve objection turnaround times are still being established. These enhancements are anticipated to generate improvements in objection management in the medium term and the Committee sees this as a critical area to be monitored in the future.
- 1.27 The Valuer General also provided, on notice, a breakdown of types of complaints and concerns being dealt with by the valuation call centre, which is set out in Chapter 3- Questions on Notice. The breakdown reveals that 85 percent of calls could be satisfied via the call centre. The largest category of calls, at around 30 percent, was for requests for objection kits.
- 1.28 The Valuer General outlined impediments and improvements to the objection system:

Mr WESTERN : ...It is worth noting the end of the objection section with regard to further improvements. As members know, we contract out the objection work. Last year the people who undertook that work for us were generally becoming familiar with the Act and the specifics of what it required. The other big issue that we are realising very quickly is that there are only so many valuers in New South Wales for the objections to go around. We think we have just about exhausted the market in terms of the number of valuation firms we have on our books. We now have approximately 57 firms throughout the State, providing several hundred valuers involved in the objection process. We are probably not going to get any more than we have. We are looking to make further refinements in the way we go about doing the objection work and producing efficiencies through processes and technological changes as opposed to necessarily looking at the number of staff involved. The other big plus will obviously be in respect of the Ombudsman's recommendations. The additional valuers who have been appointed as a result of that and government funding to assist will help in the auditing and signing off of objections as opposed to the direct review of the objections.

- 1.29 The Committee is satisfied that improvements in turnaround times and objection management systems will result from the actions being undertaken by the Valuer General.

JOINT COMMITTEE TASKS ARISING FROM OMBUDSMAN'S REPORT

- 1.30 In addition to the NSW Ombudsman's specific recommendation for the Committee to examine the Parallel Valuations Project discussed in Paragraph 1.9, two other directions were given to the Committee and the Committee's main responses are outlined below.
- 1.31 **Survey of Councils on the Provision of Annual Land Valuations.** Recommendation 6.35 of the NSW Ombudsman's Report proposed that the Joint Committee examine the cost and benefits of amending the Valuation of Land Act 1919 to provide for the issue of annual valuation notices to councils.

- 1.32 This recommendation relates to the current inconsistency in the provision of valuations to councils for rating purposes and to the NSW Government's Office of State Revenue for land tax purposes. Currently notices are issued to councils on a 2 to 4 year rotating basis for the purposes of calculating rate assessments. Land tax notices are issued annually to eligible investment property owners.
- 1.33 The Ombudsman's recommendation arises from concerns that landowners do not have sufficient information about their land values. This can lead to confusion and valuation objections, especially if values change significantly over a 2 to 4 year period. This issue has also been noted in the Committee's previous reports and was recognised by the Valuer General.
- 1.34 Mass valuation techniques enable the Valuer General to generate values for all properties every year. It has been argued that landowners could be notified annually of changes in their unimproved property value. This does not necessarily mean that councils would recalculate their rate assessments every year.
- 1.35 The Valuer General currently charges all councils a price per valuation that has been determined by the Independent Pricing and Regulatory Tribunal. Valuation prices have not been revised since 1996. The Valuer General recently revised these prices to adjust for CPI changes. However, a full review of pricing, including considerations of differential prices for councils related to the true valuation costs, rather than a standard valuation price across the State, has not been undertaken at this time
- 1.36 The Valuer General has also instigated a review of the provision of land valuations information. On 20 October 2005, a working group was formed. The review forms part of the Valuer General's program to improve communication with the general public.
- 1.37 Given that a full pricing review by the Valuer General has not yet been undertaken, the Committee determined it was not appropriate for the Committee to instigate a comprehensive cost benefit analysis at this time. However, the Committee saw that it could undertake work to complement the current review of valuation information being undertaken by the Valuer General by consulting with councils about the potential impact of variations to land valuation provision.
- 1.38 In December 2005, the Committee agreed to conduct a survey of councils about this issue. The survey suggested four options about variations to current arrangements and their impact. The scenarios proposed were:
- Issuing of annual valuation notices by the Valuer General directly to ratepayers (that is, no impacts on the current rates structure for councils);
 - Issuing of annual valuation notices by the Valuer General to councils for inclusion in annual rates notices prepared by councils (that is, the same rates structure for councils, but the annual notification of land values provided on the Rates Notice);
 - Issuing of annual valuation notices by the Valuer General to councils for inclusion in annual rates notices and for use in annual rate calculations; and
 - Consulting each council regarding the most appropriate cycle for the issue of notices for both rating and taxation purposes.

- 1.39 The Committee survey closed in May 2006 with 47 responses received from the 152 councils in NSW. In addition, the Committee sought comments from the LGSA and the Rating and Taxation Professionals Association.
- 1.40 A summary of the survey and responses is attached at Appendix 2. The main view from most councils was that the current arrangements were appropriate. Few councils saw benefits from the provision of valuations each year. They argued it would require additional costs for calculating new rates each year which would not necessary impact on rating revenues.
- 1.41 A minority of councils saw advantages in using annual valuations as it was felt this could give councils more flexibility in smoothing rates revenue.
- 1.42 Councils who supported the status quo also argued that annual valuation notification to ratepayers could possibly confuse ratepayers about who is responsible for valuations and increase the incidence of objections to councils. The benefits of annual valuation notification are difficult to ascertain. It may be argued that more frequent provision of notices will reduce the number of valuation objections. This in turn may result in a decrease in objection management costs for the Valuer General. Conversely, more frequent provision of notices may cause an increase in valuation objections.
- 1.43 Annual notice provision was also discussed at the Committee's information briefing with the Local Government and Shires Association (LGSA) in June 2005. The LGSA noted that the extra valuation purchase costs and administration would be a significant burden and that many councils' computer systems may find the extra data requirements problematic. (Councils do not have a standard data management system for rates notices across the State.) The LGSA argued that, from a budgeting perspective, there was little value in recalculating rates every year and that the current process allows better forward budgeting.
- 1.44 A slightly different view was presented by the NSW Rating Professionals (NSWRP), who argued that annual provision would make property owners better informed of the movements about their property values. However, the advantages of better informed property owners did not outweigh the additional administrative burdens that would likely be placed on all councils from the annual processing and recalculations of rates.
- 1.45 The survey makes it clear that, from the local government perspective, there is little benefit in revising the 2-4 year cycle of valuations provided to councils at this time. The Committee feels that this issue is less significant than other reforms that should take priority.
- 1.46 Since the commencement of this survey, in June 2006 the NSW Treasury revised its valuation basis for land tax. While NSW Treasury will still utilise a new annual valuation each year for land tax purposes, the value would represent a rolling three year average unimproved land value. The intended basis of this change is to smooth out price spikes and reduce volatility in taxable land values.
- 1.47 The Committee believes that the review of pricing of valuations provided to Councils should commence as soon as practicable. Councils need to be operating in environments which reflect the cost of their operations.

- 1.48 **Monitoring of key quality statistical standards.** Recommendation 6.36 of the NSW Ombudsman's Report suggested that the Joint Committee monitor compliance with key quality statistical standards as part of its (the Committee's) annual program. Through the Best Practice Reporting Review of November 2005, the Committee identified some key performance indicators that it wished to examine and have included in the annual Performance Report of the Valuer General. Through the Performance Report due to be published in early 2007, the Committee anticipates that this recommendation will be accomplished.
- 1.49 **Overall compliance.** A final role that the Committee has undertaken, with the support of the NSW Ombudsman and the NSW Minister for Lands, was the oversight of the compliance and uptake of all the Ombudsman's recommendations by the Valuer General. The Committee has required the Valuer General to submit a schedule outlining compliance with the Ombudsman's recommendations (ATTACHMENT C).
- 1.50 The Committee is satisfied that the Valuer General has implemented the recommendations of the NSW Ombudsman's report of October 2005. However, many recommendations involve ongoing implementation. Some oversight and monitoring therefore is required to ensure that the recommendations are sustained over the longer term.

FINDINGS, FUTURE ISSUES AND RECOMMENDATIONS

- 1.51 **Findings.** The Joint Committee was established in 2003 to monitor and review the exercise of the Valuer General's functions with respect to methodologies, valuation contract arrangements and the standard of valuation services. In these three areas the Committee finds that substantial improvements have been achieved.
- 1.52 In concert with the recommendations from the NSW Ombudsman and suggestions from the Joint Committee, the Valuer General has undertaken sweeping reforms to the NSW valuation system including:
- Renewal of the contract management system with diversification of contractors, improved contract monitoring and stricter performance management and codes of conduct;
 - Increased independent checking of valuation methodologies and commitment of funds to a program of long term database improvements;
 - Increased public communication and improved response mechanisms for management of objections and other public concerns; and,
 - Increased commitment to improved performance management and accountability by the State Government and the Valuer General for the land valuation system.
- 1.53 The Committee has monitored and reported on these reforms in its previous Reports to the NSW Parliament. However it believes that further monitoring and accountability checks on the Valuer General would be of benefit in maintaining public confidence in the land valuation system in NSW. Whether such monitoring or oversight is performed via this existing Joint Committee, or through some other scrutiny mechanism, will be determined by the Government in the 54th Parliament.
- 1.54 The Committee sees four main issues that should be examined in the future: namely, improvement in objections management, workforce capability; information provided to strata property owners; and, public confidence and information provision.

OBJECTIONS MANAGEMENT

1.55 As noted in paragraph 1.25, objection management remains an issue for the Valuer General. Specific objection turnaround and processing reforms are ongoing and the Committee sees these changes as a critical performance indicator reflecting accountability and confidence in the sector.

RECOMMENDATION 1: Objections Management- The Committee recommends that the NSW Government maintain scrutiny of the land valuation objection management process in NSW.

WORKFORCE CAPABILITY

1.56 A related issue to objection management, which was raised in the Fourth General Meeting, was the availability of qualified practitioners in the valuation industry for specific “unimproved land” valuation work. The Valuer General noted that with the introduction of greater accountability systems, additional valuers who are independent from contract valuers, are needed to undertake independent audits and investigate objections. While there appears to be increased contestability in the contracting for valuation services with new providers entering the market, there is no direct inter-changability between valuers from other Australian jurisdictions. The Committee notes the Valuer General’s comments about future workforce capability:

Ms KAYEE GRIFFIN MLC: your report one comment was about the issue of valuers and how many qualified valuers there are in the community who can readily be used in the evaluation processes. If the number of valuers can be accessed is an issue, will that problem grow in the future, about the number of qualified valuers? Have there been discussions with yourself and perhaps other groups about how the number of valuers in the future can be resolved? Are there enough valuers? What sort of process is there to have a continuation of qualified people?

Mr WESTERN: Fundamental to my stewardship of the valuation profession, and as Valuer-General, is obviously to ensure that we encourage more people to come into the profession. Currently we are undergoing quite a bit of work with the Australian Property Institute in looking at how we might do that, particularly in respect of looking at universities and working more closely with them. It is also about ensuring that those people who enter the profession stay with the profession as necessary to moving on to other parts of the property industry.

As I said before, in respect of the number of valuers who are available within New South Wales, I believe we are getting pretty close to meeting the quota. What we are clearly seeing is that they are getting more proficient in respect of carrying out the work for us, I guess as we become more proficient at the same time of seeing how we can better accommodate their needs with our requirements. One of the major issues has been that valuers who are generally doing this work, because many have not undertaken rating and taxing work in the past, and recognising that valuers who are currently undertaking rating and taxing work - that would exclude them from particular contract areas, there is another issue about who to bring on board.

We are currently working through how, for example, we might be able to provide an accreditation system whereby effectively valuers who undertake the work for us would have to go through a training and familiarisation period so that we know they understand the principles of what we are about.

RECOMMENDATION 2: Workforce Capability - The Committee recommends that the NSW Government examine the workforce capability and qualification requirements for valuers with the aim of ensuring a diversity and breadth of professionals available to provide a contestable service to the Valuer General.

STRATA INFORMATION

- 1.57 **Information provision to Strata property owners.** Residential Strata properties make up around fifty percent of total residential properties in NSW. In the Report on the Second General Meeting with the Valuer General (53/02 – July 2005), the Committee made observations about the lack of detailed information about land valuations provided to individual unit/lot owners of Strata Plan properties.
- 1.58 The main concern is that Strata owners do not receive information about the full land valuation of their Strata property, representing the footprint of the entire Strata property on the occupied parcel of land (referred to here as the BLOCK value). Whereas other landowners receive a full land valuation, Strata property owners only receive an individual assessment of their lot entitlement as a proportion of the full land valuation (referred to here as the LOT value). This means that Strata lot owners may be less likely to identify any issues or lodge an objection to the BLOCK valuation compared to individual freestanding home owners who receive a total land valuation directly from the Valuer General.
- 1.59 Commercial and Industrial Strata property owners also face a similar situation of limited information.
- 1.60 The Valuer General advised that in 2005 there were 20,072 notices of valuations issued to body corporates/ owners corporations (there are approximately 80,000 residential Strata plans in NSW). The number of LOT objections made by individual Strata lots was 525 - the vast majority as a result of receiving a land tax assessment. The number of BLOCK objections made by body corporates / owners corporations was 208. The total number of residential Notices of Valuations sent out in 2005 was around 1,0900,000 with about 9127 objections.
- 1.61 Under existing legislative arrangements, Strata lot owners do not receive the BLOCK value of the Strata property from any government authority. They receive an individual LOT value only, which is the total land valuation of the Strata block divided by their particular lot entitlement. The Valuation of Land Act requires the Valuer General to provide a notice of total land valuation of the Strata property to the Strata Plan's Owners Corporation as the "land owner" under Strata legislation. Normally this notice would be received by the Strata Manager who may include it in distributed papers at the next meeting of the Strata Plan's Executive Committee and at the Annual General Meeting. However, there is no mandatory requirement under Strata legislation for the Owners Corporation or the Executive Committee to forward the BLOCK notice to individual lot owners within the Strata Plan.
- 1.62 For the purposes of issuing Land Tax Notices, prior to 2005 the Valuer General provided the Office of State Revenue with the BLOCK valuation relating to the common property of a Strata Plan and OSR calculated individual lot values based on unit entitlements. However, the current practice is for the Valuer General to provide OSR with a valuation relating to each LOT. The Office of State Revenue Land Tax Notice of Assessment only

provides the client with the valuation that relates to the LOT value and does not include the BLOCK value.

- 1.63 For the issuing of council rates notices, the Valuer General makes a determination about the BLOCK value that is sent to councils. Councils use a formula based on individual unit entitlements in a Strata plan to calculate rate contributions. This LOT value is usually detailed on a Strata owner's rate notice as the "rateable value". Again the BLOCK value is not a required disclosure item on rates notices issued to Strata residents.
- 1.64 The Committee considers the current arrangements inequitable as Strata lot owners do not receive the same information about the entire land value as owners of individual dwellings. The Committee is concerned that Strata unit owners are being disadvantaged by this system. As they are not provided with the same information afforded to owners of single dwellings, they may be denied the opportunity to query or make an objection to the entire land value. The Committee discussed this issue with the Valuer General at the Fourth Meeting:

MR WESTERN ..As far as the notification of valuations goes, as you correctly pointed out, the Valuation Notice for rating purposes only goes to the body corporate as a direct requirement of the Strata Schemes Management Act. Rates Notices are generally sent by Councils to the individual. Individual strata holders are not required to be notified by the Valuer-General. However, as you say, in a lot of cases councils will identify them directly as well, remembering that there will be a lot of property which will actually be on the minimum rate as well so they will not be required to undergo a calculation. From my perspective, one of the ways that this could be overcome would be for the Valuer-General to issue a notice directly to the strata holders but there are a number of problems associated with this.

One of them clearly is that if we did that we are not actually issuing a land valuation; we are effectively issuing an estimate or an assessed value in respect of just looking at what the unit entitlement is and multiplying it by the land holding value for the total body corporate. So it is not actually a valuation; therefore there is no direct right of objection with respect to that. It seems from my point of view that probably one of the better ways to do it is for the council to look at notifying ratepayers directly, possibly through the rates notice, so at least they can see how the valuation or their rates have been arrived at, how their assessed value is made up so at least they have a starting point with respect to looking at the valuation and how it is made up.

- 1.65 A second concern is that without information about the BLOCK value, Strata lot owners do not have sufficient data to verify that their LOT value has been correctly calculated based on their unit entitlement.
- 1.66 A further concern raised by the Chair is the distribution of information to owners in newly registered Strata Plans, which have transitional Executive Committees during their initial establishment, and the potential for Notices of Valuation to be directed to inaccurate addresses.
- 1.67 The Valuer General did note that the Department of Lands online website does provide the capability for Strata owners to get information about their LOT and BLOCK valuations. However, this facility is not currently promoted and relies on property owners being proactive and having access to internet services.
- 1.68 The Committee suggests that the State Government explore this issue further. An initial consideration of three possible options are suggested:

- A provision in Strata legislation for compulsory disclosure to all residents of the total land (BLOCK) value of the Strata property valuation notice (currently provided by the Valuer General to the Owners Corporation);
- Directing the Valuer General to provide individual notices to Strata residents disclosing the total land (BLOCK) value of the Strata property; or
- Providing for the disclosure of the total land (BLOCK) value of the Strata property on council rates notices and OSR taxation notices.

RECOMMENDATION 3: Strata Information -The Committee recommends that the NSW Government examine the provision of valuation information to owners of Strata properties, in particular information about the total land valuation of the Strata property and its dissemination to individual lot owners.

PUBLIC ACCOUNTABILITY

1.69 As noted in paragraphs 1.17 to 1.19, public confidence in the NSW valuation system is important. The Valuer General is undertaking various initiatives designed to build confidence including the Annual Performance Report and the intended survey of public awareness. The Committee recommends that the State Government oversight the completion of these projects, which focus on public information provision and transparency.

RECOMMENDATION 4: Public Accountability - The Committee recommends that the NSW Government ensure the Valuer General continues to provide independent and transparent information to the public about the valuation system. The Committee sees the delivery of an Annual Performance Report by the Valuer General and the completion of a survey of effectiveness of public communications as key outputs for building public confidence and demonstrating transparency.

Chapter Two - Report Prepared by the Valuer General for the Committee

REPORT TO THE JOINT COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

16 October 2006

Office of the Valuer General

GENERAL VALUATIONS AND REVIEWS

1 JULY 2006 GENERAL VALUATION

Approximately 822,000 Notices of Valuation (NOV) will be issued for the latest general valuation as at 1 July 2006.

Notices of Valuation will be posted to land owners in the period mid January to early February 2007. The NOV form is being reviewed to provide an improved explanation its purpose and how to access additional information and obtain assistance.

Accompanying the NOV's will be a brochure explaining the valuation process and the availability of the objection process. A newsletter from the Valuer General will also be provided.

Councils will be advised of the new valuations for rating purposes in late November – early December 2006.

Approximately 2.4 million valuations will be provided to the Office of State Revenue as at 31 December 2006.

Land and Property Information (LPI) will continue to run a call centre on a similar basis as undertaken for the 1 July 2005 land values. For the 1 July 2005 valuations approximately 36,000 calls were handled by the call centre with approximately 85 % being resolved by the call centre without being referred to LPI valuers and support staff.

1 JULY 2005 OBJECTIONS

To date 10,393 objections have been received to the 1 July 2005 valuations. This represents approximately 0.95 % of valuations issued. Work on processing these continues.

WATER MANAGEMENT ACT 2000

The Water Management Act 2000 (WMA) allows for the separation of water rights from the land title.

Water rights, prior to the WMA, were included in valuations prepared under the Valuation of Land Act 1916.

The Government approved the deferment for one year until 1 July 2007, the implementation, for rating purposes, of the new valuations involving the separation of land and the added value of water.

For councils that receive a new general valuation as at 1 July 2006, the added value of water will be excluded from land value. There will be a total of 15 councils issued with a new general valuation. All other councils impacted by the removal of water have been advised of the amended land values either through the issuing of the 1 July 2005 general valuation or supplementary valuations.

With the removal of water rights from the land valuation, there is a major impact for many rural councils, particularly where the land value utilized for rating purposes contains a significant component related to the value of the water right.

There are approximately 18,000 valuation assessments within 44 shire councils impacted by the changes.

A number of regional meetings were held with affected councils in conjunction with the Department of Local Government. The Valuer General and Land and Property Information will continue to work closely with affected councils to provide assistance in the implementation of adjusted land values

This will conclude the separation of water project, including the assessment and issuing of adjusted land values, throughout New South Wales.

OFFICE OF STATE REVENUE

The Valuer General provided approximately 2.4 million land values to the Office of State Revenue (OSR) as at 1 July 2005.

With the reintroduction of a land tax threshold, the Valuer General is required to calculate the threshold annually, based upon the movement in real estate prices over the preceding 12 month period. For further detail see D) 1) below.

PARALLEL VALUATION PROJECT – 1 JULY 2005 LAND VALUES

The Land Value Advisory Group (LVAG) has undertaken parallel valuations, independent of valuation service contractors preparing the 1 July 2005 land values.

This has involved valuers undertaking sample 'parallel' valuations throughout the State.

The Working Group comprising members of the LVAG tabled their report on the project at the LVAG meeting in September 2006. A copy of the report is attached (Tab A).

The Valuer General provided a response to the report and this is attached (Tab B).

VALUATION REFORM

OMBUDSMAN INVESTIGATION

In November 2005, the Ombudsman tabled in Parliament a comprehensive report on the NSW valuation system. This followed a 9 month investigation.

Overall the report concluded that the allegations of the valuation system being 'totally corrupted'; 'a system in meltdown'; and, 'the Valuer General has lost control' were unfounded.

The Ombudsman concluded that the Valuer General had made substantive improvements to the system over the past 18 months; however recommended that further enhancements could be made.

The Ombudsman provided a total of 38 recommendations. The Valuer General has already implemented or is in the process of implementing the majority of these recommendations. A summary of the recommendations and implementation progress is attached (Tab C).

The Government has allocated funding to assist the Valuer General in implementing the recommendations. For the 2005 – 06 financial year, \$1.49 million has been allocated; \$5.765 million for 2006 – 07; and \$5.65 million for 2007 – 08 onwards.

The majority of these funds will be allocated to the land value and data review project throughout the State and additional resourcing for LPI to carry out contract management and valuation audit responsibilities on behalf of the Valuer General.

UNIVERSITY OF WESTERN SYDNEY RESEARCH PROJECT

The Valuer General in 2005 commissioned Professor John MacFarlane from the University of Western Sydney to undertake further work to improve the New South Wales valuation system.

The first contract concluded 30 September 2006. The initial 12 months of the project principally examined the component and benchmark structure within local government areas to maximize the opportunity for more accurate and consistent valuations to be provided to land owners and the Government of New South Wales.

The outcomes of this work will also assist in providing guidance to the land value and data review project and in particular where the focus should be put to improve the baseline data.

A further contract has been entered into for the 15 month period commencing October 2006.

LAND VALUE AND DATA REVIEW PROJECT

This project flows on from an initial successful pilot project undertaken in the Wollondilly and Wingecarribee local government areas over the past 21 months.

A principle recommendation from the 2005 Ombudsman's Report was to extend this project to all local government areas in the State.

The Government has supported the project as indicated earlier in this update.

The project commenced from 1 May 2006 and the requirements have been incorporated into all existing and new contracts.

The project will involve the inspection and/or verification of land values and data for the 2.4 million valuations recorded on the Register of Land Values. It is expected that the initial project will be completed in 5 years. This compares with the Ombudsman's recommendation for the project to be completed over a 15 year period.

OBJECTION PROCESSING TURNAROUND TIMES

For the 1 July 2005 valuations a total of 10,393 objections have been received. This represents 0.95 % of the number of valuations issued for local government rating and/or the assessment of land tax.

For the 1 July 2004 valuations, objection numbers totalled 16,515 or 1.17 % of the number of valuations issued.

Substantial improvements in the number of objections processed over a 12 month period have occurred. In 2002/03 approximately 7,000 objections were processed; 2003/04 approximately 10,600 objections were processed; 2004/05 approximately 10,100 were processed and in 2005/06 approximately 14,200 were processed.

While some of these productivity gains are due to outsourcing the review of objections, considerable improvements have occurred through the development of new processes and use of technology.

A number of initiatives have either been implemented or are in the process of being implemented to improve the turnaround times in processing objections. These include:

- The establishment of a call centre as a first point of contact for land owners enquiring about their land value. For the 2005-06 year, in excess of 35,000 calls

were taken by the call centre. Testament to the success of the call centre and staff is that 85% of caller enquiries were resolved by the call centre.

- The implementation of a standard objection form. This not only assists land owners in completing and lodging an objection, it provides for more efficient processing of objections once received. A model objection is available to assist land owners in completing their objection form.
- Development is currently underway to allow land owners to lodge their objection 'on line'. This will provide land owners with an alternative mechanism to lodge their objection and provide immediate access to the objection system. Those land owners objecting online will be provided with assistance through the "objection helper" which will assist them in lodging a valid objection. The result will be improved efficiency in lodging an objection as well as reducing the objection processing time through the preliminary screening process and generation of an acknowledgement letter.
- The General Valuation Sales Report provides landowners with the property sales considered in the valuation process for a locality. The availability of these sales assists land owners in understanding their land value. Through an improved understanding land owners are better equipped to determine if they are satisfied with their land value. It is considered this reduces the number of objections. The report also assists in the resolution of objections through the improved understanding of how the land value has been assessed.
- The General Valuation Sales Report is being further refined for the release of the 1 July 2006 valuations. The availability of the General Valuation Sales Report is part of ensuring an open and transparent valuation process.
- The employment of additional valuers to oversee the auditing of objections (as recommended by the 2005 Ombudsman Report and recommendations).
- Contract valuers becoming more experienced in reviewing objections, as well as the implementation of a template objection review form. Note: One of the major limiting factors to the improvement of objection processing time, is the limited pool of valuers within the private valuation sector of NSW to assist with reviewing objections.

REFORM – LPI VALUATION AND PROPERTY SERVICES & PROPERTY VALUATION SERVICES – DEPT OF COMMERCE

In mid 2006 the Director General of Commerce advised the Valuer General that Property Valuation Services (PVS) intended to exit the provision of valuation services. At that point PVS held approximately 40% (15 contracts) of the available contracts for the provision of rating and taxing valuation services to the Valuer General.

Recent years have seen a decline in PVS' success in tendering for rating and taxing valuation service contracts. As a result, the Department of Commerce has raised concerns about the medium term viability of PVS.

Commerce approached the Valuer General and the Department of Lands to consider aiding a managed and orderly exit of PVS from the rating and taxing industry.

As a result, Cabinet agreed to the transfer of some of PVS' functions to the Department of Lands and to the tendering of current PVS contracts to the private sector.

Thirty five new positions have been created within LPI to be filled by LPI and PVS staff on merit selection. These 35 positions represent:

- 10 positions as a result of the recommendations provided in the 2005 NSW Ombudsman's Report ('Improving the Quality of Land Values Issued by the Valuer General').
- 20 positions for the existing valuation consultancy services provided by PVS to NSW government agencies.
- 5 positions in the Crown Reserves Conversion Project.

The 15 rating and taxing valuation services contracts currently held by PVS are currently being tendered as part of the 2007 tender program.

PVS will continue to service their existing contracts until 28th February 2007.

REFORM – LPI VALUATION AND PROPERTY SERVICES

Land and Property Information NSW (LPI) is a division of the NSW Department of Lands. Valuation Services is a commercial business unit within LPI. Land and Property Information is a government trading enterprise required to operate commercially and return a dividend to government.

Valuation Services' core business is to support the operations of the NSW Valuer General, which is a separate statutory office directly responsible to Parliament for the operation of the state's rating and taxing valuation system and the determination of compensation following the compulsory acquisition of land.

LPI's services are provided under the terms of a service level agreement (SLA) between LPI as the service provider and the Valuer General as the customer.

In March 2006, the Chief Valuer, Valuation Services, commenced a review of the function and structure of Valuation Services. The aim of the review was to implement a structure that enabled Valuation Services to improve delivery of services as required by the Valuer General and consequently build public confidence in the valuation system. A parallel review of the Office of the Valuer General (OVG) was also undertaken.

The reviews of Valuation Services and OVG have come about from the need to clarify the roles of each organisation and its staff in response to the NSW Ombudsman's Report "Improving the quality of land valuations issued by the Valuer General" and requirements of central agencies for increased separation and transparency in decision making.

The separation between Valuation Services and OVG is based on the principle that OVG should be concerned with regulation and Valuation Services with operational matters. Within Valuation Services there is a need to separate the objection process from the making of valuations and to separate monopoly services from commercial activities.

As a result of the review a new structure has been developed which considers the role of Valuation Services and addresses a number of issues identified through consultation with LPI staff and stakeholders.

Valuation Services will comprise five program groups:

- Valuation Audit

- Compensation and Special Valuations
- Objections and Appeals
- Land Data Management
- Contracts and Business Administration

Each group will be led by a Program Manager fully accountable for the operations and outcomes of the group. The positions for the Program Managers of the Valuation Audit, Compensation and Special Valuations and Objections and Appeals groups were recently advertised in the Public Sector Notices as well as major daily newspapers. An essential requirement of these positions is to be an expert registered valuer.

A new senior role has also been created in the OVG. The role will provide expert advice to the Valuer General in respect of establishing valuation policy and auditing of valuations.

CONTRACT MANAGEMENT

VALUATION SERVICES TENDERS 2005-06

In September 2006, tenders were advertised for the provision of rating/taxation valuation services to the Valuer General, commencing 1 March 2007.

A total of 20 contracts were advertised. Tenders closed on 4 October 2006. Initial tender evaluations commenced 16 October and are due to conclude 27 October 2006. It is expected that preferred tenderers will be advised in early December 2006 with new contracts to commence from 1 March 2007.

In response a total of 29 tenders have been received.

A tender evaluation committee comprising the following members has been established:

Philip Western	Valuer General (Chair)
Simon Gilkes	Chief Valuer
Jim Ormiston	Office of State Revenue
John Towers	Rating Professionals Association
Warren Taylor	Local Government and Shires Association
Mark van Epen	Dept of Commerce (Procurement)

OTHER ISSUES

LAND TAX THRESHOLD 2007

Pursuant to the Land Tax Management Act 1956, the Valuer General has determined the following amounts in respect of the 2007 land tax year.

The determined indexed amount for the 2007 land tax year is \$356,000.

The average of the indexed amounts for the 3 year period is \$350,000.

The amount of \$352,000 has been determined as the tax threshold for the 2007 land tax year.

ANNUAL PERFORMANCE REPORT

In November 2005, the Joint Parliamentary Committee proposed that the Valuer General should produce an annual performance booklet.

The Committee recommended that the booklet should be simple in design and presentation; contain defined objectives and appropriate key result measures.

In particular, the Committee saw that the publication of the booklet would demonstrate the Office of the Valuer General's independence from the Government and accountability to the public of New South Wales.

Work commenced on developing a structure and content for the booklet during mid 2006, with key stakeholders of the valuation system also being consulted to gain their input and thoughts on the form of the booklet as well as KPI's appropriate to their needs.

Additionally Associate Professor John MacFarlane (University of Western Sydney) has also been researching and developing appropriate KPI's that measure the performance of the valuation system, principally at a State wide level.

Work on the booklet structure and content is now reaching the final stages, with publication expected in early 2007.

ATTACHMENT A - Land Valuation Advisory Group's Report on Parallel Valuations Project 2005

Report to the Land Valuation Advisory Group on Parallel Valuations undertaken for the 1 July 2005 land values.

Background/Method

Parallel valuations for the 1 July 2005 land values were undertaken in 11 Local Government Areas (LGA's) selected by the LVAG.

- Metropolitan: Fairfield, Ku-Ring-Gai, North Sydney, Sutherland, Woollahra and City of Sydney.
- Outer Metropolitan: Wollongong and Wyong.
- Rural: Byron, Dubbo and Tamworth.

In each of the areas, other than City of Sydney and North Sydney, eight residential, two commercial or industrial and two medium density properties were selected. Properties were selected randomly from the Register of Land Values. Due to the complexity of Sydney City and North Sydney, it was determined that random selection would not be appropriate and properties were targeted by the LVAG.

North Sydney and City of Sydney are complex areas to value as both have substantial areas of office development, some sites are fully developed, others have further potential. Residential development has also become popular and displaced some office development.

Expressions of interest were sought from valuation firms to undertake the parallel valuations. The successful firms undertook the valuations in accordance with the *Valuation of Land Act 1916* and without reference to either the contract valuers appointed to undertake the general valuation or the valuation contract managers within Land and Property Information.

The firms submitted their reports providing an explanation for the valuations including comparable sales evidence within the set timeframe.

The parallel valuations were submitted directly to the Office of the Valuer General where the results were collated. The table produced included the results of the parallel valuation exercise, the 1 July 2004 land value and the 1 July 2005 land value.

The Land Value Advisory Group (LVAG) nominated John Hill and Phillip Lyons to review the parallel valuations.

The parallel valuations were considered against the valuations determined by the contract valuers for the Valuer General. Based on international best practice for mass valuation procedures variations of up to 15% were acceptable. Any movement above that was noted and the contract manager requested to investigate to determine the reason or if an error had occurred.

The comparison of the 2004 and 2005 land values as determined by the contract valuers was a relevant marker of any dramatic movements in value.

Results

In summary the results showed a significant improvement in the accuracy of valuations produced for the Valuer General.

This improvement was most significant in residential areas and reflected the work that has been done since the Walton Report. The results also showed that further attention should be focussed on the mass valuation process in relation to complex commercial and developing areas.

By LGA

Ku-Ring-Gai, Sutherland, Wollongong, Wyong and Dubbo there was strong consistency with few variations.

In Byron, North Sydney and City of Sydney there were some inconsistencies across residential, commercial/industrial and medium density and rural areas.

Woollahra, Fairfield and Tamworth had inconsistencies across certain sectors.

It was noted that almost all the residential valuations in the Byron LGA, were in the locality of Ocean Shores.

Where contract managers had the opportunity to comment on the differences in value between the parallel and check valuation, most provided valid explanations for the variations.

Conclusion

Valuations of all residential properties, excluding those in the Tamworth and Byron LGA's were within acceptable limits

The variations in all property areas reflect the need for more work on the mass valuation process, specifically the review of components and benchmarks. A trend evident across the majority of the non residential valuations was that the 1 July 2005 valuation was below (sometimes significantly) the check valuation. The 1 July 2005 values were between 52% and 98% of the parallel values for the State (excluding the City of Sydney which ranged from 72% to 116%).

In reference to the limited spread of the randomly selected residential properties for the Byron LGA, for future parallel valuations, it should be ensured that properties are from a spread of localities within the LGA.

It should be noted that all the LGAs selected for the parallel valuations would have areas where there are rapid changes of demographics, values and other influences. The presence of

these factors provide a further reminder of the ongoing need for the review of components and benchmarks to ensure they accurately reflect properties in the component.

Recommendation

The process of parallel valuations is very valuable and we recommend it be continued in the current year. We suggest the inclusion of a small number of “benchmark“ properties next year and a continued emphasis on non residential properties. Byron and Tamworth should be amongst the LGA’s selected for next year to ensure the feedback from the checking process, together with a better spread of properties has improved the quality of the valuations.

We have informed our organisations these check valuations were being carried out and the Valuer General’s Newsletters have also made mention of them. We believe the results now need to be released, preferably along with any action being taken to find a solution to the variations.

Phillip Lyons

Member

Land Valuation Advisory Group

John Hill

Member

Land Valuation Advisory Group

ATTACHMENT B – Valuer General’s Response to Parallel Valuations Project 2005

VALUER GENERAL’S RESPONSE TO THE LAND VALUE ADVISORY GROUP PARALLEL VALUATION REPORT UNDERTAKEN FOR THE 1 JULY 2005 LAND VALUATIONS

Background

In mid 2005, the Valuer General requested the Land Value Advisory Group (LVAG) to oversee on his behalf a project to undertake independent parallel valuations for the 1 July 2005 general valuation to assess the accuracy of the general valuation. As a result the task was assigned by the LVAG to a working group comprising Phil Lyons (representing the Australian Property Institute) and John Hill (representing the Real Estate Institute of New South Wales).

Importantly the project was undertaken independently of the valuation service contractors responsible for preparing the 1 July 2005 valuations and the Contract Managers from Land and Property Information (LPI), responsible for overseeing the valuation contracts on behalf of the Valuer General.

The objective of the project was to provide independent valuations (based upon the provisions of the Valuation of Land Act 1916) to assess the valuation accuracy of a random sample (with the exception of the City of Sydney and North Sydney, where sample properties were chosen by the LVAG working group) of 1 July 2005 land values throughout the State.

A project similar to this was previously undertaken for the 1 July 2001 general valuation, providing ‘check’ valuations, which were prepared after the 1 July 2001 land values were completed and advised to land owners.

General Variations in Land Value – Parallel Land Values compared to Mass Valuations

A variation in land value for a property, between the parallel valuation and the assessed land value produced through the mass valuation process will generally be expected, simply due to the difference in valuation approach. The parallel valuation is a ‘one off’ valuation, with the valuer singularly focused on establishing a land value for the property. The assessed land value produced within the mass valuation system, is generally the result of a large number of similar type properties being valued as a group or component.

There will also often be, a variation of opinions of valuers, as to the value of a property. This results from their interpretation of the available market evidence to support their valuation decisions. This is natural and will result, at times, with a variation in valuations produced. A further analogy of this, is provided by the general real estate market where potential buyers of a property will often have different perceptions of the likely purchase price of a property. Their opinion of price is swayed by their interpretation of factors in the real estate market; factors associated with the property and their own personal circumstances, desires and tastes.

The parallel valuations were considered and compared with the valuations determined by the contract valuers for the Valuer General. As noted in the report produced by the LVAG working group, a variation in land value of up to 15% either side of the parallel valuation was considered to be reasonable. These parameters are supported by the Australia New Zealand Valuation Guidance Note 4, “Valuation for Rating and Taxing” (ANZVGN 4) and international best practice for mass valuation procedures. This guidance note was developed jointly by the Australian and New Zealand Property Institutes. In this project any ratio outside the 15% range was noted and the LPI Contract Manager requested to investigate to determine the reason for the variation. For more detailed results as to compliance with ANZVGN 4 refer to Addendum 1.

As noted in the LVAG working group report, LPI Contract Managers, in the majority of cases, provided valid explanations as to variances between the assessed land value and the parallel land values.

Comments on the Land Value Advisory Group Report

As noted in the report the results from the 1 July 2005 valuations showed a significant improvement in the accuracy and consistency of land values produced for the Valuer General, when compared to the previous 2001 - 2002 study.

This improvement was most significant in residential areas and reflected the work that has been done over the last few years to improve the overall accuracy and consistency of valuations produced for the Valuer General. The results also showed that further continued attention should be focussed on the mass valuation process in relation to complex commercial and developing medium residential density areas.

A number of enhancements introduced to the valuation system by the Valuer General in conjunction with LPI, over the last 18 months have contributed significantly in making this improvement. Enhancements include:

- Valmap: - the linking of valuation and spatial data to show thematically pertinent data and information to improve valuation quality, accuracy and consistency.
- Standardised sales analysis procedures for all valuation contractors to ensure there is consistency in the analysis of sales between valuation contractors and between/within contract areas.
- More accountability being placed on valuation contractors in respect of the accuracy and consistency of valuation outcomes. This includes an emphasis on the quality to price weighting in the evaluation of tenders for rating and taxing valuation services. Quality is now weighted 75% and price 25%. This further emphasises the Valuer General’s drive to improve the overall quality of land values and associated data.
- The development of a partnership approach between LPI contract managers and valuation contractors.
- On going enhancements to the Procedures Manual for Contract Valuers, to enforce stricter compliance with quality valuation outcomes to match the needs of stakeholders.
- The clear separation of responsibilities for the Office of the Valuer General (regulatory/policy and governance), LPI (audit and contract management) and valuation contractors (operational focus).

- Improved analytical information now available to both the contract manager and the valuation contractor. eg: Component Analysis Chart.
- Introduction of a Call Centre within LPI to allow LPI valuers and support personnel to focus their energies on 'adding value' to the valuation system, rather than day to day enquiries of land owners. For the 1 July 2005 valuation the call centre handled over 38,000 calls. In excess of 85% of enquiries were able to be resolved by the call centre, without having to be referred to a valuer or support personnel.

Results by Local Government Areas:

For Ku-Ring-Gai, Sutherland, Woollahra, Fairfield, Wollongong, Wyong, and Dubbo there was strong consistency in residential land values. The majority of assessed land value ratios were within the ANZVGN 4 recommendation. Overall the results for these locations were extremely pleasing.

In North Sydney and Tamworth the median ratio for the assessed land values is within the ANZVGN 4 recommendation. However it would appear that further work is required to provide more consistency in valuation outcomes. Both LGA's now have new valuation contractors who commenced their contract obligations on 1 May 2006. It is anticipated that with the introduction of new contractors that an improvement in valuation outcomes will be achieved.

For North Sydney the variance between the parallel values and the assessed 1 July 2005 residential land values is mixed. The median ratio for the 1 July 2005 assessed land values is 0.91 which meets the ANZVGN 4 recommendation. However there is variation in the range of ratios, indicating that more intense scrutiny of land values in the North Sydney contract is required. The North Sydney real estate market was experiencing some considerable change around the time of the 1 July 2005 general valuation. Some of the uncertainty of the market situation was reflected in the variations and opinions of the parallel valuer and the valuation contractor responsible for the assessed land values. As stated earlier a new valuation service contractor has been appointed for this contract. They commenced the contract on 1 May 2006. It is expected that the new contractor, will provide improved and more consistent valuation outcomes for this locality.

A comparison between the parallel valuations and the assessed land values for Woollahra residential revealed a median ratio of 0.99 for the ANZGN 4 recommendation. Only two of the 8 valuation comparisons were outside of the acceptable ratio range. The LPI contract manager for this location provided a comprehensive response to the variations in land values. Overall the conclusion is that the 1 July 2005 land values are well supported by the sales evidence available. One of the primary variations between the parallel valuations and the assessed land value was the limited weighting that appears to have been placed on the added value of improvements by the valuer when analysing sales evidence for the parallel valuations.

The LPI contract manager responsible for the Tamworth valuation contract provided a detailed response to the parallel valuations. The response notes that in several instances the parallel valuations do not appear to have made enough allowance for various factors affecting the value of the land. In one example, the land is very steep and the parallel

valuation has not made enough allowance for the issues associated with building on the site. The LPI contract manager will be requesting the new valuation services contractor responsible for this locality to review, thoroughly, the 1 July 2006 value levels for Tamworth residential and business and industrial sectors.

In Byron, the median land value ratio was outside of the ANZVGN 4 recommendation and further work is required to improve the land values in this location. As noted in the working group report, the majority of properties in the parallel valuation project were in the Ocean Shores locality. The LPI contract manager will, for the 1 July 2006 valuation, be ensuring that the valuation contractor verifies individual land values in this locality.

Byron is also a rapidly developing area. The variations in land values reflect the need for the continuation of on going work, specifically the relevance of the current component structure in relation to the existing real estate market and the continuing review of benchmark properties.

The City of Sydney parallel valuations showed that the majority of sampled valuations were inside the ANZGN 4 recommendation. In particular the median ratio was approx 0.95. This is a pleasing result considering the difficulty in assessing land values (due to the limited vacant land sales and the complexity of real estate and valuation issues encountered) and the variance of valuer opinion that often exists in Central Business District (CBD) valuations.

Conclusion

Overall the results demonstrated an improvement on the previous 2001 - 02 check valuations. The majority of residential land values, when compared to the parallel valuations sat within the ANZVGN 4 recommendation. However, further refinement of land values is required to improve the overall consistency and accuracy of land values in some locations. The Valuer General is acutely aware of this issue, and in conjunction with LPI has been working to provide enhancements to the valuation system, to further improve valuation outcomes and the public's understanding of the assessed land values and, in particular, the basis on which they are arrived at. In addition to the enhancements noted earlier in this response to the LVAG working group report, the Valuer General in conjunction with LPI has introduced or is introducing the following:

- Land Value Review Project: This is a major project being undertaken with Government support, including approved funding of \$5.765 million per annum for the 2006 – 07 financial year and \$5.65 million per annum for 2007 – 08 onwards. The project involves the review and verification of land values and land value data throughout NSW over a 5 year period commencing 1 May 2006. The target is for 20% of land values and associated data to be reviewed each year. The objective is to improve the quality of valuation data and importantly the accuracy and consistency of land values in NSW.
- A comprehensive project utilising the expertise of Associate Professor John MacFarlane (University of Western Sydney) to examine mechanisms for the on going improvement of the quality and accuracy of land values. The project also includes the identification of suitable measures to evaluate improved valuation outcomes.
- Improved business focus through the clear separation of functions and roles between the Office of the Valuer General (OVG) and LPI. The structure will see the OVG focus on governance, regulatory and policy requirements, while LPI will be responsible for operational issues associated with monitoring valuation outcomes, produced by the

valuation service contractors. This will be further assisted by LPI currently developing a business structure that will provide a clear delineation of business functions. The proposed separate functions are:

- I. Valuation Audit
- II. Contract and Business Administration
- III. Compensation and Special Valuations
- IV. Objections and Appeals
- V. Land Data Management

- The creation of 10 valuing positions within LPI to provide further resource to oversee rating and taxing valuation contracts, with particular emphasis on the auditing of contractual requirements and the management of contracts. This additional resource will provide further focus on monitoring and facilitating improved valuation outcomes.
- On going audit of valuation outcomes and critical base information and analysis. LPI Contract Managers will work closely with the valuation contractors throughout the year, to ensure that the framework for the development of valuation outcomes is sound. This will include, gaining a better understanding of the key sales and their analysis; the appropriateness of component structures and incorporated benchmark properties; quality control checks employed by the valuation contractor; agreement on a project plan to ensure valuation outcomes are timely and soundly based, and working with the valuation contractor to achieve land value review project targets.

Overall I am satisfied that the results of the 1 July 2005 parallel valuation project indicate that the enhancements to the valuation system that have been introduced over the past 18 months have begun to improve valuations outcomes. However, as I have continually emphasised, and as noted in the 2005 Ombudsman Report, “Improving the Quality of Land Valuations issued by the Valuer General”, further work is still required.

Indeed, continuous improvement will remain the fundamental cornerstone of the New South Wales valuation system for the future.

Philip Western

NSW Valuer General

ATTACHMENT C – Ombudsman’s Recommendations and Response

No	Ombudsman’s Recommendations	Valuer General’s Actions	PROGRESS
6.1	The Valuer General introduce a structured program of handcrafting and review of component structures to ‘re-set’ the valuation base line in the majority of districts of NSW. The Valuer General should use the model of the Wollondilly contract and also explore other alternative approaches to achieve this. Variations to key existing valuation services contracts to cater for these additional services should be offered and the requirement for these additional services progressively introduced into new contracts as they become available. Priority should be given to those districts where the statistical measures indicate high levels of non-compliance with the expected standards, where there are high rates of successful objections or where value changes have been most pronounced. At least a third of valuation districts should be targeted to be completely re-assessed within the next five years.	The review commenced from 1 May 2006 for all rating and taxing valuation service contracts. Contract variations required 20% of valuation assessments to be reviewed each year. The review will be undertaken over an approximate 5 year period. Funding to support provided by Government. Implemented	Implemented
6.2	The Minister initiate action to seek Cabinet endorsement to amend section 14B of the Valuation of Land Act to provide for land to be valued for the purposes of a general valuation at 1 March in the valuing year in which the valuation takes place.	Consultation with various stakeholders completed. Recommendation provide to Minister. Consultation completed	Cabinet decision to keep 1 July base date.
6.3	Subject to a change in the valuation base date, the schedule for the production of proposed values by contract valuers be amended to provide a reasonable time buffer for contract managers to perform an expanded range of data integrity and other quality checks to better ensure a high level of accuracy in values prior to their adoption and entry into the Register of Land Values.	Contract management requires continuous auditing of valuations and processes. Implemented	Implemented

6.4	Investigate the means by which contract valuers can be required to provide statistical measures prior to the production of proposed values so that any necessary remedial action can be fully explored in relation to non-conforming measures prior to the uploading of values into the Valnet system.	Continuous auditing of valuations and processes has commenced. Proposed values now available mid Oct. Implementation commenced	Preliminary land values to be provided by end August from contractor for 1 July 2007 valuations. Involves contract variations.
6.5	Develop a quality control checklist detailing the full range of data integrity and statistical tests that contract managers be required to run before accepting proposed values that requires contract managers to attest to each test meeting the Valuer General's standards or where they do not meet such standards, attest to the receipt of documented and satisfactory explanations.	Implemented	Quality control checklist issued with Procedures Manual. Implemented
6.6	Develop other statistical measures and reports to identify unacceptable variations in proposed values.	Project has commenced in conjunction with University Western Sydney. This recommendation Implementation in conjunction with 6.4. Implementation commenced	Interim report provided 30 th January 2006 Phase 1 outcomes to be finalised 30 October 2006.
6.7	At the completion of each valuation program and based on a review of compliance with the applicable quantitative component composition and benchmark standards and any other relevant information, contract managers in consultation with contract valuers should draw up a prioritised and detailed action plan for the review of non-conforming components and benchmarks and closely monitor such reviews ensuring that there is an acceptable and recorded acquittance of each non-conforming entity prior to the commencement	Action plan and review procedures to be included in Rating and Taxing Manual & Contract Mgmt Manual. Implementation in conjunction with Rec. 6.8	Remedial actions have been prioritised & scheduled on a contract by contract basis.

	of the following valuation program. Priority should be given to replacing those benchmarks lying significantly distant from the median value in components with low degrees of handcrafting.	Implemented	Implemented
6.8	Require contract managers each year to conduct an analysis of and report upon the improvements made in each district in terms of compliance with statistical measures, the effects of changes made to components and benchmarks and general compliance by contractors with their contractual obligations.	Implemented	Issued in new Rating and Taxing Procedures Manual. Implemented
6.9	Develop a system level overview analysis of key statistical results across districts that is able to track progress in compliance with standards and identify trends.	State wide analysis tools to be developed. Will tie in with KPI's for reporting to Parl Cmtte. Implementation Target: 2007 Implementation commenced	John McFarlane to consider as part of project with UWS.
6.10	The Valuer General publish in his annual report performance information on contract valuer compliance with key quantitative standards against base line benchmarks.	Valuer General developing appro KPI's Implementation commenced	Development work has commenced. To be developed in conjunction with Rec. 6.9 and 6.25.
6.11	The Department seek a budgetary enhancement to employ sufficient additional District Valuers to properly manage valuation services contracts and enable regular contract management auditing.	Funding proposal provided by Cab Budget Committee in conjunction with Rec. 6.1. Implementation commenced Implementation Target: 1 January	Funding approved by Cab. Budget Committee December 05. 4 additional District Valuers appointed. Commencement

		2007	July 2006.
6.12	That a methodology be developed for the Regional Valuer contract management audits referred to in section 1.3.6 of the <i>Rating & Taxing Valuation Contract Management Procedures Manual</i> .	Implemented	Methodology and template developed and implemented in Rating & Taxing Contract Management Procedures Manual V2.0
6.13	Ensure all contract managers receive training on principles of contract management and record keeping relevant to the management of valuation services contracts.	Implemented	Implemented
6.14	That a needs analysis be undertaken towards the end of the 2005 valuation program to identify further training needs of contract managers and contract valuers in the use and interpretation of key statistical measures and that further statistical training be provided based on the findings of that analysis.	Implemented	<p>One day workshop for LPI and Valuation contractors completed June 2005.</p> <p>Further workshop completed 13th Feb & 26th/27th July 2006.</p> <p>Existing training has provided a good foundation. Further training needs will be identified once Professor McFarlane's work is completed.</p> <p>Further needs analysis being undertaken as part of LPI structure review.</p>

6.15	That application of a uniform methodology for the valuation of improvements for purposes of undertaking sales analyses be encouraged by the incorporation of suitable guidance in a revised <i>Procedure Manual for Contract Valuers</i> .	Implemented	Implemented
6.16	That application of a uniform methodology for the adjustment of sales for time be encouraged by the incorporation of suitable guidance in a revised <i>Procedure Manual for Contract Valuers</i> .	Implemented	Implemented
6.17	That the <i>Procedure Manual for Contract Valuers</i> require contract valuers to provide explanations of the basis of their adjustment methodology.	Implemented	Implemented
6.18	That the directions contained in the <i>Procedure Manual for Contract Valuers</i> for the sales to be used in calculating the quality statistical measures be amended to exclude any sale where the assigned value was not produced by the application of a component or sub-component factor.	Implementation Target: 2007 Implementation commenced	To be considered by Prof John MacFarlane as part of the UWS project.
6.19	That the <i>Procedure Manual for Contract Valuers</i> be amended to provide that component factors should not be rounded down.	Implemented	Policy statement provide in new Procedures Manual Implemented
6.20	That the component check form be re-designed to take account of the observations set out in section 4.5.2.8.	Implemented	Issued in new Procedures Manual Implemented

6.21	That LPI consider the need for a report to update contract managers on a monthly basis of the total number of sales in their districts to assist their assessments of the sufficiency of sales analyses by contract valuers.	Implemented	Enhanced report completed and in production. Implemented
6.22	That consideration be given to the usefulness of including in Valnet a field that would indicate whether a value was completely handcrafted or was a factorised value that was verified.	Implementation Target: 30 June 2007 in Valnet Implementation commenced.	Specified. Load process to be developed in conjunction with contractors. In the interim, from June 2006, the handcrafted valuation and factorised values will be reported in narrative format.
6.23	That the Valuer General provides suitable guidance notes for potential objectors on the type of information that would support 'model' objections.	Implemented.	Implemented.
6.24	That relevant sales schedules showing adjusted analysed land values that were relied upon to make or support valuations be made available to potential objectors as a matter of course.	Implemented	Implemented

6.25	That the Valuer General include in his annual report statistics about the number of objections and appeals processed and their disposition.	Implementation Target: 2007 Implementation commenced.	Draft report developed.
6.26	That a flag be incorporated into Valnet to identify whether a later valuation has been issued once a value amended on objection is entered.	To be implemented: Target: 1 March 2007 Implementation commenced.	Specifications being finalised.
6.27	That the objections procedure manual be amended to require assessment of any later issued valuation as part of the standard objection determination.	Implemented	Issued in new Objection Manual Implemented
6.28	That the objection procedure manual be amended to require assessing officers to consider whether any adjacent values need to be re-ascertained if an objection is allowed.	Implemented	Issued in new Objection Manual. Implemented
6.29	That a standard objection worksheet be developed that more clearly provides for the documenting of reasons for objection determinations.	Implemented	Issued in new Objection Manual. Implemented
6.30	That the standard of objection determination correspondence be increased including the review and reformulation of the use of standard paragraphs	Implemented	Issued in new Objection Manual. Implemented
6.31	That the delegated decision maker be identified in objection determinations.		Issued in new Objection Manual.

		Implemented	Implemented
6.32	That the objection procedures manual be finalised as soon as possible.	Implemented	Issued in new Objection Manual. Implemented
6.33	That the Valuer General review the Service Level Agreement with LPI with a view to removing (a) any KPI target that relates primarily to the performance of contract valuers rather than LPI, (b) any KPI target relating to re-ascertainment rates or allowable objections that could be perceived to restrain LPI from properly using its professional discretion in performing its duties in relation to these functions	Included in the 2005 – 06 Service Level Agreement Implemented	Implemented
6.34	That the standard service obligations in the model valuation services contract be amended to include an obligation to keep under review and maintain appropriate components and benchmarks to ensure the integrity of values produced using the methodology.	Implemented	Implemented
6.35	That the Joint Committee on the Office of the Valuer General conducts a cost/benefit review of amending the Valuation of Land Act to provide for the issue of annual valuation notices.	Recommendation for Action of Joint Parl Cmtte	Recommendation for Action of Joint Parl Cmtte
6.36	That the Joint Committee on the Office of the Valuer General monitor compliance with the key quality statistical standards of the Valuer General as part of its annual program.	Recommendation for Action of Joint Parl Cmtte	Recommendation for Action of Joint Parl Cmtte

6.37	That the Joint Committee on the Office of the Valuer General review the results and implications of the 2005 check valuations project as part of their general overview of the methodologies employed for the purpose of conducting valuations under the Valuation of Land Act.	Recommendation for Action of Joint Parl Cmtte	Recommendation for Action of Joint Parl Cmtte
6.38	That the NSW Treasury examines the desirability of basing land tax assessments on a rolling 3 or 5 year average land value rather than annual land valuations.	3 year rolling average land tax assessment announced by Government and to be implemented from 1 January 2007.	Implemented

Chapter Three - Questions on Notice (with Answers)

QUESTION 1

What sort of queries do people have about their valuations that are able to be answered through the call centre process? Does the Valuer General have details of that or a breakdown of those inquiries?

ANSWER

The call centre is provided with an extensive list of frequently asked questions which are turned into scripts. The call centre is able to answer approximately 85% of all issues raised. Where the call centre does not have the information to provide a response, the call is referred to the relevant person. For example in 2006, 1072 calls were referred to a valuer to provide specific valuation information and 3985 calls were referred to valuation administration staff to answer concerns relating processing matters and to records such as ownership and land area.

The table of issues raised and the corresponding numbers are recorded below. This information is captured by the call centre operator during the call. The issues range from general valuation information, to specific details regarding the land value, how to object, and requesting objection kits. The Address for Service of Notice (ASON) is updated over the phone by the call centre operator.

Issue	Cumulative
General Overview	3292
Secondary Call	502
Ownership	1202
Valuation	4381
Property Address Inquiry	1244
ASON Enquiry	1037
Objections Enquiry / Status	3452
Land Tax	1538
General Enquiry - how to get additional info	870
Website - busy - no connection	13
Website - credit card payment issue	6
Website - download failure	39
Website - client software incompatibility	3
Brochure sent	30

Change of ASON details	8293
Change of property address details	972
Area/Dimensions - Referred to RMO	192
Difficult question - customer service	
Difficult question - general	343
Referred to OSR	1852
Difficult question - media request	7
Valuer General - Newsletter request	7
Ombudsman enquiry	
Objection kit sent	13987
Difficult question - political	11
Ownership - referred to RMO	3450
Secondary call - difficult question	
Sales listing sent	1307
Valuer specific query	1072
Water Fact Sheet Sent	8
Totals	49110

QUESTION 2

Can the Valuer General comment on the things that are occurring to ensure that these objection times are improving to meet the agreed 90 day timeframe that is your objective and that of your office?

ANSWER

The Office of the Valuer General, through Land and Property Information (LPI), implemented the Objection and Re-ascertainment Procedures Manual in April 2006 which clearly documents the objection review process. This was one of the key recommendations from the Ombudsman's Report. This will enable a consistent approach to be adopted to the objection process and provide for a more efficient service to objectors.

A number of innovative improvements have been made to the objection procedures to provide for more efficient and timely processing of objections. These include the implementation of the standardised objection form; the establishment of a call centre; an objection screening unit, to ensure that appropriate information has been provided to support the objection and to establish who within LPI will manage the objection review process; the piloting of a standardised objection reporting format with some valuation contractors; the introduction of different levels of

review depending upon the issues raised in the objection, and the introduction of Valmap to assist valuers with analysing a large amount of valuation and property data, and sales information. These improvements will all provide further efficiency in objection processing.

A further enhancement to the objection process will occur through the realignment of the internal business structure of LPI valuation services. Focus will be provided on different aspects of the valuation business through dedicated 'business units'. For example objections will be managed by a dedicated team, overseen by a Program Manager. This will ensure that objection services and reviews are finalised in a more efficient manner including improved processing times.

Limitations in terms of resource availability, impact on objection processing time. This is at two levels. A program has been implemented to increase the number of valuation firms available to undertake work for LPI. However, there is a finite pool of valuers in NSW available to undertake the review of objections. This will provide an upper limit to the physical number of private sector valuing resource available to assist with objection reviews. The second area of resource availability has been within LPI. This has involved the limited number of senior valuation staff available to consider objection reviews completed by the contractors. This issue is currently being addressed through the employment of an additional 10 district and senior valuers within LPI, following the governments commitment to improving the valuation system.

It is expected that processing times will be reduced with the implementation of additional resource, improved processing procedures and the realignment of the internal business structure of LPI

Chapter Four - Transcript of Proceedings 23 October 2006

REPORT OF PROCEEDINGS BEFORE

COMMITTEE ON THE OFFICE OF THE VALUER-GENERAL

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At Sydney on Monday 23 October 2006

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The Committee met at 2.00 p.m.

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PRESENT

The Hon. K. F. Griffin (Chair)

Legislative Council

The Hon. C. J. S. Lynn

Legislative Assembly

Mr S. B. S. Pringle

Mr A. F. Shearan

Mr G. R. Torbay

CHAIR: I welcome members and the Valuer General to the fourth general meeting of the Joint Committee on the Office of the Valuer General. Since its third general meeting on 6 March 2006 the Committee has held two deliberative meetings. The Committee's report on the third general meeting was tabled on 5 September 2006. The Committee welcomes the Valuer General, Mr Philip Western. Mr Western, your appearance here today is to report on key issues relating to the Committee's terms of reference and to provide answers to questions on notice. The Committee is pleased to hear your evidence. I am advised that you have been issued with a copy of the Committee's terms of reference and a copy of the Legislative Assembly's Standing Orders 332, 333 and 334, which relate to the examination of witnesses. Is that correct?

Mr WESTERN: That is correct.

PHILIP JOHN WESTERN, New South Wales Valuer General, Queens Square, Macquarie Street, Sydney, affirmed and examined:

CHAIR: Mr Western, in what capacity are you appearing before the Committee?

Mr WESTERN: I am appearing as the New South Wales Valuer General.

CHAIR: Would you like to make an opening statement or proceed directly to your report?

Mr WESTERN: I will make an opening statement. Since the third general meeting of this Committee the Office of the Valuer General has continued to implement new initiatives and further improvements to the New South Wales valuation system to ensure that the mass valuation system provides quality outcomes and value for money for all stakeholders. These initiatives are integral to the Valuer General's key objectives of providing a valuation system that is independent, transparent, accurate and accountable. I recently attended a meeting of the Commonwealth Heads of Valuation where I presented the fundamental enhancements that we have made to the New South Wales valuation system over the last two years. These initiatives were subject to critical consideration by leaders in the field of valuation. The meeting provided an exchange of information on issues that overseas jurisdictions are also addressing, which will benefit New South Wales.

I am pleased to report that New South Wales is now seen as a leading Commonwealth agency in the area of mass valuation reform. Following my presentation I have been approached by a number of other Commonwealth jurisdictions keen to leverage off the work we have been undertaking in New South Wales. The Commonwealth Heads of Valuation Conference has confirmed for me that the New South Wales mass valuation system is now seen as a leader in implementing change and improvements and, in particular, communication with the public. I will continue to work closely with these leading organisations as we integrate further enhancements to the New South Wales valuation system and benchmark ourselves against other Commonwealth best practice.

CHAIR: Would you care to go to your report, if there are no questions from members? Committee members may ask questions as you go through your report. Although we have questions on notice, Committee members have the opportunity to ask further questions. Apart from your report, you will also be speaking about the parallel valuations report, your response to the parallel valuations report, also a summary of the Ombudsman's recommendations, and your response to that. There are a number of key items that I am sure you will cover.

Mr WESTERN: Indeed. I will not go word by word through the report that I have tabled before the Committee; I will just talk to some highlights. The first one is in relationship to the next valuation as at 1 July 2006. There will be some 822,000 Notices of Valuation issued. These will be put out to members of the public during January and February next year. It should start around about 15 January and we should conclude on about the first week in February.

Prior to that happening, we will issue the valuations, both to the Office of State Revenue as at 31 December 2006 and there will be some 2.4 million valuations given to the Office of State Revenue at that stage. Approximately a third of councils within New South Wales will receive valuations towards the end of November for each of their respective council areas.

I will move on to item 2, which is in regard to the objections we received to 1 July 2005 valuations. As at the date I wrote this report we had some 10,393 objections to the revaluation and this accounts for approximately 0.95 per cent of the total valuations issued. So it is around about the number we would have anticipated. It is slightly up, but ever so slightly. It is still under 1 per cent of total valuations issued.

The third item I want to cover is the Water Management Act. Committee members will be familiar with a number of changes that have occurred as a result of that Act. Integral to my role as Valuer-General has been ensuring that we remove the added value of water from all rural valuations throughout the State. That has involved the actioning of approximately 18,000 new valuations in respect of that.

You may recall that we issued a number of these as general valuations as at 1 July 2005. Then we were issuing some more, what we call supplementary valuations, between the general valuations cycle. The final lot of these will be issued as a general revaluation to approximately 15 council areas as at 1 July 2006. That will mean all councils will have land that is exclusive of the added value of water to commence their rates modelling work in February-March next year so they can be utilised in their own councils' rates modelling as at 1 July 2007.

In item 4 I have mentioned that we will be providing some 2.4 million valuations across to the Office of State Revenue. That is a similar number to what we issued in respect of the 1 July 2005 valuations. I have also noted under 4.2 that in recent weeks, and you may have seen some publicity on this, I calculated the new land tax threshold in respect of the 2007 land tax year. I will comment on that further through. Item 5 I will leave as a separate agenda item.

Moving on to valuation reform, the first one relating to the Ombudsman's investigation I will look at as a separate agenda item. I want to move onto item 2 at the bottom of the page in respect of the University of Western Sydney project. Members of the Committee will recall that I have been closely involved with Professor John MacFarlane in respect of looking at further enhancements to the valuation system. What we have focused on in the first 12 months is looking at the individual make-up of valuation components and also the benchmarking of properties that are associated with each of those.

The initial 12-month period for that contract concluded as at 30 September. I have now instigated a further 15-month contract with the University of Western Sydney's Professor MacFarlane to work on other areas of the valuation system, particularly in respect of looking at key performance indicators [KPIs] that can be used to measure improvements of the system over the whole of New South Wales as opposed to an individual component or local government level. As you well know, Professor MacFarlane is now one of the leading exponents of mass valuation, particularly in the area of statistical research, and has an extremely good knowledge.

He provides an independent and unbiased opinion as to some of the measures that we should have and how the system is performing.

Item 3 covers the land value and data review project. Just to refresh your minds on that, you will recall that the Ombudsman in his 2005 report said that he would like to see that the pilot which we commenced in Wollondilly and Wingecarribee, implemented throughout the State. He recognised that this is a long-term project, involving considerable finance and time, and saw the merits in undertaking this work over a 15-year period. That does not fit with my program in terms of wanting to get the valuations as accurate and consistent as quickly as possible. Obviously, the benefits are for all the stakeholders in the system, including the public. I put a proposal to the Government that we would undertake the project over a five-year period. The Government supported that initiative and we implemented that with work commencing as at 1 May 2006. We will start to see some of the benefits of that work flowing through mainly from 1 July 2007, but we will see some benefits with the initial valuations we are carrying out this year.

Item 4 covers the objection processing and turnaround times. I want to put some facts on the table for the benefit of the Committee. As I said, we have some 10,400 objections to the 1 July 2005 valuation round. That compares with approximately 16,500 received to the 1 July 2004 valuations. We have made substantive improvements in terms of the processing times for valuations. Members will note in item 4.3 that in 2002-03 approximately 7,000 objections were processed; 10,600 were processed in 2003-04; and 10,100 were processed in 2004-05. In the past 12 months, utilising effectively the same amount of resources as we did in 2004-05, Land and Property Information has processed in the vicinity of 14,200 objections. That is a 40 per cent increase on the year before. Once again, some of the enhancements we are making to the system are starting to come through. I am still not happy with where we are at; we still have a lot of work to do, and we will continue on that. I will note some other changes we are making later in my report.

The other big initiative under item 4.5 that is worth mentioning is the establishment of the call centre last year. The centre received in excess of 35,000 calls from landowners throughout New South Wales. The huge thing from my point of view is the fact that 85 per cent of the calls were resolved by the call centre at the time of the call rather than having to go to a valuer. Therefore, the valuers could focus on where they could add value to the system in terms of being out with landowners themselves or dealing with those issues that pertain particularly to valuations themselves.

With the other work we are doing in regard to the valuations and improving the objection system, committee members will have noted that we have implemented the standard objection form. That has worked extremely well. Comments have come back from the public about the way we can further improve that and we have endeavoured to try to implement some of them. We are in the process this year of putting in place a facility for people to lodge objections online. We are in the throes of testing that. It is looking very positive. Effectively it will provide prompts for people to ensure they have the right information and access to the sales that have been used for the property. They will have all that information before they lodge the objection itself. The other big enhancement last year was the general valuation sales report. Once again, the public response has been very positive. We have some enhancements to make and we are working on them at the moment, particularly in terms of how the sales are taken out of the database and used in the report itself.

It is worth noting the end of the objection section with regard to further improvements. As members know, we contract out the objection work. Last year the people who undertook that work for us were generally becoming familiar with the Act and the specifics of what it required. The other big issue that we are realising very quickly is that there are only so many valuers in New South Wales for the objection work to go around. We think we have just about exhausted the market in terms of the number of valuation firms we have on our books. We now have approximately 57 firms throughout the State, providing several hundred valuers involved in the objection process. We are probably not going to get any more than we have. We are looking to make further refinements in the way we go about doing the objection work and producing efficiencies through processes and technological changes as opposed to necessarily looking at the number of staff involved. The other big plus will obviously be in respect of the Ombudsman's recommendations. The additional valuers who have been appointed as a result of that and government funding to assist will help in the auditing and signing off of objections as opposed to the direct review of the objections.

Item 5 will be new to members. It refers to reform that has occurred. Property Valuation Services, which was a business unit of the Department of Commerce—so it is a government agency—had approximately 40 per cent of the rating and taxation contracts in the market. I had an approach from the Director-General of the department in the middle of the year, who said that Property Valuation Services was looking at moving out of that business and asked that I consider how we might be able to deal with its withdrawal from the market. As a result, we have worked up a timetable to assist. Basically, the 15 contracts run by Property Valuation Services have gone out to the market. I will speak about that later in terms of the tender process. There are currently approximately 53 valuers within the Property Valuation Service. Thirty-five positions have been created within Land and Property Information for some of those valuers. Some will be taken up with the Ombudsman's recommendation—10 positions will be associated with that. A further 20 positions have been taken up with Land and Property Information to provide consultancy services for government departments. This relates to existing Property Valuation Services work - principally for the Government- that Land and Property Information will take up. A further five valuers will be associated with the Crown reserves conversion project concerning the valuation of Crown assets. That obviously leaves a gap in respect of the number of valuers that were with Property Valuation Services. With the tender process this year we are giving preference to those tenderers who put in proposals using existing Property Valuation Services staff. I will talk about that shortly. However, it appears that has been a huge success. Property Valuation Services will continue providing services to the Valuer General through to the end of February 2007, at which stage that will cease and new contracts will be issued.

Item 6 advises the Committee about the reform process we are undergoing in respect of Land and Property Information and my own office. One of the major issues I have had is that there has been no real separation between the operational role of Land and Property Information and the regulatory and statutory role of the Valuer General. We are putting in place some mechanisms to ensure there is clear division between those two areas. Members will be familiar with the service level agreement that I have in place, which to some extent I have had difficulty trying to police because of the lack of separation. This will give clear separation and allow us to enhance the overall valuation system.

Effectively, Land and Property Information have set themselves up into various divisions, so that they can separate the items. As in item 6.8, valuation audit, compensation and special valuations, objections and appeals, land data management and contracts and business administration. There will be one new role created within the Office of Valuer-General, which will undertake the role of audit and policy audit development in respect of my role. We expect to

have these positions in place by the New Year. Once again this will first provide further separation in respect of the various roles and, second, provide to the public more transparency as far as decision making goes.

Item (c) I have covered before. The latest tenders and as I said they were advertised in September. Under item 1.3 I have advised that we received 29 tenders from separate organisations across 20 tender areas. If you take the mix, a lot of companies have put in to all the tenders and some 67 tenders are currently being evaluated for approximately \$13.5 million worth of annual work as far as providing those services goes. What has been particularly pleasing from my point of view, considering that we put a total of 20 contracts out there, which is in excess of half the number of contracts in New South Wales, we have got good coverage for all areas, which is extremely pleasing. We have a very high standard of response, signalling to me that there is an intense interest in providing and understanding the services required.

I am pleased to report a lot of that has come through directly as a result of the work myself and the Chief Valuer of Land and Property Information have undertaken, as far as working with the private sector to try to advise them of the opportunities that are available. As I said before, a lot of the tenderers have staff who will be leaving the Property Valuation Services and are involved in the current provision of valuation services under contract to the Valuer General. We are expecting that there could be in the vicinity of up to 10 staff who will move across to that area. Once again, a pleasing result in respect of Property Valuation Services as well.

Under (d), I have covered the new land tax threshold. I will explain that because it is a new system that has been put in place this year. In 1.2 I have mentioned that basically when we have looked at the market this year, at 1 July 2006, we are working currently with what we call provisional land values because they have not been finalised yet. It shows that the average land value for those categories of property of which land tax may be assessable across residential, commercial, industrial and business areas, are showing an average of \$356,000 in that area. You would be aware that with the introduction of the changes in the recent budget, there was a three-year average introduced. The \$356,000 had to go into the pot with the threshold of the average land value that was in place as at 1 July 2005 and the one that was in place as at 1 July 2004. Of course, we had to calculate the 2004 threshold because the Committee would recall that there was no land tax threshold for the 2005 land tax year and, therefore, we had to go back and calculate what that would have been.

When we look at the average, the average of those three totals for those years comes out to \$350,000, over that three-year period. The legislation is such that the land tax threshold for any land tax year cannot be less than it was in the preceding year. We have come up with an average value of \$350,000; the current land tax threshold is \$352,000; therefore, the \$352,000 was set for the 2007 land tax year.

Under item (2) I have talked about the annual performance report that came out of the best practice report of this Committee. To update you about where it has gone, we started work on that in the middle of 2006 and have had extensive discussions with various stakeholders across the State. I also had Professor John McFarlane involved, as I said before, in looking at key performance indicators. We are now in a position where we have a draft performance booklet available and we will be looking to implement that early in 2007. As per the Committee's thoughts on this booklet, it will be simple in design, it will not be a bulky annual report but at this stage I am looking at seven to eight pages, but very user-friendly in terms of reader style and presentation. That concludes my report.

CHAIR: Relating to the call centre and the number of inquiries that are dealt with by the call centre rather than having to go to valuers and so on, what sort of queries to people have about their valuations that are able to be answered through the call centre process? Do you have details of that or a breakdown of those inquiries?

Mr WESTERN: No, I certainly have a general feel for what sort of queries come through the call centre and can be resolved. I can provide the committee with actual details. We have a good break down on that.

CHAIR: Would you take that question on notice?

Mr WESTERN: I will take that on notice. Broadly, a lot of the questions resolved at the call centre stage would be those in respect of the change of ownership details, people saying that the sales notice had not come through or that we had not been informed of the change of address. Or it may be that they still own the property but they have shifted their postal address. A lot of the queries will be around asking how we arrived at the valuation, and we will often provide them with a general valuation sales report at that time. Others will be in relation to them saying they would like to object and asking us to send them an objection form. That is provided directly from the call centre. Other ones will be of the nature of a general valuation inquiries about how we went about the valuation itself. We can explain that without having to go into the details of specifically how it relates to the sales and things like that.

CHAIR: In your report one comment was about the issue of valuers and how many qualified valuers there are in the community who can readily be used in the evaluation processes. If the number of valuers can be accessed is an issue, will that problem grow in the future, about the number of qualified valuers? Have there been discussions with yourself and perhaps other groups about how the number of valuers in the future can be resolved? Are there enough valuers? What sort of process is there to have a continuation of qualified people?

Mr WESTERN: Fundamental to my stewardship of the valuation profession, and as Valuer-General, is obviously to ensure that we encourage more people to come into the profession. Currently we are undergoing quite a bit of work with the Australian Property Institute in looking at how we might do that, particularly in respect of looking at universities and working more closely with them. It is also about ensuring that those people who enter the profession stay with the profession as necessary to moving on to other parts of the property industry.

As I said before, in respect of the number of valuers who are available within New South Wales, I believe we are getting pretty close to meeting the quota. What we are clearly seeing is that they are getting more proficient in respect of carrying out the work for us, I guess as we become more proficient at the same time of seeing how we can better accommodate their needs with our requirements. One of the major issues has been that valuers who are generally doing this work, because many have not undertaken rating and taxing work in the past, and recognising that valuers who are currently undertaking rating and taxing work -that would exclude them from particular contract areas, there is another issue about who to bring on board.

We are currently working through how, for example, we might be able to provide an accreditation system whereby effectively valuers who undertake the work for us would have to go through a training and familiarisation period so that we know they understand the principles of what we are about.

One of the major issues we have had this year is that valuers generally are used to doing one valuation, so they focus solely on that property and prepare a valuation on it. Whereas, in a mass valuation sense we are looking at a lot of properties all at once. If they go out and do an individual objection, they need to clearly recognise the impact of making a decision in respect of that objection as it affects all the other valuations around it. Part of this is associated with the issue of the guidance notes which have been provided by the Australian and New Zealand Property Institute, which states that a mass valuation says that the valuation should be within 85 to 100 per cent of the market value of a property. So we need to get that across to those who are working with that, to ensure they understand that if they make a decision in respect of reducing this property's land value, it might sit within the 15 per cent parameter, but if they make an adjustment to this we have to look at the impact it has on all the other assessments as well.

CHAIR: Are there differences across State boundaries in relation to qualifications for valuers?

Mr WESTERN: The Australian Property Institute obviously has national requirements in respect of that, but within each individual State it is administered in its own right. So there are varying requirements across the various States. Also, there are different organisations involved. For example, here in New South Wales there is the Australian Property Institute, which would be the major professional valuation body, but there is also the Australian Valuation Institute, which, although smaller, has probably several hundred members, and it has different requirements in respect of its members as compared with the Australian Property Institute. As I said, while there are national guidelines, it is principally up to the individual States to decide how they administer that.

Mr STEVEN PRINGLE: One of the major issues in my electorate is that many people are on acreage and they have had very high increases in their property valuations. At the same time, the council, under State Government direction, has introduced the probable maximum flood issue. The result is that the value of their properties today is wildly out of kilter with the valuations of the past. Do you have any suggestions as to how to improve that system?

Mr WESTERN: One of the things introduced with recent amendments to the Valuation of Land Act is that the Valuer-General can now make valuations effectively at his own discretion. In other words, whereas in the past the council had to advise the Valuer-General, there have now been some changes to that, and we would consider them in respect of how we might alter the valuation. Where circumstances change in respect of a property, the Valuer-General can now reconsider that valuation in light of either a change in physical attributes in regard to the property or, for example, a change in zoning. It must be remembered that any changes that are made still have to be reflected back to the valuation date, which is used by the particular council in respect of its rating year.

Mr STEVEN PRINGLE: The property market is fairly quiet at the moment. Residents on acreage in my electorate would have been able to get top dollar at the time you were doing your valuations, when there was an expectation of, in some cases, \$1 million an acre. Now it is dramatically less than that; indeed, it is probably half. What provision is there to take into account changing market forces?

Mr WESTERN: In respect of what I provide under the Valuation of Land Act, I am required to reflect the market as at a specific date, for reasons of consistency. In saying that if they were concerned that there might have been, for example, a real change in respect of the market in that particular local government area and that has now impacted upon the way they

have had to distribute their rates, depending on the rates modelling they have in place. They can approach the Valuer-General to request a fresh valuation across the whole local government area. It must be remembered that we are valuing every property every year anyway; it is just that generally, for council purposes, they receive them every three years on average, whereas the Office of State Revenue receives them every year. So valuations are there; if council so requested, we would have a look at that as to whether we would need to reissue that or not.

Mr STEVEN PRINGLE: So there is provision for the council, noting all these changes that are occurring, to issue a yearly valuation instead of a three-year valuation?

Mr WESTERN: If council wanted to do that, they could approach me to ask for fresh valuations to be issued, yes. My fundamental ethos is that the council is the customer. There would have to be good reason for me not to withhold the valuations and give them a fresh valuation. Having said that, I certainly know that a lot of councils are reluctant to do that, because of the requirements as far as their then having to go through the whole rates modelling exercise, public notification, and so on.

Mr ALLAN SHEARAN: Would there be additional costs for council in that respect?

Mr WESTERN: Not at this stage, no.

Mr RICHARD TORBAY: With regard to parallel valuations, I note in the documentation comments that Tamworth, and I think Dubbo, had some inconsistencies across certain sectors. Could you expand on that, and tell us a little about why that happened and what is proposed?

Mr WESTERN: Madam Chair, could I pick that up in the agenda items?

CHAIR: Yes. The next part of the report relates to the parallel valuations report and the third party response by the Valuer-General to that report. I am sure Mr Western will pick up that issue in relation to the specific councils that are referred to.

Mr WESTERN: The report has obviously been tabled. I am not certain how familiar members are with the report that was prepared by the Land Valuation Advisory Group. Would you like me to précis what the group came up with?

CHAIR: Yes, please.

Mr WESTERN: The parallel valuation project was undertaken for the 1 July 2005 valuations. I requested specifically that the Land Valuation Advisory Group, which comprises members of the various property industry groups to undertake this on an independent basis. They selected the areas to be examined, and then basically looked at a range of residential, commercial and industrial, and medium-density properties within those local government areas. On their behalf, we sought expressions of interest to undertake this work. Obviously, the people who did this were not associated with undertaking the rating and taxing valuations on my behalf. The firms are required to value property under the same auspices as the contractor valuers, that is, under the terms of the Valuation of Land Act. They submitted their reports as to what they thought the valuations should be as at 1 July 2005. Then the Land Value Advisory Group set up a subcommittee, and the subcommittee examined those results. The group noted:

In summary the results showed a significant improvement in the accuracy of valuations produced to the Value General.

The group went on to say:

This improvement was most significant in residential areas ...

However, it also noted that further attention should be focused on the mass valuation process in relation to complex commercial and developing areas. The group's conclusion was as follows:

Valuations of all residential properties, excluding those in the Tamworth and Byron LGA'S were within acceptable limits.

The variations in all property areas reflect the need for more work on the mass valuation process, specifically the review of components and benchmarks.

As part of its final recommendation the group went on to say:

The process of parallel valuations is very valuable and we recommend it be continued in the current year. We suggest the inclusion of a small number of "benchmark" properties next year and a continued emphasis on non-residential properties.

Just to précis that: They are basically saying things have improved substantially since the last time it was undertaken in 2002-03, but they are now saying there is still some more work to be undertaken. So, what they have reported here does not come as a surprise to me. That is part of why we were looking to introduce the pilot land value review project to across the State with more emphasis particularly on the commercial and industrial areas as opposed to residential. Remembering that there is a huge number of sales you can use generally; you have generally got improved sales to be able to work on the residential, and generally with industrial/commercial there are a lot less sales and there is a lot more opinion as to what the actual value should be because they are not great in numbers and subject to interpretation by the valuer.

In terms of my response, which is there as tab 3 in the report, I will just go through some of the things. Two thirds of the way down that first page—and I will just quote directly from my report—I noted here for the benefit of the Committee that a variation in land value for a property between the parallel valuation and the assessed land value produced through the mass valuation process will generally be expected simply due to the difference in valuation processes. I talked about that before. It is a one-off valuation here as opposed to doing hundreds and hundreds of valuations all at once. So we would expect some difference.

I have also gone on to note there that there will often be a variation of opinions of values as to the value of a property and this results from the interpretation of the available market evidence to support the valuation decisions. I make the analogy here that if you get 10 members of the public and put them in front of a house and say, "How much do you think it is worth?" they are all going to have a different opinion as to what it is worth, depending on what the amenity value is and a whole lot of other personal considerations. We always say that valuation is not an exact art, it is more of a science in respect of trying to arrive at an answer.

I have provided on the next page some comments on the land valuation advisory group's report. I noted again what they reiterated: that there has been improved accuracy and consistency in the land values. I noted again that there is significant improvement in the residential areas, reflecting the work that we have undertaken over the last couple of years as far as improving the accuracy and consistency of values. But I have also noted there that there is obviously attention needed in respect of business and developing areas, particularly as far as residential medium-density type developments. I have noted there for the benefit of the Committee the enhancements we have made over the last 18 months—I will not go through those individually, I will just note those.

Then I have gone into looking at the individual local government areas where the parallel valuations were undertaken. I noted in the first one there that in terms of Ku-ring-gai, Sutherland, Woollahra, Fairfield, Wollongong, Wyong and Dubbo, there was strong consistency

in the residential land values. So, generally, no problems in respect of that. In North Sydney and Tamworth, the median ratio, which was when we were looking at how the parallel valuation looks up against the land value that we have actually assessed and is sitting on the register. It was okay; generally it was sitting inside the recommended standard, but it did show me that there is definitely further work required in terms of consistency of valuation outcomes.

One of the interesting things, particularly in both these contract areas, is that we had been having issues with the contractor and it is reflected in these valuations as at 1 July 2005. Both these areas came up for tender last year and we have appointed new contractors to these areas and the results we are starting to get through so far are showing us that there is improved consistency in the valuations and that as a result of that they will be more accurate as well. I will talk about Tamworth specifically in a few minutes.

One of the big variations we had was in respect of North Sydney, particularly in regard to the mixed density residential development. Once again, the ratio was sitting at 0.91, which was inside the 0.85 to 1 ratio, so that is good. But there were too many for my liking sitting outside that range. Once again, there has been a new contractor appointed to that area. I would expect some improved results to show through, as far as the 1 July 2006 valuations are concerned, but I would expect to see greater improvement for 1 July 2007 valuations, simply because they have only had three months since they have been awarded the contract to try and have a look at it. As I said, most of the improvements will come through for all areas as at 1 July 2007.

Part of those differences there comes down to valuer interpretation. A lot of the North Sydney market was undergoing some massive change and the markets were shifting all the time, so it was very difficult to pin down exactly where the market should be. So some of that variation is reflected in that. But, as I said, there is still work to be done in there and this new contractor commencing work in undertaking that. The Woollahra land values were generally okay; the values were word generally well supported by sales evidence. One of the issues we had, we discovered, was that the weighting the parallel valuers had put on their analysis of improvements was different to what our contract valuers had used. We think, having gone through and looked at it, there appears to be more consistency in the way that our valuers have applied the added value of improvements when they have been doing sales analysis as opposed to what the contractor had undertaken when they were doing the parallel valuation.

Specifically in regard to the Tamworth valuations, the response noted that in several instances the parallel valuations do not appear to have made enough allowance for various factors affecting the value of land. I gave you an example of one there where in one example the land is very steep and the parallel valuation has not made enough allowance for the issues associated with the building on the site. Once again, there are some differences in opinion coming through here. We have acknowledged that there are some issues with the Tamworth contract. As I stated before, they will start to be addressed this year and I have noted in that final sentence there that the Land and Property Information contract manager will be requesting the new valuation service contractor responsible for this locality to review thoroughly the 1 July 2006 value levels for Tamworth residential business and industrial sectors.

We have got some of these provisional valuations coming through and they are showing already when comparing the provisional land values coming compared to the parallel valuations, we are looking at statistical ratios showing improvement from last year. So that is satisfying as well.

Mr RICHARD TORBAY: How much of this period is in that?

Mr WESTERN: In terms of the 1 July 2006 valuations the contractors were appointed as at 1 May. So that, effectively, they have only got two months, which is not sufficient in respect of making significant changes. But they have already recognized that there are some issues with the make-up of what we call the valuation components and they have re-addressed some of those and they have also looked at some issues in respect of the benchmark valuations being used there and they have made some changes in there as well.

I guess the real pleasing thing from my point of view—and I note in that final paragraph—was about the City of Sydney. As you would be aware, because of the nature of the Sydney City—and I am talking about the CBD area in particular—there is a huge variance in terms of property; massive values associated with that. So we would expect, generally, some variation of opinion as to where the values should actually lie. But, surprisingly enough, the median ratio for the parallel valuation matched to the valuation we put on it was 0.95. So there was only overall a 5 per cent difference between what we had on it and what the parallel valuations were showing. That was extremely pleasing from my point of view.

But, having said that, the city is one particular area that I want to concentrate on as far as ensuring that we do more individual valuations in there as opposed to looking at a mass valuation approach, for obvious reasons.

CHAIR: You mentioned in North Sydney that one of the issues was the mixed density. Could you give a further explanation of what you mean by "mixed density". Does it relate to stratas or—

Mr WESTERN: Yes, it is those properties that are able to be more intensively developed than just a single home site. So it would be the situation, as you rightly point out, where there might be a strata going over it; or it could be a situation where there is community title. It is just those areas of more intense development, and generally you will see some variation in market value in there, particularly where it is what we call a young area as far as maturity of the development goes where the market is trying to sort itself out and developers are coming in and are still trying to find their feet in respect of where the whole market should be and what developments are worth and what sort of return they are looking at. So we would definitely expect some variation in that.

In terms of my conclusion, I have probably gone through enough as far as saying what sorts of changes we are making to try to ensure that we get those valuations more accurate. I have gone over those before. It is probably worthwhile reading the last two paragraphs of my report. I have said, "Overall, I am satisfied that results of the 1 July 2005 parallel valuation project indicate that the enhancements to the valuation system that have been introduced over the past 18 months have begun to improve valuation outcomes. However, as I have continually emphasised and as noted in the 2005 Ombudsman's report, further work is still required." I go on to note, "Indeed, continuous improvement will remain the fundamental cornerstone of the New South Wales valuation system for the future."

CHAIR: Given that your last comment related to the Ombudsman's report, perhaps you would like to give us a summary of that and your response to the recommendations.

Mr WESTERN: At tab 4 there is a summary of where we are at with all the individual recommendations. You may recall that the Ombudsman provided some 38 recommendations, of which 33 were directly within my jurisdiction. There were some others that this Committee required us to look at. There was also one as far as the valuation date. The suggestion was made

that maybe the valuation date should be changed from 1 July to 1 March. One idea for doing that was that it would allow both contract valuers and contract managers more time to look at the valuations before they were issued.

After examining that and talking to a range of stakeholders, my recommendation to government was that we do not alter the date of valuation. My feeling was that there are better ways to address the issue of auditing the valuations. The prime one was to ensure that, rather than the audits being undertaken at the end of the valuation process, they were an integrated, continual process over the entire year. The Government has accepted that and we are in the process of putting that in place currently. That is in conjunction with the other Ombudsman's recommendation about increasing the number of people available for audits and to undertake contract management. That is part of that whole reform process that we talked about before.

Of the other major recommendations in the report—obviously I will not go through them individually—the other big one was the land value review project, which we have implemented. I have talked about that. The rest involve primarily policy and process changes. So we are at the stage at the moment where some 80 per cent of the recommendations have now been implemented. The majority of those have now been completed and integrated into the valuation system itself. There are others that we are still continuing to work on, such as some system enhancements that will not be in place until early in the new year. Overall, as I said, my view was that the majority of recommendations put forward by the Ombudsman should be accepted. Indeed, we have done that and, as I said, nearly put all of them in place within the valuation system.

Mr STEVEN PRINGLE: You have flagged various dates. You will have most of the work completed before the middle of next year. Do you think any will be outstanding beyond that date?

Mr WESTERN: No, there will not be. The only issue is that obviously the land value review project will be ongoing. It is a five-year project. But all the rest will either be resolved or implemented within the valuation system. In fact, I would expect that the vast majority of what is left to be implemented will be implemented by February next year.

CHAIR: As to the land value review project, the original Ombudsman's recommendation was 15 years but you are looking at completing it within five years. You mention that in your report. How will you assess whether the project is on track and so on?

Mr WESTERN: Every valuation that is either verified or inspected—we have definitions for "verified" and "inspected"—will be flagged in the database so we know automatically that it has been looked at, we know where the changes have been made and whether the valuation looks okay. That is one aspect of looking at it. Reports are generated continuously as to changes in valuations going through. It is one requirement of the contractors to ensure that their system notes those verifications or inspections as they occur. The other key thing in respect of this is that I simply did not want contractors to go away and do their own thing—in other words, perhaps look at all the easy ones for a start and leave the ones that might be a bit more controversial or require more effort.

One of the important things we have put in place is that there has to be a project plan negotiated at the start of the year with the contract manager to ensure that there are some agreed objectives as to what will be looked at, the timeliness of what is being undertaken and obviously when that will be completed. We are also using a range of statistical checks to go

back and see whether the valuation accuracy has improved. There are some general ones in place for that. That is part of what John McFarlane is currently doing for me. He is looking at what other range of tests we might be able to apply to see whether through this process we are getting value for money in respect of the money that the Government has put into it to see what outcomes we were achieving in terms of improved accuracy and quality evaluations.

CHAIR: I have a couple of points that I would like you to clarify. You refer in your report to the turnaround times for objections—the Committee commented on that in the last general meeting report that was tabled. You may need to take this question on notice. From the point of view of the Committee, it would be good to have a broader comment from you about how the turnaround times are improving. You mentioned the differential between objections made last year and in the previous year. Can you comment on the things that are occurring to ensure that those objection times are improving to meet the agreed 90-day time frame that is your objective and that of your office?

Mr WESTERN: I am happy to do that. I will take that question on notice.

CHAIR: I am also seeking clarification on the following point. You talked about the regulatory powers and the problems policing them. Can you expand on that point?

Mr WESTERN: Certainly. One of the major issues I have had is that because my office is quite small, other than me, it has had no valuation expertise effectively since 1997 when the original split of the government department occurred. That has meant that, from a policy point of view, I have had to rely upon seeking the expertise of valuers within Land and Property Information to help me develop policy advice as far as the valuation system is concerned. For me, there is a direct conflict there because I am a regulator and they are implementing my policies but they are involved directly in providing advice to me. While it is appropriate that Land and Property Information should be involved in saying, for example "This piece of policy will not work"—we do that through a process when we formulate the policy—they should not be directly involved in terms of deciding what that policy should be. One of the fundamental changes that happens with this is that I will have an expert sitting with me who will be able to provide me with that advice. As I said before, they will consult widely with contractors and, indeed in some cases with landowners, councils and the Office of Financial Management in respect of some of the policies that we are putting in place.

Mr RICHARD TORBAY: Given that the Committee was established to end this parliamentary term, I wonder whether you have any comments about that. Given the tremendous work that is being done in terms of educating the community and the various initiatives that we have spoken about, how do you plan to continue to measure the effectiveness of those particular ongoing measures?

Mr WESTERN: That is a very good point. As far as the Committee has gone, certainly from my point of view, I have found it an extremely useful forum in terms of engaging, from a completely different perspective, how our changes are going. One of the benefits of it that I see is that it is almost outsiders looking in, whereas I am technically qualified and focused and you almost get tunnel vision, so the advantage of having a Committee like this is that you can get some other views and thoughts that sometimes you have not gone down the process of. Part of that, for example, was with the best practice review project. I found that extremely useful in terms of some of the guidance that has provided to me.

The other question you raised was in relation to what has been happening as far as communication with the public goes and how we will be able to keep up that momentum and

indeed how we will effectively measure that. There is still a long way to go with that. I guess one of the major issues I will always have is that the valuation system effectively is a tax base, and people regardless do not like paying taxes generally. So it will always come into question. I have always said that I am not asking people to accept the valuations; I am asking them to understand how we have arrived at their valuation and at least be able to give them more information in providing them assurance.

One of the benefits of attending the Commonwealth Heads of Valuation Conference was that there are a number of other jurisdictions which are slightly ahead of us, particularly in respect of looking at how we might measure public confidence in the valuation system. I am talking particularly here of England, and Vancouver and Quebec would be two other classic examples of jurisdictions which are well advanced as far as that is concerned. I am looking to use, for example, some of the surveys that they have put in place, to be able to duplicate that here within New South Wales, to go out to get public feedback in respect of particular communications we are putting out there or how indeed we might be able to improve it for the future.

Mr STEVEN PRINGLE: So you are intending to benchmark, by the sounds of it, with international jurisdictions as well as other States?

Mr WESTERN: Indeed. That is exactly right. One of the major issues I have had has been trying to find some jurisdictions which I could align the New South Wales system particularly with because in some ways a lot of the other jurisdictions have multiple assessment systems. While we just have land value, some of them have capital improved value and some of them work on an annual value. So it is trying to find the right ones which are also progressing at the same rate that we are so we can leverage off them and they can do the same off us. So I think in terms of a least three of these jurisdictions that I have talked to now, we are working very closely together so we will be able to benchmark off one another as far as best practice goes.

Mr STEVEN PRINGLE: So there is a lot of sharing of information.

Mr WESTERN: There is, yes.

CHAIR: There has been some discussion in recent times about issues of how valuations are sent out to people who live in strata title areas, and you mentioned briefly in relation to North Sydney issues with community title which overarches some of those stratas. Presumably anyone who lives in a strata, apart from, say, the people who own, whether it is a townhouse, villa or apartment in a strata title who may receive valuations each year for the purpose of land tax, the other owners in a strata title would only receive their lot proportion of valuation when they probably receive their rates notices, which is a three-year cycle. Then the issue of the community title is probably more problematic because there are not as many of those. Can you outline how notices of land valuations for community titles and also the issue of strata titles can perhaps be better dealt with? That may be part of some of the things that you said you needed to look at in terms of medium-density housing, but also perhaps things like when a strata title is registered the address that the strata plan is registered under may not necessarily be the appropriate address for land valuations to be sent to a couple of years down the track when people have bought into a strata.

Mr WESTERN: Basically, the fundamentals are at the moment that when a new strata plan is registered and indeed the documents are lodged, Land and Property Information receives advice of that as to what the address for the initial notice to be sent is. I guess you would be

aware that within the Strata Schemes Management Act there is a requirement under one of the sections that one of the things that has to be notified is the mailbox address and it has to be in physical proximity to the strata development itself. So we initially will act off that information. Having said that, that information will be updated as the year progresses - either through us getting directly notified from either the strata manager that there has been a change of address—I am told that that comes through from this source quite frequently; it has been altered and I am now looking after this or whatever, rather than sending it directly to the body corporate. The principal way we would find out is through the councils.

Because the councils are issuing a number of rates notices in any one year, in some ways they are in the best position to be able to notify us of any address changes that are occurring in respect of that particular body corporate. So we will either get a line feed of that coming through during the year or when we come to issuing a new valuation most councils provide us with a full listing against what we call the property identification number so that we can do a match, and where there are any changes of addresses we lift that as well. They are the principal ways that we find out that there has been a change of address in respect of strata titles.

As far as the notification of valuations goes, as you correctly pointed out, the Valuation Notice for rating purposes only goes to the body corporate as a direct requirement of the Strata Schemes Management Act. Rates Notices are generally sent by Councils to the individual. Individual strata holders are not required to be notified by the Valuer-General. However, as you say, in a lot of cases councils will identify them directly as well, remembering that there will be a lot of property which will actually be on the minimum rate as well so they will not be required to undergo a calculation. From my perspective, one of the ways that this could be overcome would be for the Valuer-General to issue a notice directly to the strata holders but there are a number of problems associated with this.

One of them clearly is that if we did that we are not actually issuing a land valuation; we are effectively issuing an estimate or an assessed value in respect of just looking at what the unit entitlement is and multiplying it by the land holding value for the total body corporate. So it is not actually a valuation; therefore there is no direct right of objection with respect to that. It seems from my point of view that probably one of the better ways to do it is for the council to look at notifying ratepayers directly, possibly through the rates notice, so at least they can see how the valuation or their rates have been arrived at, how their assessed value is made up so at least they have a starting point with respect to looking at the valuation and how it is made up.

CHAIR: This may be something you wish to take on notice, but objections that are lodged with the Valuer-General's office from strata titles, are they normally through individual lot owners who are subject to land tax or do body corporates on occasions lodge objections to the valuation of the strata plan?

Mr WESTERN: On average approximately 20,000 notices of valuation are issued every year as far as strata is concerned. Of those, body corporates would object to about 200—that is about 1 per cent of the total number of notices of valuation. That is sitting about the norm for residential objections. There is nothing out of the ordinary there in respect of that. You are quite correct: as far as where there are objections to individual stratas themselves as opposed to the body corporate, they almost certainly will be in relation to land tax or land tax assessments that have been issued by the Office of State Revenue. But saying that, those numbers are not large either. It indicates to me there is not really an issue in respect of that and the consistency of the way that is applied. I remember the one thing we did last year was to make that information directly available on line. So, people would go into the Lands Department web site and see what the apportionment of the overall strata is in relation to your particular strata.

CHAIR: When you are looking at medium-density housing issues, which is one of the areas you have said needed to be looked at further, some other issues may come out of those investigations that might impact on the way some of these things with strata are adopted?

Mr WESTERN: Absolutely. There could be other issues that come up that could be applied across to the normal Torrens title land. This will be a benefit in having a closer look at those as well.

Mr STEVEN PRINGLE: The public education issue, which is why the Committee was set up—and Mr Torbay has already covered that—do you want to expand a little bit more on how you see the monitoring process occurring post March next year?

Mr WESTERN: In respect of overview or my monitoring of it?

Mr STEVEN PRINGLE: Your monitoring the public perception and public confidence in the system.

Mr WESTERN: Okay. I guess some people would say one of the ways of doing that would be to look at the number of objections received, although I would dispute that, because often you have an objection put in because people do not like paying taxes and therefore will object regardless of whether they understand it or not, but it certainly is a guide to how things are progressing. One of the difficulties we are having and I why we want to move to benchmarking is that we simply do not know at the moment if we make a change to the system, what is the added benefit of doing that and what is the dividend to the stakeholder returned as a result of doing that? As far as looking at how we might be able to continue to monitor the system I see there are a number of ways of doing that. One would be through, effectively, a consumer group I set up last year. We had a couple of members of the public on that just to get their feedback in respect of publications that we were looking at. We gained some information there.

We were also getting some feedback through the regular publication of the Valuer-General's newsletter as to how things are going, and also getting ad hoc feedback coming through the valuation profession. I used to get a lot of inquiries from individuals about their valuations and they had real concerns about it, but I am not getting as many inquiries now, and that is telling me that things are starting to come right, and that is another positive step.

But I think particularly, I mentioned before about the customer survey we need to develop. If we are able to construct that in such a way that we can go to a wide variety of reliable public feedback, for example, when we notify a supplementary valuation, whether they understand what it is, whether they understand their rights of objection, and they understand the valuation process associated with that, and you can do that for a whole lot of things, such as the general valuation or where you are handling an objection, how did you find the service, did you understand the process and did you understand your rights, things like that. There are a number of different areas we can work on to gauge public perception of how the valuation system is going and how it is being responded to.

CHAIR: Mr Western, do you have any more comments you would like to make?

Mr WESTERN: Not at this stage, no.

CHAIR: On behalf of the Committee I thank you very much for your co-operative approach to the Committee during this term of Parliament and for the amount of information you have given the Committee since it has been in existence. The Committee has appreciated your help in understanding the involved valuation processes and how the officers work. We have very much appreciated the information you have given us.

Mr RICHARD TORBAY: I certainly endorse that, Chair.

(The witness withdrew)

(The Committee adjourned at 3.26 p.m.)

Appendix One - Committee Minutes

Minutes of Proceedings of the Committee on the Office of the Valuer General

Friday 25 August 2006, 2pm

Room 1153, Parliament House

Members Present

Kayee Griffin MLC, Allan Shearan MP, Charlie Lynn MLC
Apologies: Steven Pringle MP, Richard Torbay MP

1. Confirmation of Minutes from previous meeting

Minutes confirmed, moved Ms Griffin MLC, seconded Mr Shearan MP

2. Update report from NSW Valuer General , Mr Philip Western

Mr Western presented an update on objection reviews, the land value review project, re-ascertainments in the Schofields and Rouse Hill locality, NSW Ombudsman's report recommendation update and parallel valuation project (also known as the check valuation project). Various issues were raised with the VG regarding changes in Department of Commerce Valuation Services and strata information.

The Committee agreed to seek a formal update on these issues as well as an update on the Best Practice Report for the 4th General Meeting.

3. Consideration of the 3rd General Meeting Report

The Committee considered the 3rd general meeting report. The Committee approved the report subject to an amendment that notes that the "check valuation review" referred to in the NSW Ombudsman's report has been retitled the "Parallel Valuation Project". The Committee will be reviewing this Project as recommended by the NSW Ombudsman's report. The Committee moved to release the 3rd General Meeting Report – moved Mr Shearan MP, seconded Mr Lynn MLC.

The Committee confirmed that a report on the Parallel Valuation Project was still being prepared. The Committee sought assurances from the Valuer General that the project would be reported on the 4th General meeting. The Committee agreed to write to the Land Valuation Advisory Group, who are supervising the project, noting that the Committee wishes to review the results at its 4th general meeting.

4 Briefing on Council survey

The Committee noted the summary of the survey of Councils. The Secretariat agreed to seek further information on some of the peak agency responses and to report back to the Committee on proposed action.

5. Proposed 4th General Meeting date

The Committee agreed to schedule a 4th and final General meeting for the first sitting week in October 2006 commencing 16 October 2006.

Appendix Two – Annual Valuation Survey Response

Snapshot

- 47 Councils responded to the survey plus the LGSA and NSW Rating Professionals.
- 41 of the Councils responded directly to the survey questions, the other gave a general response to the issue.

Option A

The issue of annual valuation notices by the Valuer General directly to ratepayers (ie: No implication for the current rates structure for Councils).

- 15 Councils supported Option A as it was issued without cost or involvement to Council.
- Many Councils stated that they saw the value of Option A as it kept landowners more informed about increases in land valuations.
- Despite the Councils' lack of involvement in this issue many Councils thought that it had no benefit for Councils and that it could increase the number of enquiries to the Council annually regarding the effect of this new land valuation on rates.

Option B

The issue of annual valuation notices by the Valuer General to Councils for inclusion in annual rates notices prepared by Councils (Same rates structure for Councils, but the annual notification of land values provided on the Rates Notice).

- No Council supported this option.
- The majority of Councils thought this option would be confusing to the landowners who could be under the impression that the Council could handle any objections.
- This option was felt to be costly to Councils and then to the ratepayer for the strain it would put on resources such as staffing requirements and software upgrading.

Option C

The issue of annual valuation notices by the Valuer General to Councils for inclusion in annual rates notices and for use in annual rate calculations.

- 44 Councils did not support this option.
- 3 Councils supported this option.
- Goulburn Mulware Council supported the system despite recognising the cost involved to the Council believing that this option would remove the current large cyclic variations and provide a more accurate reflection on land values to ratepayers.
- Some Councils mentioned current rate pegging legislation has a hindrance in supporting this option. As the Councils could not benefit financially from this endeavour they could not justify the cost and resources needed to undertake this option.

Option D – Comment by Councils on issue of valuation statements

Your Council's view regarding the most appropriate cycle for the issue of notices for both rating and taxation purposes.

- The majority of Council's believed that the role of the Valuer General and that of Councils should remain separate and their roles clearly defined.
- Many Council's felt that the independence and integrity of the Valuer General would be jeopardised if the Office of the Valuer General was seen to be working with Councils.
- A number of Councils stated that they thought these options were a cost shifting exercise by the Government to unload the costs associated with land valuations and to put the cost and responsibility for handling the majority of enquiries to the Council.
- Councils thought that even Option A could lead to some confusion over the land valuation and the rates they pay.
- Wakool Shire Council in particular was especially critical of the Committee's survey feeling that there were far greater problems with the current valuation system than when valuation statements are issued. Stating: *the flaws in the valuation and rating processes are destroying rural shires and this can only be resolved by a comprehensive reform of the legislation and the bureaucracy administering it.*
- Overall, most Councils considered the current system to be the most appropriate.

LGSA response

LGSA does not support any options proposed. It argues that there would be few advantages to councils, instead only additional costs. It recognises that some councils may see annual notices and revisions of rates as advantageous but the administrative burden would outweigh benefits. It suggests that those councils interested may voluntarily take up the option if it is to their advantage.

NSW Rating Professionals (NSW RP)

NSW RP notes that option A is a better way of informing residents of movements in their valuations and reducing confusion with multiple valuations for land tax. However has concerns about the costs being passed onto residents. The NSW RP are not in favour of Option B or Option C as it argues it would undermine the independence of the VG. The association argues this would magnify the incorrect perception that some level of collaboration exists between Councils and the VG to facilitate a particular rate outcome. Option C also is of concern in terms of the additional resources councils would need to secure and process ratings annually. The group argued that the 3 year cycle for councils should be continued but a desirable information enhancement would be the inclusion of historical rating valuation of each year in the notice of valuation to allow property owners to see the valuation movement over the period.