

‘Questions on Notice’ to the Valuer General for the General Meeting on Thursday 19 May 2005

The following questions are set out with reference to the draft report of the Valuer General set out in two parts:

- Part 1 – Reform Program Update
- Part 2 – Principle Work in Progress

PART 1 – Reform Program Update

Item 1 – SLA between OSR and LPI

Could the Valuer General outline the key changes in the SLA and what improvements are anticipated from the new agreement?

Answer:

- The SLA between LPI and OSR is the first formalised SLA between these two organisations and covers a range of LPI services.
- The valuation related services are focussed on objection and supplementary valuation performance.
- It is anticipated that the SLA will focus further attention on the timelines or performance on these services and so will deliver improved services to the OSR and NSW taxpayers.

Item 3 – Rating Taxation Valuation Tender Contract Review

Could the Valuer General outline why a second review is following so closely (before September 2005) after the original review of May 2004?

Answer:

- The review to be undertaken in 2005 will not be a comprehensive review of the documentation.
- It will involve the principle tender panel members evaluating the overall tender process, with the view to implementing improvements to the process for 2006 Rating Taxation Valuation Tenders.
- This meeting is scheduled for Thursday 26 May
- The Working Group on ‘Roles and Responsibilities’ may also recommend changes to the contract as a result of their work.

Item 5 – Valuation Services Pricing Review

The Committee notes that the pricing review has been deferred. At the first General Meeting of the Committee, the Valuer General noted that the Local Government and Shires Association saw that a new pricing methodology should be transparent, easy to apply and common to all councils.

Can the Valuer General outline what other principles will be examined in establishing a new pricing model? In addition to LGSA, what other groups will be consulted and what pricing arrangements are utilised in other jurisdictions?

Given the current prices have been applied for over 8 years why is an "interim pricing solution" being sought rather than continuing with current prices until a comprehensive review is completed?

Answer:

- The new pricing model will encompass the range of services provided to Local Government, including provision of valuations for revaluation, supplementary purposes; review of objections and appeals.
- As outlined to the Committee earlier, Independent Pricing and Regulatory Tribunal (IPART) in undertaking the 1996 pricing review had limited costing data available in arriving at the original pricing model.
- Consultation will involve a range of stakeholders including Department of Local Government; Local Government and Local Shires Association; Treasury; and the Ministers Office. Where required I will also be available to discuss with individual Councils. The proposed pricing regime will also require the endorsement of IPART.
- The provision of funding in other State (no information available at the time of writing for Tasmania and Western Australia) include:
 - Queensland:
 - Approximately 50% State Government funding
 - Balance paid by Local Government and Commissioner of Land Tax
 - Northern Territory:
 - Approximately 75% of costs are paid for by Local Government, with the balance funded by State Government.
 - South Australia:
 - The cost of valuation services is shared between Revenue South Australia (Land Tax Emergency Services); South Australia Water; and Local Government
 - Victoria:
 - Approximately 50/50 split between State Revenue Office and Local Government. The costs of the Valuer General's Office are met by the State.
 - New Zealand:
 - Total funding is provided by Local and Regional Government, including the majority of ongoing costs of the Valuer General's Office
- An interim pricing solution would provide some degree of equity with the contribution made by Office of State Revenue. There has been no review of pricing for Local Government contribution since 1996.
- As an interim solution, while the comprehensive pricing review is undertaken, one possible solution is for a CPI increase to be applied, commencing 1 July 2005.

Item 6 – Water Management Act 2000

Can the Valuer General outline the anticipated costs for administering the special ‘ex water values’ and whether special contracts will be issued for this purpose? What is the availability of contractor expertise in this new area?

Answer:

- The extraordinary costs for administering “ex water” land values are expected to be incurred during the implementation phase only. Once land values on the Register of Land Values have been updated to be assessed on the new (‘ex water’) basis it is expected that costs for the maintenance program will revert to similar levels to previous.
- The estimated cost of the initial implementation is approximately \$2 million.
- It is anticipated that the service will be obtained, wherever possible, through special variations to existing rating and taxing valuation contracts. In some cases it is likely that the additional workload may require the contracting of separate providers although this is not expected to be the case in most areas.
- The making of these amended valuations will require similar expertise to that currently employed by rating and taxing valuation contractors in the irrigation areas of the State.

Item 7 – Objections Management

The Committee notes that objections have risen from between 0.5-8 percent to 1.2 percent.

How much additional funding has been received to support this process to date? Can the Valuer General indicate the number of additional employees needed? How has this new influx of objections affected performance against benchmarks for objection processing?

Of the objections processed for “new taxpayers”, what has been the proportion of objections upheld?

Answer:

- No additional funding has been provided to address this issue, for the 2004-05 financial year
- The majority of the additional work is being undertaken by contract valuers, however, this is exacerbating an existing shortage of District Valuers to manage the contracts, consider contractor recommendations and identify areas of valuation system improvements.
- It is expected that the increase in the number of objections received will prevent the meeting of SLA targets.
- The liability for a rate or tax is not a valid ground for objection. In addition, the determination of liability for land tax is a matter for OSR. While LPI is advised of the date of issue of land tax assessments for the purpose of determining

whether objections are received in time it is not aware of whether or not an owner is 'new taxpayer'.

- OSR advise that to date, 894 objections to 2005 Land Tax assessments have been received.
- Of the objections processed for 1 July 2004 land values 19.7% have been amended. This compares to a rate of 22.06% for objections to 1 July 2003 land values, 21.73% for objections to 1 July 2002 land values and 26.19% for objections to 1 July 2001 land values.

NEW REFORMS

Item 11 – Roles and Responsibilities Contractor

The enhancements for 2006 outlined in this review, includes consideration of penalties against contractors for default or non-compliance. Can you outline what penalties are in current contracts? For example, what actions have been taken to the contractors whose work was reviewed in the Minnie Waters – Diggers Headland investigation? Will penalties be expanded under the review?

What additional codes of conduct or guidelines exist for contractors and valuer in general?

Answer:

- Current penalty provisions contained within the current valuation contracts include:
 - Step-In Rights:
 - where failure to provide service in accordance with Contract
 - Performance and Fidelity Bond:
 - Equivalent to 15% of the annual fee paid for service.
 - Scorecard Evaluation:
 - Monthly performance evaluation; Allows objective assessment of contractor performance at time of tendering for contract; Provides monthly narrative on current performance.
 - Withholding of payments for services
- In the Minnie Water – Diggers Camp review payments were withheld until satisfactory resolution on valuations; Performance noted on scorecard; letter to contractor from Valuer General (to be issued)
- The Working Group examining “Roles and Responsibilities” will consider expansion of penalty provisions.
- The introduction of Valuers Regulations 2005, (as developed by the Department of Fair Trading) establishes mandatory rules of conduct for valuers.
 - In providing valuation services to the Valuer General for Rating and Taxation valuations, a number of the rules will not be applicable, however, the majority will apply including:
 - Must have a knowledge and understanding of the Act and the regulations and any other relevant laws;
 - Must act honestly, fairly and professionally and exercise reasonable skill, care and diligence in the course of practice as a valuer;

- Must not disclose any confidential information;
 - Must not offer any inducements to engage their services;
 - Must not solicit clients;
 - Must keep copies of all written confirmations of client instructions.
- The Australian Property Institute also issues Practice Notes, or guidance notes in respect to specific issues and/or subjects.

PART 2 – Principle Work in Progress

Item 3 – Minnie Water / Diggers Camp Re-ascertainments

The Committee received correspondence on these complaints which were forwarded to the Valuer General. An issue raised in addition to the valuation was the desire to make collective complaints or complaints by petition. Can the Valuer General outline processes to allowing collective complaints?

Answer:

- The Valuer General has received a number of letters, where landowners have sought to object by petition.
- The Valuer General is currently seeking an opinion from the Crown Solicitors Office
- The current process is to write back to the correspondents outlining that there is no provision within the Valuation of Land Act 1916, to object by petition. The majority of affected landowners will submit individual objections.