



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

## Freedom of Information Publication Coversheet

The following information is provided pursuant to section 28 of the *Freedom of Information Act 2016*.

FOI Reference: CMTEDDFOI 2022-029

Information to be published	Status
1. Access application	Published
2. Decision notice	Published
3. Documents and schedule	Published
4. Additional information identified	No
5. Fees	Waived
6. Processing time (in working days)	33
7. Decision made by Ombudsman	N/A
8. Additional information identified by Ombudsman	N/A
9. Decision made by ACAT	N/A
10. Additional information identified by ACAT	N/A

**From:** [REDACTED]  
**To:** [CMTEDD FOI](#)  
**Cc:** [REDACTED]  
**Subject:** 2022-029 RE: FOI Request Internal Audit Reports  
**Date:** Monday, 7 February 2022 3:56:11 PM

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Good Afternoon,

**RE: FOI REQUEST – 2020-21 INTERNAL AUDIT REQUESTS**

I write to request under the *Freedom of Information Act 2016*, a copy of two internal audit reviews, completed in 2020-21:

- Land Valuation Methodology Review
- Labour Hire Management Review

I ask that my request be transferred to other entities that may hold relevant documents. Duplicate documents may be excluded.

Should you require any further information or clarification about my request, please contact my office on [REDACTED]

Kind regards,





**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

Our ref: CMTEDDFOI 2022-029



## **FREEDOM OF INFORMATION REQUEST**

I refer to your application under section 30 of the *Freedom of Information Act 2016* (the Act), received by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) on 7 February 2022.

Specifically, you are seeking the following:

*“A copy of two internal audit reviews, completed in 2020-21: • Land Valuation Methodology Review; • Labour Hire Management Review.”*

### **Authority**

I am an Information Officer appointed by the Director-General under section 18 of the Act to deal with access applications made under Part 5 of the Act.

### **Timeframes**

In accordance with section 40 of the Act, CMTEDD was required to provide a decision on your access application by 7 March 2022 however, following on from third-party consultations, the due date is now 29 March 2022.

### **Decision on access**

Searches were completed for relevant documents and one document was identified that falls within the scope of your request.

The document “Labour Hire Management Review” has not been finalised and is therefore out of scope for your request. However, this does not preclude you from requesting the information once it is complete.

I have included as **Attachment A** to this decision the schedule for the relevant document. This schedule provides a description of the information that falls within the scope of your request and the access decision for that information.

I have decided to grant partial access to the document relevant to your request.

My access decisions are detailed further in the following statement of reasons and the document released to you is provided as **Attachment B** to this letter.

In accordance with section 54(2) of the Act a statement of reasons outlining my decisions is below.

### **Statement of Reasons**

In reaching my access decisions, I have taken the following into account:

- the Act;
- the content of the documents that fall within the scope of your request;
- the *Human Rights Act 2004*.

### **Exemption claimed**

My reasons for deciding not to grant access to the identified documents and components of these documents are as follows:

Information that would, on balance, be contrary to the public interest to disclose under the test set out in section 17 of the Act

#### Public Interest

The Act has a presumption in favour of disclosure. As a decision maker I am required to decide where, on balance, public interest lies. As part of this process, I must consider factors favouring disclosure and nondisclosure.

In *Hogan v Hinch* (2011) 243 CLR 506, [31] French CJ stated that when ‘used in a statute, the term [public interest] derives its content from “the subject matter and the scope and purpose” of the enactment in which it appears’. Section 17(1) of the Act sets out the test, to be applied to determine whether disclosure of information would be contrary to the public interest. These factors are found in subsection 17(2) and Schedule 2 of the Act.

Taking into consideration the information contained in the documents found to be within the scope of your request, I have identified that the following public interest factors are relevant to determine if release of the information contained within these documents is within the ‘public interest’.

#### Factors favouring disclosure in the public interest:

*(a) disclosure of the information could reasonably be expected to do any of the following:*

- (i) promote open discussion and accountability.*
- (iii) contribute to positive and informed debate.*

Having considered the factors identified as relevant in this matter, I consider that release of the information contained in the documents could reasonably be expected to promote open discussion of public affairs and government accountability, especially regarding scrutiny of ACT Land Tax methodologies. In addition, release of this information may contribute to positive and informed debate on matters of public interest including the valuation processes and principles of tax design employed by the Government.

#### Factors favouring nondisclosure in the public interest:

*(a) disclosure of the information could reasonably be expected to do any of the following:*

*(ii) prejudice the protection of an individual's right to privacy or other rights under the Human Rights Act 2004.*

Having reviewed the documents, I consider that the protection of an individual's right to privacy, especially in the course of dealing with the ACT Government is a significant factor as the parties involved have provided their personal information for the purposes of working with the ACT Government. This, in my opinion, outweighs the benefit which may be derived from releasing the personal information of the individuals involved in this matter.

Individuals are entitled to expect that the personal information they have supplied as part of this process will be dealt with in a manner that protects their privacy. Considering the type of information to be withheld from release, I am satisfied that the factors in favour of release can still be met while protecting the personal information of the individuals involved. I therefore weight the factor for nondisclosure more highly than the factor in favour of release in this instance. As a result, I have decided that release of this information (identifying details and names of individuals not employed by the ACT Public Service) could prejudice their right to privacy under the *Human Rights Act 2004* and is to be withheld.

Having applied the test outlined in section 17 of the Act and deciding that release of personal information contained in the documents is not in the public interest to release, I have chosen to redact this specific information in accordance with section 50(2). Noting the pro-disclosure intent of the Act, I am satisfied that redacting only the information that I believe is not in the public interest to release will ensure that the intent of the Act is met and will provide you with access to the majority of the information held by CMTEDD within the scope of your request.

### **Charges**

Pursuant to *Freedom of Information (Fees) Determination 2018* processing charges are applicable for this request because the total number of pages to be released to you exceeds the charging threshold of 50 pages. However, the charges have been waived in accordance with section 107(2)(b) of the Act.

### **Online publishing – Disclosure Log**

Under section 28 of the Act, CMTEDD maintains an online record of access applications called a disclosure log. Your original access application, my decision and documents released to you in response to your access application will be published in the CMTEDD disclosure log after 3 days from the date of my decision. Your personal contact details will not be published.

You may view CMTEDD disclosure log at <https://www.cmtedd.act.gov.au/functions/foi>.

### **Ombudsman Review**

My decision on your access request is a reviewable decision as identified in Schedule 3 of the Act. You have the right to seek Ombudsman review of this outcome under section 73

of the Act within 20 working days from the day of my decision, or a longer period allowed by the Ombudsman.

We recommend using this form [Applying for an Ombudsman Review](#) to ensure you provide all of the required information. Alternatively, you may write to the Ombudsman at:

The ACT Ombudsman  
GPO Box 442  
CANBERRA ACT 2601

Via email: [actfoi@ombudsman.gov.au](mailto:actfoi@ombudsman.gov.au)

### **ACT Civil and Administrative Tribunal (ACAT) Review**

Under section 84 of the Act, if a decision is made under section 82(1) on an Ombudsman review, you may apply to the ACAT for review of the Ombudsman decision. Further information may be obtained from the ACAT at:

ACT Civil and Administrative Tribunal  
Level 4, 1 Moore St  
GPO Box 370  
Canberra City ACT 2601  
Telephone: (02) 6207 1740  
<http://www.acat.act.gov.au/>

Should you have any queries in relation to your request please contact me by telephone on 6207 7754 or email [CMTEDDFOI@act.gov.au](mailto:CMTEDDFOI@act.gov.au).

Yours sincerely



Katharine Stuart  
Information Officer  
Information Access Team  
Chief Minister, Treasury and Economic Development Directorate

25 March 2022



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

## FREEDOM OF INFORMATION REQUEST SCHEDULE

WHAT ARE THE PARAMETERS OF THE REQUEST	Reference NO.
A copy of two internal audit reviews, completed in 2020-21: • Land Valuation Methodology Review; • Labour Hire Management Review.	CMTEDDFOI 2022-029

Ref No	Page number	Description	Date	Status	Reason for Exemption	Online Release Status
1	1-94	Performance Review of Valuation Methodologies underpinning the assessment of ACT Land Tax, Rates & Lease Variation Charge		Partial release	Sch 2 s2.2 (a)(ii)	Yes
Total No of Docs						
1						



Performance Review of  
Valuation Methodologies underpinning the assessment of  
ACT Land Tax, Rates & Lease Variation Charge

Prepared for  
Chief Minister, Treasury and Economic Development Directorate, ACT Government



**Author**

Vince Mangioni is Associate Professor of Property Economics and Development and Associate Dean (Education) in the Faculty of Design Architecture and Building at the University of Technology Sydney. He is a Certified Practising Valuer (CPV) with the Australian Property Institute (API) and member of the International Association of Assessing Officers (IAAO). He undertook training as a statutory valuer with the NSW Valuer-General's Office during the 1980s and 90s and contracted back to the NSW Government, undertaking rating and taxing valuations between 1998 and 2004. During 2018 on study leave, he returned to the NSW Valuer-General's Office examining the rating and taxing of land against the principles of good tax design.

Vince has a PhD with a major in taxation from the Australian School of Business, University of New South Wales. He has examined rating and taxing systems in both unitary and federated structures of government including New Zealand, Canada (Ontario), Denmark, Finland, England and the United States (New York and California). He was an advisor and presenter to Australia's Future Tax System 2009 (Henry Review), the Queensland review of the Land Valuation Act 2010, the NSW IPART review of Local Government rating (2016), and has reviewed local government rating systems in Victoria and New South Wales.

## Contents

EXECUTIVE SUMMARY.....	4
FINDINGS AND RECOMMENDATIONS.....	7
OVERVIEW .....	12
ACT REVENUE OFFICE .....	14
LAND TENURE IN ACT.....	14
TAX IMPOSTS AND UNIMPROVED VALUE (UV).....	15
REVIEW OF THE ACT VALUATION OFFICE: VALUATION PRACTICES AND SYSTEMS.....	16
<b>ACT Valuation Office key responsibilities, valuation purposes and staff resourcing: .....</b>	<b>16</b>
<b>Valuation Methodologies.....</b>	<b>17</b>
<b>Better Practice – Statutory Valuation Platform .....</b>	<b>30</b>
RISK RATINGS AND RECOMMENDATIONS FOR REFORM .....	31
REFORMS TO THE ACTVO’S VALUATION METHODOLOGIES IN ADDRESSING RECOMMENDATION 1.....	33
CONCLUSION .....	46
APPENDIX 1: BUSINESS OPPORTUNITIES.....	47
<b>Business Opportunity 1.....</b>	<b>47</b>
<b>Business Opportunity 2.....</b>	<b>48</b>
<b>Business Opportunity 3.....</b>	<b>49</b>
<b>Business Opportunity 4.....</b>	<b>50</b>
<b>Business Opportunity 5.....</b>	<b>50</b>
<b>Business Opportunity 6.....</b>	<b>51</b>
<b>Statutory framework of valuation methodologies .....</b>	<b>51</b>
<b>Organisational structure and procedures.....</b>	<b>54</b>
REFERENCES AND ABBREVIATIONS.....	63
CONSTRUCT OF ACT RATES AND LAND TAX FOR 2020.....	70
APPENDIX 2 – AUDIT OBJECTIVES, SCOPE AND APPROACH .....	73
APPENDIX 3 – REVIEW OF A SAMPLE OF VALUATION COMPONENTS .....	75
APPENDIX 4: NSW LAND VALUATION SERVICES 2020.....	77
APPENDIX 5: MANAGEMENT RESPONSE AND ACTION PLANS .....	84

## Executive Summary

### Background

The Australian Capital Territory (ACT) Government undertook a review of its taxes during 2012, with the primary objectives of phasing out and replacing less efficient taxes with more efficient taxes from the 2013 tax year. The Australian Valuation Office which had been the contract valuer for the ACT Revenue Office since the Commonwealth Valuation Office was abolished. This required the ACT Revenue Office to implement an interim arrangement in order to provide valuation services. In 2019 a Principal Valuer was appointed to develop an in-house valuation capability. In line with the transition to a progressive tax system, this audit has been undertaken to assess the fit-for-purpose status of the in-house valuation capability, its valuation methodologies in determining the value component of the ACT's ad valorem<sup>1</sup> taxes and lease variation charge. The land tax reform initiative of the 2012 tax review is dependent on a modern, efficient and adequately resourced valuation team and procedures.

### Report Summary

The in-house valuation capability, known as the ACT Valuation Office (ACTVO). The ACTVO comprises a small team that provides a broad and diverse range of valuations to the ACT Revenue Office for statutory and non-statutory valuation purposes, which are set out at the beginning of this report. This factor alone distinguishes the ACTVO from teams in other jurisdictions that have discrete valuation teams solely focused on rating and taxing valuations across the year. A further note of difference is that in some other jurisdictions, these valuations are undertaken by teams of contract valuers across several different valuation firms. This brings into question an additional layer of auditing required for monitoring consistency across firms of valuers that span wide geographic jurisdictions. These factors rendered a direct comparison in assessing effectiveness and efficiency of the ACTVO with other jurisdictions tenuous.

ACT land valuation and the ACTVO have unique and emerging challenges that include:

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<sup>1</sup> Ad valorem taxes are the value component of tax or levy that is assessed on the Average Unimproved Value of land. These are included in the recurrent taxes on land that include land tax, rates and a fire service levy imposed by the ACT Government. These values are re-determined annually by the ACT Valuation Office.

- the Territory’s unique land tenure, leasing arrangements and evolving land uses, such as mixed use and high rise development;
- several legislative regimes apply to land valuation in ACT, rather than one consolidated statute;
- existing legislation, *Rates Act 2004*, doesn’t define key terms and definitions;
- a small team of specialists are responsible for over 172,000 valuations annually, along with other responsibilities, such as responding to objections; and
- manuals and procedures have been under development.

This reviews findings included: 90% of the ACTVO activities are spent on the land type with the lowest risk rating; succession planning is challenging; and labour intensive practices are used alongside an aging system.

In line with other jurisdictions, as a high level objective, it is recommended that:

- land use categories are adequately and explicitly defined and that a land verification cycle be established as a quality assurance measure where every parcel of land in the ACT handcrafted on a 3 yearly cycle. Methods are adopted to inform taxpayers about the basis of valuation and how it has been applied in assessing the tax applied to land, currently.
- objection processes be clearly defined.

These elements will be beneficial in time saved in responding to objections and court hearings as well as a reduction in Freedom of Information (FOI) requests from the public. While these areas are being progressed, manuals and procedures need to be revised.

Alongside these recommendations there are also business improvement opportunities that include:

- Developing a single legislation source to simplify working from the currently used statutes would be beneficial and better articulate valuation governance. At the very least expand the *Rates Act 2004* to define key terms.
- A new system developed to pull together key elements of land sales, prior valuations, any revisions including supplementary valuations – that can be inputted directly into the land valuation system.

Having this level of information in a single source will improve operational efficiency of the ACTVO and transparency of the valuation process.

As the ACT is unique, establishing a Quality Assurance Advisory Committee is a business opportunity to keep the ACTVO informed of changes in practices around Australia that would assist the ACTVO.

### **Conclusion**

This review concludes that the processes and procedures of the ACTVO do not adequately define, document its valuation methodologies. This leaves the ACT Government open to challenges that may be difficult and time consuming to defend. This further impacts on resourcing and staff time in responding to requests and queries with information that should ordinarily be available in a modern contemporary valuation system. The reformation of the ACTVO in providing valuations for a progressive tax mix, should concurrently account for the Territories evolving land uses, including mixed use land and high rise development that has evolving over the past decade.

Three recommendations and six business opportunities have been set out that respond in addressing the reforms needed to the valuation methodologies within the ACTVO. In summary, the recommendations address the specific valuation improvements to be adopted in undertaking the ACTVO's valuation activities. The business opportunities address the broader structural reforms of the environment in which the ACTVO operates which include a proposed statutory framework, structure and relationship of the stakeholders and operating platform in which the valuation process operates.

## Findings and Recommendations

A strength of the *ACT Tax Review 2012* is the sequential element within its recommendations enabling a transition period for the replacement of less efficient with more efficient revenues. Further, while the benefits of reform are well defined conceptually, the transition to more efficient taxes is stated to be the challenge.<sup>2</sup> This point is equally applicable to the reforms required to the valuation methodologies and resourcing of these reforms. The progressive reform of the valuation methodologies and supporting resources are an essential component of the success in transitioning to revenue derived from ad valorem land values in the ACT. The following recommendations are made in achieving these reforms, with the underpinning rationale for their adoption discussed later in this report.

### Findings

That valuation methodologies, policies and procedures are not well articulated or documented which impacts transparency of the valuation process.

#### Recommendation 1

The ACT Valuation Office should revise and further develop its valuation operations, procedures and policies. This should be achieved through revision and expansion of its valuation procedures manual which should address the following points:

- a) Project planning for determination of values
- b) Training and continual professional development (CPD)
- c) Well designed policies and procedures with records and working papers that address:
  - i. Sales data, evidence and analysis that reflects the accuracy of values
  - ii. The application of concessions and allowances; and
  - iii. The management of objections and remedial action
  - iv. Measures of efficiency and effectiveness of valuers

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<sup>2</sup> Recommendation 2, Pg 6; Case for reform and challenges Pg 3.  
<http://www.treasury.act.gov.au/documents/ACT%20Taxation%20Review/ACT%20Taxation%20Review%20May%202012.pdf>

<b>Risk rating</b>	High
<b>Management comments</b>	<p><b>Agreed:</b> This recommendation is similar to recommendations in the report– Investigation into the Transparency of Commercial Land (Ombudsman Report No. 3/20 released on 13 August 2020).</p> <p>Over the next 12 months, the Principal Valuer and Senior Director, Objections and Policy will undertake a rewrite and update of policies, manuals and procedures that cover points a), b) and c). This new documentation will be reviewed by the Commissioner for ACT Revenue and ACT Ombudsman. This updated documentation will be published on the ACT Revenue Office website.</p> <p>For specific actions relating to the delivery of valuation services see Appendix 5 of this report.</p>
<b>Action Officer</b>	Principal Valuer, Carlo King and the Senior Director, Objections and Policy, Brett Wilesmith
<b>Agreed completion date</b>	30 September 2021

## Findings

Taxpayer information and education is essential in developing understanding and acceptance of the statutory valuation process and taxes that values are used to assess. The review of information sources presently available to taxpayers as to how unimproved value is determined is inadequate. It was noted in this audit that taxpayers were provided with benchmark properties in the determination of their unimproved value. Providing taxpayers with sales evidence and information would be a more relevant and informative approach.

## Recommendation 2

Initially develop a public awareness program on the valuation process and the application of unimproved value in the assessment of rates, land tax and fire service levy. Subsequently

adopt a more relevant and informative approach to inform taxpayers, based upon sales evidence used by the ACTVO, making the sales information and adjustments available to the taxpayers would be an improvement in transparency and simplicity.

<b>Risk rating</b>	Low
<b>Management comments</b>	<p><b>Agreed:</b> This recommendation is similar to recommendations in the report– Investigation into the Transparency of Commercial Land (Ombudsman Report No. 3/20 released on 13 August 2020).</p> <p>ACTRO will provide additional information on the ACTRO website about valuations. This will encompass:</p> <ul style="list-style-type: none"> <li>• Summary data showing year on year valuation changes by property type and precinct;</li> <li>• Commentary on factors leading to valuation changes;</li> <li>• Description of the revaluation program;</li> <li>• Areas for further review and analysis;</li> <li>• The valuation program for future years.</li> </ul> <p>For specific actions relating to the information on ACTVO website about valuations see Appendix 5 of this report.</p>
<b>Action Officer</b>	Senior Director, Objections and Policy, Brett Wilesmith and Principal Valuer, Carlo King
<b>Agreed completion date</b>	<p>For 2020 valuations September 2020.</p> <p>For 2021 valuations this information plus additional statistical information September 2021.</p>



## Findings

In ACT the specified time for objections to valuations is 60 days as defined under the *Rates Act*. Objections relating to valuations – general and unit owners – and a review of ACAT are also addressed in the *Rates Act*.<sup>3</sup> Absent within the provisions of the statute are the grounds of objection to valuations.

### Recommendation 3

The grounds of objection should be set out within the relevant statute and define the requirement for an objector to furnish supporting information as part of the objection. Where the objection relates to the sum of the unimproved value, the sum that the objector contends to be the correct unimproved value should be included in the objection as well as the basis on which the opinion of value is formed.

<b>Risk rating</b>	Low
<b>Management comments</b>	<p><b>Agreed:</b> This recommendation is similar recommendations in the report– Investigation into the Transparency of Commercial Land (Ombudsman Report No. 3/20 released on 13 August 2020).</p> <p>The Revenue Office will update its advice to taxpayers on lodging a valuation objection on its website and be specific on the information that has to be furnished to support an objection.</p> <p>The Revenue Office will consider whether legislative changes are necessary to support these changes in the objection process.</p> <p>This is a significant change to current practices where an objection is accepted in almost any circumstances where the property owner disputes the valuation and the property owner is not required to provide any supporting information.</p> <p>The purpose of this recommendation is to increase transparency for the property owner on how the valuation was determined</p>

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<sup>3</sup> Rates Act 2004 ss71-73

	<p>(consistent with Recommendation 2) and reduce the number of objections by requiring the property owner to provide an alternative valuation and information to support that value.</p> <p>It is expected that this new process (and any accompany legislation) will be in place for the 2021-22 billing cycle.</p>
<b>Action Officer</b>	Senior Director, Objections and Policy, Brett Wilesmith
<b>Agreed completion date</b>	30 November 2021

## Overview

The ACT Government imposes recurrent taxes on land that include land tax, rates and a fire service levy. Each of these taxes has a value component, also known as the ad valorem component of the tax or levy that is based on the Unimproved Value. These values are re-determined annually by the ACT Valuation Office. This review focuses primarily on the valuation processes used to determine the value component of these taxes against the principles of good tax design, which overarch valuation best practice.

The expanding services provided by government are often scrutinised by taxpayers through a benefits-received lens. These benefits are often confined to the services consumed by taxpayer particularly in the case of property owners. In contrast to the services consumed, land or unimproved value-based taxes are imposed regardless of whether these services are consumed or not, as they are reflected in the unimproved value of land. The visibility of the impost of recurrent land and property taxes draws a greater level of scrutiny when contrasted with other consumption taxes, such as the GST, that are subsumed within the cost of goods and services and remitted by retailers or providers of a service. This also applies to PAYE income taxes in which the tax is retained and remitted by the employer and they are less visible as they are not remitted directly by the taxpayer.

The visibility of recurrent property taxes requires an additional level of attention in the determination of the value component under the tax principles of simplicity and transparency. This is due to the contestability by taxpayers against the value component of the tax. While objections in principle are often against the tax impost, it is the value component that is the contestable factor in their assessment. This stands to impact the principle of revenue certainty or robustness and also taxpayer confidence in the base on which their rates are assessed. The ability for taxpayers to understand the basis on which the value of their property is assessed and how that value is determined is central to acceptance of land-based taxes. The right to object to and the availability of information to the taxpayer on how their value is determined is important and is one of the factors that has been considered, it is central to this review under the review of the objection process.

This review looks in depth at multiple facets of the ACT valuation methodologies, structure, systems, processes and supporting documentation. In summary the assessment against the objectives are shown below:

Are valuation methodologies fit for purpose and consistent with the land tenure system and legislation?	Ineffective
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See page 29

Are valuation methodologies robust and effective in providing a reasonable balance between risk and certainty?	Highly Ineffective
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See page 53

Do valuation methodologies align with better practice and are they cost efficient?	Marginally Effective
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See page 56

## ACT Revenue Office

The Revenue Management Group comprises 119 personnel spread across several sub-offices that include: the ACT Revenue Office (ACTRO); Office of Rental Bonds; concessions programs; and the ACTVO. The ACTVO was put together following the closure of the Australian Valuation Office that had been the contract valuer for the ACTRO for many years. A small in-house capability was considered the most cost-effective and reliable way to provide valuation services for ACTRO.

Each year the Commissioner for ACT Revenue re-determines Unimproved Values (UVs) for over 166,000 residential properties, 6,300 commercial properties and 174 rural properties as of 1 January for the following financial year. Advice on values for each property is provided by the ACTVO. The ACTVO comprises a team of six certified practising valuers and two administrative staff that sit within the Revenue Management Group. The methodology used to undertake the annual valuation follows the guidelines in the *Rating and Taxing Valuation Procedures Manual* of the ACT.

## Land Tenure in ACT

The ACT has a unique land tenure system which includes a leasehold system of land tenure, under which purchasers buy the right to use land under a lease for a term of 99 years. While other states and the Northern Territory may have some leasehold land, e.g., pastoral leases in the Northern Territory and ski field areas in the Kosciusko National Park in New South Wales, for the purpose of land development/redevelopment, they generally operate a freehold land title system. The ACT is the only state/territory that has no freehold land.<sup>4</sup>

Most residential leases in the ACT are granted for a term of 99 years. With such grants, the registered proprietor (or Crown lessee) is granted certain rights in relation to that leased land. One of those rights is the exclusive use and enjoyment of the leased land for the duration of the lease. However, the Territory may acquire the whole or part of the leased land for public purposes. In addition, if the lease has a withdrawal clause, the Territory may withdraw the whole or part of the leased land, where such withdrawal does not have to be for a public purpose. Provided that the land is not required by either the Territory or Commonwealth, the

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<sup>4</sup> Nicolls, D. 2010 – Final Report on the Review of the changes of user charges system in the ACT 29 Nov 2010.

Territory will grant a new residential lease towards the end of the 99 years, to the person holding the old residential lease, without payment (other than an administrative fee). This gives the lessee continuing security of tenure.<sup>5</sup>

## Tax Imposts and Unimproved Value (UV)

The ACT, similar to state jurisdictions in Australia, imposes land tax and rates, the latter also being known as council rates across the states of Australia. One primary difference between the states and the ACT is that there is no local government within ACT. The ACT is a unitary structure that encompasses the functions and tasks undertaken by both state and local governments across Australia. The ACT also imposes a lease variation charge that applies at the point when a leasehold interest in land is varied, this charge along with rates and land tax are levied on the unimproved value of land (UV). The meaning of UV is prescribed under Section 6 of the *Rates Act 2004* as follows:

### Meaning of unimproved value

- (1) The unimproved value of a parcel of land held under a lease from the Commonwealth is the capital amount that might be expected to have been offered on a date (the base date), for the lease of the parcel, assuming that—
  - (a) the only improvements on or to the parcel were the improvements (if any) by way of clearing, filling, grading, draining, levelling or excavating—
    - (i) if the Territory or Commonwealth had, before the parcel became rateable as a separate parcel, granted a development lease of land that included the parcel—made by the lessee under that lease or by the Territory or Commonwealth, or the cost of which was met by that lessee or by the Territory or Commonwealth; or
    - (ii) in any other case—made by the Territory or Commonwealth or the cost of which was met by the Territory or Commonwealth; and
  - (b) the circumstances that existed on the prescribed date also existed on the base date; and
  - (c) on the base date, the lease had an unexpired term of 99 years; and
  - (d) a nominal rent was payable under the lease for the 99 year term.
- (2) The unimproved value of a parcel of land held in fee simple is the capital amount that might be expected to have been offered for the parcel at a genuine sale on a date on the reasonable terms and conditions that a genuine seller would require, assuming that no improvements had been made on or to the parcel.

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<sup>5</sup> ACT Environment, Planning and Sustainable Development Directorate <https://www.planning.act.gov.au/leasing-and-titles/crown-leases/leasehold>

## Review of the ACT Valuation Office: Valuation Practices and Systems

This section comprises a review of the ACTVO, staff resourcing, valuation purposes and methodologies employed in carrying out its function. The information has been provided during interviews and supporting documentation provided by the Principal Valuer and the Commissioner for ACT Revenue. The primary descriptive documents are the *Rating and Taxing Valuation Procedures Manual*,<sup>6</sup> *ACT Valuation Office Project Plan*<sup>7</sup> and Commissioner for ACT Revenue letter dated March 2020.<sup>8</sup> Several other documents have been provided, which are referred to further throughout this section.

### ACT Valuation Office key responsibilities, valuation purposes and staff resourcing:

The ACTVO comprises five fully qualified valuers and one provisional valuer. However, this number includes the Principal Valuer, who is required to balance valuation workflow with management responsibilities. Although there has been some improvement to resource capacity in recent times, the amount of overtime accumulated by valuers to meet increased workflow requirements has significantly increased. Over the past four years, three valuers are in excess of the maximum leave allowances permitted by the Enterprise Agreement and about an average of seven hours/week overtime is being accumulated by valuers.

It is also noted that [Sch 2.2\(a\)\(ii\)](#). Part of the resource issue has been promulgated by the current ACTVO remuneration scale. Valuers are designated as Special Tax Officers under the Tax Administration Act in a structure designed for generalist officers. Unlike other professional units that operate in the ACTPS (auditors, health professionals etc) there is limited opportunity for career progression of valuers. This diminishes any ACTVO job offering in a competitive marketplace, with limited employment opportunity exacerbating succession risk in the ACTVO.

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6 Version 3.0, Approved 1 Sept 2019, Effective from: 25 July 17, Rationale: Creation of the ACT Valuation Office.

7 ACT Valuation Office Project Plan 2020 Pgs 1-9.

8 Letter to the ACT Ombudsman March 2020 – Redacted commentary of the Valuation and Objection Process, taxpayer advice and Quality Assurance Review [sic] of ACT Valuation Office.

The ACT Valuation Office functions are undertaken by the following positions:

- Principle Valuer, FAPI
- Senior Valuer, AAPI
- Senior Valuer, AAPI
- Valuer, AAPI
- Valuer, AAPI
- Assistant Valuer, PMAPI
- Admin Support
- Business Support (not currently filled).

All valuation staff are accredited by the Australian Property Institute and are certified practicing valuers. Each valuer meets the general requires for Continual Professional Development of 20 Points during 2019 and have the requisite knowledge and expertise to make valuation recommendations in each of the valuation purposes as follows:

- Rating and land tax determinations
- Compulsory acquisitions
- Rental values associated with concessional Crown Leases and licences
- Government Agency End Of Year financial reporting
- Government property portfolio analysis
- Lease Variation Charge (LVC) critiques
- Reviews for Stamp Duty assessments
- Expert evidence considered before the courts and ACAT Civil and Administrative Tribunal
- Valuation policy considerations in the ACT Government

## Valuation Methodologies

The valuation methodologies used for rating, taxing and statutory valuation purposes and the manner in which they are applied and documented are central to an efficient and accountable valuation office. Valuation methodologies comprise the documentation and application of the following steps in undertaking valuations for rating and taxing valuations purposes based on an ad valorem basis:

- Basis of value, sales and rental evidence analyses;
- Grouping or clustering of land by reference to use and location within a valuation jurisdiction;
- Systems used to adjust values from one base date to the next and validation processes;
- Objection management and taxpayer information and awareness; and
- Project and risk management



## Valuation Processes

The ACTVO is required to manage two large programs of work, these being rating revaluation and valuations to determine lease variation charges (LVCs). The rating process occurs every year with a base date of 1 January and prescribed (effective) date at 1 July. Generally, the revaluation commences around November and concludes before the end of the financial year. As the ACTVO also manages objections and disputes, valuers may also be contending with court cases and delayed objections or objections to supplementary valuations during this period. The process is manual, a project manager is appointed, and information is created to support the revaluation, the revaluation process is largely paper based.

Depending on work demands, the benchmarked areas are allocated and the collective consideration of non-benchmarked areas occurs following the revaluation. Localities (components) and benchmarks are reviewed for reasonableness and relevance, based on previous work in the area or sales evidence the benchmark is revalued, and an index variation is established for the benchmark locality. This is entered into Computer Assisted Valuation System (CAVS) and the associated properties are updated accordingly. The systems do not provide for direct extracts into the benchmarking analysis worksheets. Creation of worksheets is a laborious process and takes considerable time to complete on about 90 per cent of rating assessments for property that constitutes the lowest dispute risk. The highest dispute risk sits with the non-single residential assessments and as the system does not facilitate effective component review. The ACTVO advises that there is a propensity to adopt a variation that is in general alignment with published market movements rather than considering each category of property individually.

Until recently, handcrafting was only used in limited circumstances where time permits, and a small sector of property types can be isolated in order to assess each individual property e.g. childcare centres. The ACTVO states that in 2020 a full review was done on all multi-unit sites and more common commercial areas (Town, Group and Local Centres and Industrial Areas). This resulted in significant pressure on revaluation delivery timeframes and other valuation activities.

The practical outcome of the poor array of systems and databases that the ACTVO is required to use to generate assessments requires valuers to open multiple systems at once to source

the information quickly and have sufficient desk space to also refer to any hard copy notes or articles that may facilitate a decision on the determination of values. By way of an example the ACTVO has listed the group of systems and artefacts that valuers keep open concurrently whilst gathering information in undertaking statutory valuations.

**Figure 1: Revaluation exercise**

Source	Type	Provider
CAVS	Value Database	ACTVO Internal
UV98	Sales Database	ACTVO Internal
AllHomes – Agents Portal	Residential Sales – Agents	External
AllHomes – General Access	General Property Information	External
ACTMAPi	Electronic Mapping Portal	ACTG
ACTILIS	Titles Portal	ACTG
TRS – old system	Duties Database	ACTRO internal
ACTVO Folders	Valuation Database	ACTVO Internal
Objective	DA and BA Database	EPSDD
Rawlinsons	Costing book	External
Surveys	Valuer Sales Maps	Internal

Source: ACTVO

In undertaking rating valuations, a number of statistical measure and check are stated to be used. The purpose of utilising statistical measures in the mass appraisal process is to ensure that the principles of consistency, accuracy and reliability are satisfied. No single statistical measure is capable of measuring all of these requirements, rather the following measures are used to build a picture of the overall performance of the process.

The statistical measures as outlined below, are the four most common measures which are used for mass valuations throughout Australia and abroad. The focus is on the first three, due to limitations in the ACTVO's systems and the time it takes to produce calculations for Comparison of Average Value Changes (COAVC) Point 4 below.

The following quality assurance tools are used as parameter checks and to identify any anomalies in the values determined. It is noted that these statistics are generated through Excel analyses of data, as the CAVS platform does not have capacity to undertake these statistical checks.

### **1) Coefficient of Dispersion (COD): <10 (Residential); <15 (Commercial, Industrial, Rural)**

COD = average absolute deviation/median sales ratio x 100

- Measure of variability; how much do the ratios differ from the median ratio
- To ensure consistency or uniformity of land values relative to sales
- Not a measure of accuracy
- It is calculated from the absolute value of the differences
- The larger the COD, the greater the inconsistency in value ratios
- Cannot be negative and can only be zero if all ratios are identical

### **2) Mean Value Price Ratio (MVP): Between 90% and 100%**

- MVP = sum of all sales ratios/number of all sales (expressed as a %)
- Calculates the mean relative accuracy, or level of values, relative to the sales. ie: how close are the land values to the sales used.
- A sales ratio under 0.90 can represent a high sale, and over 1.0 can represent a low sale. May need to check the grading in the area, or the factor applied may need to be reviewed. ie: it may be too high or too low. Or revisit the sales analysis.

### **3) Price Related Differential (PRD): Between 0.98 and 1.03**

PRD = average sales ratio/weighted average

- Measures the vertical equity of valuations.
- Measures the uniformity of the grading, not the value levels.
- The objective is to see if the valuation ratios are consistent between lower valued and higher valued properties.
- Demonstrates if the values are progressive or regressive
- The ratio places greater emphasis on high valued properties than it does on low valued properties.
- PRD < 0.98, indicates the values are progressive (ie: high valued properties are overvalued)
- PRD > 1.03, indicates regressive (ie: high valued properties are undervalued).

### **4) Comparison of Average Value Changes (COAVC)**

- Measures the difference in the average value changes between sold and unsold properties.
- Addresses whether the analysed sale properties have been valued the same way as the others.
- The standard for measurement should be less than 5%.

There is evidence for the use of statistical checks by the ACTVO in the valuations undertaken. A basic sample was provided for statistical checks in the residential component areas of Fyshwick and Griffith within an excel spreadsheet. These statistical checks maintain relativity of values within residential component in particular. It is recommended that the project plan

make explicit that these statistical checks are to be used with a consolidated summary of statistical results presented in the final general valuation report.

#### Summary of the verification and regrading program

The individual verification of land values and the review of localities/areas/precincts are to be carried out in accordance with the verification schedule as proposed for the 1 January 2020 rating year. It is the ACTVO's aim in undertaking verification is to ensure consistency as well as accuracy.

The principal objective of this process is to ensure that valuations used for rating and/or land tax are of as high a quality as can be supported on objection or appeal. The verification programme is a systematic risk-based process to periodically verify property data and unimproved land values to ensure that they are appropriately valued. A risk rating of one or two refers to those properties which are deemed to be of high-to-medium risk, whilst those with a risk rating of three are deemed to be of lower risk. The main focus of the verification exercise in 2020 will be towards those properties deemed to be in the risk category of one and two. The ACTVO states that any value change in excess of 25% will be reviewed by the Managing Valuer.

The annual verification programme will be carried out on a locality and property type basis. Regrading requirements may have been identified from the prior rating valuation exercise, or as a result of general valuation activity carried out in a certain area, or may be as a result of an external public enquiry. General valuation activities may include ACT Civil and Administrative Tribunal (ACAT) mediations and hearings, objections, supplementary rating assessments, lease variation charge valuations and any other related activity.

The ACTVO advised that a five-year verification programme will be based around the table below which outlines the risk rating of various property types/categories. While reference is made to the headings and risk ratings in Figure 2 there is insufficient detail provided as to how the verification process is being applied from 2020. It is recommended that the ACTVO sets out within its project plan, the verification process and method of recording the various classes of property within the land uses categories across the ACT. In summary the ACTVO verification program commenced in 2020 in which all values are to be verified over this 5 year

period, this requires articulation by reference to identifying the individual property verified, the date it was verified and any change in value resulting from verification.

**Figure 2: Risk rating by property class**

Risk Rating	Risk Descriptor
1	Commercial zoned land
2	Industrial zoned land
2	Rural zoned land
2	Community facility zoned land
3	Residential zoned land
3	Open space and recreation zoned land

**Source:** ACTVO

Commercial zoned land within the ACT is organised into a hierarchy of districts as follows:

- Central Business District.
- Town Centres - Belconnen, Gungahlin, Woden and Tuggeranong.
- Group Centres - these are designed to service a group of suburbs, e.g.: Dickson, Manuka.
- Local Centres - these are designed to service a particular suburb, e.g.: Charnwood.
- Neighbourhood Centres - these are designed to service localities within a suburb.

Industrial zoned land within the ACT is located within the suburbs of:

- Fyshwick, Mitchell, Hume and Beard.

A table outlining the headings for the 2020-2024, five-year proposed valuation verification programme for the ACT has been submitted and is set out (*not yet provided by ACTVO for this review*). The verification process has yet to be determined as to which classes of property are to be verified in each of the following five years. It is stated that the ACTVO may also make changes on individual properties where values are found to be in error or out-of-line. The basis for the risk rating ascribed for the various classes of property in the verification process is not clear. It appears that commercial property has a risk rating of one due to the greater complexity of the valuation process compared with single residential zoned land which has a risk rating of three. The allocation of a risk rating for the various land uses provides a basis for determining the valuation verification frequency required, of which the allocation has been set out in Figure 2. More importantly, what has not been addressed is the rationale for the allocation of the risk ratings across the ACT in this figure. It is recommended that a

commentary setting out the rationale for this risk rating assigned to land uses which be set out in the ACTVO procedures manual and accounted for in the project plan.

### Sales Analysis

In line with the stated annual revaluation programme commencing each November, preceding the base date of 1 January, and completed by the 1 March, the ACTVO undertakes sales analysis as from November to March each year in accordance with the rating program and as dictated by market conditions. The analysis of directly comparable unimproved site sales is the preferred valuation approach and constitutes primary evidence of value.

The ACTVO states that all relevant sales which assist in establishing or verification of unimproved land values as at 1st January 2020 will be analysed. This will in general, include rural, industrial, commercial, mixed use, vacant land, residential and development site sales, to cover the breadth of the market and to provide more than sufficient market evidence. Sales closer in time to 1 January are preferred, however it may be that due to a lack of recent market evidence, the best evidence may be further removed in time. Older sales should only be included where recent market evidence is lacking, with consideration of any market movement.

Emphasis will be placed on sales analysis of property types that have limited market transactions. This includes rural properties, commercial and industrial properties, special use properties and residential development sites. Analysed sales will be recorded on a spreadsheet prepared for each suburb, in which land values will be deduced from the sales evidence. Sales which are considered to be out-of-line must include supporting evidence to explain why the sale is considered to be out-of-line.

The Valuer is required to have regard to the whole market and not just vacant land sales. In order to fulfil this requirement, sales of improved properties will have to be analysed, particularly where the improvements are less than optimum and may be approaching demolition. It is noted that the ACTVO sales analysis sits across several documents and primarily residential. One of the key recommendations of this review is that all sales used in the valuation process be made available to property owners subject to the impost of rates

and taxes in the ACT. In a review of a sample of sales, it is not clear how the ACTVO accounts for the added value of improvements in the analysis of improved sales it uses to value land.

### **Objection Management and Reporting**

The ACT Revenue Office receives objections from property owners and will request the ACTVO to provide a response. Objections occur during the period July through to December each year. The valuer will be required to either complete a full objection report or a shorter form Limited Scope Review, which is limited to one page. The limited scope review applies to single residential properties only.

The objection report will include commentary on the objector's point of contention and will include a schedule outlining the sales evidence which has been relied upon. If the UV is required to be amended, further investigations are then carried out as to whether adjoining properties, localities or a particular class of property require their land values to also be amended. Localities, property types or individual properties which receive multiple objections will need to be monitored, in which this monitoring process is not clear. Property owners that are not satisfied with the ACTVO's objection response can refer their objection to the ACT Civil and Administrative Tribunal (ACAT). Valuers are required to appear at ACAT for the purpose of attending a mediation or hearing for matters involving valuation disputes.

There are no grounds of objection to values specified in the Rates Act 2004 or other related legislation. The information online about the objection process is procedurally oriented and in recent years has resulted in the proliferation of Freedom of Information (FOI) requests to the Revenue Commissioner. These requests are then forwarded to the ACTVO and information on the valuation process and evidence is sought in responding to these requests. This has resulted in additional work and resource drain on the ACTVO in responding to the information being sought. Dually, it exposes limitations in the availability of documentation and evidence that supports the valuation process. Audit was informed that the level of response and documentation to FOI requests provided by the ACTVO lack the detail of information often sought in these requests.

Audit was advised that FOI applications are sought for information on benchmark properties used to determine the value across components areas in which the subject property being

objected to is located. A disconnect exists in the objection process and the understanding of the importance of the principle of transparency. The number, mentioned during discussions, of objections to values in the ACT are low in comparison to other jurisdictions, including NSW. Audit was advised that while objection numbers are low by comparison, there has been a steady increase since 2016. Further stated is the complexity of objections on the basis that the land value is too high. Audit was informed that ACTVO valuations are confirmed in the majority of instance at ACAT.

The rationale discussed above is outdated and does not meet the principles of good tax design and specifically those of simplicity and transparency. The inadequacy of information available and the requirement of a taxpayer needing to lodge an FOI for information as to how their land value is determined was addressed in NSW and is characterised in the following summary:

*The information available to members of the public about the method of valuation used to value their land and how it has been applied to their land is not adequate. It is acknowledged that this is partly as a result of the complexity of the system under which valuations are made and the complexity of the mass valuation methodology that produces them. Nevertheless, the practice of requiring owners to lodge applications under the Freedom of Information Act 1989 to gain access to information about valuations, and the failure of the Valuer-General's Department to provide the annual valuation report ... is unacceptable. (Walton 1999, 7 - 8)*

The objection process is critical to the understanding and acceptance of a tax system and is of particular importance to the taxpayer in the impost of rates and land tax. Recurrent property taxes are one of the few taxes that are assessed without input from the taxpayer. The objection process and indeed the availability of evidence are fundamental and a key recommendation of this review.

The recommendations for reform and greater transparency of information to taxpayers resonated through government in NSW; however, the recommendations were not adopted for seven years. It was not until the number of cases against government began to mount, with one appeal to the High Court of Australia (*Maurici v. Office of State Revenue* 2003) and



a subsequent inquiry conducted by the NSW Ombudsman (2005), that reforms were introduced and transparency improved in NSW.

The High Court challenge raised serious questions about the process of land valuation, which affected the assessment of state land tax across Australia. The court questioned the type of sales evidence used and how the evidence was analysed and applied in the valuation of land for land tax purposes. This case made clear that a void existed in demonstrating how value was determined in the sales analysis process. It highlighted what Walton (1999) found, that while values may be produced using mass appraisal techniques, government must be able to demonstrate how the basis of value is determined in the first instance before that value is applied at the individual lot level.

Following the High Court decision that found flaws in the valuation of land, further taxpayer representations were made to the NSW Ombudsman and a detailed review of the valuation of land was undertaken. A key recommendation made by the Ombudsman (2005, 94) that was immediately adopted by government was that sales information used to determine land value be made available at the individual lot level. This would allow taxpayers to determine whether the land value assigned to their property was too high or too low. Other key recommendations were as follows:

- The Valuer-General should introduce a structured program of handcrafting values and a review of component areas within the mass appraisal system.
- A quality control list should be developed detailing the range of integrity and statistical measures prior to the production of land values and accepting the proposed values to be adopted.
- Relevant sales schedules showing adjusted analysed land values that were relied upon to make or support valuations should be made available to potential objectors as a matter of course.
- An objection procedures manual should be developed as soon as possible.
- Application of a uniform methodology for valuing improvements for purposes of undertaking sales analyses should be encouraged, and guidelines should be included in the procedures manual.
- Application of a uniform methodology for the adjustment of sales for time should be encouraged by suitable guidelines included in the procedures manual.

Overwhelmingly, the NSW Ombudsman (2005) found that taxpayer information supporting the valuation of land and assessment process was critical in building the integrity of this tax

and was a key measure to be implemented in the reform process. While computer-assisted mass appraisal (CAMA) remained central to the valuation process, a parallel method of checking the level and relativity of values produced was introduced. This new measure requires valuers to verify by inspection up to 30 percent of the values produced using CAMA each year in each of the 132 local government areas of NSW. This requirement is also applied in Victoria and it is recommended that it be applied in the ACT.

In the ACT, reforms will be required in modernising the objection process in building greater transparency in the valuation process and minimising the requirements for taxpayers to lodge FOI applications for information that supports the Unimproved Value issued by the ACTVO. It is recommended that the sales evidence relied upon to produce unimproved values each year be made publicly available in the ACT for ratepayers to access at will. In developing a more efficient and transparent valuation system, the provision of sales evidence is an important step in building tax and ratepayer confidence in the ACTVO's valuation system.

There should be no need for a ratepayer or taxpayer to request sales information, or to make application or write to the Commissioner to obtain this information. Sales (adjusted) information shown by component area should be grouped and made available on the ACTVO website at the time or before annual rate notices are sent to property owners. In the annexure the ACTVO & ACTRO ACT rating valuation objection flow chart show that it may take between one to three months for the ACTVO to respond to the ACTRO on an objection. Many of these objections would not occur in the first instance, by making sales information available to ratepayers when rate notices are issued.

#### Project, risk management and delegation of authority

A risk management plan and mitigation strategy table are included in the ACTVO Valuation Plan. The focus of this strategy mitigation is one the delays to the delivery of programs by the ACTVO. It has been pointed out following discussions with the Principal Valuer that a number of other risks exist in the management of the ACTVO's valuation processes and record keeping. The ACTVO records are paper based and are held by individual valuers working on specific matters or in a specific location in the case of rating and taxing valuations.

Record keeping is largely hard copy with files based offsite at a storage facility. There is a strong reliance on hard copy artefacts such as zone maps, and block and section surveys, rural area plans etc. Map notations, onsite inspections, meeting notes and calculations are handwritten. These are seldom scanned into the electronic record. Sales are recorded manually by some valuers on maps and in electronic folders set up for sales. Due to time constraints the approach to recording sales analysis is not consistent and valuers in many circumstances recreate the analysis or seek valuation reports of similar property in order source key evidence. The process has caused inconsistencies at review of the draft report but any new information that might change an analysis or the adjustment of a sale to reflect the special circumstances of a valuation may not be captured fully and reflected.

The ACTVO electronic records are kept on G Drive and not within a structured protected database. There is an ACTVO/ACT Territory Records project to move all electronic records to Objective (official ACTPS database) in March 2020. Given the impact of recent externalities, the project has been deferred to later in 2020.

The ACTVO uses several standalone modules to record and manage data and information. The main ACTVO valuation database is CAVS. It is a MS Access program that was designed and built for rating valuations circa 1990. It includes basic functionality using purpose codes that

Sch 2.2(a)(ii)

All data in CAVS has been entered manually, generally by administration staff. Although it does not hold a lot of property specific data, it is not linked to any external databases to allow checking or updating of information it holds e.g. unit numbers, addresses, block and section number, site area and GFA etc.

CAVS has several modules that provides for the management of rating valuations by:

- componentisation of single residential properties within suburbs for benchmarking purposes
- broad brush increases in groups of categories
- manual entry

The CAVS extract reports do not generate a full version of all information that sits against the property in the database. It is stated that valuers cannot extract valuations that occurred before 2011. It does not record at the lot level information that last changed in the record and notes in the text box. The records and notes can be amended and or deleted by any user with access, with critical functions of the system are not locked down. There is no connection to any sales data that might have occurred or any analysis of the sale. It does not record any other valuation activity on the property e.g. LVC assessments, commissioner determinations, ACAT outcomes.

The ACTVO use sales modules, being AllHomes and UV98. AllHomes is a private sector search module that is mostly residentially based providing sales evidence in real time but with very limited search functionality e.g. you are not able to omit units in a residential property search and cannot search on section or block numbers. The AllHomes report extract is also difficult to follow and appears to be set up primarily for use by Real Estate Agents. This system is the primary residential sales source used by ACTVO.

The ACTVO advises that UV98 was developed about 1998 and has good search functionality, but the property categories are not populated and are too extensive in any event to provide a meaningful mechanism to source relevant sales. The sales are downloaded each month from Revenue post settlement and include basic property information e.g., block and section numbers, site areas, price and date etc. However, users cannot extract a sales report from UV98 to MicroSoft Excel (Excel). The system is also not linked to any other module that might verify the information it holds and there is no property specific mapping or titles link.

The ACTVO does not have a workflow or management reporting system. As previously stated, this was not brought across from the AVO. This means that there is a substantial reliance on the valuer that has been allocated the valuation to complete the assessment in a timely fashion. There was a series of individual worksheets that were created to track performance, but this was superseded by an internally built Excel module that also created folders and job numbers for newly listed work.

The main issue with the module is stated to be that it can only be used by one person at a time. Invariably all other officers are locked out if the last user has not logged out of the

system fully. It is also noted that there is no support to fix errors or make changes to the module and the officer that built the module has since transferred to another section within Revenue. This presents an issue for performance management of team members, as any reflection on the quality and level of output of the individual, particularly poor performance, can only be anecdotally based.

Figure 3: Potential Risks to Project Plan and Mitigation Strategies

Risk	Mitigation Strategy
The loss of a staff member for an extended period. e.g.: on leave, illness, etc	Additional assistance will be sought from other valuers within the ACTVO.  Developing a programme of succession planning should valuers retire or resign.
Delays in completing tasks as per project plan timelines.	To minimise this risk, we will be working closely with the Project Plan and will hold regular staff meetings to identify any issues before they become problems.
Delays due to ICT (Information, Communication Technology) system changes – for e.g. the move to Objective.	Ensure all staff are adequately prepared (e.g. via training) and that changes are not scheduled around important milestone dates.

Source: ACTVO submission

### Better Practice – Statutory Valuation Platform

A review of the valuation system adopted in Victoria, being the most recent jurisdiction to undertake a review of its statutory valuation systems, provides an option for the ACTVO in developing their statutory valuation systems. The statutory valuation platform used in Victoria is VM Online and was introduced in 2008 providing an integrated platform for the management of the valuation role comprising approximately 2.6m valuations and assessment of rates across the states councils. The strength and timeliness of the recent reforms adopted in Victoria to centralise the statutory valuation process now accounts for the diversity of land uses and property markets across its jurisdiction. Among the strengths of the Victorian platform is the ability to synchronise and combine multiple sources of data from various government systems into a single platform that may be updated in real time.<sup>9</sup>

The key benefits of the VM Online system provides options to efficiently audit valuations and ensure equity and accuracy through comprehensive modelling and analysis tools with

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<sup>9</sup> Insight Data Solutions Holdings Pty Ltd, <https://www.ids.io/vm-online>

thematic mapping overlay. The platform enables individual and batch processing of objections using thematic mapping on mobile and mainframe devices to facilitate onsite inspections. This platform supports quality and version control of complex valuations that are iteratively developed with date and identification stamping.

### Risk ratings and recommendations for reform

It is acknowledged that the *2012 ACT Tax Review* highlighted that the benefits of reform are well defined conceptually, that the transition to more efficient taxes is the challenge. In aligning the ACTVO and its practices in facilitating this outcome through its valuation methodologies, the following risk ratings are determined and recommendations are made against the criteria set out in the scope of this review.

<b>Are valuation methodologies fit for purpose and consistent with the land tenure system and legislation</b>	<b>Ineffective</b>
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#### Valuation Cost

The cost of valuations and the correlation of cost with the efficiency of valuation services are viewed from the perspectives of cost per valuation as well as the resources required in producing these values. We were provided with an average cost of \$4.50 per valuation from the ACTVO for valuations produced across the ACT, which includes all costs associated with Objections. In contrast, the cost per valuation in other jurisdictions including Victoria at \$11.75 per valuation and New South Wales at \$9.74 per valuation does not include the cost objection administration. These costs and variations such as objection management do not result in a like-for-like comparison with ACT. It is further noted that the cost per valuation in Northern Territory equates to \$10.14 per valuation, this figure excludes valuations for rural property. This noted, the cost in the ACT per valuation including objection management is very competitive with other jurisdictions.

Of further note in making these comparisons, it is highlight that the breadth of non-residential values in the cities within NSW and Victoria are numerous and include extensive special uses, commercial and industrial use valuations compared with the ACT. A further point raised is that in comparison to the Victoria and NSW, the ACTVO's valuations are manually intensive

under the present approach in which much of the analysis is undertaken in Excel. It is likely that once the ACT adopts a more automated system, it will achieve greater efficiencies, will allow greater reallocation of its resources into handcrafting and the verification values of its rating and taxing valuations.

It is recommended that the cost per valuation in the ACT be reviewed following the determination of costings once recommendations adopted in this review are operational. The reallocation of tasks and reorientation of valuation activity and an automated valuation system will result in valuers time being better placed in the verification of values and development of quality assurance measures. The cost of valuations in NSW is included as an appendix in this report.

Focus Areas	Criteria	Rationale	Risk Rating
<p><b>Do valuation methodologies align with better practice and are they cost efficient.</b></p>	<p>Records Management</p>	<p>The ability to readjust values for rating of land that result in revisions from objections does not exist in the present system. The ability to monitor access to information, recoding of changes to values and the version control of sales and benchmark valuation reports is poor. The manual updating of the CAVS system is outdated and unwarranted with availability of modern CAMA system.</p>	<p>Extreme</p>
	<p>Delegation of Authority and conflict of Interest</p>	<p>There are few quality assurance measures in place</p>	<p>High</p>
	<p>Project Management</p>	<p>The processes used in undertaking the mass appraisal of land in the ACT is in Excel, extremely time consuming. CAVS the current operating system does not integrate with other government agency information and is manifestly inadequate. The ACTVO should be allocated a budget to explore the systems mentioned in this report in modernising its land valuation and information platform.</p>	<p>High</p>

## Reforms to the ACTVO's valuation methodologies in addressing Recommendation 1

In determining whether the points in the scope of audit set out below are adequately addressed in the ACTVOs valuation methodologies, the Valuation Procedures Manual, Project Plan and Objection Information among other documents were provided and reviewed. These documents, in conjunction with meetings held with the stakeholders provides the basis for the recommendations made that underpin the reforms required to the valuation methodologies.

In summary, it was found that a number of points reviewed were not adequately addressed within the documentation provided or articulated in the meetings and in some cases conflicted with one another. In responding to these points, the recommendations and where relevant an example is provided for how the recommendation/s may be generally applied. The examples provided are not specifically tailored to the ACT, these need to be developed within the context of the procedures manual specifically to be developed by the ACTVO.

- Staff responsibilities, accountabilities and qualifications
- Measures of efficiency and effectiveness for time spent by valuers on valuations
- Well designed policies and procedures
- Address conduct of assurance activities
- Retain records of working papers that align with best practice
- Data collection and that reflect accuracy of valuations



## **1.1 - Development of the ACTVO procedures, guidelines and resourcing**

An overarching observation and recommendation is that valuation methodologies for rating and taxing purposes should primarily be addressed in the valuation procedures manual and in some cases supplemented by separate directives or instructions as needed. In assessing whether the evidence and documentation provided adequately addresses the following points, it was found that these points are not sufficiently addressed in the procedures manual or other related documentation provided. The valuation procedures manual is the primary document that should set out details of the valuation process and include the project plan, market analysis, component benchmark details and information relating to the management of the valuation process and resourcing.

A well designed and inclusive procedures manual should address the following points:

- Project management plan and accounting for staff responsibilities
- Management of the valuation roll
- Sales and market analysis setting out the evidence validating the valuations
- Objections and enquiries and a summary of how these may be managed
- Technical Instructions or reference to instructions of specialist valuations
- Quality assurance measures for checks and sign off of general valuations.

In reviewing the ACTVO status and practices in relation to these points the following measures and frameworks are set out to assist in the reforms required to bring the ACTVO in line with best practice.

## **1.2 - Development of primary and secondary codes for the categorisation of the evolving land uses across ACT.**

Identify and develop land use categories by reference to existing and emerging land uses across the ACT, indicative options are listed in the example that follows:

R: Residential

- RSD: Residential Single Dwelling Housing
- RDD: Residential Density Dwelling Housing

C: Commercial:

- CO: Offices / office space
- CRMS: Retail main street
- CRSC: Retail shopping centres

I: Industrial:

- IW: Warehouse – storage
- IM: Manufacturing - production

SU: Special Uses:

- SUE: Education
- SUG: Govt
- SUW: Places worship
- SUR: Recreation / Open space

PP: Primary Production:

**Reform and objectives:**

As ACT land uses have evolved over the past decade as mixed use land has developed, appropriate land use categories and sub-categories should be developed to adequately identify and manage the valuation roll and process. The objectives of land use categorisation serves to organise and manage the valuation of land, to better analyse and appropriately match sales evidence against land being valued for rating and taxing purposes. A register of land use and changes should be developed and maintained across the ACT, which would include changes to crown lease purposes clauses and conditions.

The crown lease land use clause dictates the use to which land may be used and developed in the ACT. It is a key determinant underpinning the assessment of values and reference should be included to the crown lease cause as part of the valuation process for the assessment of rates and land tax.

### **1.3 - Selection and annual valuation of benchmark properties**

Each benchmark property requires a worksheet containing calculations, valuation rationale, a photograph and physical details as well as details of the surrounding development. These are to be recorded and maintained by the ACTVO.

Benchmark properties must be carefully selected to represent large numbers of properties within the Component. Components must have a primary benchmark. The primary benchmark is to have a land value within 5 per cent of the median value calculated as benchmark value/median value. The benchmark property shall also have a valuation basis typical of properties within the component. The primary benchmark is to be used to determine the component factor.

Instances may occur, at a subsequent valuation date, where a benchmark may be found to be outside the +/-5 per cent of the median value range due to verification or supplementary action having changed the median value. Where the previously complying primary benchmark is outside the required range up to a maximum of 8 per cent variance from the median value, use of the existing benchmark as the ongoing benchmark is acceptable for that subsequent valuation date.

The ACTVO is to document the fact the benchmark did not meet the required +/-5 per cent measure in the valuation analysis report and provide commentary as to:

- the reasons why the benchmark is outside the range
- the accuracy of the factor
- what checks if any, including reference benchmarks and verification, were undertaken.
- Should the primary benchmark remain outside the +/-5 per cent requirement at the following valuation date, a new benchmark should be selected.

Where the previously complying primary benchmark is outside the required range by more than +/-8 per cent an alternate benchmark shall be selected, unless the ACTVO can clearly demonstrate the accuracy and quality of the valuations in the component. Where a benchmark exceeds the +/-5 percent, the ACTVO should consider whether the component be earmarked for verification in that general valuation year.

## **Reform and objectives:**

Benchmark properties are an important check on the accuracy of the mass valuation process, it is a key quality assurance measure of mass appraisal valuation. It is therefore of the utmost importance that Benchmarks are representative of the range of properties in components and their valuations are well supported by sufficient market evidence. It is important that the ACTVO review each of the benchmarks properties in each component, establish the rationale for the property/s selected and set out the process of review to ensure the benchmark remains the most indicative and relevant reference point on which to undertake the general valuation program.

### **1.4 - Develop market analysis and data management strategy that accounts for the diversity of land uses across the ACT.**

#### **Market Analysis**

All market analysis is to be fully documented and justified, valuers should note that all materials collected or produced in undertaking valuations may be made available or should be made available on request. This requirement will greatly improve transparency of the valuation process and aligns with international best practice and with requirements of neighbouring jurisdictions. Analysed sales are used by valuers in the valuations and objection process and are should be available to the public and included in valuation sales reports. It is important therefore that a broad range of market evidence is analysed and that each unimproved value can be supported by market evidence.

A sales report should be prepared for each component area by land use and should set out the number of relevant sales within that component area in each valuation cycle. The rationale for the sales selected as well as the sales discounted or to be disregarded should be included within this report. The analysis of each sale should then proceed to be analysed as set out in this section. The sales analysed should be sufficient to support either a change in values or retention of the existing values within each component area.

It is recommended that all sales within the land categories be analysed as there may in some cases be a lower volume of such sales in components with smaller numbers of properties, as

all evidence will assist in supporting the values determined. Sales should be categorised in line with the primary and secondary land uses codes as determined by the ACTVO, these may include in line with the earlier example:

- Vacant land
- Sales for redevelopment including knockdowns
- Residential
- Commercial
- Industrial
- Rural / primary production
- Special uses.

It is recommended that sufficient improved sales be analysed in each location to support land values and grading across all component areas. The amount of improved analysis required will be as determined in developing project plans and is to have regard to the total amount of sales available within that location or component area of the ACT. The framework of an audit report should be included in the project plan setting out the sales analysis undertaken by valuers relative to the total sale transactions and the breadth of the market analysed. Valuers should be aware of current transactions and, if necessary, include these in the sales analysis to support unimproved values.

Valuers should regularly check to identify properties where development approvals for demolition have been applied for and or granted. This will assist to identify likely sales or attitude to planning policies.

Sales analysis should include:

- Special features of the sale
- Physical characteristics of the land such as size, shape, topography, views, services and
- Surrounding development (existing and emerging)
- Information on zoning, the permitted use and details of development and building approvals
- The suitability and added value of improvements
- Circumstances of the sale, which could include but not be limited to such items as:
  - special value to owner where applicable

- financing if there is an impact on purchase price
- inclusions where applicable
- length of time on market and method of sale (Sale, auction or tender)
- discussions held with parties particularly the purchaser.
- conclusions made and commentary on whether it is representative of the market.

All sales that are analysed to a land value should be physically inspected.

Where there is insufficient sales evidence available the valuer, sales outside the component in adjoining component areas should be considered. In these instances the valuer should consult with the valuer of the adjoin component and rationalise any differences that may exist between the analyses. These sales may be provided to the public through the valuation sales reports or as information available for objections. Therefore, agreement on the analysed land value must be obtained to avoid conflicting sales analysis opinions where the same sale is being analysed by different valuers within the ACTVO.

All sales provided as market data should be determined as being either;

- market or
- non-market sale through use of the 'market' indicator.

All market sales should then be determined as being either;

- suitable or not suitable for analysis to a land value through use of the 'market sale not suitable for analysis' indicator
- at market level or out of line through use of the 'out of line sale' indicator.

Sales included in market data files must contain an 'analysed at contract date' and 'adjusted for time to the base date of valuation' unless identified as a genuine non-market sale or a market sale not suitable for analysis. In the case of improved sales adjusted for added value of improvements, a detailed rationale for how the added value of improvements have been determined. It is not sufficient to state that a paired sales analysis has been undertaken, but details of the process of how the added value of improvements have been accounted for should be clearly documented.

### Quality assurance measures of sales

Sales Ratio Statistics should be used and how they are applied set out in the procedures manual, these ratios should include the following:

Median sales ratio	Mid-point of ratios when sorted from lowest to highest value
Coefficient of dispersion	$\frac{\text{Average Absolute Deviation} \times 100}{\text{Median Sales Ratio}}$
Coefficient of variation	$\frac{\text{Std deviation of sales ratios}}{\text{Ave Sales Ratio}} \times 100$
Price related differential/s	$\frac{\text{Average Sale Ratio}}{\text{Weighted Average}}$

### Reform and objectives

Market evidence and analysis serves each of the valuation purposes undertaken by the ACTVO, which provides great transparency and unification of the valuation process. The ability to translate the valuation process with the supporting market evidence is the primary approach to addressing challenges against valuations produced and are contestable under the objection and appeals process.

**1.5 - Develop quality assurance measures for verification of (individual) valuations for the various land use categories across the ACT and assignment of staffing with requisite experience in supervising the verification process.**

**Indicative verification cycle for ACT**

R: Residential	Valuation Verification Cycle
<ul style="list-style-type: none"> <li>Residential Single Dwelling Housing</li> </ul>	4 Year cycle requiring 25 percent of values to be verified each year.
<ul style="list-style-type: none"> <li>Residential Density Dwelling Housing</li> </ul>	3 Year cycle requiring one third of values to be verified each year.
C: Commercial	
<ul style="list-style-type: none"> <li>Offices Space</li> </ul>	3 Year cycle requiring one third of values to be verified each year.
<ul style="list-style-type: none"> <li>Retail main street</li> </ul>	3 Year cycle requiring one third of values to be verified each year.
<ul style="list-style-type: none"> <li>Retail shopping centres</li> </ul>	2 Years
MU: Mixed Uses	1-2 Years
I: Industrial	
<ul style="list-style-type: none"> <li>Warehouse</li> <li>Manufacturing</li> </ul>	3 Years
SU: Special Uses	2-3 Years
PP: Production	3 Years

**Reform objectives:**

Best practice requires that verification of values be undertaken on a cyclical basis that is monitored and signed off as a quality assurance measure. The cycle of verification will vary for different land uses within and across jurisdictions and are themselves subject to review over time. Among the factors that influence verification are uniformity of land uses, changes in the development and redevelopment cycle of land and the availability of comparable sales (primary and secondary) evidence and in particular how these sales are analysed in deducing a basis of value on which to assess values and objections to values. Victoria and New South Wales, similar to the ACT value all parcels of land annually and aim to achieve verification of 30 per cent of all values annually. In applying verification in the ACT, this program should be determined by reference to the uses of land and availability of comparable sales evidence.



## **1.6 - Managing and monitoring of the supplementary valuation process**

Supplementary valuation process involves the determination and redetermination of values between the annual general valuations undertaken by the ACTVO. Certain land/s in the ACT may change due to a number of reasons which require amends to the values, these may include land subdivision, amalgamation or changes in land uses which are among the reasons. In the ACT, they may also be required for changes in the crown lease and land use clauses.

Valuers should aim to complete and return the supplementary valuations in electronic and hard copy within the times specified 35 days. When undertaking supplementary valuations, valuers should refer to sales evidence and ensure that these values are in line with the market as well blending in with surrounding values.

In undertaking supplementary valuations, valuers should undertake the following steps:

- inspect the property where necessary
- note the zone codes on each new entry
- note the component code on each new entry
- determine and record the risk rating, risk descriptor and verification date for each new entry
- provide land values at 1 January (the base date)
- provide allowances, concessions and apportionments as needed
- determine the correct valuation basis
- record any valuation calculations on a worksheet, where required
- record details of fragmented holdings
- provide valuations as required in accordance with relevant legislation and any special instructions
- keep a record of the valuer that undertook the valuation
- merge the supplementary value within the valuation roll

### **Reform objectives.**

Supplementary valuations require verification of values, they provide opportunity for review and where necessary realignment of the surrounding unimproved values at the general valuation date. Record keeping and updating of the valuation roll and the supporting

valuation rationale for the value/s determined should be recorded and form part of the evidence referred to in the subsequent general valuation program.

### **1.7 - Objections: Recording, reviewing and responding to objectors**

Objections to unimproved value of land represents the land owners right to contest the value component on which their rates are assessed. The objection process is to be undertaken in a timely manner (60 days) with records maintained from the point of lodgement of the objection through to the completion and decision reached by the Chief Commissioner on recommendation from the ACTVO. The following recommendations are made to the objection process:

1. That the sales evidence within the component or adjoining component areas be made readily available at the point at which ratepayers receive their assessment and prior to objection.
2. Upon lodgement of an objection, a notice confirming receipt of the objection should be provided to the objector.
3. In referring an objection for review to the ACTVO, the objection is to be logged and assigned to a valuer for review. The valuer undertaking the review should not be the same valuer that produced the initial valuation of the land being objected to.
4. The valuer undertaking the review of the value being objected to should attempt to make contact with the objector and discuss the objection with them, during the course of undertaking the review.
5. On conclusion of the review by the ACTVO the review will determine :
  - a. The objection is dismissed and the value stands unchanged.
  - b. The objection is accepted and the value is amended.
  - c. The objection is partially successful and the value is amended accordingly.

In the case of a. and b. it is important that the valuer and ACTVO records the amended value and during the following years general valuation program, the values of surrounding property are to be graded accordingly to reflect where a change in value within that component resulting from an objection.

## Reform objectives

The review of the values produced by the ACTVO are part of the valuation process itself. This process provides an opportunity for review and input from the ratepayer where a value is either considered to be incorrect or on review the value is amended. The right to review and the transparency of the process, including the provision of market evidence and analysis builds greater trust and confidence the valuation process. This underpins the progressive transformation away from transaction taxes to recurrent land taxes the assessed on an annual basis with an opportunity for input from the ratepayer where necessary.

### 1.8 - Integration of the annual rating and taxing valuation program to be expanded across the calendar year

General valuations for rates and land tax are undertaken over a seven month period each year. During this period supplementary and other valuation jobs are placed on hold by the ACTVO from the end of February until the rating program is completed. The timeframes for undertaking other related and additional valuation tasks have been provided and are set out in the following table.

#### Standard timeframes by valuation purpose

Revenue Office	Standard time frame (days)
Supplementary Valuations	14-35 days
Objections	35 days
Market Value	35 days
Rural / Broad acre	14-35 days
Planning Office	Standard time frame (days)
Land Variation Charge Review	35 days from notice of determination
Land Rent Review	35 days
Land Withdrawal	35 days
Land Acquisition and Compensation	35 days

Source: ACTVO - ACTVO Workflow Procedures

Over the revaluation period, all staff (Valuation and administrative support) are primarily engaged in the conclusion of the rating valuation program. It is understood that this approach is adopted due to the breadth of valuation purposes undertaken which are set out earlier in this review and is coupled with the size of the team undertaking the resource commitment of

the general valuation program. There are two concerns with this approach in siloing the general valuation program to the narrow time frame presently adopted. The first relates to the risks in setting aside other valuations including those required by the Environmental Planning and Sustainable Development Directorate EPSDD. It was noted during discussions with the planning office that requests for the review of valuations for the Lease Variation Charge will at times run over the 35 day standard time frame. This in part may also be driven by the complexity of some of these valuations that may sit in addition to the timing of the general valuation program.

The second and more pertinent matter is the time line of the project plan that underpins the general valuation program in the ACT. In contrast to Victoria which adopts a project plan running over 10-12 months and New South Wales which runs over 12 months. The roles and tasks of the project teams set out in the project plans in these states is not apparent in the ACT's project plan for the rating and taxing general valuation program. The project plans of Victoria and NSW provides for continual progress reporting throughout the year, validation and confirmation of data, sales evidence and analysis. It should be noted that NSW and Victoria engage contract valuers to undertake government valuations and sitting between the Valuer-General is an audit team that assist in monitoring the valuation process.

### **Reform and objectives**

It is recommended that the general valuation program for rating and taxing valuations be expanded to cover several months in which the project plan is to set out the staffing and resource plan of valuers and administrative staff to be assigned to the various land uses and component areas. Progress reports at either two or three monthly intervals be submitted addressing the quality of the sales data and analyses, a schedule accounting for adjustments for time and improvement from the date of sale and the date of valuation. A review of market trends and events that may impact the unimproved value of land as at the date of valuation and if or how the market may have changed between the annual valuation programs should be included. Page 66 sets out the workflow and assignment of job process. It is noted that each of the valuation purposes in the information provided differs and the plan provided does not set out how the assignment of valuation jobs for the various purposes are distinguished.

Further the manner in which the progress is monitored in tracking worksheets is not clear and how the response to valuation tasks that fall outside the specified timeframe or that require additional time due to complexity should be clearly articulated.

### **Additional observation and commentary**

The ACTVO comprises a small team that provides a broad and diverse range of valuations to the ACT Government for statutory and non-statutory valuation purposes, of which these purposes are set out at the beginning of this report. This factor alone distinguishes the ACTVO from teams in other jurisdictions that have discrete valuation teams solely focused on rating and taxing valuations across the year. A further note of difference is that in other jurisdictions, these valuations are undertaken by teams of contract valuers across several different valuation firms. This brings into question an additional layer of auditing required for monitoring consistency across firms of valuers that span wide geographic jurisdictions. These factors rendered a direct comparison in assessing effectiveness and efficiency of the ACTVO with other jurisdictions tenuous.

### **Conclusion**

This review concludes that the processes and procedures of the ACTVO do not adequately define or document its valuation methodologies. This leaves the ACT Government open to challenges that may be difficult and time consuming to defend. This further impacts on resourcing and staff time in responding to requests and queries with information that should ordinarily be available in a modern contemporary valuation system. The reformation of the ACTVO in providing valuations for a progressive tax mix, should concurrently account for the Territories evolving land uses, including mixed use land and high rise development that has evolving over the past decade.

## Appendix 1: Business Opportunities

The following opportunities raises possibilities that the ACT government might want to consider in the longer term if it was minded to invest in a more robust (and resource intensive) valuation capability for property taxation in the Territory. This would represent the next step in property valuation for the ACT noting that in recent years the ACT government has attempted to replace the loss of the Australian Valuation Office of its contract valuer by embedding a small in-house capability leveraging systems inherited from the Commonwealth. This limited in-house capability, quite possibly is 'fit for purpose' noting the small population of the ACT and the high fixed costs of establishing a 'gold plated' valuation capability.

The implementation of the recommendation in the body of the report will serve to improve the outcomes of the current in-house capability. The following discussions provide a platform for a more ambitious and robust property valuation capability.

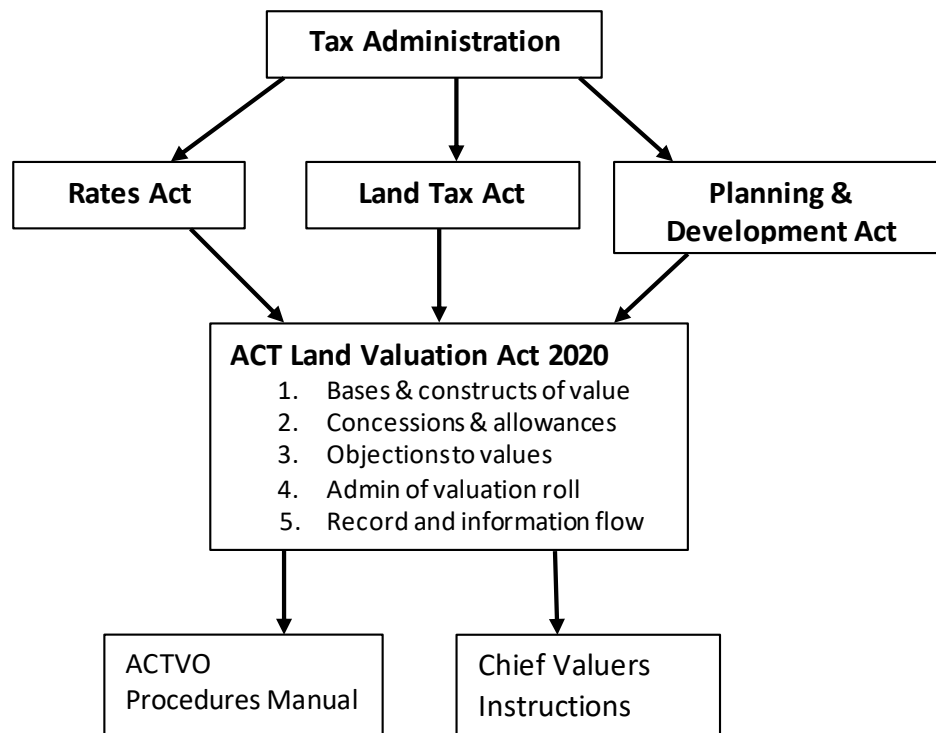
### Findings

The ACT does not have a dedicated statute governing the determination and administration of unimproved values, objections to unimproved values, concessions, allowances and administration of valuers in the ACT. While many of these provisions are addressed within the *Rates Act 2004*, a number of other provisions are located within other statutes, including the *Tax Administration Act* and *Planning Act*.

#### Business Opportunity 1

- a) ACT, in line with other jurisdictions in Australia, should develop a statute governing the valuation of land, objections to values, concessions and allowances and the administration of the valuation roll. For mixed-use development land valuations, the statute should prescribe the split in unimproved value, by reference to the apportionment of market value or income that is, or would be, generated to be assigned to each land use.
- b) Further, definitions should be included in the *Rates Act 2004*, defining the different land uses, traditionally termed as commercial use land, including office, retail, industrial and special-use land.

**Figure 4: Proposed Statutory Construct**



### Findings

The ACT has a unique valuation governance framework in which the Commissioner for ACT Revenue dually serves as the valuation authority and approves the recommendations of values from the ACT Valuation Office.

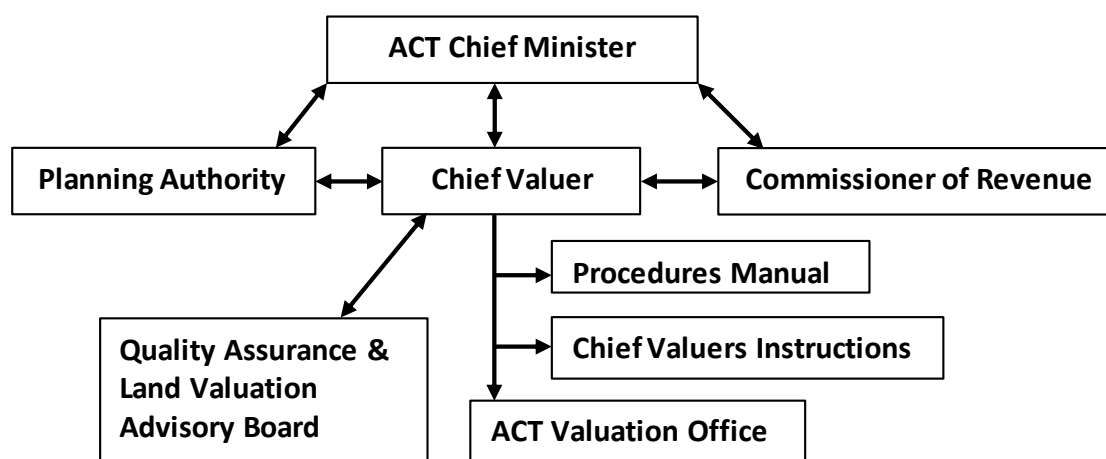
### Business Opportunity 2

In line other jurisdictions in Australia and New Zealand the ACT should establish an Office of the Valuer-General, or equivalent. This Office would be assigned the role of penultimate valuation authority for the production and administration of values in the ACT. To establish a separation between the Commissioner for ACT Revenue and the Principal Valuer of the ACT Valuation Office, the Valuer-General would assume the role of valuation regulator and the Principal Valuer or Director of Valuations within the ACTVO would assume the role of valuation operator.

### Business Opportunity 3

Following the implementation of Business Opportunities 2 and 3, the ACT Valuation Office should be resourced to develop a Quality Assurance Program (QAP) with oversight of a Quality Assurance Steering Committee (QASC). The steering committee in conjunction with the Valuer-General will initially provide guidance for the development of the ACTVO's practices and procedures. Requisite policies and procedures should be put in place to guide valuation and administration staff in carrying out statutory functions. The second oversight function of the Program and Steering Committee would be the ongoing monitoring of the valuations produced by the ACTVO.

Figure 5: Proposed Organisational Structure



### Findings

The current linear process of transaction information uploaded from the Land Titles Office to the Revenue Office and then downloaded to the ACTVO's UV98 system is outdated. The system for the management of unimproved values and objections between these offices is unclear and requires fluency and reciprocal exchanges of information. The existing UV98 system, currently in use, does not adequately integrate the databases of related government agencies allied to the ACTVO.



#### Business Opportunity 4

The ACTVO should develop a land information and valuation management platform to replace the existing UV98 system. It should adequately integrate the databases of related government agencies allied to the ACTVO and include links to:

- a) planning authority changes in land use codes;
- b) approvals and consent for development proposals,
- c) real-time updates on transaction and leasing data from the Land Titles Office to the Revenue Office and the ACTVO.
- d) Processes including preparation of worksheets should be replaced within an integrated land information and valuation platform.

#### Findings

Staff resourcing and professional development are fundamental to the reform of the ACT Valuation Office.

#### Business Opportunity 5

To improve resourcing of the ACT Valuation Office should add:

- a) one senior statutory valuer with experience in rating and taxing/compulsory acquisition valuation matters. This role should include, in addition to undertaking valuations, procurement and development of land information, mapping and a related visual land valuation system that integrate land uses, values and sales information. This should underpin the development of a computer-assisted mass appraisal systems; and
- b) a new role to govern IT and project management and commence the development of a uniformed sales and leasing information system in the transformation of the ACTVO's manually-driven practices.

- c) A training and development program to assist valuers transition from paper-based to digital processes that electronically track and provide version control of large-scale valuation projects that annually span the ACT.

## Findings

Across the ACT the Suburban Land Agency and City Renewal Authority undertakes land releases of which values are set by valuers within the private sector. The ACTVO is not consulted in the determination of selling prices of interest in land by these authorities. Concerns have been raised by staff within the ACTVO that there is a lack of independence in the soliciting and engagement of private valuers in undertaking these tasks, some of whom are also engaging in valuations involving the determination of lease variation charges and objections to Unimproved Value (UV) in the ACT

### Business Opportunity 6

The ACTVO should work with the Suburban Land Agency and City Renewal Authority to have these agencies:

- a) establish a declaration-of-interest register to monitor the activities of valuations undertaken by valuers in the ACT;
- b) set out the details of engagement of valuers to establish any potential conflicts of interest that might arise; and
- c) include ACTVO among the mix of valuation professionals that may be engaged to undertake these valuations.

## Statutory framework of valuation methodologies

Valuation methodologies should commence with a statutory framework and construct that sets out the basis of value, management of valuation processes and implementation of allowances, concessions, objections to values and administration of valuers. There is no statutory legislation collectively governing the administration of the valuation methodologies

in the ACT. This is addressed across several acts including the Rates Act, Tax Administration Act and Planning Act among others. Each jurisdiction in Australia has a statute governing the valuation of land for rating and taxing purposes which provides a statutory that transforms the practice of valuation to a legal construct. The current statutory void in the ACT leaves the valuation of land open to unbridled challenges in the absence of a construct under which the valuation process should operate.

The tenure of land is complex and impacts the use by reference to a regulatory framework in which the Planning and Development Act 2007 sets out a formula comprising a before and after value. The bases of these values are unclear and leave the ACT open to a long and drawn out process of challenges that are stated to be gamed in attempts to bridge the gap between these two values on which a lease variation charge is levied. As the ACT has increasingly become a high demand real estate market with increased levels of urbanisation and re-urbanisation, greater incentive has arisen for challenges to the Lease Variation Charge. On this basis the statutory construct of value for this valuation methodology is unclear. The valuation process should be articulated and accommodated within the proposed land valuation statute with a section dedicated to valuations for this purpose.

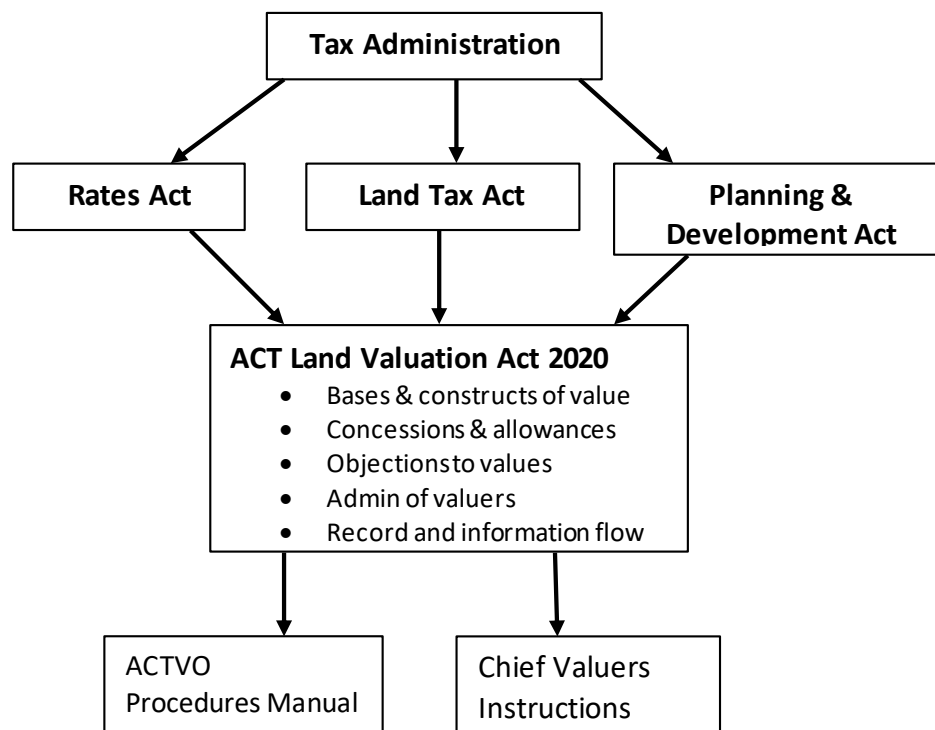
It is recommended that in conjunction with industry bodies, relevant government agencies and community representation, that consultation be sought in the construct of a valuation of land statute that encompasses the statutory valuation purposes for which land is valued in the ACT. This includes valuations of unimproved value and valuations for determining the lease variation charge. In the process of undertaking a crown lease variation, it should also be considered that the ACTVO undertake the valuation in the first instance, rather than the developer's valuer undertaking the valuation and the ACTVO responding to their valuation. The current process is unnecessarily complex and impact the process of bring land into production.

Figure 1 sets out the proposed statutory construct in which each of the statutes governing a charge or tax would refer to the Land Valuation Act. This Act would fully articulate the law governing valuation for the various statutory purposes and articulate the comprehensive determination of value, objections and onus of proof on the objector to provide the contended value where an objection is lodged. It is further recommended that the Act address

the approach for determining value and define land improvements more extensively to include, reclamation, excavation, retention and drainage. It should further address Mixed Development Apportionment Factors for value of mixed-use land as well as the determination of heritage values. Allowances for profitable expenditure would also reduce much of the contention of what constitutes land improvements in valuations for determining lease variation charge.

An important reform that is further addressed in the following section is the objection to unimproved values, how objections are undertaken and by whom and what information should be available to the rate and taxpayer as a matter of course. Requirements for the management of the valuation role is important for improving efficiencies in the operation of unimproved values. The need for a statutory framework has been identified by both the Planning Authority in the determination of the lease variation charge and ACTVO staff for determination of unimproved values.

**Figure 4 (cited earlier): Proposed Statutory Construct**



Focus Areas	Criteria	Rationale	Risk Rating
Are valuation methodologies fit for purpose and consistent with the land tenure system and legislation.	Records Management	The ability to articulate the valuation process, retrieve information, manage the valuation roll and respond to objections is a core function of record management. A statutory base is required supported by records and is central to the valuation of land.	Medium
	Delegation of Authority and conflict of Interest	The void in the statutory processes govern valuation has been defined by valuers in the ACTVO for the determination of AUV and objection management, as well as by the planning authority in the determination of LVC. The role between the ACTVO and private valuers in undertaking this process requires change.	Medium
	Project Management	The valuation of land has become more complex under the land tenure system with expanding mixed land use development and rapid urbanisation. A statutory framework addressing the core functions of a valuation framework is a critical reform.	Extreme

<b>Are valuation methodologies robust and effective in providing a reasonable balance between risk and certainty</b>	<b>Highly Ineffective</b>
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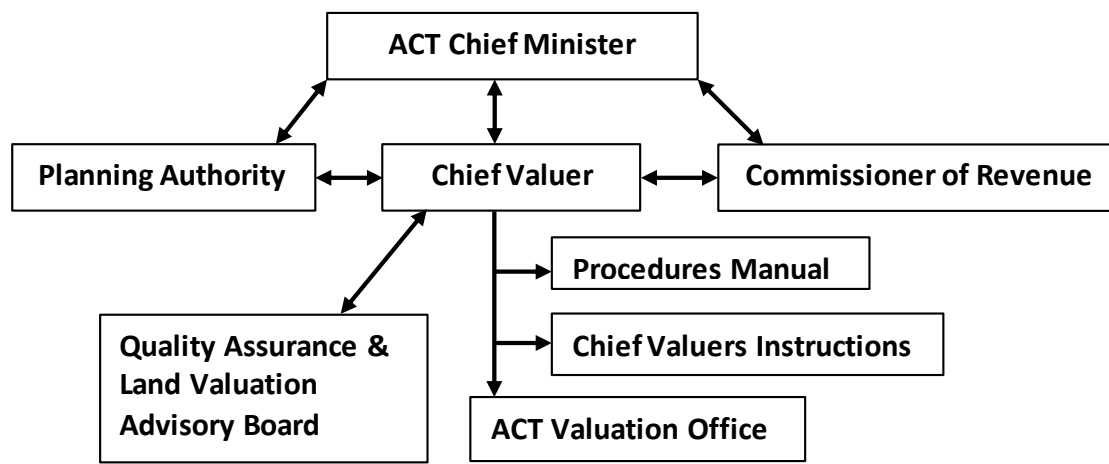
### Organisational structure and procedures

The overarching reform required in addressing the deficiencies identified in the statutory void impacting the fit for purpose status of the valuation process, commences with the organisational structure of the agencies involved with the rating, taxing, land tenure and valuation system in the ACT. Valuations that serve the purpose of setting the ad valorem component of taxes are indeed subject to additional scrutiny of the principles of good tax design. That is, the determination of values used for rating and taxing purposes are also the subject of efficiency, fairness, transparency and simplicity. The relationship between the ACTVO and office of the Commissioner for ACT Revenue is peculiar.

Figure 2 sets out the proposed structure that provides separation between the ACTVO and Commissioner for ACT Revenue. The need for separation between these offices is driven by the requirement for independence of the valuation function from those functions of the

revenue office. Under the present structure there is no penultimate qualified valuation authority to examine and monitor the quality control of the valuation process. The void in statutory process and Best Practice Valuation Procedures Manual are the initial indicators that a qualified valuer with experience in the valuation of land for statutory purposes is important. The Commissioner has done a commendable job to date, however there are a number of reforms required and coupled with the objectives of the ACT Tax Review and the recommendations a valuer should hold the role as penultimate valuation authority.

**Figure 5 (cited earlier): Proposed Organisational Structure**



The impact on tax revenue derived from the unimproved value of land and the valuation process used to determine rates, land tax and the LVC is highly ineffective. This is underscored by the practice of taxpayers being requiring to engage in the lodgement of FOI's to understand how values have been determined and to request sales data a process that is outdated. Of concern is the suggestion that unimproved values are conservative which results in most cases that are presented at ACAT resulting in wins for the Commissioner. There are a number of preventative measures to be implemented in curtailing the current manner in which risk and certainty are measured.

The fact that the number of objections to values are low compared with other jurisdictions and the success rate at ACAT is high, does not remove the risk in of public opinion. This particularly surrounds the availability of information relating to the process of how values are determined the evidence used to support the valuations and the ability to engage with the

valuing authority in discussing this information. The NSW Ombudsman Inquiry 2005 while concluding that land values were too conservative across NSW made 38 recommendations for reforms to the valuation process in NSW, many of these recommendations relate to the transparency of process and information.

The rationale supporting the need for reform is best served by reference to a similar approach that NSW and Victoria use to engage in the objection process, these serve as exemplars of robust and effective processes of objection management. It is accepted that the land tenure system in ACT adds an additional layer of complexity to rating and taxing of land however this sets a higher bar in the need for greater transparency of information and processes and engagement with taxpayers in the determination of unimproved values and valuations for LVC. In adding to the previous section of whether valuation methodologies are fit for purpose under the current statutory framework, administration and management is central to engendering reforms in attaining balance between risk and certainty.

Focus Areas	Criteria	Rationale	Risk Rating
Robust and effective in providing a reasonable balance between risk and certainty.	Records Management	Record management is a weakness that impacts the core functionality of the ACTVO. The ability to retrieve information and the current nature of the paper-based record system is an immediate reform to be undertake without delay.	Extreme
	Delegation of Authority and conflict of Interest	The discussion in this section on the proposed organisational structure in Figure 2 sets out the imperative of structural reform across the ACTVO and its related agencies. The oversight of an independent valuation penultimate authority is central to the reform of valuations for statutory purposes in the ACT.	High
	Project Management	There are few quality assurance measures in place in the valuation process in ACT. The ACTVO Procedure Manual which is in developmental stage, provides very little insight into project management of the valuation process. Project management is poorly documented which poses a significant risk in providing transparency of its processes.	Extreme

### A contemporary statutory valuation operating platform

This section comprises information provided by the ACTVO and observations made following the review of its valuation methodologies and processes that a contemporary land valuation and management platform should accommodate. Ideally, a future system should provide integration with other ACT offices and activities while fostering independence of the valuation process within the ACTVO. The ideal scenario is to include modules that allow direct data entry at the inspection of the subject or sales property including photo and date stamp.

The system would need to be integrated to avoid the issues alluded to in the body of the brief only to the point that each core function can be isolated for upgrading or replacement without compromising the rest of the system. And there should be an inbuilt verification system that continues to proof the inputted data.

The modules would be in 3 distinct hubs but linked the first two hubs accessed via a mapped front end. The hubs include:

- Valuations
- Sales
- Work-flow Management and Reporting

The Valuations hub will facilitate data input, search capacity and automated assessment functionality. Data input will be by the valuer linked to another valuer to approve release and ideally signed off by a higher valuation authority. Rating requests will be electronic with final advice for supplementary assessments stylised in a format that supports Revenue Office requirements.

It will link to external sources to refresh addresses, photos, zones, land areas and lease variations and other pertinent info such as Unit, Deposited Plans and sub lease plans. It will include searches based on title details, addresses, private valuer assessments, zone, number



of units, GFA etc coupled with broad category existing uses (commercial, retail, industrial, licensed premises, commercial accommodation, rural, leisure, residential etc) with the ability to select more than one broad category per property.

The system should be constructed with a contextual help system and automatic referral system associated with missing data. It will provide for bulk refreshes associated with General Revaluation work and allow broad percentage adjustments of high-level property components to give 'instant' rating base value updates for budget purposes. The componentisation and benchmarking arrangements can extend to specific property types situated across the ACT e.g. diplomatic sites, golf courses and other special uses.

The system should incorporate several Mass Appraisal methods including benchmarking, linear and multiple regression as well as generate statistical checks. A cost table for the analysis of the added value of improvements will be included in the module to standardise adopted construction rates in the sales module. And the module will generate required statistics associated with the methodology to check the validity of rating valuation returns and will allow design by selection of data to generate the required hard copy report.

The Sales Hub will capture sales information from Revenue Office with the functionality to include other sales information from Land Titles Office. It will be the central database of all sales analysis in the ACT and each transaction can be linked to the Valuation module by criteria determined by the valuer in order to extract pertinent sales information. The sales analysis will record the valuer and the QA associated with the assessment. A process will be developed to ensure that any chosen analysed sales to be used in a valuation are inserted directly into the valuation templates whether this is for the Revaluation exercise or for hard copy reports.

The workflow management and reporting module will provide the mechanism in which the work can be allocated, benchmark times for completion inserted and workflow tracked. Each category of job will be allocated a benchmark time as is standard in most MoU's or Service Level Agreement. It will also be able to report on hours on the job and can extract info on job timeliness, completion, on hand, value level, valuer, property category – productive and non-productive time. Reports can also provide QA info on sales used and the amount of sales

analysis carried out by a valuer and generate details on all case files including updates entered by the valuer in the time recording module.

In considering options for a land valuation and management system that would best fit the ACTVO's needs and objective of facilitating a modern and contemporary system in serving the ACT's taxation objectives, a number of systems have been identified. The NSW Valnet 2 system is over 15 years old, while having elements of connectivity to a number of related services, would not adequately address the more complex land title and tenure system of the ACT. Assessment Analyst which is used throughout Canada for its Capital Improved Valuation rating system, integrates CAMA and GIS spatial analysis. It is a system that might be examined further as an option by the ACT in managing the integrated data rich specific information including land use code changes for lease variation charges that meets the needs of its land, property and planning systems.

The system used in Victoria, VM Online addressed earlier in this report also warrants consideration. Discussions with the Deputy Valuer-General (Rating) as part of this review highlighted a number of strengths of this system that was recently adapted for the reintegration of valuations from a number of local government areas back to the Valuer-General of Victoria. The key attributes of this system include:

Adjustments and tailoring of property attributes for individual property.

Sales analysis function that converting sales to values for verification and handcrafting.

Adopted the function of CAMA since 2000.

Ability to model improvements and ascribe an added value in highly urbanised locations, de facto form of paired sales analysis.

### Quality Assurance & Audit Measures

The previous section highlighted the void in a penultimate valuation authority within the organisational structure that provides oversight of the ACTVO. In this section, under Best Practice we review and recommend oversight through industry advisory and an audit panel in line with NSW and Victoria. There is no external audit, advisory board or committees that

oversees or advises on the functions of the ACTVO or Commissioner for ACT Revenue in the administration and production of values or objections. Over the past two decades quality assurance has become an integral component of valuations produced by government for rating and taxing purposes. This extends further for the ACT, in which valuations for determining the Lease Variation Charge are important.

In making the recommendation for the ACT, a precis of Victoria and NSW has been provided in which both states use contract valuers to undertake rating and taxing valuations. In Victoria, there are approximately 250 valuation and administration staff across 15 firms that produce 3.1 million values used to assess rates and land tax. In monitoring quality assurance and control of valuations an Audits Contract Management team of 18 staff are employed that sit between the Valuer-General and contract valuers. This structure is assembled to provide a firewall in which the audit team reviews the quality of valuations produced across the three bases of value.

New South Wales engages contract valuers to produce 2.5 million valuations annually. In monitoring quality control NSW has three monitoring bodies:

Joint Standing Committee on the Office of the Valuer General: Established in 2004 to monitor and oversee the functions of the Valuer General, and reports to the NSW Parliament.

Land Valuation Advisory Group: Comprises representatives of valuation industry groups and stakeholders. The group was formed in 2000, following the Report of Inquiry into Operation of the Valuation of Land Act (the Walton report) in 1999.

Valuation Joint Steering Committee: Comprises the Valuer General, Deputy Valuer General, Executive Director of Valuation Services, and representatives from the Office of the Valuer General and Valuation Services.

It is recommended that oversight of the valuation process be undertaken in the ACT. In reviewing the ACT's processes, a hybrid of the Victoria and NSW structure would best work for the ACT. It is recommended that the ACT Government allocate a budget for exploration of systems that may be adapted to fit the land tenure system in addressing both rating and taxing valuations and valuation for the LVC. A quality assurance and land valuation advisory board comprising government officials including the Valuer General, Chief Valuer, Revenue

Commissioner, Director of Planning and a member of the Australian Property Institute would comprise such a body.

There are four key steps that the Victorian and New South Wales Valuer-General apply to monitor quality assurance, which are comprehensively addressed in their respective valuation procedures manual, steps are summarised as follows:

### **Victoria**

Stage 1: Preparation: Developing the plan and preparation for the revaluation.

Stage 2: Data Collection and analysis: Collection of sales and leasing data, inspection of sales and confirmation of property attributes.

Stage 3: Application: determined levels of value and apply and confirm valuations of all property.

Stage 4: Review: Quality Assurance and return: Valuation checks by Valuer-General and distribution of values to councils.

**Source: 2020 Valuation Best Practice – Specifications Guidelines 2019**

### **New South Wales**

Stage 1: Project Plan Management: Annual project plan staff, dates, resources, sales and verification.

Stage 2: Progressive Market Analysis – Sales over the 12-month period of the project.

Stage 3: Valuation Recommendations

- a. Provisional valuation recommendations
- b. Valuation methodology indicators
- c. Zoning changes & implementation of new standards
- d. Values amended on objection recalibration

Stage 4: Quality assurance services – Valuation analysis reports, Value acceptance checks, risk assessment register.

**Source: 2017 NSW Rating and Taxing Valuation Procedures Manual**

It is highly recommended that in conjunction with the development of a statutory framework governing the determination of unimproved value for rating and taxing purposes and valuations for the lease variation charge, that the following reforms be adopted:

1. A valuation audit committee be set up comprising relevant government executives including the proposed head of the penultimate valuation authority and land advisory valuation group comprising key industry stakeholders to initially oversee the reforms

to be adopted by the ACTVO and its ongoing operation. This group should meet quarterly with updates submitted by the ACTVO of its progress (see composition above in this section).

2. Annual report be prepared and presented to the ACT Chief Minister setting out the KPI's achieved by the ACTVO in reforming and the ongoing management of statutory valuations undertaken by this office.
3. The ACTVO undertakes valuations for several purposes in which its valuation and professional staff are engaged in carrying out. It is recommended that a review of staff engagement in these valuation purposes be established to determine strengths and expertise in developing a management strategy for leadership across these purposes. This in-turn will assist in determining the areas in which additional staff may be employed in recalibrating its operation in delivering its valuation programs.

## References and Abbreviations

### References

ACT Civil & Administrative Tribunal: HTI Watson Pty Ltd v Commissioner for ACT Revenue (Admin Review) (2020) ACAT 30.

ACT Government: Budget 2019-20 Budget Paper 3: Budget Outlook ACT Canberra June 2019 Publication No 19/0529

ACT Government 2012: ACT Taxation Review May 2012, Treasury Directorate ACT.

ACT Environment, Planning and Sustainable Development Directorate

<https://www.planning.act.gov.au/leasing-and-titles/crown-leases/leasehold>

Department of Natural Resources and Mines Queensland Government 2017: Statutory Valuation Procedures and Practices under the Land Valuation Act 2010.

Department of Land, Water and Planning, Victoria State Government 2019, 2020 Valuation Best Practice Specifications Guidelines.

Insight Data Solutions Holdings Pty Ltd, <https://www.ids.io/vm-online>

IPTI International Property Tax Institute 2014, The Best And Worst of International Property Tax Administration, September 2014.

IPART Independent Pricing and Regulatory Tribunal 2014, Review of prices for land valuation services provided by the Valuer-General to councils Draft Report April 2014.

Nicolls, D. Macroeconomics 2010: Final Report on the review of the charges system in the ACT, for ACT Treasury 29 Nov 2010.

NSW Ombudsman 2005: Improving the quality of land valuations issued by the Valuer General, Report to the NSW Parliament October 2005.

NSW Government 2017: Property NSW Rating and Taxing Valuation Procedures Manual, February 2017.

Planning and Development Act 2007, A2007-24

Rates Act 2004 ACT – A2004-3 Australian Capital Territory Effective 16 December 2019.

Taxation Administration Act 1999 ACT – A2019-46

Walton, J. 1999, Report into operations of the Valuation of Land Act, NSW October 1999

## Abbreviations

ACT: Australian Capital Territory

ACTVO: Australian Capital Territory Valuation Office

ACAT: ACT Civil and Administrative Tribunal

API: Australian Property Institute

AUV: Average Unimproved Value

AVO: Australian Valuation Office

CAMA: Computer Assisted Mass Appraisal

CAVS: Computer Assisted Valuation System

CPD: Continual Professional Development

FOI: Freedom of Information

IPTI: International Property Tax Institute

H&B U: Highest and Best Use

LAPS: Dept of Land and Property Services

LV: Land Value

LVC: Lease Variation Charge

PCA: Property Council of Australia

QA: Quality Assurance

RTVPM: Rating and Taxing Valuation Procedures Manual

SV: Site Value

VG: Valuer-General

## Valuation mapping and workflow process

The valuation mapping and workflow process is set out below the following points. Reference to the valuation methodologies applied by the ACTVO, are set out in the body of the main report.

- Valuation instructions received from the Revenue Management Office i.e. crown lease review, rating valuation, responses to objections.
- A request is logged and a new job folder is created on the ACTVO system.
- Confirm the status of property/s crown lease and conditions with lease details saved to a sub-folder.
- Undertake searches and obtain details on ACTMAPi and print copies following confirmation of the property details.
- Job lodged into a job tracking worksheet and allocated to a valuer as determined by Chief Valuer and lodge the new job on the Job Tracking worksheet.
- Once the allocation has been done, lodge the new job on the Job Tracking worksheet. [G:\ACTVO\Job Tracking](#) The Job Tracking Sheet provides a simple way to create a log of cases to help visualize and oversee the workflow within the ACTVO.
- The Job Tracking worksheets are developed to keep track of the current status of all requests for valuation service received from its clients. The worksheet has been designed to assist the admin/valuers, and a series of in-built checks help to ensure that as far as possible the data being entered is fault-free. This may reduce/eliminate the need for Managing Valuer/Business Support Officer to track case workloads and resource manually.
- Allocation Officer will have the opportunity to allocate and reallocate jobs on a basis of the assessment of the level of complexity and urgency of the job. If the Allocation Officer notes that the job needs to be reallocated to another valuer, the job must be reallocated through the Job Tracking worksheet. It is then the responsibility of the newly elected and allocated valuer to continue the progression of the valuation. It should be noted that a reallocation of a job may occur at any stage of the valuation.
- Conclude Job -Admin Team
  - Proofread the spreadsheet/report ensuing the work has been quality assured and signed by the appropriate overseeing valuer.
  - Review the spreadsheet/report and check that the details are accurate and that the requested years have been valued.
  - Conclude the job on the Job Tracking worksheet. (At this stage, the status of the job changes from [Awaiting Conclusion] to [Completed])
- The Administration Officer will be responsible for completing the appropriate checks on the reports/spreadsheets relating to the job. All the information from the reports/spreadsheet must be verified and saved into the job folder in the G Drive before sending it to clients.



**Consequence of grading outcomes against key criteria and indicators of best practice**

<b>Consequences</b>					
	<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
<b>Statutory Reform</b>	Points of difference develop in lack of value codification	Points of difference and creep into determination of values	Challenges to voids in statutes left to taxpayers' discretion	Gaps concessions and allowances that impact value and fuel dissatisfaction	Landmark rulings against values and revenue
<b>Documented Procedures</b>	Lack of discipline in procedures adopted	Differences in application of value across a valuer cohort	Conservative values and loss in revenue and creep in inconsistency	Mounting challenges and objections to changes in values	Handback of revenue derived from poorly or undocumented procedures
<b>Organisational Structure &amp; Authority</b>	Poor communication	Points of difference and arising tensions	Loss of confidence and respect in the ACTVO	Reputational damage & inability to attract staff	Internal challenges and risk shifting
<b>Technology &amp; Systems</b>	Longer timeframes to undertake work	Duplication of similar tasks with multiple outcomes	Poor version control and recording of valuer assumptions	Inordinate time and resources allocated to simple processes	System failure, loss of records, direction and real-time efficiency
<b>Transparency &amp; Information</b>	Direct contact from taxpayers seeking information	Increased representation outside of standard processes	Attract of media attention increases in objections	Challenges on procedural fairness and objections	Taxpayer revolt and political failure
<b>Project &amp; Risk Management</b>	Poor perception and small project overruns	Loss of system confidence by valuers and staff	Breakdown in communication and integrity in processes	Revenue robustness and adverse precedence on appeal	Project and revenue failure and sustainability

## Stakeholder & other meetings

Carlo King Principle Valuer ACTVO: 7-5-20, 14-5-20 & 21-5-20

Kim Salisbury Commissioner Revenue Office: 5-5-20 and 19-5-20

Jonathan Teasdale ACT Planning Authority: 21-5-20

Sch 2.2(a)(ii) Deputy Valuer General VIC: 28-5-20

ACTVO Staff: Geoff McInerney, Stephen Protopopoff, Mirek Pilat, Karen Hill, Abdul Latif, Hayley Rogers, (excluding Carlo King): 28-5-20

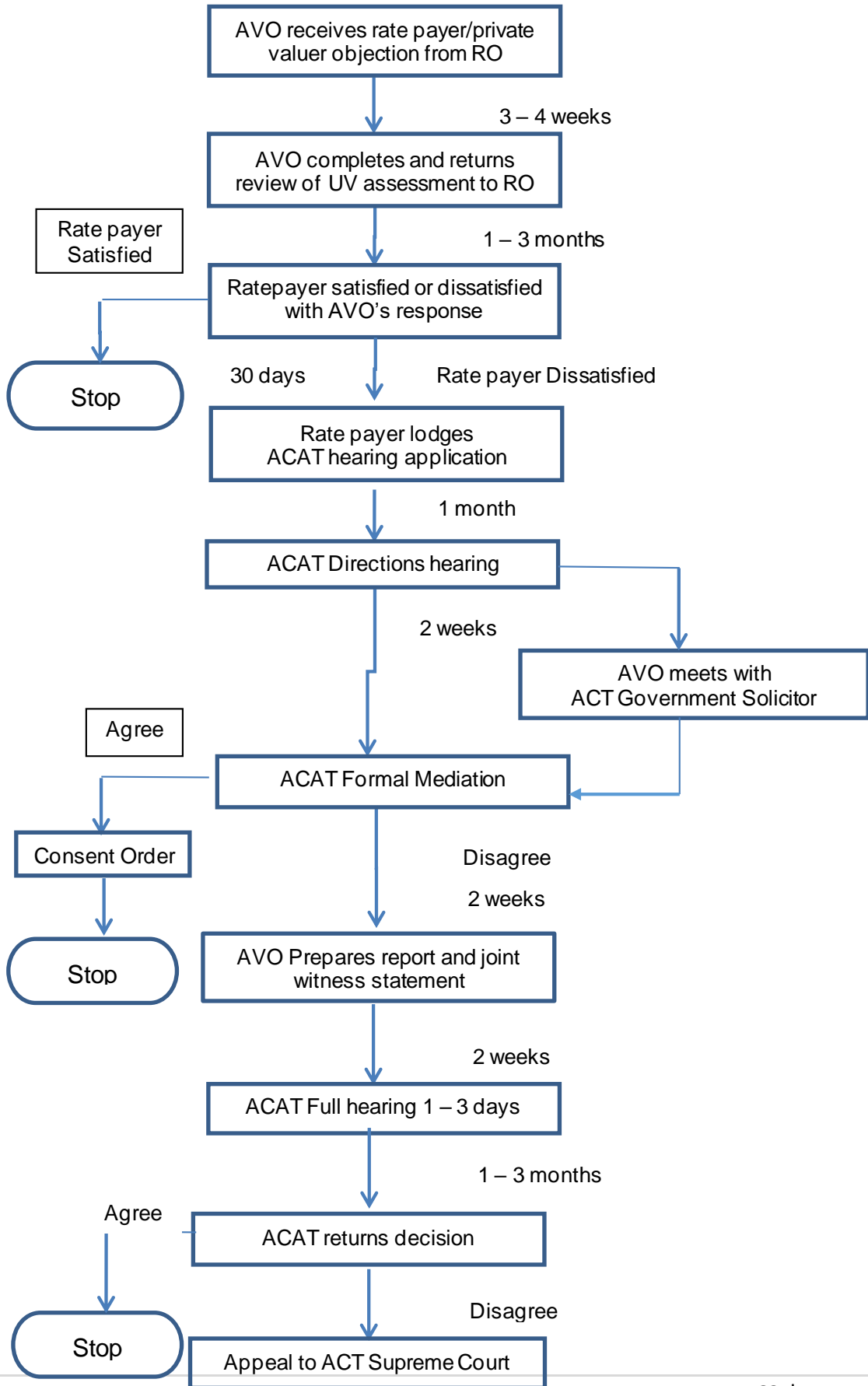
## External Contributors:

Sch 2.2(a)(ii) **Deputy Valuer-General Victoria for Rating Valuations**

Sch 2.2(a)(ii) **Valuer-General Victoria** is the government's authority on statutory valuations. He has roles and responsibilities under various Acts of Parliament including the Valuation of Land Act 1960 and the Local Government Act 1989.

**International Property Tax Institute:** Director, Assessment Services, International Property Tax Institute. Sch 2.2(a)(ii) until recently was the Chief Assessor with the Municipal Property Assessment Corporation (MPAC), North America's largest assessment jurisdiction. As MPAC's Chief Assessor, Sch 2.2(a)(ii) was responsible for the valuation of 5 million properties in Ontario Canada.

## ACT Rating Valuation Objection Flowchart



## CAVS 2020 Upgrade

System	Work	Description	Issues	Priority	Resolution	Time (hrs)	Need Clarification	
CAVS	Access	Access to code and functions	Open backend	1	Update and activate administrator access	3		
			All system functions permitted	1		2		
	Operation	General Functionality	Mismatch of years CAVS vs Reports	1	Reconcile system with reports	8		
			\$/unit not calculating	2	Fix	1		
			Area cell not large enough for site areas	3	Increase cell size	2		
			Property classification codes obsolete	4	New table of codes	24		
			No rating classification codes	4	Available		Four high level reveue office Codes, Rural, Resi, commercial (add non rateable).	
			No full extract of system info	2	Create query	24		
			Extraction process not user friendly	5	Direct the extract to ms product of choice without resizing or other workarounds		Able to design the extract (i.e. choose the fields) and extract it to MS Word, Excel etc for handcrafting. Currently it only allows a fixed range of data e.g. no addresses	
			No link to property files	3	Add hyperlink to files	3		
			Critical data fields not available	2	UP's, note who altered record last	16	Add zoning	
			No recognition of ACAT or Commissioners determination	1	Add flag and Commissioners figure with extract report	16		
			Clarification of benchmarking % cells	2	For uploading benchmarks	24		
			No flag of recent sale activity on system	2	Link with UV98 by district/section/block	8		
			No ability to add component benchmarks	3	Cross suburb and intersuburb 'localities for non single residential bm)	40		
			Terminology needs refreshing in modules	4	Reword, some difficult to understand	16		
			Print out of available info hard to read	3	Restructure report - removed tiered info	8		
					Bulk Uploads means significant time spent manually entering changes	3	Create bulk upload module	
					No QA functionality	2	Add system QA reports - sign offs of Benchmarking and data entry details e.g. address link with ACTMapI	Add the functionality of Crystals work flow MS Access module for allocating and tracking workflows.
			UV98	Sales	General Accessibility	UV 98 not linked to CAVS	2	
No full info extract query available	2	Create full report extract query to MS					We are unable to design a report to extract to MSExcel	
No system info extracts in excel available from UV98	1	Create extract query to MS product of choice				8		
Difficult to read layout	2	Revamp report				24		
ALL	Documentation	Manual describing functions	No instructions outlining use of module	3	e.g. required fields for benchmarking	24		
			No specifications associated with code	3	Source code for business continuity		Will consult with Dom	

## Construct of ACT Rates and Land Tax for 2020

### Commercial Rates

The rating system for commercial general rates in 2019-20 will have the following elements:

- a fixed charge of \$2,622
- a valuation-based charge on the Average Unimproved Value for 2019 (which is the average of 2017, 2018 and 2019 unimproved land values)
- marginal rating factors applied to the Average Unimproved Value of commercial properties

<b>AUV Threshold</b>	<b>Marginal Rates %</b>
0 to \$150,000	3.2341
\$150,001 to \$275,000	3.7702
\$275,001 to \$600,000	5.2615
\$600,001 and above	5.3216

In response to issues raised during the Standing Committee on Public Accounts' recent inquiry into commercial rates, from 20-21 we will lengthen the period used to calculate the average unimproved value for commercial properties. These changes will be implemented in consultation with industry over the coming year, to deliver more predictable rates bills for commercial property owners.

### Residential Rates

The rating system in 2019-20 for residential (unit titled and non-unit titled) general rates will have the following elements:

- a fixed charge of \$875
- a valuation-based charge on the Average Unimproved Value of the block for 2019 (which is the average of 2017, 2018 and 2019 unimproved land values) •
- marginal rating factors applied to the Average Unimproved Value of the block of residential properties

#### **Residential (non-unit titled) general rates**

<b>AUV Threshold</b>	<b>Marginal Rates %</b>
0 to \$150,000	0.3197
\$150,001 to \$300,000	0.4155
\$300,001 to \$450,000	0.5197
\$450,001 to \$600,000	0.5670
\$600,001 to \$750,000	0.5767
\$750,001 and above	0.5817

**Residential (unit titled) general rates**

<b>AUV Threshold</b>	<b>Marginal Rates %</b>
0 to \$600,000	0.4757
\$600,001 to \$2,000,000	0.5885
\$2,000,001 to \$3,650,000	0.6927
\$3,650,001 to \$4,850,000	0.7400
\$4,850,001 and above	0.7810

The rating system in 2019-20 for rural general rates will have a fixed charge of \$167 and a rating factor of 0.1544 per cent applied to the Average Unimproved Value of rural properties. In 2019-20 we will continue to provide a general rates concession for all eligible pensioners. This rebate is capped at \$700 per household for people who entered the concession program after 1 July 1997.

**Land Tax and Marginal Rates**

Land tax Land tax applies to any residential property that is not the owner’s principal place of residence, including all residential property owned by a trust or corporation. Land tax assessments in 2019-20 will be based on a valuation-based charge calculated using the Average Unimproved Value for 2019 (which is the average of 2017, 2018 and 2019 unimproved land values), and a fixed charge of \$1,263. Foreign investors who own residential property in the ACT are also liable for a surcharge of 0.75 per cent of the property’s Average Unimproved Value. Land tax revenue for 2018-19 is estimated at \$141 million, rising to \$150.9 million in 2019-20.

<b>AUV Threshold</b>	<b>Marginal Rates %</b>
0 to \$150,000	0.50
\$150,001 to \$275,000	0.60
\$275,001 to \$600,000	1.08
\$600,001 and above	1.10

Table 6.2.5 shows the land tax marginal rates that will apply to residential properties in 2019-20. Table 6.2.5: Land tax – marginal rates AUV threshold Marginal rates % \$0 to \$150,000 0.50 \$150,001 to \$275,000 0.60 \$275,001 to \$2,000,000 1.08 \$2,000,001+ 1.10

**Source: 2019/20 ACT Budget Papers**

**Valuation methodology comparative summary**

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT	NZ	Canada
Bases of Value	UCV	LV	SV, CIV, AAV	SV	SV	SV & UV	TBA	UV	CIV	CIV
Valuation Frequency	Annual	Annual	Biennial moving to annual	Annual	Biennial	Up to 5 years	Annually	3 yearly	3 yearly	5 yrs
Averaging of Values	Yes	Yes	No	Yes	No	No	No	No	No	No
Objections to values	60 days	60 days	60 days	60 days	60 days	-	-	-	TBA	30 days
Valuers	Gov't	Contract	Contract	Internal	Contract & Internal	Internal	Internal	Internal	Contract	Internal
Recurrent taxes determined by value	Rates & Land Tax	Council Rates & Land Tax	Council Rates & Land Tax	Council Rates & Land Tax	Council Rates & Land Tax	Council Rates & Land Tax	Council Rates & Land Tax	Council Rates	Council Rates	Local Gov't Rates
Reviews Rating/ Valuations	N/a	2006, 1998, 1992.	2020 underway	2009	2016	TBA	2015	TBA	TBA	2012

**Notes: Various States Statutes**

## Appendix 2 – Audit Objectives, Scope and Approach

### Objectives and Scope

University of Technology Sydney has been engaged by the ACT Chief Minister, Treasury and Economic Development to review the status of valuation methodologies that underpin property taxes imposed by the Australian Capital Territory Government (ACT). A precis of the review scope encompasses the following points:

- Hold discussions with key internal stakeholders and review relevant documents to establish an understanding of the selected methodologies for the ACT Valuation Office and what is required;
- Provide advice on whether the selected ACT Valuation Office methodologies, being applied for residential, commercial and rural valuation, if not, advise on alternate valuation methodologies;
- Based on evidence provided assess whether the valuation methodologies have:
  - adequately described aims and objectives that are being achieved through the conduct of assurance activities;
  - clearly articulated staff responsibilities, accountabilities and qualifications that are being adhered to;
  - well-designed policies and procedures for the conduct of valuation activities that are being delivered effectively;
  - records and working papers are completed to support all valuations that are solid and defensible and align with better practice;
  - valuation outcomes that are being appropriately assess with any remedial action being effective, timely, monitored and reported;
  - data collected to measure the accuracy of valuations against prescribed standards;
  - measures of efficiency and effectiveness for the time spent by Valuers on the valuation process that are being monitored and reported.
- To assess that internal audits are being assessed against four focus areas of governance:
  - records management.
  - conflict of interest.
  - delegations of authorities.
  - project management.



## Approach

The ACT Valuation Office is a statutory valuation body within the ACT government. Its primary function is the production of annual valuations for rating and taxing purposes for the ACT Revenue Office. The practices and procedures used in providing these valuations are operationalised through the Rating and Taxing Valuation Procedures Manual Version 3.0 approved 1-9-2019 and in line with relevant statute/s. In undertaking this audit, we propose to use the methodological approach of phenomenology and participatory engagement. This approach will examine the production of valuations and validate the practices employed in the application of the procedures manual and where sufficiently prescriptive within statute/s. These in turn will be benchmarked against the Rating and Taxation Valuation Principles of transparency, simplicity, consistency and fairness.

In employing this approach, the specific methods to be used as set out in the Internal Audit Services Request Form are interviews (meetings). We further require access to data bases used, sales analysis and reports, the componentisation and grouping of property and statistical checks where employed. A small sample of values for each class of property produced (residential, business, rural and special uses) within the last two general valuation cycles should be made available and a brief field trip will be organised by the ACTVO for an external (kerbside) observation of the values and sales evidence. In summary, meetings, desk audit and a field trips will be among the methods used within the construct of the broader audit methodology.

Further, a desktop approach will be used to examine objections to values and the processes used to review and determine the outcomes of objections. Record management and project management processes as well as delegation of authority will be reviewed through interviews and meetings with defined stakeholders. A trail of the processes used for lodging, logging, reviewing and communication of the outcomes of objections to objectors will be examined. Further, a precis of information provided to property owners on how values are determined and where applicable details on the availability of the sale / rental evidence will be examined.

### Appendix 3 – Review of a sample of valuation components

On request, the ACTVO provided a sample of locations setting out the values determined in the 2019 rating and valuation year. Information on the valuation approach used and worksheets for accounting for the added value of improvements in adjusting improved sales back to unimproved value is on a location by location basis. In line with valuation best practice the ACTVO uses the Componentisation method of valuing land. The verification of values, also known as handcrafting across the ACT is not clear and there is no uniform documented approach for the cycle of verification or handcrafting used. Figure 2 sets out the risk rating for the various land uses across the ACT, within the risk rating of one against commercial use land, two for industrial and three for residential land use. It is not clear when individual values were last handcrafted in the ACT under the former Australian Valuation Office (AVO) regime.

It is noted that in some locations where small numbers of properties are grouped, there has been a record created and signed by the Principal Valuer stating the last year in which handcrafting was undertaken. In replicating in the Figure below, it is important that the handcraft frequency is nominated and the last year or date in which values were either handcrafted or verified by category as well as by location.

#### Record of verification and handcrafting of values

Risk Rating	Risk Descriptor	Handcraft Frequency	Year Last Handcrafted
1	Commercial zoned land	TBA	TBA
2	Industrial zoned land	TBA	TBA
2	Rural zoned land	TBA	TBA
2	Community facility zoned land	TBA	TBA
3	Residential zoned land	TBA	TBA
3	Open space and recreation zoned land	TBA	TBA

It is noted that in a number of residential locations, it is important to provide the analyses, and bases in adjusting for the added value of improvements in the sales spreadsheets in residential suburbs. Within some residential component it is noted that there are large numbers of lots / residences, there are the same number of benchmark properties across

these components. It would be best to set out in the procedure manual the range in the ratio of benchmarks to lots being valued i.e. one benchmark per 500 – 750 lots for residential and the bases for such ratios.

**Extract of residential lots from valuation roll provided by ACTVO**

Location			No Lots / Residences	No of Benchmarks	Comments
Tuggeranong	Kambah	A	2520	1	Typical block within the locality- historical selection
Tuggeranong	Kambah	B	2423	1	Typical block within the locality- historical selection
Belconnen	Kaleen	A	1962	1	Typical block within the locality- historical selection
Gungahlin	Ngunnawal	B	3124	1	Typical block within the locality- BM review 2018
Tuggeranong	Wanniassa	A	1995	1	Typical block within the locality- historical selection

**Source: ACTVO**

A review of the ratio of unimproved values to sales prices in the industrial component of Beard are within the range of 80 to 95 per cent of the sale price, broadly falling within the acceptable margin of value for rating and taxing valuations. Most importantly, each of the above processes are to be articulated as items in the ACTVO Valuation Procedures Manual.

#### Appendix 4: NSW Land Valuation Services 2020

Contract Area	Local Government Areas	District Codes	Number of Property Entries (as at 1 Jul 2019)	Contractor	Contract Dates		ANNUALISED Contract Price for 2020 Valuing Year (12mths) (GST inclusive)	\$ per Assessment	
					From	To			
Central Tablelands	Bathurst Regional	608	19,328	Aspect Property Consultants Pty Limited	01/03/2019	29/02/2024	\$1,066,759.58		
	Blayney	118	4,069						
	Cabonne	109	7,379						
	Cowra	042	7,501						
	Lithgow	222	11,905						
	Mid Western Regional	620	14,174						
	Oberon	123	3,823						
	Orange	124	18,274						
		<b>Total</b>	<b>86,453</b>						
Central West NSW	Coonamble	238	2,701	Opteon Property Group Pty Ltd	01/03/2019	29/02/2024	\$910,844.00		
	Dubbo Regional	275	23,439						
	Forbes	117	5,445						
	Gilgandra	240	2,587						
	Hilltops	266	11,471						
	Lachlan	244	4,423						
	Narromine	251	3,496						
	Parkes	116	8,204						
Warren	254	2,037							

	Warrumbungle	537	6,326					
	Weddin	043	2,776					
		<b>Total</b>	<b>72,905</b>					\$ 12.49
<b>Hunter</b>	Cessnock	001	26,336	Opteon (Northern Inland NSW) Pty Ltd	01/03/2019	29/02/2024	\$959,154.49	
	Dungog	002	5,253					
	Maitland	005	34,095					
	Muswellbrook	007	7,634					
	Singleton	012	10,693					
	Upper Hunter	511	7,875					
		<b>Total</b>	<b>91,886</b>					\$ 10.44
<b>Hunter Coast</b>	Central Coast	259	126,490	Preston Rowe Paterson Newcastle & Central Coast	01/03/2019	29/02/2024	\$1,670,204.03	
	Lake Macquarie	004	82,066	Pty Ltd				
	Newcastle	008	58,545					
	Port Stephens	010	30,645					
		<b>Total</b>	<b>297,746</b>					\$ 3.22
<b>Murray</b>	Albury	050	23,248	Quotable Value Australia Pty Ltd	01/03/2019	29/02/2024	\$782,320.00	
	Berrigan	051	5,128					
	Edward River	262	5,239					
	Federation	263	7,736					
	Greater Hume	560	6,908					
	Murray River	269	7,997					
		<b>Total</b>	<b>56,256</b>					\$ 13.91

<b>North Coast NSW</b>	Ballina	148	16,008	<b>Robertson &amp; Robertson (Central Coast) Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$2,820,187.60</b>	
	Bellingen	149	6,198					
	Byron	150	13,754					
	Clarence Valley	303	26,033					
	Coffs Harbour	152	28,432					
	Kempsey	157	14,576					
	Kyogle	158	5,362					
	Lismore	159	18,314					
	Mid Coast	268	51,727					
	Nambucca	164	9,483					
	Port Macquarie-Hastings	656	32,735					
	Richmond Valley	151	10,371					
	Tweed	171	31,215					
		<b>Total</b>	<b>264,208</b>					<b>\$ 10.67</b>
<b>North West NSW</b>	Gunnedah	187	6,438	<b>Opteon (Northern Inland NSW) Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$807,940.98</b>	
	Gwydir	300	3,265					
	Liverpool Plains	301	4,505					
	Moree Plains	192	6,751					
	Narrabri	247	7,023					
	Tamworth Regional	666	28,005					
	Walgett	253	5,167					
		<b>Total</b>	<b>61,154</b>					<b>\$ 13.21</b>

<b>Northern Tablelands</b>	Armidale Regional	257	12,781	<b>Opteon (Northern Inland NSW) Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$523,154.15</b>	
	Glen Innes Severn	302	5,351					
	Inverell	188	8,734					
	Tenterfield	250	5,201					
	Uralla	199	3,121					
	Walcha	252	1,865					
		<b>Total</b>	<b>37,053</b>					<b>\$ 14.12</b>
<b>Riverina</b>	Bland	231	4,317	<b>Opteon Property Group Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$983,488.00</b>	
	Carrathool	052	2,039					
	Coolamon	054	3,019					
	Cootamundra-Gundagai Reg.	265	6,620					
	Griffith	074	10,952					
	Hay	243	1,874					
	Junee	061	3,027					
	Leeton	065	5,215					
	Lockhart	066	2,627					
	Murrumbidgee	270	2,652					
	Narrandera	070	3,736					
	Temora	538	3,798					
	Wagga Wagga	575	28,091					
		<b>Total</b>	<b>77,967</b>					<b>\$ 12.61</b>
<b>South Coast NSW</b>	Bega Valley	018	19,028	<b>Walsh &amp; Monaghan Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$2,711,436.15</b>	

	Eurobodalla	097	24,515					
	Kiama	098	9,578					
	Shellharbour	100	26,708					
	Shoalhaven	101	59,039					
	Wingecarribee	102	24,049					
	Wollondilly	226	18,912					
	Wollongong	103	69,458					
		<b>Total</b>	<b>251,287</b>					<b>\$ 10.79</b>
<b>South East Regional NSW</b>	Goulburn Mulwaree	529	15,906	<b>Opteon Property Group Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$922,020.00</b>	
	Queanbeyan-Palerang Reg.	272	22,959					
	Snowy Monaro Regional	273	13,930					
	Snowy Valleys	274	9,138					
	Upper Lachlan	526	6,599					
	Yass Valley	528	7,701					
		<b>Total</b>	<b>76,233</b>					<b>\$ 12.09</b>
<b>Sydney Central</b>	Burwood	137	7,719	<b>Quotable Value Australia Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$1,380,236.00</b>	
	Canada Bay	139	18,165					
	Canterbury-Bankstown	258	88,269					
	City Of Parramatta	260	48,547					
	Cumberland	261	50,707					
	Inner West	267	51,435					



	Ku-Ring-Gai	084	33,619					
	Ryde	090	26,171					
	Strathfield	143	7,423					
		<b>Total</b>	<b>332,055</b>					\$ 4.16
<b>Sydney City</b>	City Of Sydney	708	28,048	<b>Quotable Value Australia Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$658,266.40</b>	
		<b>Total</b>	<b>28,048</b>					\$ 23.47
<b>Sydney Coast North</b>	Hunters Hill	083	3,718	<b>Crown Valuation Services Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$910,844.00</b>	
	Lane Cove	085	7,838					
	Mosman	087	6,914					
	North Sydney	088	10,377					
	Northern Beaches	271	68,524					
	Willoughby	092	17,370					
		<b>Total</b>	<b>114,741</b>					\$ 7.94
<b>Sydney Coast South</b>	Bayside	276	32,798	<b>LMW (Statutory Services) Pty Ltd</b>	01/11/2019	29/02/2024	<b>\$1,052,489.75</b>	
	Georges River	264	35,806					
	Randwick	207	26,529					
	Sutherland	144	61,337					
	Waverley	209	13,175					
	Woollahra	210	13,406					
		<b>Total</b>	<b>183,051</b>					\$ 5.75
<b>Sydney North West</b>	Blue Mountains	216	37,086	<b>Quotable Value Australia Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$796,848.80</b>	
	Hawkesbury	219	25,055					

	Hornsby	082	41,312					
	The Hills Shire	081	56,493					
		<b>Total</b>	<b>159,946</b>					\$ 4.98
<b>Sydney West</b>	Blacktown	214	115,506	<b>Southern Alliance Valuation Services Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$1,821,688.00</b>	
	Camden	217	38,660					
	Campbelltown	218	55,218					
	Fairfield	220	53,493					
	Liverpool	223	61,161					
	Penrith	224	66,351					
		<b>Total</b>	<b>390,389</b>					\$ 4.67
<b>Western NSW</b>	Balranald	230	1,607	<b>Aspect Property Consultants Western Pty Ltd</b>	01/03/2019	29/02/2024	<b>\$655,320.01</b>	
	Bogan	232	2,107					
	Bourke	239	2,090					
	Brewarrina	233	1,180					
	Broken Hill	234	10,529					
	Central Darling	235	1,901					
	Cobar	236	3,225					
	Wentworth	255	4,171					
		<b>Total</b>	<b>26,810</b>					\$ 24.44
			2,199,900				\$21,433,201.94	\$ 9.74

## Appendix 5: Management Response and Action Plans

Management Response from the Revenue Office including Action Plans.

To: Ms Carol Lilley, Chair CMTEDD Audit and Risk Committee

Dear Ms Lilley

I refer to the Performance Review of Valuation Methodologies underpinning the assessment of ACT Land Tax, Rates & Lease Variation Charge. The key findings from the report are as follows.

Are valuation methodologies fit for purpose and consistent with the land tenure system and legislation?	Ineffective
Are valuation methodologies robust and effective in providing a reasonable balance between risk and certainty?	Highly Ineffective
Do valuation methodologies align with better practice and are they cost efficient?	Marginally Effective

While these findings are acknowledged, the report makes very few practical recommendations as to how the technical valuation methodologies currently being applied can be reformed and improved in the context of ACT legislation, processes, land tenure and land planning arrangements.

The recommendations are agreed and the following provides some detail and specific actions that will address the findings.

### Recommendation 1

*The ACT Valuation Office should revise and further develop its valuation operations, procedures and policies. This should be achieved through revision and expansion of its valuation procedures manual which should address the following points:*

- d) Project planning for determination of values*
- e) Training and continual professional development (CPD)*
- f) Well designed policies and procedures with records and working papers that address:
  - i. Sales data, evidence and analysis that reflects the accuracy of values*
  - ii. The application of concessions and allowances; and*
  - iii. The management of objections and remedial action*
  - iv. Measures of efficiency and effectiveness of valuers**

**Agreed:** This recommendation is similar recommendations in the report– Investigation into the Transparency of Commercial Land (Ombudsman Report No. 3/20 released on 13 August 2020). See attachment for Ombudsman recommendations.

Over the next 12 months, the Principal Valuer and Senior Director, Objections and Policy will undertake a rewrite and update of policies, manuals and procedures that cover points a), b) and c). This new documentation will be reviewed by the Commissioner for ACT Revenue and ACT Ombudsman. This updated documentation will be published on the ACT Revenue Office website.

Specifically, the updated documentation will address three (3) key areas associated with the delivery of valuation services:

### **1. Operational Guidelines**

A set of principle based guidelines scoping the high level requirements of the Revenue Office for valuation services and clarify accountability with respect to:

- a. Relevant Legislation
- b. Scope of delegations
- c. Policy
  - i. Technical
  - ii. Operational
  - iii. Customer
- d. Project Management
- e. Resources
  - i. Systems funding and support
  - ii. Valuation staff
    1. Inhouse
    2. Contractors
  - iii. Training
- f. Functional & Cost Review – Triennial benchmarking against market
- g. Accountability
- h. Reporting Framework
- i. Separation of records and record keeping
- j. Continuous Improvement
- k. Objections Management

### **2. Valuation Procedures Manual**

The creation of procedures that better align with other Australian rating jurisdictions including reporting and detailed valuation orthodoxy to support approaches to special classes of property and unique characteristics

- a. Mass Appraisal Methods
- b. Broad Property Categories
- c. Localities
- d. Property Classification System
- e. Tenure considerations
- f. Methodology for special property categories or features
- g. Sales Analysis Standards
- h. Annual Valuations
- i. Reporting Standards
- j. Objection and ACAT Process

### **3. Audit Procedures Manual**

The data used is checked to ensure robustness in the establishment of values for rating; that the requirements of the agreed project plan are completed and that issues identified in previous reports are resolved as recommended.

- a. Data Quality Plan
- b. Summary of KPI's
- c. Final File Storage Quality Assurance
- d. Final Audit File Changes
- e. Property File Changes Schedule
- f. Valuer Membership Certification
- g. Assurance Statement

## Recommendation 2

*Initially develop a public awareness program on the valuation process and the application of unimproved value in the assessment of rates, land tax and fire service levy. Subsequently adopt a more relevant and informative approach to inform taxpayers, based upon sales evidence used by the ACTVO, making the sales information and adjustments available to the taxpayers would be an improvement in transparency and simplicity.*

**Agreed:** This recommendation is similar recommendations in the report– Investigation into the Transparency of Commercial Land (Ombudsman Report No. 3/20 released on 13 August 2020). See attachment for Ombudsman recommendations.

ACTRO will provide additional information on the ACTRO website about valuations. This will encompass:

- Summary data showing year on year valuation changes by property type and precinct;
- Commentary on factors leading to valuation changes;
- Description of the revaluation program;
- Areas for further review and analysis;
- The valuation program for future years.

In August this year, the Revenue Office website was updated with this type of information on commercial properties for 2020, see <https://www.revenue.act.gov.au/rates/land-valuations>. Similar reporting is being developed for residential properties and will be uploaded in September 2020.

For 2021 values this information will be updated and additional statistical information will be provided.

In relation to a property owner obtaining information on how their property was valued, the Revenue Office will introduce a new process to provide property owners information on request. The request from the property owner will be by way of a simple application form on the Revenue Office website and the information provided by the Revenue Office will cover: an explanation of the basis for calculation of the value, general movements in the value of comparable properties and recent sales in the area of a similar properties that support the new valuation. This will inform the property owner as to the type of information they should consider when seeking to challenge a valuation by way of a formal objection.

At a more general level, consideration will be given to how sales data that has informed valuations can be presented in a manner that is understandable and informative for property owners in a particular area or precinct. This will be highly dependent on the ability of back end systems to capture and collate sales data.

This new process will be reviewed by the ACT Ombudsman.



### Recommendation 3

*The grounds of objection should be set out within the relevant statute and define the requirement for an objector to furnish supporting information as part of the objection. Where the objection relates to the sum of the unimproved value, the sum that the objector contends to be the correct unimproved value should be included in the objection as well as the basis on which the opinion of value is formed.*

**Agreed:** This recommendation is similar recommendations in the report– Investigation into the Transparency of Commercial Land (Ombudsman Report No. 3/20 released on 13 August 2020). See attachment for Ombudsman recommendations.

The Revenue Office will update its advice to taxpayers on lodging a valuation objection on its website and be specific on the information that has to be furnished to support an objection. The Revenue Office will consider whether legislative changes are necessary to support these changes in the objection process.

This is a significant change to current practices where an objection is accepted in almost any circumstances where the property owner disputes the valuation and the property owner is not required to provide any supporting information.

The purpose of this recommendation is to increase transparency for the property owner on how the valuation was determined (consistent with Recommendation 2) and reduce the number of objections by requiring the property owner to provide an alternative valuation and information to support that value.

It is expected that this new process (and any accompanying legislation) will be in place for the 2021-22 billing cycle.

The new process will be reviewed by the ACT Ombudsman.

### Business Opportunities

The 'business opportunities' in the Report suggested to address the findings include a range of substantive structural, legislative, governance and process changes. These are beyond the terms of reference of this assurance review. The 'business opportunities' identified will be examined as part of a business case for 2021-22 to address the ongoing sustainability of the valuation capability in the ACT Revenue Office. A key focus of the business case will be to consider options for a sustainable IT platform to support property valuations and the transfer of property information within the Revenue Office and between Directorates.

**Kim Salisbury**

**Executive Group Manager, Revenue**

**21 September 2020**

## **Ombudsman Report No. 3/20 – Investigation into the Transparency of Commercial Land released on 13 August 2020**

**Recommendation 1:** ACTRO develop and maintain a policy which provides transparency and guidance about how the commercial land valuation process occurs, including where a regrading program is undertaken for a particular suburb. This policy should outline the high-level policy framework.

- **Response:** Agreed. The ACTRO website will be reviewed, updated, expanded and recast in policy terms in accordance with this recommendation.

**Recommendation 2:** This new policy should be complemented by an updated procedures manual, to provide guidance to decision-makers, particularly with respect to data entry and quality assurance processes, to promote more consistent decision-making and documentation. The new procedures should outline requirements in terms of valuation analysis and documentation of decisions.

**Response:**

- Agreed. The current procedures manual will be updated and expanded in accordance with this recommendation.

**Recommendation 3:** Where decisions are made to increase the Unimproved Value (UV) of a commercial property block on an individual basis, the details of, and reasons for, the change are clearly recorded.

**Response:** Agreed. This recommendation has already been implemented and ACTRO will regularly review, and consider further improvements to, valuation records to ensure relevant details are clearly recorded.

**Recommendation 4:** ACTRO develop a mechanism for commercial property owners to obtain reasons for UV increases upfront, before the objections process. This should be done as a priority for property owners impacted by significant increases (that is, more than 20 per cent).

**Response:**

- Agreed.

**Recommendation 5:** ACTRO provide clear advice to the community via its website and in relevant correspondence regarding:

- the threshold for accepting an objection,
- the information that must be provided in order to ‘sustain’ an objection.

**Response:**

- Agreed.
- The ‘Objection process’ provides comprehensive information to property owners explaining the basis for the valuation of their property for taxation purposes. While this mechanism will be retained as the primary avenue for property owner engagement with the ACT Revenue Office, the Ombudsman recommendations to inform, clarify and support the ‘Objection process’ are helpful and welcome.

**Recommendation 6:** Once finalised, ACTRO (CMTEDD) publish the recommended policy as per its open access obligations under the Freedom of Information Act 2016 (FOI Act) or provide reasons why publishing the policy is not appropriate.

**Response:** Agreed.

**Recommendation 7:** ACTRO (CMTEDD) review whether it is meeting its open access obligations under the FOI Act, and consider more pro-active release of policy documentation consistent with the objects of the FOI Act.

**Response:** Agreed.

**Recommendation 8:** ACTRO review its website information on property valuation in the ACT. As part of this review, ACTRO consider providing tailored information for commercial and residential property owners on separate web pages. Information provided should meet a ccessibility standards and be clear and easy to understand.

**Response:** Agreed.

**Recommendation 9:** ACTRO publish on its website a summary of the changes that have led to revaluations in particular suburbs following an annual revaluation exercise.

**Response:** Agreed.