

### 3.3 THE FUTURE DIRECTION OF RATING AUTHORITY VALUATIONS IN VICTORIA.

FIN10 (727): DW: MK

Responsible Director: Marilyn Kearney

#### **RECOMMENDATION**

*That Council endorses the response to the Valuer General Victoria (VGV) proposal to “Centralise Rating Authority Valuations in Victoria” citing the issues and concerns raised within this report and seek a response to those concerns by the VGV.*

#### **INTRODUCTION**

On the 4 December 2008, the Valuer General Victoria (VGV) Mr Rob Marsh, issued a discussion paper titled “The future direction of Rating Authority Valuations (RAV) in Victoria”.

The discussion paper puts forward the following proposal: -

*“The State Government proposes that the Valuation of Land Act 1960 be amended so that the process for assessing RAV becomes the responsibility of the VGV, removing the disparate revaluation process carried out in parallel by each of Victoria’s 79 Municipalities”.*

Council is required to provide a written response to this proposal by 16 February 2009.

#### **BACKGROUND**

Municipalities are currently responsible for carrying out RAV every two years in Victoria, including managing the conduct of and payment for those valuations. Councils’ are also currently responsible for the conduct of supplementary valuations, enquiries and objection processes under the Valuation of Land Act 1960 (VLA). Councils provide supplementary valuation information (for a fee) to water authorities and the State Revenue Office (SRO).

Monash has outsourced the valuation process to Westlink Consulting for the provision of property valuation services. Westlink have performed the past three (3) revaluations for Monash and have commenced work on the 2010 revaluation, under the current contract due to expire in 31/12/2010.

The current VLA requires that the VGV “audits and certifies” the valuations and the Minister declares them to be “generally true and correct” before a Council can use the valuations for rating purposes.

Generally, advice from the Minister as to the declaration is not provided to Councils until after the budget adoption process is completed. Councils have historically acted on the preliminary audit and certification of the VGV for practical purposes to efficiently distribute rate notices to the community in a timely manner and to adopt the budget within the statutory timeframes.

## ***PROPOSAL***

### **Under the proposal put forward by the VGV: -**

- Biennial revaluations will be managed by the VGV by predominately using external valuers under contract.
- Costs will be recouped by the VGV by providing (at cost) valuation data to municipalities and other authorities for their rating purposes.
- Valuations data and valuation calculations will be maintained in a centralised system.
- Objections will be received and administered by the Valuer General.

It is proposed that Councils will be responsible to return the 2010 revaluation. The 2012 revaluation will be a transitional revaluation and for 2014 the VGV will assume total responsibility for all the RAV of the State.

### **VGV Drivers for change**

The proposal suggests that there are three (3) main drivers for change, they being:

#### 1. Independent Valuation responsibility:

The current system is viewed as being flawed in that the rating authority produces the valuation upon which it raises its own revenue. The proposal claims that it will improve transparency of the RAV process by separating the revaluation process from the rating process.

#### 2. Increased efficiency of valuation processes:

The Valuer General's ability to further improve valuation data quality and to be an authoritative source of statewide data is limited under the existing legislative framework.

The proposal is to amend the Valuation of Land Act 1960 so that the VGV becomes the valuation authority for rating purposes, removing municipalities' existing dual valuation and rating authority function and facilitating a single statewide custodianship arrangement, that in turn delivers improved data accuracy and better meets user expectations.

#### 3. Improved Valuation Data:

The existing revaluation process involves data duplication and double handling. VGV and State Revenue Office (SRO) currently maintain separate statewide valuation databases. Additionally, each municipality owns, manages and maintains their respective valuation database resulting in data being owned by 79 individual organisations.

Another key driver, (not widely promoted or listed in the proposal, but discussed at the information sessions conducted by the VGV), is the potential revenue generated by data sales nationally. The VGV has given an undertaking at the information sessions attended by staff that any revenue generated by the sale of valuation data will be applied directly to the revaluation expense to reduce costs to Council. While not quantified it is expected that this revenue source has the potential to be significant.

It is further proposed that the VGV's office will become fully responsible for all objections and enquiries. Of some concern is the proposal to enable objections to be lodged directly "on-line" particularly in the areas of customer service and cost control. Monash currently provides extensive information to ratepayers following receipt of their rates and valuations notice, which ultimately reduces the cost to Council of processing formal objections and provides a high level of customer service to the ratepayer.

The VGV claims also that the proposal will align Victoria into with other states nationally that have already centralised valuations processes. However, it should be noted that centralised processes in other states operate under different legislation and the valuation returns are used on a significantly different basis from State to State to that currently legislated and used in Victoria.

### **VGV's Proposed Benefits**

The VGV has indicated that the proposal will result in the following benefits: –

- Savings to municipalities and the State Government through economies of scale and larger contracts, which also enable specialisation.
- Independence and improved transparency through separation of the valuation assessment function from the rating and taxing function.
- Provision of improved information to policy makers and industry to better inform business activity and development decisions.
- Provision of quality valuation data in a consistent format to municipalities and other rating and taxing agencies.
- A greater ability to deliver whole-of-government valuation requirements e.g. asset valuations for financial reporting.
- Greater community confidence and access to a consistent quality valuation product.
- Capacity for owners of property portfolios to deal with only one valuation authority regarding their valuation enquiries.

### **Costs**

The VGV has indicated that the biennial cost of the revaluation in Victoria is made up as follows: -

<b>Total Cost</b>	\$40.6 million	<b>Costs Share</b>	SRO	\$17.6 mill
			Councils	\$19.4 mill
			VGV	\$ 3.6 mill

Currently Councils' pay \$37 million (statewide) for the revaluations and is reimbursed by the SRO for approximately 50% of that cost. Council also derives income for supplementary valuations provided to the SRO and Water Authorities.

The proposal suggests that over a 10-year period it is estimated that the SRO and municipalities will receive direct cost reductions of 10%.

## **Data Ownership**

Currently Councils' own all the valuation data. The proposal requires Councils' to provide the VGV all the valuation data it currently owns, holds and maintains. There is no intention for the VGV to pay for or compensate Councils' for the supply of the initial valuation data, as it has been deemed to be collected for "public purposes".

The VGV will sell back the calculated valuations to Council "at cost". The proposal does not intend to supply Councils with the supporting valuation data. (i.e. the data gathered to determine the values).

## ***TIMEFRAMES***

### **Response timeframe**

The VGV requests that Council respond in writing to this proposal by close of business 16 February 2009. (This date has been extended from 2 February 2009).

Councils' are requested to consider the following when providing its' response to this proposal.

1. Do you support the proposal for the VGV to assume responsibility for management of rating valuations?
2. Are there particular aspects of the proposal which you –
  - (a) Support
  - (b) Do not support
3. Any additional comments you wish to make?

### **Decision and implementation timeframes**

The VGV has advised of the following proposed timetable for implementation: -

- The Government will consider proposals and it is intended that a decision will be finalised in April 2009.
- Legislation amendments will be presented to the Parliament in the spring session October 2010.
- Implementation is planned to be phased in over 2012 and 2014 revaluation cycles. The 2012 implementation will focus on redirecting contract management responsibilities from municipalities to the VGV.
- For the 2014 revaluation the VGV will assume full responsibility. The 2014 revaluation cycle will concentrate on implementing a front-end-user interface that requires valuers to input revaluation data in a uniform data format.

## ***CONSULTATION***

Consultation with Councils to date has included the release of the paper and the conduct of information sessions across the State by the VGV. These sessions are still underway.

Consultation is also currently being conducted with the following stakeholder groups in the development of responses to the VGV proposal with their status as follows:

- Revenue Management Association (RMA) TBA.
- Municipal Group Valuers (MGV) Draft
- Australian Property Institute (API) Draft end Jan
- Municipal Association Victoria (MAV) Preliminary mtg 19/12/08,  
subsequent mtg 23/1/09
- Valuer General Victoria (VGV) List of commonly asked questions  
TBA.

### ***COUNCIL'S SUBMISSION***

The benefits cited in the VGV's proposal are generally laudable however the proposal fails to consider a number of issues that have either not been identified or addressed in the VGV proposal.

### ***DISCUSSION AND POINTS FOR INCLUSION IN COUNCIL'S RESPONSE***

The tones of the VGV proposal and the information sessions attended by Council staff have a sense of inevitability, for the centralisation of RAV to go ahead as proposed. It is therefore important that Council's response to the proposal raises the issues and concerns documented below. In particular the need to ensure that service delivery to Council and its ratepayers is not compromised and that cost shifting is minimised.

It is important that in relinquishing ownership and control of the revaluation process that Council's service standards are maintained and/or enhanced and costs maintained and/or reduced.

In response to the VGV's questions contained in the proposal the following responses are proposed:

1. *Do you support the proposal for the VGV to assume responsibility for management of rating valuations?*

Council's support for the proposal "in principle" is subject to suitable service level agreements being negotiated and the satisfactory responses to issues/concerns listed in 2(i) and (ii) of this report.

2. *Are there particular aspects of the proposal which you –*
  - (i) *Support*
  - (ii) *Do not support*

#### **(i) Support for the proposal**

- (a) Council supports the notion of capture and maintenance of property data in a consistent and up to date manner across the State.
- (b) Council recognises that a centralised database will create opportunities for the marketing and sale of information, which will generate significant revenue streams that may offset the cost of providing the valuations to Councils.

**(ii) Council's support for the proposal is compromised by:**

- (a) The VGV is yet to provide evidence or comparative data that shows the Victorian system is inferior to that of other states that are centralised.

Councils' have not had the opportunity to evaluate the performance and customer service satisfaction levels for the centralised valuation services in other states.

Councils' have not been provided with information that highlight any dis-benefits of the centralised system in other states, either of a quality or data integrity nature or how the VGV proposes to address these issues.

- (b) Council currently performs Supplementary Valuations on a regular (weekly) basis. Having valuation contractors on-site has streamlined our turnaround for this process, which means timely and efficient revenue raising and customer service delivery. The proposal by the VGV fails to address how Supplementary Valuations will be delivered or indeed where the responsibility and cost will lie for the provision of information to the VGV to enable Supplementary Valuations to be undertaken.
- (c) Information should be provided to Councils as to the content and operation of service level arrangements including KPI's with each Council. The VGV is promoting that under each service agreement Councils' will have input/negotiate varying service level agreements, however this is neither efficient nor practical. Potentially legislation may follow for Councils to provide the VGV (at Council's own cost) all data created and held by Council on an ongoing basis, to enable the VGV to fulfil his responsibility to value property and deliver services to the State. This means that tasks currently undertaken by Council's contract valuation staff will potentially be shifted to Council employees or require engagement of Valuers for this purpose. This includes the collation and analysis of sales data, building approvals and planning permits. This is of a particular issue for the calculation of C.I.V and N.A.V valuations.
- (d) Assurances are necessary as to the cost control measures necessary to ensure any potential for costs shifting to Council for data capture is not supported or endorsed by the VGV. The VGV's proposal provides no statistics in terms of cost savings (apart from a vague reference to 10% savings over 10 years) or how valuation costs will be offset by additional revenue. Information is also sought as to the benchmarking exercises in other States, or from the VGV's own analysis.
- (e) In 2008 Monash received over 1,200 valuation/rate enquiries. Of these, only 120 formal objections were lodged. This has been the trend for the past 4 revaluations. This low formal objection rate is a direct result of the personalised and professional service provided by Council's contractors and staff in handling the initial enquiries.

Under the current proposal, the VGV's office will be fully responsible for all objection and enquiries. It is understood that the VGV will make objection forms available on-line. Whilst online lodgement of objections is

supported there is a concern that this may result in very high numbers of formal objections being lodged, which in turn will increase revaluation costs to Council.

Council currently provides a personalised service to ratepayers, other Council Staff and Councillors at the local level. This service standard ensures formal objections are minimised through the provision of information and data to explain valuation changes to stakeholders. Ratepayers sometimes confuse the issue of concern to them, i.e. amount of rates payable viz a viz the valuation of their property.

The proposal put forward by the VGV should also include a process where ratepayer enquiries can be made in the first instance either through an online process or the provision of a telephone/hotline service to more effectively assist ratepayers who do not have computer access or who would prefer the opportunity to understand more fully the result of their property revaluation prior to lodging a formal objection. This would ensure a continued level of service for Monash residents and would also ensure that costs of formal objections are kept to a minimum.

### ***CONCLUSION***

That Council should finalise its submission to the VGV including the detail contained in this report as well as consideration for any supporting information that is provided to Council as a result of submissions prepared by the representative groups referred to in the body of this report by the closing date of 16 February 2009.