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## **NSW Ombudsman releases report to Parliament: Improving the quality of land values issued by the Valuer General**

The NSW Ombudsman, Mr Bruce Barbour, today reported to Parliament on his investigation into the quality controls employed by the Valuer General to ensure the accuracy of land valuations in NSW. The investigation also examined the handling of objections including the provision of information to potential and actual objectors.

### ***Accuracy of land valuations***

The Ombudsman found the mass valuation system was generally sound but there were serious weaknesses in its implementation and the quality controls in place. Mr Barbour said, **'This means there is an unacceptable risk of error in a considerable number of valuations.'**

The investigation revealed that insufficient time and resources were allocated to checking the accuracy of valuations made by the eight firms of contract valuers that supply valuations to the Valuer General each year.

Of the objections to last year's valuations processed to date, the Ombudsman's report indicates that approximately one in four had been allowed and the valuation changed. **'This reflects poorly on the general standard of accuracy currently being achieved through the mass valuation process'** Mr Barbour said today.

The Ombudsman has made 38 recommendations aimed at helping the system produce more accurate and reliable valuations.

The main recommendation was for the Valuer General to start a program to check the value of each property in NSW to ensure the land values used in the system are as accurate as possible. **'International best practice recommends this is done every six years. We have now gone 16 years without any systematic review and correction of base line valuation data'**, Mr Barbour said. **'It's way overdue and a major cause of some of the problems'**.

The Valuer General has accepted all the recommendations made to him and has already started to implement many of them. While there is still much to be done, the Ombudsman acknowledged the Valuer General had introduced many commendable initiatives to improve the operation and reliability of the mass valuation system in NSW since his appointment in late 2003.

### ***Dealing with objections***

The investigation found that the objection process was far more thorough than many people believed but there was still room for improvement.

Mr Barbour urged the Valuer General to provide potential objectors with clearer explanations and supporting information to make it easier for people to lodge valid objections. He found property owners were not provided the most relevant comparable sales used to value their property unless they specifically requested this information from a senior officer.

The Ombudsman said, **'It is unacceptable that the Valuer General failed to analyse objection trends and outcomes as his own "health check" of the valuation system and had not implemented standard objection procedures to guide decision-making.'**

Some further issues highlighted in the report include:

### ***Cost reductions impacting on quality***

Since the introduction of contestable valuation contracts, the cost of valuations has reduced in real terms. Contractors in 2004 were paid as little as \$1.77 per valuation. Productivity savings gained from driving down costs have reached the point where the quality and accuracy of the valuations was being undermined

### ***Market evidence not up to scratch***

A key part of the valuation program is the analysis of property sales to work out the market movement. The Ombudsman said, **'Valuation contractors often did not have the most up to date value movements at the time they had to submit their values because of the time lag for sales to be officially notified'**. In a sample of 44 districts he found only 6 had more than half of their sales within two months of the 1 July base date, which is considered to be the best evidence of market movement.

**'I have recommended that the valuation base date be changed to 1 March to overcome this problem'** said Mr Barbour. **'This would also provide more time for the Valuer General's contract managers to perform quality control checks on valuations before they are issued'**, he said.

**'All valuations have a margin of error which is probably much greater than most people expect'** said Mr Barbour. He said the Australian standard of a margin of error in mass valuations of plus or minus 15% was in line with international best practice. However, he found more than 35% of sales valuations used to support the mass valuations in 43 districts demonstrated a margin of error greater than 15%. The investigation determined that of the valuations outside this margin of error, a large majority were under rather than over valuations.

Some of the causes of these under and over valuations were the absence of a uniform process for valuing property improvements and for adjusting values, anomalies in time adjustments and many instances where analysed land values had simply not been adjusted for time despite obvious movements in the market.

The Valuer General took steps to address some of these problems during the investigation. New guidelines have been issued that will apply to this year's valuation program.

The Ombudsman report is available on the Ombudsman's website: [www.ombo.nsw.gov.au](http://www.ombo.nsw.gov.au)