

Update from the Office of the Valuer-General

March 2020

Every year, the Valuer-General undertakes valuations of all property in the State for the purposes of Rates and Taxes. The Date of Valuation is 1 January and those valuations are adopted by the Rating and Taxing authorities for the upcoming Financial Year. In the case of the below, the 1 January 2020 valuations are adopted for the 2020/2021 Financial Year.

In the six months between the Date of Valuation and the commencement of the Financial Year, The Office of the Valuer-General with the aid of Land Services SA undertake a series of activities surrounding quality control and audit and also a revisit program – whereby properties that have had physical improvements, as advised to us by Rating authorities, have their values updated to reflect those changes.

There are both in practice and as necessitated through legislation, certain obligations, delivery milestones and deadlines that are to be adhered to. Leading into the new Financial Year, your Rating and Taxing authorities commence their budget planning at the time of this information being released using preliminary information provided by my Office.

As at the Date of Valuation this year, South Australia and Australia were experiencing significant turmoil as a result of bushfires, which horrific events affected so many people and also represented great uncertainty in economic terms. We have been working with Authorities on adjusting the value of property directly impact by those Bushfires.

The economic uncertainty that was evident as at the Date of Valuation has been clarified in light of more recent events across the world. I don't believe it can be said too often that these are unprecedented times.

In recognition of that, we have held multiple conversations about what, if any, actions are relevant to be undertaken by the Valuer-General in recognition of those circumstances. As mentioned previously, the options that are available to us are subject to various challenges surrounding delivery milestones and deadlines. Additionally, we are mindful that your Rating and Taxing Authorities are relying on that information from the Valuer-General to take appropriate measures available to them within their legislative framework in response to the current situation.

Having tested a series of options and mindful of the above and what circumstances were known at the Date of Valuation, I have determined to delay implementation of Cycle 2 of the Revaluation Initiative this year as those values now necessitate further review. The works undertaken thus far will be instrumental in implementing Cycle 2 for the 2021/2022 Financial Year.

The annual General Valuation mass appraisal and revisit program will proceed as usual.

This will ensure that property owners rights are maintained in accordance with the *Valuation of Land Act 1971* and the Rating and Taxing authorities will have less disruption to ease their budget and policy planning. It will also allow for such measures to be implemented with regard to those delivery milestones and obligations mentioned previously.

There will be some changes in property values this year – however our analysis is suggesting that the majority are modest in nature and are reflective of the circumstances in place as at 1 January 2020.

If you disagree with my assessment of value once you receive it following the commencement of the Financial Year, you have every right to object as outlined on my web page or in accordance with the instructions on your rates notice. However, be mindful I can only give consideration to the accuracy of the valuation having regard to the market as at 1 January 2020 and cannot amend a valuation to simply achieve a different rating or taxing outcome. The mechanisms for information, assistance and support around the payment of rates and taxes lay with the relevant authorities.

Proposed new timeline March 2020 – supersedes that contained within the following Project Plan

Cycle 1 in effect for 2019-2020 FY	2020-2021 FY No RI Changes	Cycle 2 in effect for 2021-2022 FY	Cycle 3 in effect for 2021-2022 FY
City of Adelaide*	No RI Changes	City of Adelaide*	City of Adelaide
Unley		Burnside	Campbelltown
Walkerville		Charles Sturt	Marion
Adelaide Plains**		Holdfast Bay	Mitcham
		Norwood, Payneham & St Peters	Port Adelaide Enfield
		Prospect	Adelaide Hills
		West Torrens	Onkaparinga†
		Primary Production and Rural Living	Tea Tree Gully†
		Light	Playford†
		Alexandrina	Salisbury†
		Barossa	Primary Production and Rural Living
		Kangaroo Island	Gawler
		Victor Harbour	Mount Barker
		Yankalilla	Onkaparinga
			Playford

* Due to the complexity of this Area, research and analysis is ongoing and will be delivered in Cycle 3

** Primary production and rural living only

† Initial testing has suggested that the majority of Residential Site and Capital Values in these areas already lay within reasonable tolerances and as such, for these areas, Commercial and Industrial properties form the primary focus

Note: The project plan that follows has not been altered



Valuer-General's Information

3 September 2019

Revaluation Initiative Project Plan Summary

FORWARD

I write this at the completion of the first of three cycles of a program of works called the Revaluation Initiative. There is a background to when, how and why this was incepted and whilst that all pre-dates my appointment as Valuer-General on 1 January this year – as an experienced Property Valuer myself, I understand the need for the annual General Valuation to be as accurate as possible. Further information on that history is provided hereafter.

It is important to note that the annual General Valuation of all property continues and that the Revaluation Initiative enhances the accuracy of those valuations.

Although the valuations are undertaken by an exclusive service provider, Land Services SA (LSSA) who commenced in October 2017, I maintain ownership and responsibility for the valuations used to determine your land based rates and taxes.

To me, it is essential we have these as accurate as possible to ensure that your rates and taxes are as fair and equitable as possible. The independence and integrity of the Valuation Roll, which is utilised by the rating and taxation authorities is of paramount importance, and it is my privilege to safeguard that integrity on behalf of our community.

As part of the commercialisation in 2017, Land Services SA are contractually engaged to undertake the Revaluation Initiative and have generated a Project Plan.

I have extrapolated relevant information into this summary, to adhere to my 5 year strategy to be as transparent with our community as I can, without compromising privacy.

For more information, I encourage you to review information available on the newly created website <https://dpti.sa.gov.au/land/ovg> which is being expanded on an ongoing basis.

Before closing, I would like to officially thank all the staff within the Office of the Valuer-General and Land Services SA, who have been working tirelessly to assist with your enquiries. I consider myself very fortunate to have such a warm and dedicated team of people.

Sincere regards

Katherine Bartolo

Valuer-General South Australia



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Note: Words and acronyms that are in italics in this Policy, that are not part of a 'quote' or legislative reference, have a meaning as outlined in the definitions section

CAVEAT

*** A Joint Committee has been formed by Parliament to review the policy relating to the valuation of Independent Living Units (ILUs). As a result, the Valuer-General has temporarily placed on hold that portion of the project.*

Once the Joint Committee has released its findings, the Valuer-General will independently, but having consideration for those findings, determine a policy that will bring all such properties into a consistent structure. The approach and methodology will be determined once the policy has been finalised.

PROJECT DEFINITION

Project Title

Revaluation Initiative.

Definitions and Acronyms

Term	Definition/Acronym
ILU	Independent Living Unit
LGA	Local Government Area
LSSA	Land Services SA
MOU	Memorandum of Understanding
Operations Manual	Specifies both the mandatory and suggested practices that Land Services SA are to follow in providing the required valuation services – this document is considered Commercial in Confidence
OVG	Office of the Valuer-General
SACAT	South Australian Civil and Administrative Tribunal
SAILIS	South Australian Integrated Land Information System
Work Plan	A plan on how a work stream will be delivered as part of the revaluation initiative and includes a detailed approach and schedule.
Work Stream	A key component of revaluation work based upon the property and value type.

For other definitions, refer to the Glossary of Terms located at <https://dpti.sa.gov.au/land/ovg>.

Background

One of the key functions of the Valuer-General under the *Valuation of Land Act 1971* is to make general valuations of land in each Local Government Area of the State, which must be done every five years, but in practice is undertaken annually.

The Valuer-General is expected to undertake valuations on a fair basis, with an emphasis on accuracy of valuations, consistency in approach, and like valued with like. In undertaking valuations and statutory functions, the Valuer-General must exercise independent judgement.

This project seeks to address concerns identified in 2015, that the data forming the General Valuation and as a consequence, the valuations themselves, were not sufficiently accurate. Funding was sought and granted in the 2016-2017 budget to enable adequate resourcing to complete the review.

The initial plan was to complete the project over a five year basis. Commercialisation of the then State Valuation Office resulted in the project being placed on hold and following the appointment of an exclusive Service Provider in Land Services SA in 2017, the project plan was amended by LSSA to be completed over three years to ensure full project delivery by the initial time expectation to be in effect in the 2021-2022 financial year General Valuation.

While revaluation work is undertaken on a continual basis, this initiative will be undertaken on a scale that has not occurred since the 1990's. It will incorporate a comprehensive review of property data requiring a range of activities to reset the base.

It is important to note that the annual General Valuation of all property continues and that the Revaluation Initiative enhances the accuracy of those valuations.

GOVERNANCE

Budget and Finance

Parliament approved \$15.45 million in the 2016/2017 budget for the Revaluation Initiative project to be completed. Following commercialisation, four fixed annual sums, with invoices paid monthly were agreed to with LSSA, for provision of the project. LSSA have management of their budgeted funds.

A portion of the funding, approximately \$3.25 million was retained by the Office of the Valuer-General for necessary resources.

Legislation

The Valuer-General provides statutory land valuations for all rateable properties in South Australia in accordance with the *Valuation of Land Act 1971*.

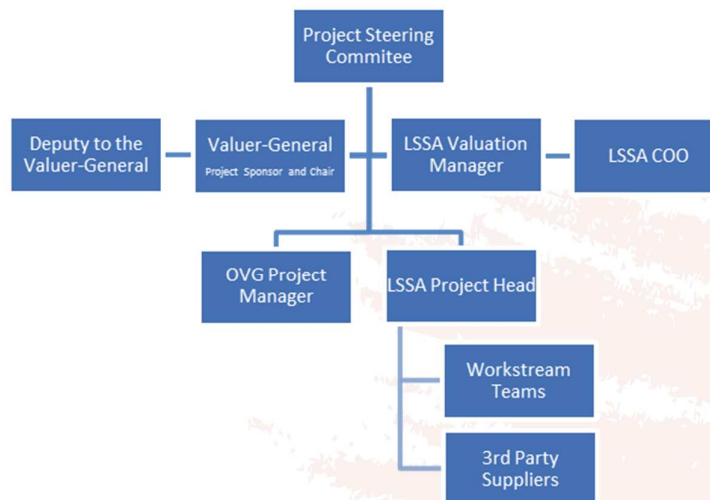
Other related documents:

- *Valuation of Land Regulations 2005*
- *South Australia Civil and Administrative Tribunal Act 2013*
- *South Australia Local Government Act 1999*
- International valuation Standards (IVS)

Governance Structure

The project Governance framework outlines who has responsibility and authority to make decisions which ensures there is clearly defined accountability for all aspects of the project. It is the link between, and support for, the governance decisions made by the Office of the Valuer-General, LSSA and the work of the project team to deliver, for a shared undertaking of governance roles and the investment parameters, scope and deliverables.

The Governance framework is as follows:



Role	Name	Responsibilities
Steering Committee	Valuer-General (Project Sponsor and Chair) Deputy to the Valuer-General LSSA Valuation Manager LSSA COO	Primary function of the Steering Committee is to take responsibility for the business issues associated with the project. Responsibilities include: <ul style="list-style-type: none"> - Approve changes to the project scope and supporting documentation; - Monitor and review project progress against agreed parameters as defined; - Assist in the project when required; - Provide direction on policy issues; - Resolve project conflicts, issues and risks; - Formally accept project outputs; - Ensure criteria for formal project closure is satisfied; - Correspondence to government (accountable to Project Sponsor)

Objectives

The purpose of the Revaluation Initiative is:

- To improve the accuracy of valuations that are delivered through the General Valuation.

The major objectives for this project are:

1. To improve the overall accuracy of Site and Capital Values within the submarket groups and property classifications that are in scope.
2. To undertake the revaluation of properties that are in scope on a fair basis and having consideration to the tone of the valuation roll and uniformity of valuations within each submarket, and between submarkets, for each property classification within the roll.
3. Maximise transparency via stakeholder and community communication and engagement.
4. To improve data quality and expand property attributes in South Australian Integrated Land Information System database (SAILIS) where required.
5. To ensure land use codes and occupancy valuations for the properties in scope are accurate.

6. To address Independent Living Unit records and valuations – refer to Caveat.
7. To ensure statutory requirements relating to valuations are completed in accordance with the *Valuation of Land Act 1971*.

Outcomes and Outputs

The following outcomes have been identified as the target outcomes for the Revaluation Initiative for the properties within scope:

Project Outcomes	Measures	Outputs
Improved accuracy	Valuations to be to an acceptable level of accuracy	<ul style="list-style-type: none"> - Valuations that are fair and fit for purposes - Consistent approach to valuation methodology
Capture new and missing property attributes, and existing data cleansed	An increase in the number of attributes collected and an increase in the quality of existing data attributes that help facilitate improved accuracy	<ul style="list-style-type: none"> - Improved quality and quantity of data on properties required for Site and Capital value - Improved business decision making through appropriate data collection, analysis and reporting
Maximised transparency via stakeholder and community and engagement	Clear and straight communication with customers, stakeholders and employees and reflected by stakeholder feedback	<ul style="list-style-type: none"> - Consistent messaging given to stakeholders by both the OVG and LSSA - Simple, efficient and timely delivery of customer and stakeholder communication and services
Independent Living Units	Per Caveat	Per Caveat

PROJECT SCOPE

Current Valuation Roll

The following extract is from the original plan relating to data that was accurate at inception of the project. The program expands to absorb additional records as it progresses.

As at 24 May 2016, the valuation roll(s) comprised 908,538 valuation records, with additional occupancy records of approximately 80,000 comprising approximately 1.82 million Site and Capital Values that are revalued on an annual basis. The breakdown of these valuation records into their respective property classifications is as follows:

Property Classification	Number of Valuation Records
Residential	647,799 in total 491,156 metropolitan Adelaide 156,643 non-metropolitan Adelaide
Commercial and Industrial	41,582
Primary Production and Rural Living	92,280
Other (incorporating institutional, public utility, infrastructure, recreational, mining property and administrative records)	126,877
Total	908,538

In Scope

- Review and where required, update the Site and Capital Value of the valuation records associated with –
 - o Residential property
 - o Commercial (retail and office) and Industrial property
 - o Primary Production and Rural Living property
- Review Independent Living Units – refer to Caveat
- Review and where required, update the Site and Capital Value of specialist and complex valuation records associated with -
 - o Medical centres
 - o Childcare centres
- Capture missing and new property attributes where required associated with each of the valuation records in scope
- LSSA to contribute to valuation policy to ensure consistency of approach in valuation methodology and the data collection exercise
- LSSA to contribute to the review of valuation practices to ensure consistency of approach in valuation methodology and the data collection exercise
- LSSA to contribute to the objection and review processes associated with the revaluation initiative as per the current agreement

Out of Scope

Note that all properties, including those in this out of scope section, are valued every year as part of the annual General Valuation. That is, those listed below are only excluded from the detail data review and analysis forming part of this program.

- 'Other' property classifications will not be reviewed within the Revaluation Initiative except where a property with a classification of 'Other' resides within a Residential or Commercial and Industrial submarket group and the Site Value has changed significantly. The Capital Value for these properties will be reviewed.
- The Capital Value of a subset of minor number of complex Commercial and Industrial properties which are complex in nature or have recently been reviewed and revalued, have been excluded from the initiative. These include hotels, caravan parks, purpose built car parks, transport terminals, sporting stadiums, airports, marinas, wharves, mines, quarries, siloes, heavy industry, plants, breweries, wineries, entertainment centres, amusement parks and centres, shopping centres and service stations.

Approach Overview

The project will be approached by segregating the in scope works into five key work streams;

- Residential, Commercial and Industrial Site Value
- Residential Capital Value
- Commercial and Industrial Capital Value
- Independent Living Units – refer to Caveat
- Primary Production and Rural Living

There are work stream dependencies inherent in the above, for example, Residential, Commercial and Industrial Site Value work stream must be undertaken and approved before Residential Capital Value or Commercial and Industrial Capital Value work streams can be started. As those Site Values may form the basis of the Capital Value, for example in a Summation valuation methodology.

It is expected that the project plan, which forms the basis of this summary, will be subject to ongoing review at the completion of each cycle to ensure that the project aims and objectives are able to be met.

METHODOLOGY

Site Value

As mentioned previously, the review and revalue of Site Values must occur before the Capital Values are reviewed. The Site Values will be reviewed based upon established configurations with modifications as deemed appropriate. A 'representative property' will be used to create a number of representative values within submarket groups. In the course of reviewing and revaluing the Site Values, outliers will be identified prompting further in depth research and analysis.

A number of well established Valuation methodologies may be utilised and could include the following:

- Direct comparison
- Use of representative properties
- Hypothetical development

Below is a high level approach to reviewing and, where required, revaluing Site Values. The steps are largely sequential, though can run in parallel:

- Review and update existing submarket groups
- Identify and capture property attributes
- Establish representative properties
- Identify individual property outliers for review
- Perform individual valuations to resolve the outliers
- Perform a broad value correction using the representative value models
- Provide recalculation reports to the Steering Committee for approval

Residential Capital Value

The approach for residential Capital Values focuses on identification of missing/incorrect/new property attributes to assist with the comparison of like properties.

Well established valuation methodologies may be utilised and could include the following:

- Direct comparison
- Hedonic / Automated Valuation Model (AVM)

Below is a high level approach to reviewing and, where required, revaluing residential Capital Values. The steps are largely sequential, though can run in parallel:

- Determine the property groupings for Capital Values within a LGA
- Identify and capture property attributes[^]
- Resolve any new or legacy enquiries
- Check for development activity not previously captured
- Identify individual property outliers for review
- Provide recalculation reports to the Steering Committee for approval

[^] *Attributes are collected through various mechanisms including physical observations, online sources, property owner provided information (called Land Owner Returns).*

Commercial and Industrial Capital Value

Currently, a mixture of valuation methodologies are utilised for these property types. A key component of this project is to ensure a consistent valuation approach is applied. To support this approach, a significant amount of additional data will be captured and utilised to generate new Capital Values.

Well established valuation methodologies may be utilised and could include the following:

- Income capitalisation
- Unit of comparison
- Direct comparison
- Summation
- Discounted cash flow

Below is a high level approach to reviewing and, where required, revaluing Commercial and Industrial Capital Values. The steps are largely sequential, though can run in parallel:

- Identify commercial and industrial precincts within a LGA
- Categorise each property within a precinct for review
- Determine the valuation methodology(s) to be used
- Resolve any new or legacy enquiries
- Identify and capture property attributes
- Established baseline schedules for precincts that include information such as gross/net rents, outgoings, vacancy rates, grade and capitalisation rates
- Recalculate values using the new attributes
- Identify individual property outliers for review
- Provide recalculation reports to the Steering Committee for approval

Independent Living Units

Refer to Caveat.

Primary Production and Rural Living Site and Capital Values

The primary Valuation methodology for this work stream will be Summation.

Below is a high level approach to reviewing and, where required, revaluing Commercial and Industrial Capital Values. The steps are largely sequential, though can run in parallel:

Site Value

- Review all submarket groups against the LGA development plan
- Capture and improve data attributes
- Define representative properties for each submarket group where appropriate
- Define rate tables based upon attribute sets for both rural living and primary productions properties, such as land size, location, rainfall and land type
- Identify and resolve outliers

Capital Value

- Changes in Site Value will, by virtue of the summation methodology, have some influence in the Capital Value
- Capture and improve data attributes for capital value improvements
- Individually review added value of improvements where they are identified as being outside tolerances or where new data has been captured

Site and Capital Value

- Review and confirm final value outputs resulting from site and capital improvement changes
- Provide recalculation reports to the Steering Committee for approval

Endorsement

Each work stream undergoes quality assurance and endorsement to all value changes that occur within the scope of the revaluation process and include:

- Senior Valuer / Team Leader
- Oversight from LSSA Manager

Quality Assurance

LSSA have a team led by a senior valuer who will also perform the role of team leader for each work stream. Each team will be recruited based upon the skills required for the particular nature of that work stream. Each team leader will work closely with the LSSA Project Lead to define and manage the work plan throughout the course of the project.

Another key component of the project team will be spatial and data analysts who will assist with assessing the quality of existing valuation data, identification of newly available data sets and supply of valuation related data attributes to assist in the revaluation process. Throughout the project there will also be additional support provided by the Operations team within LSSA. LSSA may, where required, outsource specific elements of a work stream to specialised third party providers. This may occur where sufficiently skilled project resources cannot be secured or where a specific component of work is better suited for a third party to deliver.

The Office of the Valuer-General has a Project Manager retained for the duration of the project. Elements around quality assurance are undertaken by audit and governance staff. At the completion of each work stream within each cycle, a recalculation report which includes recalculated values, statistical measures (where applicable), benchmarking analysis (where applicable) as well as other supporting evidence such as sales and rental information is to be generated by LSSA. This report will require endorsement by the Senior Valuer with oversight from the LSSA Valuation Manager.

Audit and Governance staff within the Office of the Valuer-General will undertake quality assurance to provide confidence to the Valuer-General. The report is submitted by LSSA to the Steering Committee for sign off.

Delivery

Local Government Areas have been identified for inclusion within the Revaluation Initiative. The project also allows for review of a grouping of property types which traverse LGA boundaries, for example Independent Living Units. As the project progresses, identification of other areas for inclusion, whether it be geographic or property type, will be introduced as required. The identification process is variable but key indicators include statistical outputs identified in the annual General Valuation Audit. Other means of identifying areas for inclusion may be concerns about a property grouping or other observations through the usual course of business.

It is intended that a Local Government Area will have this project work undertaken so that it takes effect within a single annual General Valuation. This of course, will not be possible when a property type traverses those areas.

In effect, all the data collection, research and analysis that forms part of any specific piece of RI work relates to the Valuation Rolls in force. The annual General Valuation operates concurrently and the mass appraisal indices overlays all property, including those corrected as part of the RI.

The following are provided as examples:

Example 1 – Residential Property	
Date of Valuation	1 January 2019
Valuation in Effect	Midnight 30 June 2019 for the 2019-2020 financial year
RI Findings	An older dwelling that has been extended and renovated with those works not previously captured resulting in an incorrect value
RI Correction	Uplift in value of 15% due to improvements as at 1 January 2019
Annual General Valuation Analysis	Market has lifted for the relevant submarket group by 3.6%
New Date of Valuation	1 January 2020 (at midnight 30 th June 2020 for the 2020-2021 financial year)
Total Value Movement	18.6% - representing the corrected value for newly captured attributes of 15% and market uplift of 3.6%

Example 1 – Industrial Property	
Date of Valuation	1 January 2019
Valuation in Effect	Midnight 30 June 2019 for the 2019-2020 financial year
RI Findings	Rental income information by way of a Land Owner Return identified that the rental income has previously been recorded as higher resulting in an incorrect value
RI Correction	Decrease in value of 13.4% due to rental adjustment as at 1 January 2019
Annual General Valuation Analysis	Market has lifted for the relevant submarket group by 4.8%
New Date of Valuation	1 January 2020 (at midnight 30 th June 2020 for the 2020-2021 financial year)
Total Value Movement	Decrease of 8.6% - representing the reduction in value of 13.4% for corrected rental and market uplift of 4.8%

As at the date of writing this, the Project Plan (which is subject to ongoing review), by Local Government Area per Cycle is as follows:

Cycle 1 in effect for 2019-2020 FY	Cycle 2 in effect for 2020-2021 FY	Cycle 3 in effect for 2021-2022 FY
City of Adelaide*	City of Adelaide*	City of Adelaide
Unley	Burnside	Campbelltown
Walkerville	Charles Sturt	Marion
Adelaide Plains**	Holdfast Bay	Mitcham
	Norwood, Payneham & St Peters	Port Adelaide Enfield
	Prospect	Adelaide Hills
	West Torrens	Onkaparinga†
	Primary Production and Rural Living	Tea Tree Gully†
	Light	Playford†
	Alexandrina	Salisbury†
	Barossa	Primary Production and Rural Living
	Kangaroo Island	Gawler
	Victor Harbour	Mount Barker
	Yankalilla	Onkapringa
		Playford

* Due to the complexity of this Area, research and analysis is ongoing and will be delivered in Cycle 3

** Primary production and rural living only

† Initial testing has suggested that the majority of Residential Site and Capital Values in these areas already lay within reasonable tolerances and as such, for these areas, Commercial and Industrial properties form the primary focus


Project Closure

The purpose of the project closure report is to provide a summary of the products delivered, comparison of baseline metrics and actual performance, project metrics, lessons learnt and feedback from Stakeholders. The report will serve as the official closure of the project and provides a permanent record for reference for future project teams. This will be a separate document provided to the Project Sponsor for endorsement along with the Steering Committee endorsement.

The project is scheduled for completion 30 June 2021. The project closure report is therefore scheduled for delivery to the Project Sponsor by 31st July 2021.

Authority

This information is given as a summary under direction by the Valuer-General.

Name and Position	Signature and Date
Katherine Bartolo Valuer-General	 3 September 2019