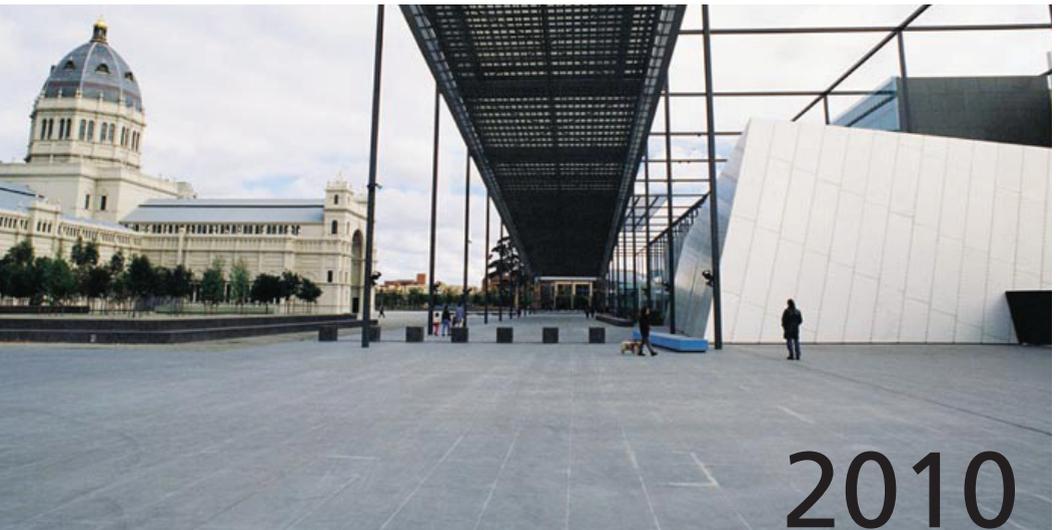


Property Valuations for the State Government of Victoria

A Statement of Guidelines for Valuation Practices



2010

Valuations for government property transactions must be correct and seen to be correct. To ensure financial responsibility by government, it is imperative that valuations made for government are independent.

The role of Valuer-General Victoria (VGV) is to ensure not only correct values are achieved but also a transparent process in this critical aspect of government land dealings. That is, that land valuations are undertaken with the highest levels of probity, accountability and transparency.

The position of the Valuer-General is a statutory one with various functions, primarily defined in the *Valuation of Land Act 1960*.

Operating from within Land Victoria, a division of the Department of Sustainability and Environment, the Valuer-General is responsible for whole-of-government general valuations and municipal valuations.

The Valuer-General also provides valuation policy advice, property indices and other real estate market information.

These guidelines relate specifically to general, whole-of-government valuations, including asset valuations for financial reporting. They link into and should be read in conjunction with the *Policy and Instructions for purchase, compulsory acquisition and sale of land*, (Government Land Monitor, Department of Planning and Community Development), which was endorsed by the Minister for Planning in August 2000.

These guidelines also highlight how probity is provided through independent instructions by the Valuer-General to a qualified panel of valuers – Valuation Services Panel (VSP) – or by an officer working for the Valuer-General.

Both in-house employees and members of the VSP provide quality valuation

advice that is independent and in the best interests of good government and sound administration.

These guidelines also outline the choice available to government agencies requiring direct access to valuers for low sensitivity property transactions under \$250,000, which do not require certification by the Valuer-General. Agencies have access to the VSP, members of which can be selected for their experience, expertise and competitive pricing. The Valuer-General manages this panel.

Government agencies responsible for conducting real estate transactions are encouraged to use these guidelines and ensure they are applied to all valuations, irrespective of the value of the land or property concerned.



Valuer-General Victoria (VGV) views the application of these guidelines as a way to fast-track the completion of property transactions by government. While working to the strictest of probity requirements, client relationships are a priority for VGV, with recent history indicating high levels of customer satisfaction.

Staff at VGV take a proactive approach to meeting timelines, solving problems, and placing emphasis on quality assurance and continuous improvement.

There is a similar performance expectation by VGV of the valuers included on the VSP. They are contracted to deliver quality valuation advice at a reasonable fee within set timeframes, which allows for thorough research, documentation and consideration of the issues.

Contract valuers abide by the strictest practices in regard to independence, integrity, confidentiality and professionalism.

The role, vision and functions of VGV are all supported by our fundamental belief in the need to achieve quality outcomes based on customer service, reliable processes, quality assurance, continuous improvement and ethical professional practices.

A handwritten signature in blue ink that reads "Robert Marsh".

Robert Marsh
Valuer-General of Victoria



VGV ROLE

The role of the Valuer-General is to protect the probity of government by ensuring that valuations are properly made and based on defensible valuation methodologies when used in government property transactions.

The Valuer-General provides professional valuation expertise to and on behalf of government. This expertise is relied upon by government and its client agencies. It is critical in the overall property transaction process overseen by the Land Monitor.

Probity and independence are the key principles underpinning the role of the Valuer-General. These are achieved by providing independent instructions and processes that ensure the requesting agency is at 'arms length' from a property valuation.

VGV VISION

To be recognised as the leading property valuation authority in Victoria.

VGV MISSION

To protect the probity of government in property transactions, rating authority valuations and for financial reporting purposes by providing professional, independent valuations and advice.

VGV FUNCTIONS

To deliver on this vision and mission, VGV provides:

- regulation, advice, education and information to guide government valuation policy and update valuation processes and procedures;
- statewide delivery of timely, accurate and uniform rating authority valuations – lead by setting and reviewing valuation standards and processes, then applying statewide supervision and coordination, in accordance with provisions of the Valuation of Land Act;
- arms length valuations that protect government by ensuring

independence, probity, transparency and accountability in the provision of valuations;

- valuation statistical indices for the adjustment of site valuations used for land tax assessment purposes and Commonwealth Grants Commission estimates, and for the adjustment of net annual valuations used by Melbourne's water authorities and the Victoria Grants Commission; and
- mediation when valuations are disputed – this involves creating and managing an environment where transparency, independence and probity are assured in negotiating agreement from a valuation/price perspective.

Table 1

SENSITIVITY	CERTIFICATION	PROCESS
High	Certified	VGV provides valuation in-house or project manages an outsourced valuation through the VSP
Medium	Certified	VGV instructs the VSP
Low	Optional Certification No Certification	VGV instructs the VSP Agency instructs VSP members direct

VALUATION MANAGEMENT

Appendix 1 shows how government valuations are delivered and should be read in conjunction with the description below. The Valuer-General manages the process of in-house and outsourced valuations in accordance with its quality procedures as certified ISO 9001:2008 Certificate n.10022. The Valuer-General's valuation processes are subject to ISO audits every six to 12 months. In addition, VGV audits the VSP annually.

All valuations for government must be provided by a member of the VSP or an officer working for VGV.

Two types of valuations will be available – certified and not certified (Table 1).

If required by statute and/ or Land Monitor policy requirements, agencies must seek a valuation that is instructed and certified by the Valuer-General.

For valuations that do not require certification

agencies can choose to seek a Valuer-General's certified valuation, which will be delivered either by the Valuer-General direct or through a member of the VSP, under the Valuer-General's instruction. Agencies may also directly approach a listed member of the VSP.

If the agency chooses to approach a VSP member directly, no certification by the Valuer-General will be provided.

If agreement cannot be reached on two or more valuations that are made for the purchase, sale or lease of a property where one valuation is certified, the Valuer-General will facilitate a dispute settlement conference.

Where there is a dispute in relation to a non-certified valuation the Valuer-General is available to mediate to ensure probity and protect the government's image and reputation.

In addition to the *Policy and Instructions on the purchase, compulsory*

acquisition and sale of land, and to ensure the government's probity is protected when it is undertaking valuations, a set of sensitivity drivers has been developed to enable an accurate assessment of:

- when the Valuer-General will provide a valuation in-house or instruct a panel member to provide the valuation; and
- whether or not there is a need for an agency to request a certified valuation.

The sensitivity drivers are listed in Appendix 1. Table 1 summarises the implications of the different categories of sensitivity.

Analysis of past transactions indicates that the Valuer-General certifies approximately 5000 valuations per annum with about 80 per cent of those being completed by the Valuer-General's VSP.

The 20 per cent completed in-house largely fit into the high sensitivity category outlined in Appendix 1. A small percentage of medium sensitivity valuations are performed in-house as part of the Valuer-General's quality assurance procedures. This ensures an appropriate level of skill is available to maintain professional standards for certification.

Valuer-General Victoria is able to accommodate agencies with rental and financial reporting valuation requests. The same high quality valuation management processes (as per Appendix 1) are available for these requests because they are established for sale, purchase and compulsory acquisition of land.

The practice will continue of agencies increasingly seeking Valuer-General's assistance in project managing, requesting check valuations and paying a commercial fee for this assistance.

This document should be read in conjunction with *Policy and Instructions on the purchase, compulsory acquisition and sale of land* produced by the Government Land Monitor, available from www.dse.vic.gov.au/valuation > Government valuations > Government Land Monitor.

The Valuer-General and VGV staff are available to assist with any queries related to these guidelines and any other valuation matters.

For more information contact
Valuer-General Victoria

T: (03) 8636 2515

E: valuer.general@dse.vic.gov.au

W: www.dse.vic.gov.au/valuation



SENSITIVITY DRIVERS

HIGH: AN IN-HOUSE VALUATION WILL BE PROVIDED AND CERTIFIED BY THE VALUER-GENERAL.

Parliamentary enquiry

A minister could be asked a question in parliament about the value or sale of government-owned land. The minister may request a valuation from the Valuer-General, which will be completed in-house.

Ministerial security/absolute transparency of process required

A request from the Premier or a minister for assessment of any private or government-owned land of state significance at a stage when confidentiality is required.

Market confidentiality

Valuations in relation to some government property transactions that need to remain confidential to prevent market operators from taking advantage of the knowledge (e.g. industry knowledge of government office lease details in the CBD can adversely impact future negotiations on behalf of government tenants).

Policy development

Development of new valuation methodology for land that is not often valued (e.g. land under roads and communication tower sites) and setting valuation standards for industry on how unique properties will be valued in the future.

Dispute settlement

If valuations vary the Valuer-General will undertake a dispute settlement process, which is completed in-house to ensure independence.

Preliminary program assessment

Provide valuation advice for major government initiatives (e.g. new roads – cost estimates for different routes).

Property uniqueness

This is related to policy development. It involves the valuation of government land not previously valued and one-off properties of state significance.

Lack of market evidence/methodology

VGV develops a valuation methodology, which could then be used by the private sector (e.g. for new public housing programs).

HIGH: AN IN-HOUSE VALUATION WILL BE PROVIDED OR THE VALUATION MAY BE OUTSOURCED BUT CLOSELY PROJECT MANAGED BY IN-HOUSE STAFF. THE VALUATION WILL BE CERTIFIED.

Program size

The size of a valuation request may require the task to be outsourced (e.g. asset valuation of all schools or police stations in Victoria). There may not be enough in-house valuers for the size of the project.

Public interest

This also relates to the program size. Large valuation requests will be outsourced, but if there is a degree of public interest in the land, the process will be closely managed by Valuer-General Victoria.

Impacts on market values

A client agency such as Office of Housing may have a large program that impacts on market prices, which can have a negative effect on the overall financial return to government.



Outsourced property function

If a government property function has been outsourced, it is critical that the same company not be in control of the valuation outcome because this could result in a conflict of interest.

Government-to-government transaction

If a number of government agencies are involved in a land sale, the Valuer-General will coordinate the valuation.

Compulsory acquisition

This is when the government compulsorily acquires land.

Dollar value not a determining factor

Generally, the more a property is worth the higher the sensitivity is in providing a valuation. However, some land may be of a lower dollar value but nevertheless be highly sensitive.

MEDIUM: THE VALUATION WILL BE COMPLETED BY THE VSP AND CERTIFIED BY THE VALUER-GENERAL.

Market information readily available

There is less of a need for the direct involvement of the Valuer-General when market information is readily available.

High volume program

This is when many valuations are involved. Confidentiality is not as critical; it has low public interest.

Specialist valuation type

By outsourcing the valuation, experts can be used to provide specialist valuations for properties such as hotels, service stations etc.

Dollar value not a determining factor

Property valued at more than \$250,000 requires certification by the Valuer-General. However, in some cases, land worth less than this may require certification because of its sensitivity.

LOW: THE VALUATION WILL BE COMPLETED BY THE VSP AND NO CERTIFICATION WILL BE PROVIDED BY THE VALUER-GENERAL. THE PROPERTY MUST BE OF A VALUE LESS THAN \$250,000.

Minimal impact on the overall management of government property

The project is deemed to have little effect on government land management (e.g. sale and rental of small Crown land parcels).

Active real estate market

Where an active real estate market exists, there is no need for the Valuer-General's direct involvement.

Dollar value subject to Land Monitor policy

Land under \$250,000 does not require certification by the Valuer-General. It can proceed directly to the VSP unless there is a high sensitivity driver involved; or, if so directed, within the Policy and Instructions on the purchase, compulsory acquisition and sale of land document managed by the Government Land Monitor.

SENSITIVITY DRIVERS

HIGH

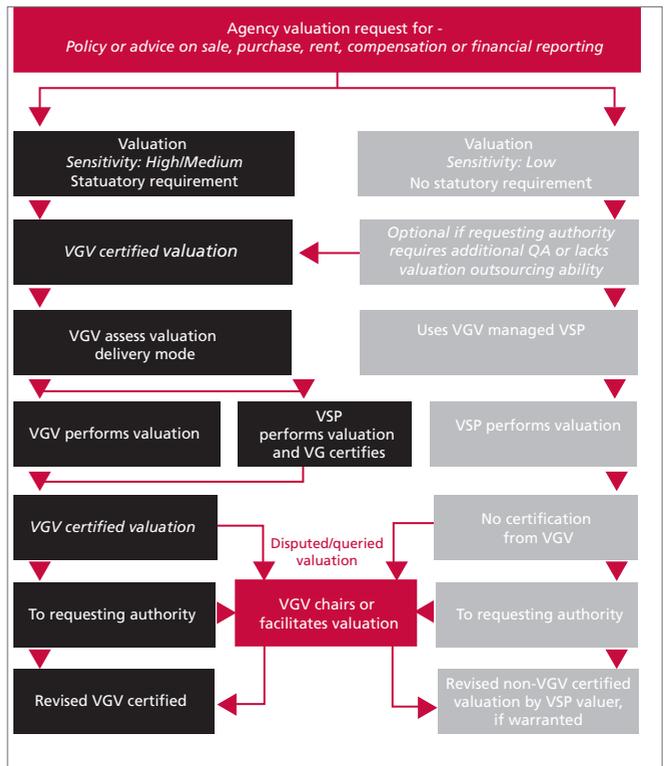
VGV performs valuations in-house

- Parliamentary enquiry
- Ministerial security/absolute transparency required
- Market confidentiality
- Policy development
- Dispute settlement
- Preliminary program assessment
- Property uniqueness
- Lack of market evidence/methodology

VGV performs valuations in-house or project manages an outsourced valuation through the panel

- Program size
- Public interest
- Impacts on market values
- Outsourced property function
- Government-to-government transaction
- Compulsory acquisition
- Dollar value (not a determining factor)
- Complex methodology

Appendix 1



MEDIUM

VGV instructs the panel

- High volume program
- Specialist valuation type
- Market information readily available
- Dollar value (not a determining factor)

LOW

Agency may instruct the VSP member direct

- Minimal impact on the overall management of government property
- Active real estate market
- Dollar value below \$250,000
- Fundamental methodology



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