

Queensland



Regulatory Impact Statement for SL 2003 No. 193

Valuation of Land Act 1944

VALUATION OF LAND REGULATION 2003

1 TITLE

Valuation of Land Regulation 2003

2 BACKGROUND

The *Valuation of Land Regulation 1993* (the Regulation) commenced on 26 March 1993. Under section 54(1) of the *Statutory Instruments Act 1992*, it will expire on 1 September 2003.

The proposed legislation is a re-make of the Regulation.

The objective of re-making this Regulation is to continue to provide the necessary machinery to allow for the effective administration of the *Valuation of Land Act 1944*.

3 AUTHORIZING LAW

The *Valuation of Land Act 1944*.

The key authorising provisions are as follows—

- Section 99(1) of the Act enables the Governor in Council to make regulations for the purposes of this Act.
- Section 99(2) provides that a regulation may be made with respect to—
 - (a) the powers and duties of valuers;
 - (b) the form of the valuation roll;
 - (c) the fees payable under this Act;

- (d) offences for contravention of a regulation and the maximum penalties, of not more than 1 penalty unit, for the offences.

Other relevant authorising sections are—

- Section 25(2)—setting the rate of discount for subdivided land;
- Section 36(3)—the supply of information (valuation returns, rate-books or documents) by local government;
- Section 36(4)—the supply of information on land acquired or disposed of by local government;
- Section 37(4)—extending the period for making valuation
- Sections 42 and 52—Objections against valuation
- Section 56—Notice of Appeal
- Sections 99(2)(c) and 73(3)—prescribing fee for copy of valuation roll
- Section 74(2)—Payment of fee for making valuation
- Section 76—Applications (roll extracts and other information)
- Section 83(2)—Furnishing of returns
- Sections 99(2)(c), 73(3), 76(1), (5) & (6), Schedules 1 and 2—Payment of fees and Prescribing fees

4 POLICY OBJECTIVES

The main purpose of the *Valuation of Land Act 1944* is to make better provision for determining the valuation of land for rating and taxing purposes, and for matters incidental thereto or consequent thereon.

Consistent with this, the Act provides for—

- Part 1—Preliminary—Short title, definitions and meanings of terms;
- Part 2—Administration—references to Valuer-General and delegation;
- Part 3—Valuations—provisions relevant to making valuations, altering valuations, and the power for valuers to obtain information or enter land etc.
- Part 4—Annual valuation—process including advertisement, notices, objection and right to appeal to Land Court;

- Part 5—Valuation Rolls—particulars and power to amend;
- Part 6—Valuations (other than annual)—notices, objections to valuations, right to appeal to Land Court;
- Part 6A—Appeals—how to appeal, costs, appeal to Land Appeal Court etc;
- Part 7—Use of Valuation—Purposes of statutory valuations, supply of valuation roll, power to do other valuations (other than statutory);
- Part 8—Suppression of personal details, and other miscellaneous matters including the supply of valuation and sales data, notices of change of ownership, power to obtain returns, approval of forms and power for regulations etc.
- Part 9—Transitional provisions dealing with discount period for subdivided land (section 25).

The principal Act was originally implemented in 1944 with some 49 amendments made since then. The current regulation was made in 1992 with some 13 amendments made since then. The majority of the amendments related to Consumer Price Index (CPI) adjustments of the fees.

The policy objective of having legislation is to ensure that statutory valuations (that is valuations for rating, land tax and State Land rental purposes) are carried out regularly and consistently throughout the State of Queensland. For the public to be confident in the statutory valuation process, they must be sure that the system must be fair and consistent.

The policy objective of the proposed regulation is to provide the detailed machinery to the Act to cover—

- various fees for providing valuations or valuation information;
- the rate of discount for rating and land tax purposes allowed on the valuation of subdivided land; and,
- changing the effective date for an annual valuation in a local government.

A copy of the draft *Valuation of Land Regulation 2003* is attached at Appendix 1.

5 LEGISLATIVE INTENT

The policy objectives of the Regulation will be achieved by remaking the necessary sections, which will support the fundamental purpose of the statutory valuation legislation. The Regulation seeks the provision of detailed operational framework and a defined fee structure for providing valuation of land for rating and taxing purposes and for supplying valuation information.

Regulation of this nature is an accepted way of achieving policy objectives in the field of valuation. Being a purpose driven service, different valuations are possible for the same property, depending on the methodology applied, a fact which is not well understood, particularly by infrequent users of valuation services. Without the regulation, the public and clients such as local governments would lack assurance of certainty and transparency of the valuation system.

In addition, not re-making the regulation would leave the administrative requirements in the statutory valuation system only partly described in the principal Act, limiting the effectiveness with which the legislation can be implemented.

Therefore while the principal Act is in place, it is impractical to adopt any other approach other than to re-make the necessary parts of the Regulation. In simpler terms, the Regulation would only be unnecessary should the principal Act be amended or repealed and other measures adopted. This is not the focus of this particular Regulatory Impact Statement (RIS). It is, however, a matter for a wider review that would have to be considered by Government.

6 CONSISTENCY WITH AUTHORISING LAW

As stated previously, the policy objective of having legislation is to ensure that statutory valuations (that is valuations for rating, land tax and State Land rental purposes) are carried out regularly and consistently throughout the State of Queensland.

The re-making of the Regulation is consistent with the objectives of the principal Act, particularly with the heads of power for making and levying fees, for making valuations or providing valuation information, for discounts associated with making and levying rates for subdivided land and for changing the effective date for an annual valuation in a local government.

7 CONSISTENCY WITH OTHER LEGISLATION

The Regulation does not impact on other legislation. The principal Act links closely with the *City of Brisbane Act 1923*, the *Land Act 1994*, the *Local Government Act 1993* and the *Land Tax Act 1915*.

8 ALTERNATIVES

Two options have been considered as detailed below.

Option 1—No Regulation

This is a ‘do nothing’ option, allowing the current Regulation to expire and not adopt other measures. It would mean that—

- Fees for alteration of a valuation, for a copy of the roll, for making valuation, for the supply of valuation information and the fee payable by a Local Government and would not be prescribed. By implication, it would be difficult to supply valuation information since the valuation of *Valuation of Land Act 1944* makes provision for the supply of information upon payment of a prescribed fee;
- Valuation periods could not be extended irrespective of—
 - market survey reports;
 - consultation with the local government for the area and appropriate local groups and industry groups;
 - the impact on valuations used for land tax or rental purposes;
 - the length of time since a valuation was carried out;
 - the relativity of valuations of land in the area with valuations for land in adjacent local government areas; or,
 - the overall program for annual valuations over the next 3 year period.
- the mechanism for setting discounts for rating and land tax purposes allowed on the valuation of subdivided land would not be available.

Under these circumstances, the transparency and certainty that is currently associated with the existing Regulation could be compromised

for those who give, use or are affected by valuation. Alternative measures including policies to deal with matters previously covered by Regulation, education and awareness would have to be heavily relied upon to address any potential problems.

In addition, this option would leave the administrative requirements in the statutory valuation system only partly described in the principal Act. This would in turn require amendments to the principal Act to remove the power to prescribe a Regulation and to include any necessary machinery or other wider measures for dealing with valuation services and valuation information, so that the Act can be administered effectively. This is not a reasonable solution to the policy problem and operational issues being addressed by the Regulation, given also the complex policy and legislative processes for amending Acts and the associated administrative costs. In any event, this is not the focus of this particular Regulatory Impact Assessment (RIS). It is, however, a matter for a wider review that would have to be considered by Government.

Consequently, this option was rejected.

Option 2—Remake the sections of the Regulation (with appropriate amendments)

Option 2 is the current proposal. It proposes the remake of relevant sections with minor amendments relating mostly to the adjustment of fees to Consumer Price Index (CPI), in line with Government policy.

The following Sections of the current Regulation will not be remade—

- Section 2 - Oath or declaration to maintain secrecy. This is no longer required in the Regulation as the implementation of the *Freedom of Information Act 1992* (FOI Act) made any secrecy provisions in Acts redundant with only specific protection given to sections of statutes authorised by the FOI Act. The former section 11 in the *Valuation of Land Act 1944* was a secrecy clause. It was repealed from 1 January 1998, however this particular section 2 in the Regulation inadvertently was never rescinded. In any case as far as general secrecy and integrity, Departmental registered valuers are bound by the Code of Conduct in the *Valuers Registration Regulation 1992*, the *Public Service Ethics Act 1994* and the Departmental Code of Conduct.
- Section 3 (Payment for information given by a local authority)—this is an administrative arrangement between local

governments and the Department of Natural Resources and Mines and is not appropriate in the Regulation.

- Section 4 (Land acquired or disposed by a local government)—these details are an administrative arrangement which are adequately covered by the approved form 24.
- Section 4A provides for the extension of the period for making a valuation in certain local government areas to 30 June 2003 and 30 June 2004. Section 4A(a) has passed the date of 30 June 2003 so is no longer required.
- Sections 5, (Objection form) 6 (Appeal form), 9 (Applications for certificate etc) and 10 (Returns required by the chief executive) are all matters which provide for a form or format. In all cases, the Principal Act gives the chief executive power to approve forms or formats. Forms are approved under section 97 of the Act, so it is unnecessary to repeat the power in the Regulation.

The following minor amendments are also proposed—

- Section 2A (Fee for alteration of a valuation)—The heading is to be changed to include a new or altered valuation under section 30 to reflect the new section 30 from Clause 19 of the *Land Legislation Amendment Act 2003*. In addition, a new or altered valuation made under section 30 will be liable to the prescribed fee under that section. The prescribed fee changes from \$22.65 to \$23.20. This equates to the Consumer Price Index (CPI) adjustment proposed from 1 July 2003. Please refer to s4, *Valuation of Land Regulation 2003* at Appendix 1.
- Section 7 (Fee for copy of valuation roll)—this is being remade as per the current regulation with minimum fee of \$3578.30 instead of \$3491. This equates to the Consumer Price Index (CPI) adjustment proposed from 1 July 2003. Section 6, *Valuation of Land Regulation 2003* refers.
- Section 8 (Fee for making valuation)—this is being remade as per the current regulation with deposit of \$52.90 in subsection (2). This equates to the CPI adjustment proposed from 1 July 2003. Section 7, *Valuation of Land Regulation 2003* refers.
- Section 11 (Fees)—Schedules 1 and 2 are being remade with changes to amounts adjusted to CPI proposed from 1 July 2003,

as shown in Tables 1 and 2 below. Section 8, schedules 1 and 2, *Valuation of Land Regulation 2003* also refers.

Table 1—Schedule 1 (Fee Payable by a Local Government)

		section 7(1)	
Schedule 1		\$	\$
Fee Payable by a Local Government		Current	Proposed
1.	Business or multi unit—for each valuation of a rateable parcel of land used or occupied	10.45	10.70
2.	Business or multi unit—for each valuation of a rateable parcel of land used or occupied—		
(a)	less than 4 000 m ²	4.43	4.55
(b)	4 000 m ² or more, but less than 20 ha	4.76	4.90
(c)	20 ha or more, but less than 40 ha	6.75	6.90
(d)	40 ha or more, but less than 200 ha	8.91	9.15
(e)	200 ha or more	12.40	12.70

Table 2—Schedule 2 (Fees)

		section 11	
Schedule		\$	\$
Fees		Current	Proposed
1.	Copy of certificate of valuation	21.30	21.85
2.	Certified copy of—		
(a)	an extract of an entry on a valuation roll; or		
(b)	a notification of change of ownership (as well as the search fee).	21.30	21.85

Schedule Fees	\$ Current	\$ Proposed
3. Searching for particulars or information contained in—		
(a) an entry held on the current valuation roll—		
(i) at an office of the department	10.65	11.00
(ii) by external access	8.63	8.80
(b) a notice given to the chief executive under section 81 of the Act and held on the current valuation roll—		
(i) at an office of the department	10.65	11.00
(ii) by external access	8.63	8.80
(c) an entry held on a valuation roll other than the current valuation roll.	17.00	17.40
(d) a notice given to the chief executive under section 81 of the Act and held on a valuation roll other than the current valuation	17.00	17.40
(e) an entry on a valuation roll supplied by the chief executive in the form of a computer listing—		
(i) for each entry	0.65	0.65
(ii) minimum fee for each listing.	80.90	82.90

Schedule Fees	\$ Current	\$ Proposed
4. For particulars or information contained in a notice given to the chief executive under section 81 of the Act—		
(a) given in an abbreviated form—for each entry	5.43	5.55
(b) given as an entry in a copy of a monthly computer listing—		
(i) for each entry	0.63	0.65
(ii) for a consolidated listing of entries already supplied to a person in a monthly computer listing—for each entry	0.05	0.05
(iii) minimum fee for each listing, other than a consolidated listing	82.90	82.90

The proposed fee increases, described above, are in line with the increase in the CPI from 1 July 2003, which is in accordance with standard Government policy. The only exceptions are proposed fees under section 3(a) and 3(b) of Schedule 2 that have been aligned to similar fees under the *Land Regulation 1995* and *Land Title Regulation 1994*.

Given the implications of Option 1, it is not practicable to adopt any other approach other than to re-make the Regulation while the principal Act is in place. Option 2 (the re-make of the regulation, with appropriate amendments) addresses the operational need for a well-defined framework and fee structure for providing valuation of land for rating and taxing purposes and for supplying valuation information.

The draft *Valuation of Land Regulation 2003* is attached at Appendix 1.

9 QUALITATIVE IMPACT ASSESSMENT

The property valuation profession is a small sector of the total property market. This sub-market is characterised by a small number of providers of services and a specialised group of users of services.

A comprehensive and verifiable quantitative assessment of the impacts on stakeholders is not possible to achieve because of the lack of readily

available data and the many intangible potential costs and benefits. However, where monetary values are known for particular categories of costs and benefits, these will be introduced into the analysis. The rating categories of H+, M+, L+, L-, M- and H- have been adopted similar to that of the RIS Assistant Software provided by the Business Regulation Reform Unit. These ratings are indicative only and the relativities between the categories should be considered (that is medium is greater than low and high greater than medium) when interpreting these qualitative assessments.

STAKEHOLDERS

The stakeholders affected by the proposal to re-make the Regulation have been categorised into 4 broad categories—

- Government—user of valuation information and service provider
- Land professionals—service provider and users of valuation information
- Business—user of valuation information
- General Community—user of valuation information

Their interest in valuation services and/or the application of valuation information by these groups are detailed in Table 1.

Table 1—Stakeholders—interest in statutory valuation information

Stakeholder Group	Interest
Government—	
<ul style="list-style-type: none"> • Federal Government 	<ul style="list-style-type: none"> • The Federal Government relies on valuation information for the following purposes— <ul style="list-style-type: none"> • to check the value of assets or assess pension eligibility (social security); • to determine the annual rental value for property on commencement of leases and lease reviews for the Department of Defence; • taxation; and, • award to the State Government of funds under the Commonwealth Grants Commission. The latter advises Government on per capita relativities to be used as a basis for distributing amongst the States, the pool of general revenue assistance made available by the Commonwealth. This distribution is based upon the ‘principle of equalisation’—each State is given the capacity to provide the average standard of State-type public services, the assumption being that it does so at an average level of operational efficiency and makes an average effort to raise revenue from its own sources.

Stakeholder Group	Interest
<ul style="list-style-type: none"> • State Government 	<ul style="list-style-type: none"> • Department of Natural Resources and Mines (NR&M)— <ul style="list-style-type: none"> • NR&M is one of the primary stakeholders in land valuation. • It provides valuation services for the provision of rating and land tax valuations, asset valuations, acquisitions, disposals, resumptions and other government matters. • In addition, NR&M uses valuation information to meet government land management requirements i.e. valuation for acquisition / resumption of land and property sale or rental. • Office of State Revenue (OSR)— <ul style="list-style-type: none"> • The OSR relies on valuation information for land taxation purposes.
<ul style="list-style-type: none"> • Local Government 	<ul style="list-style-type: none"> • Local Governments rely on valuation information for— <ul style="list-style-type: none"> • rating purposes; and, • resumption and acquisition of land.
<i>Land professionals—</i>	
<ul style="list-style-type: none"> • Valuers and real estate agents 	<ul style="list-style-type: none"> • Use valuation information to determine the value of assets, land and rentals.
<i>Business—</i>	
<ul style="list-style-type: none"> • Banks, mortgage insurers, corporations, trust/investment houses, developers and other financial institutions 	<ul style="list-style-type: none"> • This group uses land valuation information for such purposes as lending, risk assessment for insurance purposes, to determine market rental, to determine the value of the land and estimate future value, and to provide valuation and sales information to potential investors.

Stakeholder Group	Interest
<i>General Community—</i>	
<ul style="list-style-type: none"> • Real property owners/purchasers 	<ul style="list-style-type: none"> • As recipients of valuations, real property owners and purchasers are affected by valuation outcomes—valuations are used for rating, taxing, land purchase and mortgage purposes. Sales information is also used to assess market values of property.
<ul style="list-style-type: none"> • Bodies Corporate 	<ul style="list-style-type: none"> • Valuation for Schedule calculations.

IMPACTS

The impacts on these stakeholders of the alternative options outlined previously are described below.

Option 1—No Regulation (do nothing)

This is considered to be the ‘base case’ scenario against which the regulatory alternative will be analysed and rated. Do nothing applies to allowing the current Regulation to expire which means that many parts of the Act would be difficult to implement without regulation, with financial and social implications for stakeholders. The impacts on different stakeholders of the ‘no regulation’ as opposed to the regulatory option are detailed below.

- **Government**

Federal Government

Land valuation data based on rateable land are used in estimating the States’ capacities to raise revenue from land taxes. This capacity is measured in terms of Commercial/Industrial land values only. Since land tax provisions are progressive, they can have a substantial impact on the State’s potential income, and are therefore adjusted for differences in the value distribution. Residential land data are collected to assist with the interpretation of market trends. However, since Investment Residential land is subject to Land Tax, there is potential to distort the figures and give an imbalance between the States.

The degree to which adjustment to land valuation data is required depends upon the frequency of the revaluation programme within the State

and the date of the last valuation. The quality and consistency of data provided is critical in ensuring that land taxes and rates, which are based upon these valuations (and revaluations) are levied on an equitable basis.

Under the circumstances, uncertainty regarding the next effective date for an annual valuation can potentially expose the Federal Government to higher financial risks associated with land valuation and their implications on land taxes, rates entitlements under social security, rental values and funding under the Commonwealth Grants Commission (CGC). In the 2000-01 CGC standard budget, Queensland was awarded about \$4574 million in General Revenue Assistance.

The overall impact to the Federal Government is estimated as (M-) Medium Negative Impact.

State Government

The stakeholders in this group are the Department of Natural Resources and Mines and the Office of State Revenue (OSR).

Department of Natural Resources and Mines (NR&M)

For the Department of Natural Resources and Mines (NR&M), there would be a saving in having one less regulation to administer, but at an alternative cost.

With no prescribed fees, NR&M would not be able to charge fees for making valuation and for valuation information. This would mean a loss of revenue in the order of \$10.5 million in statutory valuation 'spilt fees' and other valuation fees.

While it is current government practice to subsidise valuation information, the loss of this revenue would mean that government would have to subsidise this activity at 100%. The administrative cost of valuation services (State Valuation Services, Queensland Valuations and Sales System (QVAS) and Valuation of Land Regulation) is currently in the order of \$18 million per annum. Current partial subsidisation costs amount to about \$8.5 million.

Moreover, NR&M currently conducts about 800,000 statutory valuations annually. Unable to extend the period for valuation under this option, government would be required to undertake all valuations, totalling 1.3 million valuations, every year. This would place significant financial and resourcing pressure on the State Valuation Services. In addition, there

would be inefficiency costs associated with having to re-value areas where there is no real need for re-valuation, for example, where market survey reports and consultations with local governments and appropriate local groups and industry groups indicate little movement in land values in the area since the last effective valuation.

NR&M uses valuation information to meet government land management requirements i.e. valuation for acquisition / resumption of land and property sale or rental. As a user of this information, uncertainty about the next effective date of annual valuation exposes government to higher financial risks associated with an unrepresentative (potentially inaccurate) value of its assets and not levying the appropriate amount of rental. NR&M valuation currently supports the collection of approximately \$28 million in State Land Rental.

In addition, NR&M's access to Federal funding grants would be put at risk. The Commonwealth Grants Commission's Report on State Revenue Sharing Relativities 2003 Update indicates that the Commonwealth Grants Commission (CGC) granted about \$4574 million to the Queensland State Government under General Revenue Assistance for the period 2000-2001.

Whilst the removal of the Regulation may reduce the legislative burden, it is believed that other quasi-legislative type documentation such as procedures would be needed, since the effective implementation of the Act would be affected. NR&M is likely to face pressure from those who give, use or are affected by valuation to include some of the machinery in the current regulation in the Principal Act. In the short-term, it would also mean supporting an increased role in managing grievances and formulating policies to deal with uncertainty arising from the lack of prescribed fees and the next effective date for an annual valuation. A greater involvement in managing grievances will translate into higher costs to government and ultimately the community, resulting in negative efficiency gains. In the long-term it would mean higher costs and more complex and procedural requirements associated with the introduction of future amendments to the principal Act.

Office of State Revenue (OSR)

The OSR is one of the major users of statutory valuation information, spending in the order of \$2.4 million annually on the purchase of this information. Without the regulation, fees for statutory valuation information would not be prescribed. By implication, the OSR would then

not be charged for the use of statutory valuation information, thus resulting in substantial saving (about \$2.4 million annually) for the organisation.

However this saving would be outweighed by losses in the medium to longer term. The failure to systematically and periodically review valuation would have direct implications on the application of land tax throughout the State - the OSR would find it difficult to adjust its database on land valuations for land taxation purposes. The quality and consistency of data provided is critical in ensuring that land taxes, which are based upon these valuations (and revaluations) are levied on an equitable basis. In addition, inaccurate and inconsistent data has the potential of exposing government to higher financial risks i.e. not levying the appropriate amount of land tax. NR&M valuation currently supports the collection of approximately \$280 million in land tax.

The overall impact to the State Government is estimated as (H-) High Negative Impact.

Local Governments

Similarly, Local Governments, also major users of statutory valuation information, currently spend \$7.4 million annually in fees for valuation data. By not having to pay a prescribed fee for statutory valuation information under this option, Local Governments would save \$7.4 million annually. However this saving would be overwhelmed by losses in the medium to longer term.

NR&M valuation currently supports the collection of approximately \$1.3 billion in local government rates. The quality and consistency of valuation data provided to Local Governments is critical in ensuring that rates, which are based upon these valuations, are levied on an equitable basis.

Without the regulation, there are inherent risks that the systematic and periodic review of valuations in Local Government areas would be difficult to implement effectively. Without these re-valuations, the financial risks to Local Governments would be increased substantially. Valuation information that is not reviewed would have a direct effect on the adjustment and relativities of rates throughout the State, therefore affecting the transparency of revenue raising capacities of local governments.

The overall impact to the Local Government is estimated as (H-) High Negative Impact.

- **Land professionals**

As regular users of valuation information, valuers, specialist valuers and real estate agents would benefit immediately from savings in the purchase of valuation information if the Regulation were not re-made.

However, given that land valuation supports many land transactions in the market place, the uncertainty of the next effective date for an annual valuation and the absence of a fee structure for information supplied by government would potentially expose these users (and their clients in the case of valuation service providers) to higher financial risks associated with property values. Valuation and sales data (section 81, *Valuers Registration Act 1992*) would not be available. Sales data would not be available to inform purchasers and sellers. There are wider social and financial implications to land professionals of providing misleading or inaccurate information to clients, where clients may seek redress under the *Valuers Registration Act 1992*, the *Fair Trading Act 1989* (FTA), Small Claims Tribunal and under common law.

The overall impact to Land Professionals is estimated as (M-) Medium Negative Impact.

- **Business**

Similarly, as users of valuation information, developers, banks, mortgage insurers and other financial institutions would benefit immediately from savings in the purchase of valuation information if the Regulation were not re-made.

However, uncertainty regarding the next effective date for an annual valuation can potentially expose these users to higher financial risks associated with property values, given the level of dependence on land valuations for many land transactions.

The overall impact to the Special Interest Groups is estimated as (M-) Medium Negative Impact.

- **General Community**

Usually infrequent users of valuation information, this group of users are likely to be affected significantly by the lack of certainty and transparency of the valuation system with regards to applicable fees, the next effective annual valuation, the fairness of rates and taxes.

It is to be noted that in the current market environment, the complexity of the valuations means that land valuations and their link to land taxation and local government rates are not well understood by the general community. This affects the perception of valuation in the general public causing grievances and raising concerns over issues of equity.

It is likely that uncertainty and lack of transparency about land valuations might lead to an increase in the number of objections and grievance under this option. Consequently, is likely to lead to a loss of confidence in the valuation system and reduced public acceptance of valuations. It is also likely that this would result in increased pressure on government to include fees, the next effective annual valuation, rates and taxation matters in the Principal Act.

As long as Government continues to subsidise valuation services and valuation information, the general community would be expected to partly contribute approximately \$8 million annually to this process through taxation levied by the State. It is important to note, however, that for reasons outlined above, the general community would be greatly disadvantaged by limitations on valuation information, given that the latter supports a wide variety of land transactions and funding activities in both the private and public sector.

The overall impact to the general community is estimated as (H-) High Negative Impact.

Summary—Option 1

The level of impact of not having the regulation on these stakeholder groups is summarised below. Government and the General Community would experience high negative impacts. Land professionals and the Business group would experience medium negative impacts. Given the outcome of these ratings, the relativities between stakeholder groups had to be considered further to obtain an overall assessment of the impact ‘no regulation’ option. The overall impact is estimated as (H-) High Negative Impact.

Stakeholder Group	Predicted Impact
Government	H-
Land professionals	M-

Business	M-
General Community	H-
Overall assessment	H- (High Negative Impact)

Given the overall high negative impact of not having the regulation, this option was rejected.

Option 2—Remake the sections of the Regulation (with appropriate amendments)

This option will be assessed against the ‘base case’ scenario of No Regulation.

- **Government**

Federal Government

As mentioned previously, a major issue for the Federal Government is the quality and consistency of land valuation data that is used to check the value of assets or assess pension eligibility (social security), to determine the annual rental value for property on commencement of leases and lease reviews for the Department of Defence, to calculate taxation on land, and to estimate the level of financial assistance to be given to the State through the Commonwealth Grants Commission (CGC). Therefore, variations in data quality can have a significant financial impact on the Federal Government affect the degree to which adjustments can be made.

Re-making the regulation ensures the effective implementation of periodic and systematic adjustments to land valuation data. The benefit to the Federal Government is that it would provide certainty for the Commonwealth on the next effective date for an annual valuation in addition to a high level of confidence that valuations that are provided are reliable and consistent with actual market values.

Importantly, this certainty and level of confidence in valuation data would reduce the financial risks to the Commonwealth Government. Land taxes, entitlements under social security, rental values and funding requirements under the Commonwealth Grants Commission can be accurately assessed, appropriate charges and disbursements made. The significance of this is indicated by the allocation to Queensland of about

\$4574 million in General Revenue Assistance in the 2000-01 CGC standard budget.

The overall effect of the re-made regulation on this stakeholder is estimated as (M+) Medium Positive Impact.

State Government

Department of Natural Resources (NR&M)—

Re-making the regulation would allow the Government to prescribe appropriate fees. This would mean that NR&M would be able to generate an income of about \$10.5 million from making valuation and from selling statutory valuation information, based on the current level of subsidy and current level of fees adjusted to CPI. This proposal is consistent with standard Government policy to annually adjust fees to CPI and is in line with the approved level of government subsidy (54%) on the provision of valuation services and information.

The next effective date for an annual valuation after at least 3 years would be set out, providing more certainty to the annual re-valuation process. It means that NR&M would be able to continue with a periodic and more systematic programme of undertaking about 800,000 valuations annually at a cost of about \$18 million, instead of carrying out 1.3 million valuations annually at higher resource and financial costs.

The efficiencies and savings to be gained from this approach is that re-valuations need only take place where it is required based on such factors as market survey reports, consultation with the local government for the area and appropriate local groups and industry groups, the impact on valuations used for land tax or rental purposes, the length of time since a valuation was carried out, the relativity of valuations of land in the area with valuations for land in adjacent local government areas, and the overall program for annual valuations over the next 3 year period. As a user of valuation information, NR&M would derive other benefits from certainty in the next date of annual valuation.

The systematic and periodic re-valuations would place the Department in a better position to continue meeting its government land management requirements effectively. Exposure to financial risks would be minimised through the re-valuation of its assets and adjustment of rents to appropriate levels. NR&M valuation currently supports the collection of approximately \$28 million in State Land Rental.

Given that Federal funding under the Commonwealth Grants Commission (CGC) is based on statutory valuation data, the risks associated with accessing inappropriate levels of funding are reduced by NR&M providing reliable and consistent valuations data through systematic and periodic reviews. The State's share of funding under CGC is significant e.g. \$4,574 million in the last financial year.

By prescribing various fees for providing valuations or valuation information, setting the rate of discount for rating and land tax purposes allowed on the valuation of subdivided land, and by changing the effective date for an annual valuation in a local government through regulation, Government would be providing the necessary mechanism to implement the requirements of the Valuation of Land Act effectively and in a transparent manner. This means that there would not be a need for new administrative procedures or policies to deal with these matters. In addition, Government would be less likely to face pressure, or receive more grievances, from those who give, use or are affected by valuation with regard to the implementation or amendment of the Principal Act. This translates into savings for Government in the management of grievances and new policy frameworks.

The overall effect of the re-made regulation on this stakeholder is estimated as (H+) High Positive Impact.

Office of State Revenue (OSR)—

With fees prescribed by Regulation, it would cost the OSR \$2.4 million annually for the purchase of valuation data. However, this cost would be offset by the medium to longer-term gains in revenue raising capacity through the collection of land tax.

As mentioned previously, NR&M valuation supports the collection of approximately \$280 million annually in land tax. Land tax rates are progressive and can have a substantial impact on the State's income. Therefore, the quality and consistency of data provided is critical in ensuring that land taxes, which are based upon these valuations (and revaluations) are levied on an equitable basis. The regulation would benefit the OSR by providing systematic and periodic re-valuations that would then permit the OSR to regularly adjust its database on land valuations for land taxation purposes.

Summary

For the State Government, there is certainty and transparency in that there is relevant machinery regarding valuation, fees and discounts allowed.

The overall effect of the re-made regulation on this stakeholder is estimated as (H+) High Positive Impact.

Local Governments

Similarly, this option would impose costs to Local Governments in the order of \$7.4 million annually in payment of valuation information. However, there would be certainty and transparency in having the relevant machinery regarding fees, the next effective date of valuation and discount in local government rates for owners of land held in subdivision.

The implication of setting fees and specifying the discounting of rates is that there would be a standard approach across Local Government areas in Queensland in—

- dealing with the valuation of subdivided land and for making, adjusting and levying of rates for affected parcels; and,
- fees for making or altering valuations under sections 28 and 30 of the Valuation of Land Act or for purchase of valuation information from NR&M;
- arrangements for the payment for information supplied to NR&M by local governments and the details required from local governments for land sold or acquired by that government.

Moreover, this option assures Local Governments of accurate annual valuations on which to calculate and levy appropriate rates. As mentioned previously, land valuation underpins the system for levying rates, the chief source of revenue for local governments. NR&M valuation currently supports the collection of approximately \$1.3 billion in local government rates. The quality and consistency of valuation data provided to local governments is critical in ensuring that rates, which are based upon these valuations, are levied on an equitable basis. Therefore, the financial risks that local governments face in dealing with the relativities of rates are reduced. Local governments would be able to more easily adjust their revenue raising capacity.

The overall effect of the re-made regulation on this stakeholder is estimated as (H+) High Positive Impact.

- **Land professionals**

Under this option, valuers, specialist valuers and real estate agents would incur costs associated with the regular purchase of valuation information.

However, these costs would be offset by reduced risks resulting from the benefits associated with the certainty and transparency of the systematic supply of reviewed land valuation/sales data. Land valuation and sales information that are consistent with actual market values are important to land professionals who use this information to determine the value of assets, land and rentals.

Thus, this option maintains the desire for public confidence in the valuation profession and the protection of consumers who seek advice for example on purchasing, selling or investing in property portfolios. In the case of the latter, any possible erosion of the quality of valuation data would seem to work against the desire to have a better informed public when dealing with possible property fraud.

The overall impact to Land Professionals is estimated as (M+) Medium Positive Impact.

- **Business**

Similarly, as users of valuation information, developers and a wide range of financial and banking institutions would incur costs associated with the purchase of valuation information if the Regulation was re-made.

However, given the level of dependence on land valuations for many land transactions, certainty and transparency regarding the next effective date for an annual valuation, and fees payable for valuation information including sales data would limit the exposure of these users to the financial risks associated with property values. Reliable valuation data can be used with a level of confidence to interpret market trends and the response of the market to a variety of economic stimuli. Thus, one of the benefits is that valuation information underpins market efficiency.

The overall effect of the re-made regulation on this stakeholder is estimated as (M+) Medium Positive Impact.

- **General Community**

As mentioned previously, land valuations are purpose driven, with different methodologies producing different results for the same property. The complexity of valuations and their link to land taxation and local

government rates are not well understood by the general community, often raising concerns over issues of equity.

Therefore, the regulation would provide valuation users with a measure of certainty and transparency in valuation for rating and taxing purposes—

- A standard rate would be applied for discounting for the unimproved value of subdivided land by the rating authorities, in addition to the method for calculating associated rates. This recognises the holding costs for vacant land incurred by a subdivider;
- the timeframe in which re-valuations would occur in the local government area would be defined, assuring the public of the reliability of land valuation data to be used for land taxation purposes; and,
- the fees that would be apply if a person asked NR&M to make a valuation would be defined.

In addition, there would be certainty and transparency for the public in charges and accessibility to statutory valuation and sales information—

- the products and fees would be set out in the Regulation;
- having valuation and sales information readily accessible to the public would assist in informing the general community. Inline with Government's wishes, this would ensure that buyers and sellers of properties have adequate information in making decisions on real estate. It is to be noted that all real estate contracts now contain a warning to prospective purchasers to seek professional advice before committing to a transaction.

Overall with the regulation, there would likely be fewer grievances on the fees and rating discussed above as well as access to valuation and sales information. Public confidence in the valuation system would be maintained, and there would not be pressure from the public for the government to further regulate by including these matters in the principal Act.

The overall effect of the re-made regulation on this stakeholder is estimated as (H+) High Positive Impact.

Summary—Option 2

As the following summary table indicates, the stakeholder groups would all experience a net benefit from the re-making of the regulation. The

benefits to government, land professionals, business groups and the general community would outweigh the net costs which are likely to be incurred by each stakeholder. Government and the General Community would experience high positive impacts. Land professionals and the Business group would experience medium positive impacts. Given the outcome of these ratings, the relativities between stakeholder groups had to be considered further to obtain an overall assessment of the impact re-making the regulation. The overall impact is estimated as (H-) High Positive Impact.

Stakeholder Group	Predicted Impact
Government	H+
Land Professionals	M+
Business	M+
General Community	H+
Overall assessment	H+(High Positive Impact)

CONCLUSION—ALTERNATIVES

Whilst the removal of the Regulation (Option 1) may benefit some stakeholders by savings obtained from not having to pay for valuation information, the overall costs of not having certainty and transparency associated with the next effective date of annual valuation, the links to land taxation and ratings are high for government, land professionals, business groups and general community.

In contrast, Option 2 (re-making the regulation, with appropriate amendments) delivers high net benefits, reducing the level of financial and social risks to all users of valuation information. It ensures a continuation of a certain and transparent statutory valuation process. Overall, the value of valuation information is such that Queensland society will be better off with the re-making of the regulation than without it. Option 2, the converse of 'do nothing', is the preferred option. The qualitative cost-benefit assessment confirms that this option is indeed the only realistic alternative.

Furthermore, when this option is compared to the level of fees currently in force under the Valuation of *Land Regulation 1993*, this option signifies an adjustment to CPI of 2.5%, in line with standard government policy, except for the proposed fees under section 3(a) and 3(b) of Schedule 2 that

have been aligned to similar fees under the *Land Regulation 1995* and *Land Title Regulation 1994*. It is accepted by clients that current fees are low and that a 2.5% increase over current costs will not unduly burden stakeholders. The proposed adjustment of the current level of fees to CPI is consistent with standard Government policy and is accepted practice.

10 CONSISTENCY WITH FUNDAMENTAL LEGISLATIVE PRINCIPLES

The remaking of the Regulation will be consistent with Fundamental Legislative Principles.

11 NATIONAL COMPETITION POLICY

There were no national competition policy (NCP) issues identified in the scan of legislation carried out in the late 1990s.

There are no NCP issues with the proposed remake of the Regulation. The Regulation affects only valuation information supplied by Government and does not affect information supplied by on-sellers. The market influences the price of information supplied by on-sellers.

12 RISK ASSESSMENT

The main risks associated with not remaking the Regulation is that of uncertainty for those who give, use or are affected by valuation about the following matters—

- The level of fees to be charged for making valuation and supplying valuation information;
- The next effective date of valuations, particular where resourcing issues restricts the ability for government to undertake all 1.3 million valuations annually; and,
- Discounts allowed for rating and land tax purposes on subdivided land.

By not re-making the regulation, government's ability to effectively implement the policy objective of the Act will be affected, creating an unacceptable level of uncertainty in operational matters relating to the making of valuations, discounting of rates for subdivided land and fees for products and services. This uncertainty is likely to result in more grievances from consumers (and those affected by land valuation data) and

the additional costs to government of dealing with these grievances. Ultimately, this could result in a loss of confidence in the valuation system.

The re-made Regulation would provide the operational machinery for addressing these matters effectively.

APPENDIX 1**VALUERS REGISTRATION REGULATION 2003**

ENDNOTES

1. Laid before the Legislative Assembly on . . .
2. The administering agency is the Department of Natural Resources and Mines.