

VALUATION BEST PRACTICE: - BUT WHAT ARE THE BENCHMARKS?

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After completing a Diploma of Agriculture at Dookie Agricultural College in 1967 Jack commenced working with the then Rural Finance and Settlement Commission as a Cadet Valuer. In 1982 Jack joined the Valuer-Generals Office, moving through several positions including District Valuer, Senior Valuer-Compensation, Senior Valuer-Housing, Divisional Valuer-City Division and Chief Valuer Eastern. In 1990 Jack moved to the City of Melbourne as City Valuer. There he introduced annual valuations and the use of computer assisted valuation methods. He became the Valuer-General for Victoria in 1995. During his time as VG he has guided the Office through a series of budget cuts and outsourcing requirements which very substantially changed the operations of the Office whilst maintaining its role as the gate keeper for the provision of soundly based valuation advice to the Government. Concurrently he has managed the introduction of major reforms to the making of Rating Authority valuations by the State's 78 Municipalities. These reforms included the development of contract specifications for the introduction of biennial valuations, the collection and recording of standard valuation data sets and the use of computer assisted valuation methods.

He completed his valuation qualifications at RMIT in 1971 and later returned to complete a business degree in Public Administration. He is a Fellow of the Australian Property Institute (API) and is a member of API's National Education Committee. In Victoria he is on Divisional Council and is a member of both the Membership and Education & Training Boards.

INTRODUCTION

We all like to think that we are leading the pack, bringing about major change for the better and justifying the benefits of all our hard work so that the funding may continue. This may seem a bit cynical but basically it sums up the political reality as to how most of us most operate in the world of rating authority valuation work. In Victoria Australia, we have badged our ongoing rating revaluation reform project, which commenced in 1998, as the "Valuation Best Practice" (VBP) program. This immediately evokes the questions; what is valuation best practice and how do you measure it? This paper discusses these two issues.

The paper provides an insight into benchmarking from the perspective of a rating valuation policymaker and administrator. Some brief comments are made about the purposes and benefits of benchmarking and the basis of an international benchmarking study by the International Property Tax Institute (IPTI). The paper then provides discussion about the differences one should be seeking to define when setting about the task of selecting "like" rating valuation jurisdictions for benchmarking purposes. The context of these discussions is the examination of some of the likely major operational differences between jurisdictions. Discussion centres round the legislative and operational environment for the VBP program. Examples of current benchmark standards and costs are provided.

The VBP program does not claim to be at the cutting edge of valuation practice. It is however, the administrative means of defining and benchmarking a best practice revaluation system which reforms and delivers in accordance with the vision and reality of its own unique political and operational environment.

BENCHMARKING – WHAT IS IT?

Benchmarking has proven its worth as a very good method of measuring performance, particularly our endeavours to achieve continuous improvement. It details where we have come from, where we are and gives a good indication as to how much further we have to go to realise our goals, our future vision. It provides a quantitative report about our achievements and if we are game to have a look, there is probably similar data available about the achievements of our colleagues in sister organisations and/or our competitors.

There are two main approaches to benchmarking:

Internal benchmarking i.e. How are we progressing against our own business plan performance indicators?

External benchmarking i.e. Are we competitively placed?

Basically most business plans include performance measures which by inference means we have a method of capturing the data required to complete their measurement. Usually performance criteria are based upon some continuous improvement goal eg 5% better than last year. We also usually try to measure the benefit of innovations just to make sure that the business case theory is working out in practice. These are examples of internal benchmarking.

It is however more difficult to find out what others in similar organisations are doing, because people tend to want to protect their advantages and hide their failings. This is where our industry affiliations or academic research organisation come in handy. They have the ability to gain our confident participation (usually have to contribute if you want to see the results) through their independence, and by guaranteeing that all information provided will remain confidential and that only aggregated data will be published. An excellent example of external benchmarking, from a rating authority valuation point of view, is the “Property Assessment Agencies Benchmarking Study” sponsored by the International Property Tax Institute (IPTI). Below I have listed the questions contained in the IPTI benchmarking study. You will note that the first part of the study is about discovering like organisations, whilst the second part relates to the major functions and/or cost centres associated with valuation/property tax assessment processes.

INTERNATIONAL BENCHMARKING STUDY BY THE IPTI

Key Survey Questions

There are two levels to the property assessment agencies benchmarking survey.

Level I questions capture an overview of the basic environment in which the jurisdiction carries out its functions. They help us find and compare like with like to put it into basic valuer terminology.

- **Description of assessing agency**
- **Contact information**
- **Business drivers & Philosophy of the agency**
- **Basic legislative environment**
- **Size of the jurisdiction**

- **Total property assessment and tax values**
- **Mix of properties**
- **Staff levels**
- **Use of technology**
- **Primary valuations methods employed**

Level II questions seek specific detail about each jurisdiction's business process cost centres.

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|---|--|
| <ul style="list-style-type: none">- Administration<ul style="list-style-type: none">- <i>Organizational Structure</i>- <i>Budget</i>- <i>Human Resources</i>- <i>Communication Programs</i>- <i>Quality Control</i>
- Product<ul style="list-style-type: none">- <i>Realty, business & personal property assessment rolls</i>- <i>Assessment notices</i>- <i>Other products (such as custom reports for specific consumers)</i>- <i>Property ownership maps, etc)</i> | <ul style="list-style-type: none">- Processes<ul style="list-style-type: none">- <i>Gather Data</i>- <i>Analyze Data</i>- <i>Create Values</i>- <i>Create Assessment Notices</i>- <i>Create Appeals Data</i>- <i>Create Appeals Notices</i>- <i>Validate Roll</i>
- Technology<ul style="list-style-type: none">- <i>Hardware</i>- <i>Software</i>- <i>Support Services</i>- <i>Training</i> |
|---|--|

Although probably more suited to benchmarking within the context of US and Canadian jurisdictions, it still provides a good outline as to what an external study should look like. It certainly indicates that there is potential to benchmark many of the individual processes involved.

I will now examine some of the level I and level II questions from an Australian and State of Victoria perspective.

COMPARING LIKE WITH LIKE - SOME OF THE DIFFERENCES

Different Value Types and Different Value Definitions

- Different definitions for:
- land value (LV) including site value (SV) and unimproved capital value (UCV) etc
 - rental value (RV) including net annual value (NAV), gross annual value (GAV), estimated annual value (EAV) etc
 - market value (MV) including capital improved value (CIV).

It is often inappropriate to benchmark between the valuation types mentioned above for five reasons:

1. The differing types of data that must be collected eg a lot more data is required for CIV's and NAV's than for SV's.
2. The availability of directly related market evidence. E.g. NAV can be supported by reference to both actual rents and capitalised returns calculated from sale price. However, there are often few sales of vacant land to support site values. A second major point here is the actual ease of access to the information. Some jurisdictions have legislative requirements and developed systems enabling valuers to directly access all sales whilst other valuers are required to rely on their connections with real estate agents or simply resort to asking property owners details about their purchase. It seems that very few jurisdictions have formal systems to record rents.

3. The rental assessment valuer usually has to resort to some form of questionnaire to occupiers seeking details about their tenancy agreements.
4. The availability of legislative powers to put in writing questions to owners/occupiers also affects the success of questions. Section 3A(2) of the Valuation of Land Act, Victoria, Australia, (VLAV) provides this authority to valuers undertaking rating authority valuations in the state of Victoria. Section 3A(1) provides powers of entry for inspection purposes. These two powers are elementary in providing the environment to enable valuers to go about their work in an effective and efficient manner. How individual municipalities, counties, states, countries handle privacy requirements may also affect the way valuers go about the collection and recording of valuation data in the future.
5. The amount of analysis and adjustment of the evidence. Some forms of statutory valuations require the valuer to make hypothetical assumptions which take the valuation away from the actual market evidence. The definition of UCV requires the valuer to disregard the amenities and site improvements to the land. This requires additional work. In Australia, the State of Queensland uses UCV, whilst the other States use SV for land tax purposes. However even the SV definition can vary from state to state, with variations for allowances for historic buildings, recent clearing/filling and drainage works and the requirement to include/exclude the merged value of port related site works.
6. More than one type of valuation required – Although most jurisdictions simply require one type of valuation to be returned, some require more. In Australia, several states require either or both a rental value and a market value in addition to a SV. In these states, the municipalities use a rental or market type valuation for rating purposes and the state uses SV for the collection of land tax eg In Victoria the VLAV provides that the municipality, as the valuation authority, should assess three types of valuation i.e. SV, NAV, CIV with the municipalities having the option to use any one of the three for rating purposes and on selling the SV figure to the State Treasury for land tax assessment purposes.
Various aggregations of the SV and NAV figures are also used for the allocation of Commonwealth grants to the States and State grants to the municipalities. The point here though is that the cost of completing the three different valuations in the one process obviously requires more work than the provision of just one or two valuation types. However, it probably does not require three times the amount of work. So if one was simply to benchmark the cost per property for all three assessments or divide the cost per property by three, then the results in both cases would be to compare incorrect costs per assessed value.

Valuation Cycles

This is where the political choices between average valuation cost per annum are compared against the benefits of using valuations made at a recent date.

From a revaluation cost point of view the annual/biennial valuation cycle should be much lower than for say a 10 year valuation cycle. The reason for this is that annual/biennial revaluations would generally simply be a market review, adjusting existing computer assisted valuation models to produce new valuations. Data review should be minimal. However, the once every 10 year revaluation will usually require complete updating of both the data and the valuation models at a far higher cost per assessment. However, the average annual cost of the 10 year revaluation may be lower than average annual cost of the annual/biennial revaluations. I.e. \$10 per assessment every 2 years over 10 years = \$50 or \$5 p.a. per assessment; \$35 per assessment every 10 years over 10 years = \$35 or \$3.50p.a. per assessment.

The one to two year revaluation cycles also involve continuing efficiencies associated with the valuers building up an excellent ongoing knowledge of both the local market and how it is defined in computer assisted revaluation models. Reinspection cycles will also vary from submarket group to submarket group.

Some areas, where minimal change occurs, such as a rural cropping district, may only need data review through inspections and verification every 8-10 years, whereas a changing commercial area requires review every time a revaluation is undertaken. The main point here is that future benchmarking may see inspection and data verification as separate to the processes involved in developing the computer assisted revaluation models for each sub-market group.

Different Valuation Specifications/Standards

The trend to outsource over recent years has required many valuation and rating authority administrators to develop specifications for the tendering out of valuation work. In Victoria, Australia about half the municipalities have used contract valuers for many years. However, the specification document was generally minimalist in nature with about the only requirements being the return of three valuation figures (SV, NAV, CIV) and minimal land identification information by a given date.

In 1997, after a Government review of revaluation processes in Victoria, it was decided that the Valuer-General should embark on a program of revaluation reform. This involved changing the revaluation cycles from 4-6 years down to biennial, required each rating authority (the State's 78 municipalities) to use a new set of valuation specifications for the engagement of their contract valuers. The new specifications were initially used for the year 2000 statewide revaluation, then reviewed and amended for the 2002 revaluation (for copy view www.land.vic.gov.au/valuation then click Rating Authority Valuations). Basically the specifications set out three main performance criteria:

Data Requirements

- The collection and/or verification then electronic recording of 21 standard data elements for each property. Additional data is required for each specific property type to define value drivers:
 - 8 – Residential; age, condition, construction, quality of style etc
 - 12 - Commercial/Industrial; lettable area, occupancy types, lease term, annual rent. Outgoings, etc
 - 21 – Rural; soil type, arable/non-arable, water rights and various condition codes.
- The standard data sets served three purposes:
 - A level playing field on which to advertise future tenders. This reduces the advantage of the existing contractors and facilitating stronger interest and competition into the tendering process.
 - Provides contract managers/valuation supervisors with much better data for quality control purposes and the analysis of revaluation outcomes for rating strategy and communication purposes. Assists in state wide research and the development of valuation practice notes for the valuation of specialist properties.
 - The availability of statewide uniform data sets creates opportunities for on-selling the data, excluding the non-commercial in confidence and personal data, to data wholesalers and/or to local community and business groups. Offers potential additional revenue to assist in funding future revaluations. It would also increase the transparency of the revaluation

A great deal of effort (resource/cost) was and still is being directed to ensuring that data sets are both complete and accurate. All municipalities expected to have achieved the data quality standards upon completion of the Year 2004 revaluation.

Program Staging

- Staging of the data collection and revaluation processes to enable progress management. The work is broken into definable pieces for progress payment purposes to ensure ongoing cash flow to contractors. There is a cost trade off here. More frequent progress payments reduce both the risk and capital requirement of the contractor to resource the ongoing work. However it does increase the cost of the QA supervision, which is separately benchmarked.

Reporting Requirements

- Puts in place self-checking reporting standards which must be achieved to ensure both the standard of the valuation and the fairness of the relativities between the various sub-market and/or property type groupings. Standards are discussed later under the heading Measuring Valuation Uniformity and Accuracy.

From a benchmark point of view, there will be administrative benefits in placing more emphasis on reporting standards and less on staging. As confidence grows in data sets and competencies improve in the use of computer assisted valuation modelling, the need for property inspections will be minimised and the major component of the revaluation task will involve reviewing the valuation models for each sub-market group (making a desk top valuation) to required reporting standards. Self assessment to achieve required statistical outcomes will become the norm. The aim is to reduce both revaluation and supervision costs (two separate benchmarks) whilst ensuring all municipalities meet the required uniformity and accuracy standards.

Valuation Competencies & the Availability of Skilled People

With the advancement of the computer and information age of the 21st Century a new set of valuer competencies will develop. In recent years, Victoria has moved from a manual card based revaluation system to a computer assisted summation approach using look up tables. The look up tables are manually prepared by valuers using traditional sales analysis techniques.

Basically what we have achieved to date is the computerisation of the mathematics involved in doing summation type valuations. In the coming years we hope to move forward to the use of algorithms to assist in the construction of look up tables and/or moving on to the use of multiple regression statistical modelling techniques. The use of geographic information systems will also become an essential tool both in the revaluation process, particularly for highlighting errors and the communication of outcomes.

To achieve these goals, the industry will need to provide ample training opportunities, both within formal university courses and within professional development workshop programs. Not only will valuers need to be trained in the use of computer assisted valuation techniques, but also in the project management and data management skills. In the longer term valuation firms will encompass a staff with a wider field of skills, or maybe other more generalist consultancy firms will move into valuations.

Future costs will be dependent upon the supply of sufficient numbers of suitably skilled and experienced people. Therefore both the rating authorities and the valuation profession need to lobby for the provision of appropriate training of adequate numbers of people to ensure the required skills and competencies are available.

Obviously if there is a shortage of skilled people, valuation costs will be higher. In Victoria this was a major factor underlying the Year 2002 tendering process. The shortage of valuers and the rising cost of hiring people certainly were the major reasons why expected valuation cost reductions did not result between the 2000 and 2002 revaluations. To assist the Year 2002 revaluation tendering process, the Valuer-General conducted a national valuer recruitment program through a Melbourne-based recruiting firm which resulted in eight valuers moving to Victoria.

Systems Development and Availability

An underlying problem facing the desire to implement computer assisted data management and valuation techniques is the inability of some municipalities to upload and download the required data sets.

In addition, a GIS map base with a 96+% match to the valuation records is not available in many jurisdictions. These IT limitations certainly restrict the ability of valuers to apply computer assisted valuation techniques.

In Victoria, eight different “computer assisted valuation systems” are being used to complete the Year 2002 revaluation. This includes six PC based systems and two specialist valuation modules attached to mainframe systems. It will also be interesting to see how the mainframe valuation systems complete with PC based systems. The ownership of the PC systems is generally with the valuation contractor. There is a view that it is better for the municipality to own the valuation system and simply hire the contractor to use it. It is a matter of risk and resource management choices. Future benchmarking of this often very costly and risky part of the revaluation process, will assist with decision making in regard to these issues. Benchmarking of system costs will also provide guidance as to the number of assessments a valuation firm needs before it is viable to invest in new technology. This impacts upon both short and long term competitiveness. In Victoria little data is currently available in regard to system costs. It is simply included in the total revaluation tender price.

Jurisdiction Property Type Makeup

In the benchmarking process there is no greater distinction than the makeup of the municipality for differentiating between comparable jurisdictions. Location and topographical features certainly play a major role in the cost of valuations. It is obviously far more difficult and costly to get valuers to undertake valuations in remote and/or difficult terrain.

Just as importantly is consideration of the major property type within the jurisdiction. Is it remote rural, fringe rural, mainly residential with a mix of lower value commercial and industrial properties or is it a major commercial centre with a high rise central business district? These factors play a major role in both the cost of valuations and the computer assisted valuation systems and techniques applied.

The Revaluation Partnership – Is it a Compatible Relationship?

This is really a question of who is responsible for what and the degree of co-operation between the valuers and their rating valuation authority contract manager. This often requires defining responsibility for the maintenance of the valuation roll and the management of the valuation records generally. Issues such as systems availability and compatibility are also important partnership issues. How good and how accessible is the municipality’s mainframe computer system, is the valuer required to use the valuation modules included in the authority’s mainframe or does the valuer provide his own valuation system? If so, is it compatible to the mainframe, particularly in regard to the uploading and downloading of data? Does the rating authority have a well developed geographic information system and is it fully linked to all property and valuation records? Is it freely available to the valuer? How well defined is other associated work such as the valuation objection and appeals processes and the triggers and information for the completion of supplementary valuations.

What is the reputation of the rating authority or valuation authority as a contract partner? Official contract managers can limit the interest in tendering for valuation work or influence the contractor to add an additional percentage to cover the risk of managing the officious manager. Rating authority organisations with the reputation for contractual disputes will obviously be second choice for the busiest and best contractors. This includes the authority’s reputation to share responsibilities and to make things happen. e.g. to provide data, plans etc when required.

A sound communication strategy which develops the public’s confidence in the valuation process is also very important in keeping public enquiry and possible objections and appeals to low levels, preventing cost blowouts and risks to the valuation and rate base.

An example of benchmarking here was contained in an Assessment Authority of British Columbia newsletter in May 2000. The BC strategy is very much about keeping the valuation outcomes separate from rating issues.

BC conducted what they term “a positive communications strategy” and then benchmarked the results through the number of appeals and negative news articles published during their two-month objection period subsequent to the issue of their valuation notices. The resultant benchmark data and graphs are most impressive from a continuous improvement point of view.

Sale of Valuation Data

In these times of budget restraints including often reduced funding for valuation purposes, we need to be looking at developing alternative revenue sources. The sale of valuation data may be an opportunity. However the sale of valuation data will not be easy to achieve with confidentiality and privacy issues making it very difficult to obtain political approval. Of the 61 data elements collected by the municipalities in Victoria, it would seem that only owner’s name, occupier’s name and possibly the details of the commercial leases might be regarded as commercial in confidence or private information. There are good arguments that the valuation should be fully transparent and all the information available to the public for scrutiny. Its availability would also help foster both business and development opportunities within the boundaries of the jurisdiction.

Maybe, in the not too distant future, we will be benchmarking future valuation data sales against valuation costs! It would also be very interesting to chart the effect upon inquiries and objections should the valuation data become widely available. One suspects these occurrences would rise initially, then fall as public confidence grows in the data and the standard of the valuations generally. Then in the longer term, these valuation outcomes would reduce valuation and supervision/QA costs. The sales of valuation data would therefore provide a double benefit. However, politicians around the world, are finding it difficult to grapple with the privacy verses transparency debate, so we might just have to wait a year or two before we get the opportunity to work on benchmarking this double benefit.

ESTABLISHING BENCHMARKS

To date the discussion has covered the possible reasons why different situations need to be considered and comment made about possible future benchmarking. However there are certain benchmarks that are either already established or under consideration for their relevance. The remainder of the paper provides information about some of benchmarks we are using in Victoria.

Measuring Valuation Uniformity and Accuracy – the Statistical Benchmarks

The primary tool used to measure the outcomes of the mass produced rating authority valuation is the sales ratio study. Such a study involves the comparison of assessed values to selling prices. Basically the application of various statistical measures to the base ratio data can provide sound techniques for measuring uniformity between groups and uniformity within groups. The six most commonly used measures are:

- Range, quartiles and percentiles
- Average absolute deviation
- Coefficient of dispersion
- Standard deviation
- Coefficient of variation
- Price related differential¹

¹ p531 Property Appraisal and Assessment Administration IAAO 1990

Such measures are most useful for checking large groups of homogenous property types. They also require a good percentage of sales within the submarket group, say about 3-5% with at least 30-40 sales available to form the base sales ratio data. Ideally a submarket group should contain 900-2000 assessments.

Another very simple method of comparison is to compare the basic statistical outcomes (median, standard deviation) for the sales population against the assessed values population for the submarket group.

Both the sales ratio study and the submarket sales versus the assessment population statistical comparisons can be simply and quickly undertaken by using the statistical functions in spreadsheet programs such as Excel or Lotus 1-2-3. Most of the computer assisted valuation systems now have these statistical checking processes as built in functions.

The statistical checks outlined above do have their limitations. When sales or rental evidence is below 3%, such as is often the case with the assessment of rural CIV's and for any type of land value assessment within established housing or commercial areas, (few vacant land/development site sales) it is difficult to achieve satisfactory outcomes using such techniques. I would welcome further research as to how we may more accurately measure valuation assessments made in these circumstances. The obvious thing to do is to undertake a series of manual valuations, then use these as the basis for both the levels of value determinants to be applied in the computer assisted valuation modelling, and use them as "sales" in the subsequent sales ratio analysis studies. However, I am sure some academic can do better than that. I would be willing to arrange for a municipality to make their data available to assist in such research.

In Victoria we are aiming for sales ratio results of :

- Medium sales ratios between .9 and 1.1
- Coefficient of dispersion (COD) of less than 15
- Coefficient of variants (COV) of less than 20

These are in accordance with IAAO and Australian Property Institute (API) standards.

However we might not achieve these results in 2002 for up to 50% of the submarket groups because of deficiencies within the existing data and/or the limited development of the computer assisted valuation models used to value many sub-market groups. We expect that benchmarking of the 2004 revaluation will show continuous improvement, and that most of Victoria's 78 municipalities will surpass the required national and international standards by 2006.

Cost of Valuations in Victoria

In Victoria, valuation work for rating and property tax purposes is contracted out by the Municipalities with the Valuer-General (VG) setting the standards and monitoring quality before the municipalities can pay their Valuers. It generally works well at an average cost of approximately \$10 per property for the provision of three valuation assessments per property i.e. SV, NAV & CIV biennially and 70 cents per property for supervision by VG. However cost does vary between big urban and small rural municipalities. The councils have additional costs of maintaining roles/records which we believe adds another \$1.50 per assessment per annum. An example of the revaluation costs for 60,000 property metropolitan municipality are set out as follows:

Contract Valuer 60,000 by \$8 per property (2002 contract fees) \$480,000*(contract work)
*(This \$8 includes both the inspection of 50% of properties for data
verification purposes and the cost of the CAV's. Future
benchmarking of this work will endeavour to separate the cost of*

data verification and CAV costs).

VG supervision field work checks @ 70 cents per property \$42,420=(contract work)

Role/data maintenance by municipality \$1.50 per annum *2 years \$180,000

(Does not include the cost of the mainframe computer which is generally used for all council financial management purposes, with valuation/rate roll mainframe only a minor function. The development of rating options and policy and the issue of rate notices are also additional costs. The \$1.50 covers the cost of maintaining owner/occupier names and addresses and all splits for subdivisional purposes).

Plus supplementary valuations; about 4% of properties at \$30 \$72,000 * (contract work)

Objections reviewed by contract Valuer 1% at \$30 ea. \$18,000 = (contract work)

Objection confirmation of amended valuations by VG \$30 each \$12,000 * (contract work)

66% objections successful

Valuer-General policy and general administration is about \$800,000 pa

for 2.2 million properties equals approx \$43 636 =

Total cost for two year revaluation cycle \$848,056

Per annum cost \$424,028

Cost per property per annum \$7.07 for three valuations CIV, NAV & SV

State pays full cost of these items marked =

The State Government also pays about half the cost of items marked * for the purchase of the revaluation for State Land Tax assessment purposes.

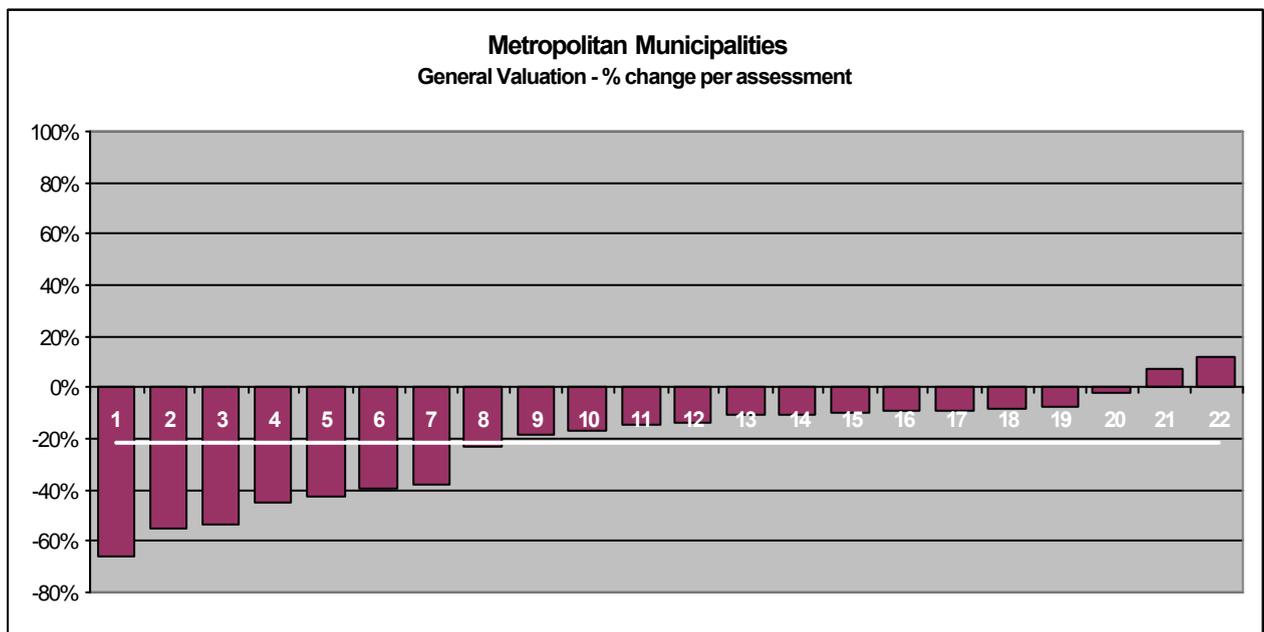
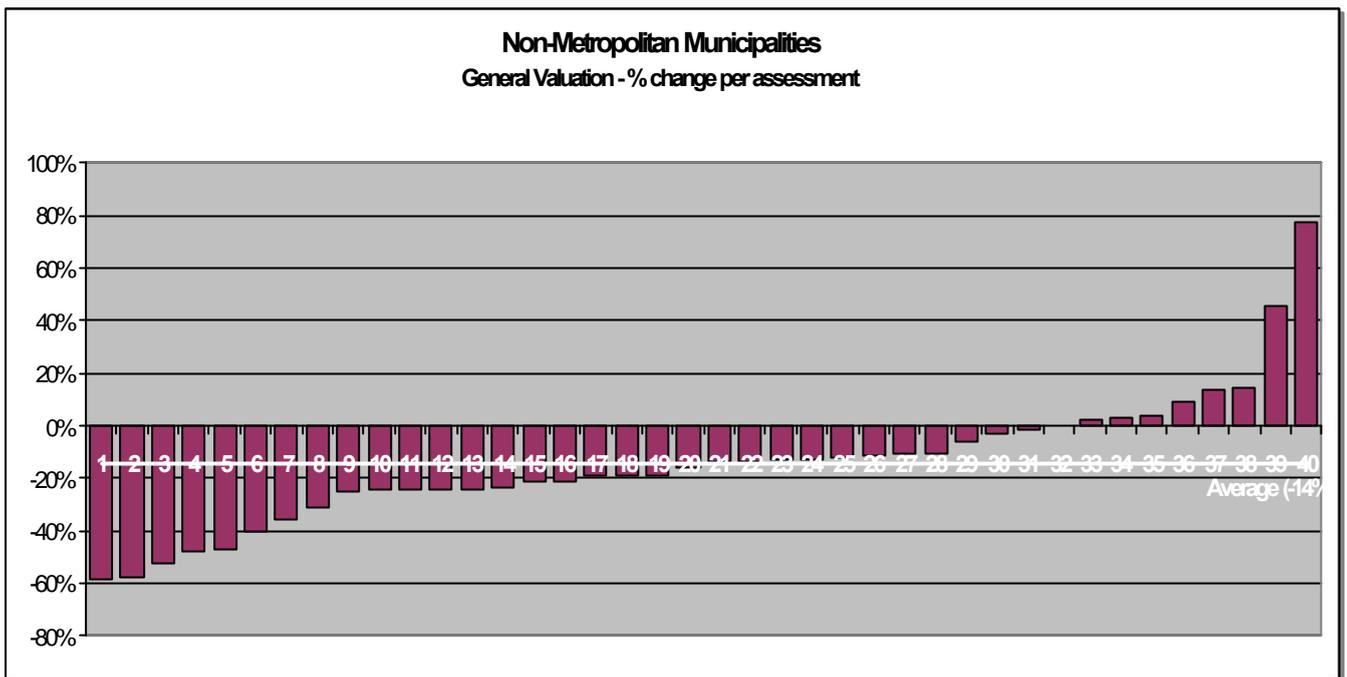
Net cost to Council is about \$465,000 over two years or \$3.87 per assessment per annum upon which the municipality raises about \$750 pa in rate revenue. The rate in dollar of CIV is about point 0.3% on an average CIV of \$250,000).

Records belong to Municipality so opportunities to sell/use data rest with council.

Actual Revaluation Contract Cost Variations

The following graphs illustrate the difficulties of comparing like with like for benchmarking purposes. All these municipalities use the same statutory provisions and the same specifications. As stated above, the average cost for the 2002 revaluation is approximately \$10. Lowest cost for 2002 revaluation is \$3.50 for outer Metro Melbourne Municipality to \$25 for a small rural municipality.

The graphs simply show the % decrease/increase in the basic valuation tender fee between 2000 and 2002 revaluations.



In an attempt to understand what is causing the widely differing results, we need to analyse why. This analysis is obviously just as important as the benchmark itself. The following observations provided some insight into possible reasons for the wide divergence in costs changes between 2000 and 2002.

Observations

Reductions in the price per property have been achieved for most Councils, however the quantum of reduction attests to the divergent and imperfect market for municipal valuation services.

In general, reductions were greater where:

- municipalities comprised larger proportion of homogeneous property
- property data quality historically or achieved in 2000 was good to excellent

In general, lesser savings were achieved where:

- issues surrounding 2000 revaluation and its rate impacts attracted negative local media
- the 2000 revaluation was done poorly and the quality of the property database is questionable requiring significant reinspection of properties/overhaul of valuation calculations in 2002.

Generally, further away from Melbourne and regional centres, lesser the competition, and the lesser the reductions.

A small number of Councils experienced an increase in price as a result of significant problems experienced during 2000. The general valuation was not performed to the standard, in part due to serious flaws in data collection and integrity.

Low and high tender prices/contracts in 2000 skewing the starting point.

This is a very simple example of benchmarking, but it does illustrate the wide divergence in comparability and the need to further split the municipalities into more homogenous groupings.

CONCLUDING COMMENTS

From reading through this paper, there are some fairly obvious conclusions to be drawn about the benchmarking of rating authority valuations.

1. Finding a jurisdiction with similar characteristics to your own may be far more difficult than first contemplated.
2. Most rating authority and valuation organisations/firms are already undertaking internal benchmarking as part of monitoring their business plans.
3. The analysis of our benchmark results will prompt us to further scrutinise our processes for the purpose of defining sub-processes which can be reviewed and separately benchmarked e.g. Inspection/data verification processes within the context of the total revaluation cost.
4. The possibilities for benchmarking are unlimited, provided you have the ability and capacity to capture the required data. It is really no different to defining and implementing any performance assessment process or program..

CONCLUSION

The benchmarks for valuation best practice are really determined by the political, legislative and resourcing environments within which each rating authority/valuation agency operates. Across jurisdictions comparisons can very often be misleading because of the differing operational environments. However benchmarking within an organisation is a very sound means of managing continuous improvement of both quality and cost. Reviewing the outcomes may also lead to further reform and the need for new benchmarks to measure the anticipated benefits.

It is strongly suggested that people concentrates on reaching their own benchmark goals before looking for external benchmarks

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