Rating Revaluation Audit Handbook

Contents

Committee Representation

Committee LINZ VAH was responsible for the preparation of this Handbook and consisted of the following representatives:

Nominating Organizations

Nominating Organization
Quotable Value NZ
Beca Valuations Limited
Valuation and Management Services
State Valuation Office
Auckland City Council Valuation Division
Valnet
Wellington City Council
Land Information New Zealand

Related Documents

New Zealand Legislation

Rating Valuations Act 1998 – Rating Valuation Rules 3.1
Local Government (Rating) Act 2002
Local Government Act 1974 and 2002
Te Ture Whenua Māori Act / Māori Land Act 1993

1   INTRODUCTION

This document is designed to assist Territorial Authorities (TAs) to fulfil their obligations to provide assurance to LINZ that their district valuation roll meets the minimum compliance requirements for a revaluation. The handbook is a quality improvement tool and as such will be periodically reviewed for currency and if amended if necessary. Compliance with the handbook requirements will not automatically mean approval for a revaluation and LINZ will continue to determine its own level of assurance requirements.

Scope

This handbook is generic in nature and applies to quality management in the process of revaluations as contained in the Rating Valuations Rules version 3.1, by:
(a)   Providing a self assessment tool for Valuation Service Providers:
(b)   Enabling measurement of compliance with the Rating Valuations Rules:
(c)   Providing a quality assurance tool for TAs.

Purpose

The purpose of the handbook is to:

(a)   Establish the degree of attainment against the Rating Valuations Rules version 3.1;
(b)   Identify areas of compliance, and/or areas requiring additional improvement in order to reduce risk levels and provide robust rating valuation services to ratepayers.

This will be achieved by:

(c)   Focusing on the required outcomes of the Rating Valuations Rules version 3.1;
(d)   Identifying common acceptable solutions (system, processes, methods etc.) appropriate to the service and setting that will attain the desired outcomes;
(e)   Recognizing alternative solutions that achieve the same outcome whilst providing robust rating valuation services to ratepayers;
(f)   Evaluating the level of attainment within a continuous quality improvement framework, and in relation to the maturity of the service.

Audit framework

The audit process requires each TA to determine the level of attainment it currently achieves for each relevant criterion. The levels of attainment are based upon a continuous quality improvement model and are incremental.

2   ATTAINMENT LEVEL

	Attainment Level	Interpretation
FA	Fully Attained	*The service can clearly demonstrate implementation (practice evidence, training, records, visual evidence etc.) of the process, systems or structures in order to meet the required outcome of the criterion.*
PA	Partially Attained	1. *There is evidence of appropriate process (policy/procedure/guideline etc.), system or structure implementation without the required supporting documentation.* 2. *Or a documented process (policy/procedure/guideline etc.), system or structure is evident but the service is unable to demonstrate implementation where this is required.*
UA	Unattained	*The service is unable to demonstrate appropriate processes, systems or structures to meet the required outcome of the criterion.*
NA	Not Applicable	

3   RISK ASSESSMENT

This process requires the service (internal or external) to identify the degree of risk to the accuracy of the district valuation roll associated with the level of attainment achieved by the service for each criterion.

The "risk" should be assessed in relation to the possible impact on the consumer, based on the consequence and likelihood of harm occurring as a result of the criterion not being fully implemented.

The Risk Assessment Matrix should be used when the audit result for any criterion is partially attained (PA) or unattained (UA).

To use the risk assessment matrix you should:

(a) Consider the consequence on the accuracy of the district valuation roll of the criterion being only Partially Attained (PA) or Unattained (UA) – ranging from **extreme risk of non compliance** to **non compliance** occurring;
(b) Consider the likelihood of this adverse event occurring as a result of the criterion being only Partially Attained (PA) or Unattained (UA) – ranging from the occurrence being **almost certain** to **rare**;
(c) Plot your findings on the Risk Assessment Matrix in order to identify the level of risk – ranging from **Critical** to **Negligible**;
(d) Prioritize risks in relation to severity (e.g. **Critical** to **Negligible**);
(e) Take appropriate action to eliminate or minimize risk within the time frame indicated by the **Action Required** column.

	Likelihood					
Level of Risk	The likelihood of this occurring is **almost certain**	The likelihood of this occurring **is likely**	The likelihood of this occurring **is moderate**	The likelihood of this occurring **is unlikely**	The likelihood of this occurring **is rare**	**Action Required**
The consequence of these criteria not being met would seriously threaten the acceptability for approval of the revaluation and pose an **extreme risk of non compliance.**	**Critical**	**Critical**	**High**	**Moderate**	**Low**	**Critical** *Requires immediate review of the revaluation to determine its acceptability and whether corrective action in order to rectify the identified issue is appropriate. If no appropriate corrective action is available re-assess revaluation future with client.*
The consequence of these criteria not being met would threaten the acceptability for approval of the revaluation and pose a **significant risk of non compliance.**	**Critical**	**High**	**Moderate**	**Low**	**Negligible**	**High** *Requires an urgent review of the revaluation to determine its acceptability and identify appropriate corrective action. If no appropriate corrective action is available re-assess revaluation future with client.*
The consequence of these criteria not being met would threaten the acceptability for approval of the revaluation and pose a **moderate risk of non compliance.**	**High**	**Moderate**	**Moderate**	**Low**	**Negligible**	**Moderate** *Requires a review of the revaluation to identify and implement appropriate corrective or risk mitigation actions.*
The consequence of these criteria not being met would threaten the acceptability for approval of revaluation and pose a **minimal risk of non compliance.**	**Moderate**	**Low**	**Low**	**Low**	**Negligible**	**Low** *Requires a review of the revaluation to identify and implement appropriate corrective or risk mitigation actions.*
Risk of non compliance is insignificant even if these criteria are not met.	**Low**	**Low**	**Negligible**	**Negligible**	**Negligible**	**Negligible** *Requires no additional action or planning*

(Consequence is labelled vertically along the left side of the table.)

Figure 3.1 - Risk Assessment Matrix

4 TERMS AND DEFINITIONS (AS PER RATING VALUATION RULES 3.1)

AUDIT FILE means the district valuation roll data**,** sales data**,** and market rental data required by the Valuer-General for audit purposes. (See Appendix A of Rating Valuation Rules, Parts 1, 2, and 3 for details of the data fields required.)

DVR is the District Valuation Roll – and has the same meaning set out in section 2 of the Rating Valuations Act 1998.

ERROR the term "error" as used in Rule 6 refers to an incorrectly entered value or to an error in the factual data (e.g. incorrect floor area) used to calculate the value.

EXTRAORDINARY EVENT means situations such as erosion, subsidence, submersion or other natural calamity, which have a lasting impact on the value of the affected properties.

GROSS SALE PRICE means the total sum paid for a property including the land, buildings, chattels, goodwill and stock etc. Gross Sale Price must equal the sum of Net Sale Price plus Chattels plus Other.

HISTORY OF CHANGES means a record of all alterations made to the district valuation roll.

IMPLEMENTATION means the process of transferring the proposed revaluation values and associated data to the district valuation roll.

INSTRUMENT has the meaning set out in section 5C (7) of the Rating Valuations Act 1998.

LAND USE DATA means the data relating to permitted and actual uses and descriptive details concerning the principal structure. (See Appendix C of Rating Valuation Rules, for details of the data fields required).

MASS APPRAISAL DATA means the data relating to the physical attributes of site and improvements recorded for residential properties. (See Appendix D of Rating Valuation Rules, for details of the data fields required.)

LG(R)A is the Local Government (Rating) Act 2002.

NET SALE PRICE means the part of the price that is attributable to land and improvements only. It does not include items such as chattels, plant and machinery etc. This is the sum paid for the land and buildings of a property excluding chattels, goodwill, stock and plant equipment etc.

NOTIFICATION includes transmission by electronic means.

OUTLIER is any assessment where value movement is at a substantial variance to the general level of value movement for that type of property.

OWNER has the meaning set out in section 5 of the Local Government (Rating) Act 2002.

OWNERSHIP indicates whether a property is in Crown, local authority or Māori ownership. (See Appendix B of Rating Valuation Rules, for details of data fields required.)

PROPERTY CATEGORY means the category code used to identify the highest and best use classification of each property. (See Appendix F of Rating Valuation Rules, for details of data fields required.)

RATEABLE VALUE as defined in section 13(3) of the Local Government (Rating) Act 2002 and also includes the value of improvements.

RATEPAYER as defined in sections 10 and 11 of the Local Government (Rating) Act 2002.

REVALUATION BASIS means the evidence and analysis justifying the value levels adopted for various property categories.

RID means the Rating Information Database as defined in section 27 of the Local Government (Rating) Act 2002.

ROLL MAINTENANCE means alterations during the currency of the District Valuation Roll as provided by section 14 of the Rating Valuations Act 1998.

RVA means the Rating Valuations Act 1998.

SALE DETAILS means the data recorded for each sale of a property. It covers sale date, sale type, tenure, price/value relationship (market/non-market), gross sale price, net sale price, chattels and other sale price components, valuer's remarks and vendor/purchaser names, together with a summary of other relevant District Valuation Roll and supporting data items (refer to Appendix A of Rating Valuation Rules, Part 2).

SALES GROUPS means a grouping of valuation roll numbers into manageable sized parcels, where suburbs are adjoining and the building stock is relatively homogenous in terms of price, quality and use.

SALE PRICE CHATTELS means the sum paid for curtains, light fixtures, carpet etc of a property.

SALE PRICE OTHER means the sum paid for goodwill, stock, plant, equipment, shares etc of a property.

TERRITORIAL AUTHORITY has the meaning set out in section 2(1) of the Local Government Act 2002.

VALUATION REFERENCE NUMBER means the unique property identifier for valuation purposes. It is made up of the roll number followed by the assessment number and the suffix, where used. (See Appendix E of Rating Valuation Rules.)

VALUER-GENERAL is the statutory officer appointed under section 3 of the Rating Valuations Act 1998.

5 ABBREVIATIONS

Asst	Assessment number
AV	Annual Value
CBD	Central Business District
CMVs	Current Market Values
COD	Coefficient of Dispersion
CV	Capital Value
CV1	Capital Value 1
CV2	Capital Value 2
DVR	District Valuation Roll
LINZ	Land Information New Zealand
LV	Land Value
LV1	Land Value 1
LV2	Land Value 2
NSP	Net Sale Price
O type	Category type is Other
OVG	Office of Valuer General
RCV1	Revaluation Capital Value 1
RCV2	Revaluation Capital Value 2
RD	Residential Dwelling
RF	Residential Flat
RLV1	Revaluation Land Value 1
RLV2	Revaluation Land Value 2
RV	Residential Vacant
RVI1	Revaluation Value of Improvements 1
RVI2	Revaluation Value of Improvements 2
S1-1	Freehold open market sale of S1-1 assessment
S1-2	Sale of an individual assessment where further inspection is required to determine whether or not the physical attributes match the permanent data record – this is only a temporary classification which needs to be reclassified following inspection.
S1-3	Non market sale of 1 assessment
TA	Territorial authority
VI	Value of Improvements
VI1	Value of Improvements 1
VI2	Value of Improvements 2
VSP	Valuation service provider

6   MANAGEMENT CONTROL

General Audit Questions	Organization Details: Completed By: **Date:**	
	Valuation Service Provider	
		How is achievement of this outcome demonstrated?
6.1	What specific quality assurance measures have been applied by the TA to ensure that: • The base data on the district valuation roll is accurate? • All relevant rating valuation legislation has been complied with? • The proposed values are reasonable? • All issues raised in the previous revaluation audit report have been addressed?	 **Evaluation method(s) used:**
6.2	Who has overall quality control for the revaluation?	 **Evaluation method(s) used:**
6.3	Please provide the names of the Valuers and support staff involved in the revaluation and their areas of responsibilities.	 **Evaluation method(s) used:**
6.4	How have you ensured compliance with the RATING VALUATION ACT and RATING VALUATION RULES 3.1 relating to the creation of rating units?	 **Evaluation method(s) used:**

Attainment Level		Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
			Example Acceptable Solutions
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.1**
FA		**Actions required to satisfy LINZ audit requirements:**	• Supply copies of any documentary evidence in support of your responses to the bullet pointed questions.
			• Review past revaluation audit report from OVG's office with the VSP, to ensure any weaknesses have been addressed.
			• Obtain a revaluation project plan from the VSP. The plan should identify key tasks, dates and staff requirements.
PA			• Obtain monthly reports from the VSP as to compliance with the project plan.
			• Address any performance failures quickly.
			• Ensure that VSP valuation processes allow for timely preparation of the required audit files.
			• Report on any integrity checks or quality assurance initiatives to ensure the accuracy of the district valuation roll.
UA			• Provide details of any electronic profiling of the district i.e. use of digital cadastral maps showing relative land values and highlighting any positive or negative valuation factors affecting properties.
			• Ensure that statistical tests meet minimum standards prior to basis being submitted to the V-G or check that any exceptions are fully explained in the revaluation basis.
NA			• Provide VSP with relevant property-related information that TA is aware of that can improve the quality of the revaluation i.e. contaminated sites, recent zoning changes, spot zonings, valuations of council properties for comparative purposes.
		By when: By whom:	• Engage the services of independent registered valuers to oversee/peer review the revaluation exercise.
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.2**
FA		**Actions required to satisfy LINZ audit requirements:**	A statement naming the person in control.
PA			
UA			
NA		**By when: By whom:**	
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.3**
FA		**Actions required to satisfy LINZ audit requirements:**	A statement naming the Valuers and support staff involved in the revaluation and their areas of responsibilities.
PA			
UA			
NA		**By when: By whom:**	
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.4**
FA		**Actions required to satisfy LINZ audit requirements:**	Provide evidence that the valuation roll is correct in terms of identification of rating units. DVRs must be constructed legally at revaluation date. This means that all rating units must be correctly identified and actioned into the new revaluation roll as a condition of approval.
PA			Testing Criteria
			The DVR should be tested for correct creation of rating units using the following criteria as a guideline:
			• All property categories except O and economic rural.
			• All properties which display Y (Yes) on the DVR for multiple certificate of titles.
UA			• All properties where the terms 'Lots', 'Lts', 'Secs', 'Sections', 'Flats' or 'Units' appear in the legal description.
			• All properties where the words 'Lot', 'Sec', 'Flat' or 'Unit' appear more than once in the legal description.
			• All properties where the word 'and' or '&' appear in the legal description.
NA			• Any Māori freehold land subject to an occupation or equivalent order.
			Note – TAs should record reasons for not creating new rating units in the above cases to avoid unnecessary repetition in future audits.
		By when: By whom:	

General Audit Questions	Organization Details: Completed By: Date:	
		How is achievement of this outcome demonstrated?
6.5	Does your valuation service provider have a documented quality assurance system for their part of the revaluation process? If yes, please explain.	 **Evaluation method(s) used:**
6.6	Is there a peer review system for Valuers undertaking revaluation work? If so, please explain how it operates.	 **Evaluation method(s) used:**
6.7	What quality checks are in place to ensure the accuracy of data being entered onto the revaluation audit files?	 **Evaluation method(s) used:**
6.8	What system do you have in place to ensure staff-owned properties are fairly assessed?	 **Evaluation method(s) used:**

Attainment Level				
		Organization Details: Completed By: Date:		The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
				Example Acceptable Solutions
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**6.5**
FA		**Actions required to satisfy LINZ audit requirements:**		A statement describing the quality assurance system and how it works.
PA				
UA				
NA		**By when:** **By whom:**		
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**6.6**
FA		**Actions required to satisfy LINZ audit requirements:**		A statement describing the peer review system in place and how it works.
PA				
UA				
NA		**By when:** **By whom:**		
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**6.7**
FA		**Actions required to satisfy LINZ audit requirements:**		A statement describing the system in place. **Data Entry Protocols for Value Changes Reconciliation File** During the 15-day audit period a new property and sales file may be requested by the Valuer-General. Where there are changes to any values or new additions or deletions from the property file, a reconciliation detailing those changes will be required.
PA				Any change made within the 15-day audit period must be agreed to by the auditors and each individual change must be recorded on a schedule which is submitted for final approval. The auditors reconcile the changes that have occurred against what was expected. Where VSPs use a number of different data entry conventions to explain the reason for the change it becomes more time consuming for the auditors. This often leads to frustrations for the council and VSP while waiting for approval. There would be benefits for all parties in developing industry agreement on data entry protocols about reasons for changes.
UA				Typical headings for reasons could include: new index, reapply correct basis index, punching error, category correction, new rating units, removal of rating units, cusp correction, match to S11 sale, improvements added, improvements removed, reinspection, correct a calculation error.
NA				These words would appear at the start of the reason and more detail can be added behind i.e. new index – 15% added to Woolly Valley pastoral. Change schedules should cover the following headings: Val ref & assessment, category 1, category 2, land area 1, land area 2, CV1, LV1, VI1, CV2, LV2, VI2, RCV1, RLV1, RVI1, RCV2, RLV2, RVI2, Component(s) changed i.e. CV2, RCV2 and the reason for the change.
		By when: **By whom:**		
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**6.8**
FA		**Actions required to satisfy LINZ audit requirements:**		A statement describing the system in place.
PA				
UA				
NA		**By when:** **By whom:**		

General Audit Questions	Organization Details: Completed By: Date:	
		How is achievement of this outcome demonstrated?
6.9	What procedures do you have in place to ensure valuation notices are sent to owners and ratepayers within 10 working days of the public notice being given under section 12 of the Rating Valuations Act 1998?	**Evaluation method(s) used:**
6.10	Please supply a copy of the public notice.	**Evaluation method(s) used:**
6.11	How up to date are subdivisions, new improvements and 1-2 sales listings? Please supply a status report showing this.	
6.12	What is the rating base in this district?	**Evaluation method(s) used:**
6.13	In relation to individual property types/ownership are there any contentious valuation issues in your district that need special consideration?	**Evaluation method(s) used:**
6.14	Please provide a map(s) showing roll boundaries.	**Evaluation method(s) used:**
6.15	How have you checked that the proposed indices have been applied correctly for each category?	**Evaluation method(s) used:**

Attainment Level		Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
			Example Acceptable Solutions
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.9**
FA		**Actions required to satisfy LINZ audit requirements:**	A statement describing the process in place.
PA			
UA			
NA			
		By when: By whom:	
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.10**
FA		**Actions required to satisfy LINZ audit requirements:**	Attach a copy.
PA			
UA			
NA			
		By when: By whom:	
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.11**
FA		**Actions required to satisfy LINZ audit requirements:**	Provision of the files with comments, ensure they are at low levels of outstanding maintenance.
PA			
UA			
NA			
		By when: By whom:	
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.12**
FA		**Actions required to satisfy LINZ audit requirements:**	CV, LV, VI, AV
PA			
UA			
NA			
		By when: By whom:	
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.13**
FA		**Actions required to satisfy LINZ audit requirements:**	A statement describing any contentious valuation issues and if applicable specific properties and/or groups of properties they relate to.
PA			
UA			
NA			
		By when: By whom:	
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.14**
FA		**Actions required to satisfy LINZ audit requirements:**	Please supply roll boundary maps.
PA			
UA			
NA			
		By when: By whom:	
	✓	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.15**
FA		**Actions required to satisfy LINZ audit requirements:**	A statement describing the process and any documentary evidence.
PA			
UA			
NA			
		By when: By whom:	

General Audit Questions	Organization Details: Completed By: Date:	
		How is achievement of this outcome demonstrated?
6.16	What value change outlier testing has been done? Please supply any documentary evidence of this process.	
		Evaluation method(s) used:
6.17	How do you ensure that property categories are accurate and reflective of market conditions as at the effective date of the revaluation?	
		Evaluation method(s) used:

Attainment Level		Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
			Example Acceptable Solutions
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.16**
FA		**Actions required to satisfy LINZ audit requirements:**	A statement describing the process and any documentary evidence.
PA			
UA			
NA		**By when: By whom:**	
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**6.17**
FA		**Actions required to satisfy LINZ audit requirements:**	Review property categories for any parts of the district where land uses have changed due to market dynamics. Typical examples in a rising market would include, lifestyle category changing to residential and rural categories changing to lifestyle.
PA			
UA			
NA		**By when: By whom:**	

7   GENERAL REVALUATIONS

Rating Valuation Rules		

Rule #	Rating Valuation Rule	How is achievement of this outcome demonstrated?
7.1	**Notification of Implementation Date** A TA must notify the Valuer-General of the proposed implementation date for any general revaluation at least six months prior to that date. The notification must include advice of the date when the completed audit file will be provided.	**Evaluation method(s) used:**
7.2	**Supply of Audit File** A TA must ensure that the completed audit file is provided to the Valuer-General in the required format at least 15 working days prior to the proposed implementation date. The Valuer-General may extend this timeframe.	**Evaluation method(s) used:**
7.3	**Content of the Audit File** The audit file must contain all the information required to be maintained under the appendices to the Rules.	**Evaluation method(s) used:**

Attainment Level			
		Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
⇩			**Example Acceptable Solutions**
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**7.1**
FA		**Actions required to satisfy LINZ audit requirements:**	The TA should keep documented evidence of notifying the Valuer-General. E-mail will suffice.
PA			
UA			
NA			
		By when: By whom:	
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**7.2**
FA		**Actions required to satisfy LINZ audit requirements:**	A record of delivery is held by the VSP. E-mails where appropriate are acceptable for the property, sales and annual value rental files. Valuer-General should acknowledge receipt.
PA			
UA			
NA			
		By when: By whom:	
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**7.3**
FA		**Actions required to satisfy LINZ audit requirements:**	Sales and property data files must be evaluated and an error free validation certificate provided (e.g. evaluated by the LINZ validation software). **Refer to Appendix B for details of sales classification system.**
PA			
UA			
NA			
		By when: By whom:	

Rating Valuation Rules	Organization Details:	
	Completed By: Date:	

Rule #	Rating Valuation Rule	How is achievement of this outcome demonstrated?
7.4	**Property Revaluation Basis** A TA must supply the Valuer-General with a written copy of the relevant revaluation basis for all property categories, and where applicable sub categories, on or before the time the audit file is supplied.	
		Evaluation method(s) used:

Attainment Level			
		Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
⇩			**Example Acceptable Solutions**
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	7.4
FA		**Actions required to satisfy LINZ audit requirements:**	The TA should keep documented evidence of supply of a written copy of the relevant revaluation basis to the Valuer-General. E-mail will suffice. The revaluation basis should contain the following where appropriate (market dynamics may dictate what is appropriate): 1. Profiling The purpose of profiling is to give an overview of the district to demonstrate your understanding of the various components of the market. Provide evidence of profiling of the district to give assurance that the relevant market components have been addressed. For example **Refer to Appendix C.** 2. Methodologies Provide evidence of the methodology that has been adopted for each property category. **Refer to Appendix C.**
PA			2.1 Indexing Indexing is a technique, not a methodology. If applying an indexing technique for mass revaluations your methodology should be able to be applied to any individual property to support the proposed value by index, within accepted valuation tolerances. Where indexing has been used, you will need to provide documents showing a comprehensive schedule of the final index specification. **Refer to Appendix C.** 2.2 Māori Land Provide documents showing: **Refer to Appendix C.** 3. Schedules of market evidence Complete market evidence files must be provided under the headings detailed in 4 "Summary of Key Market Evidence", for each category. Additional schedules of market evidence should show that consideration has been given to readily available market evidence and where appropriate second tier evidence e.g: **Refer to Appendix B & Appendix C.**
UA			4. Summary of key market evidence A schedule and explanation of process (where appropriate) for the selection of the key/benchmark property sales/rental information etc. per property category that forms the basis of the revaluation. (Photos optional.) **Refer to Appendix C.** 5. Market Comments and Conclusions This is a very crucial step in the process is intended to provide an overview of each particular relevant market component. Comments are required on the movement of values when compared to the last revision. It also provides the reasons why a particular conclusion was reached and links the evidence to the final values. Where there is little or no sales evidence your market comments should include details of assumptions made to arrive at proposed value levels. Where the evidence is not definitive please provide a narrative as to why a particular outcome has been adopted, e.g. why you have chosen to index by a certain percentage when the evidence indicates a range, or why you have adopted a particular capitalization rate/rental etc. when the evidence indicates a range.
NA			If the indexation technique is used, a detailed schedule of final indices applied must be supplied. i.e. a summary of roll numbers in a TA area is required outlining the towns/suburbs they relate to and the value movements which are proposed, (e.g. industrial location 1, roll number 16600, 10% capital value increase and 5% land value increase; residential location 6, roll numbers 17700-17702, 20% capital value increase and 20% land value increase etc.) In addition to the above commentary, the following specific items should also be detailed in the basis: **Refer to Appendix C.** 6. Working Basis Provide a summary of key evidence which will then become a working guide to apply conclusions in the field. Includes a guide to the value of improvements. **Refer to Appendix C.**
		By when: By whom:	

Rating Valuation Rules	Organization Details: Completed By: Date:	
7.5	**Statistical Rules**	**How is achievement of this outcome demonstrated?**
7.5.1	**Application of Statistical Rules** The following statistical rules will be applied and must be satisfied where appropriate: (a) Coefficient of Dispersion (b) Median Value Price Ratio (c) Price Related Differential (d) Comparison of Average Value Changes	**Evaluation method(s) used:**
7.5.2	**Coefficient of Dispersion (COD)** The Coefficient of Dispersion must be equal to or less than 12.	**Evaluation method(s) used:**
7.5.3	**Median Value Price Ratio** The Median Value Price Ratio must be within the range 0.90 to 1.10.	**Evaluation method(s) used:**
7.5.4	**Price Related Differential** Price Related Differential must lie between 0.98 and 1.03.	**Evaluation method(s) used:**
7.5.5	**Comparison of Average Value Changes** The difference in Average Value Change between sold and unsold properties must be less than 5%.	**Evaluation method(s) used:**

Attainment Level			Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
⇩				**Example Acceptable Solutions**
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**7.5.1**
FA PA UA NA		**Actions required to satisfy LINZ audit requirements:** **By when:** **By whom:**		Provide evidence that tests have been applied. While 3 months and approximately 50 sales are shown in the commentary to rule 7.5.1, market conditions may dictate that a greater or lesser time period or number of sales is appropriate for analysis. In a rapidly changing market, sales close to the effective date should always be used in preference to older sales. This may mean that 15 or 20 sales will give an adequate pointer to value levels. In a static market sales as far back as 12 months may be considered. During the 15-day audit period a new property and sales file may be requested by the Valuer-General, and these will be run through all the standard statistical tests. Category and sample groupings may differ depending on market conditions. The following points are covered in 7.5.2 to 7.5.5 and **Appendix A**: • What the test does? • High and low figure outcomes, what does it suggest? • The type of data range needed.
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**7.5.2**
FA PA UA NA		**Actions required to satisfy LINZ audit requirements:** **By when:** **By whom:**		Provide evidence that test complies where appropriate. See comments in 7.5.1. Coefficient of Dispersion: Minimum standard for COD is $\leq$ 12. This test measures only the S1-1 sale properties for uniformity between proposed values and sale prices. Where COD is <5 check for any sale manipulation. Where COD is >10 check the accuracy of indexes/proposed values or sales classification as S1-1. This is not so dependent on latest sales and often run on a 3 month sample. COD should also be tested on current values. While the market sales may indicate significant change it is worth testing the uniformity of that change. **See Appendix A.**
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**7.5.3**
FA PA UA NA		**Actions required to satisfy LINZ audit requirements:** **By when:** **By whom:**		Provide evidence that test complies where appropriate. See comments in 7.5.1. Median Value Price Ratio: Minimum standard 0.90 to 1.10 measures only the S1-1 sale properties and compares proposed values against sale prices. This is very sensitive to rapid change in the market and relies on the most recent sales for an accurate measure. The date range for the sales sample may be only two weeks leading up to effective date in extreme markets – in steady to strong rise/fall markets 1 month may be reasonable. While the minimum standard may be 0.9 to 1.1 the audit practice has been to query results outside 0.95 to 1.05 where there are enough (10 or so) sales to get a trend – especially if a wider date range shows a closer fit and it's the recent sales that are pushing the result further out. **See Appendix A.**
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**7.5.4**
FA PA UA NA		**Actions required to satisfy LINZ audit requirements:** **By when:** **By whom:**		Provide evidence that test complies where appropriate. See comments in 7.5.1. Price Related Differential: Minimum standard 0.98 to 1.03. Measures only the S1-1 sales properties. This test is least sensitive to the date range provided the best fit indexes have recognised the relative value changes for lower compared to higher value properties – it measures the relative accuracy of lower and higher value sales against proposed capital value. If the ratio is above 1.03 then higher value properties are undervalued relative to lower value properties. If the ratio is under .98 then lower value properties are undervalued relative to higher value properties. Audit practice has been to take a wider sales date range for this test. **See Appendix A.**
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**		**7.5.5**
FA PA UA NA		**Actions required to satisfy LINZ audit requirements:** **By when:** **By whom:**		Provide evidence that test complies where appropriate. See comments in 7.5.1. Comparison of Average Value Change: Minimum standard difference in average value change between sold and unsold properties less than 5%. This is the only statistical test that includes non sold properties. This test is dependent on sales date range because the non sold properties should have moved consistent to the S1-1 sales near the effective date. If the latest sale properties are up 90% but unsolds at 80% then the test fails at first glance. There may be a reason for this if the sale properties are not representative of the wider market i.e. large number of sale properties with coastal influence but majority of non sold don't have coastal element. This test is useful for all categories except O and should be checked before basis submitted for audit. **See Appendix A**.

Rating Valuation Rules	Organization Details: Completed By: Date:	
7.6	**Property Inspections**	**How is achievement of this outcome demonstrated?**
7.6.1	**Inspection of Properties that have Sold** The Valuer must be able to demonstrate that a sufficient number of sold properties have been inspected when setting the revaluation basis so as to determine market levels at the date of valuation. A record must be kept of all sold properties inspected and the adjustments made to current values to reflect the condition of the property at the date of sale. A record of the percentage change to current roll values must be documented for those sales that were used to determine the basis.	
		Evaluation method(s) used:
7.6.2	**General Property Inspections** The Valuer must undertake sufficient follow-up inspections where the property values have been mass appraised to demonstrate that the proposed valuations are a fair indication of current market values.	
		Evaluation method(s) used:

Attainment Level		Organization Details: Completed By: Date:	The following sector solutions contain examples of processes, systems or structures. The list is not exhaustive. The outcome may be achieved by implementing some, all, or alternate solutions not listed.
			Example Acceptable Solutions
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**7.6.1**
FA		**Actions required to satisfy LINZ audit requirements:**	**Examples of considerations to demonstrate sufficient sold properties have been inspected**: • Determine the relevant period of time for the sales data, based on market conditions, location and property type e.g. In a rapidly changing market only the most recent sales may be relevant.
PA			• Ensure all relevant market evidence is incorporated in the revaluation basis (e.g. confirmed sales, leasing/rental data, real estate data, unconfirmed sales, real estate listings – asking prices). • Describe method of visual inspection recognizing the importance of an accurate revaluation basis. • Document the process followed to identify properties inspected, such as:
UA			o justification of selection of benchmark sales o statistical fit o ratio of market/non market sales. • If more than 15% of the sales relevant to the basis are S1-2 a higher level of inspection of sold properties is required. • Where there is a low volume of sales for a particular type of property or micro location and a high ratio of S1-2, more inspections may be required.
NA			**Keep a record of sold properties inspected where adjustments are made to current values.** • In accordance with Rule 7.6.1 develop a schedule of adjustments made to current values on sold properties.
		By when: By whom:	
	✔	**Risk - ☐ Critical ☐ High ☐ Moderate ☐ Low ☐ Neg**	**7.6.2**
FA		**Actions required to satisfy LINZ audit requirements:**	• Document the process followed to identify properties inspected, such as: o justification of selection of properties to be inspected o statistical fit o settlement levels of objections from prior revaluation
PA			o file of properties identified during the currency of the roll that need consideration at revaluation o wide variance in proposed values against recent sale price o ratio of market/non market sales o known factors where values change may vary from the general properties in the area such as view, coastal influence, and other attributes of the property.
UA			• If on checking the sales data a higher level of data inaccuracy is evident, more inspections may be required. • In accordance with Rule 7.6.2 please detail: o your criteria for determining what was a sufficient level of follow up inspection for non sold properties in this revaluation
NA			o areas where non sold properties were inspected o % of unsold properties inspected by category
		By when: By whom:	o the extent of inspections e.g. roadside, external but on property etc.

APPENDIX A – EXPLANATION OF STATISTICAL RULES

The following tables illustrate the practical application of the first three statistical tests from the Rating Valuation Rules version 3.1. These are the tests for COD, Median and Price Related Differential. All S1-1 sales in the relevant time period are used in the tests. Table 1 has a moderately wide variation between proposed revaluation Capital Value and net sale price whereas table 2 has a relatively tight fit between the two. The example tables use a sales sample of 9 for demonstration purposes however a far larger sample (in the vicinity of 20 plus) is necessary to have a high level of confidence in the statistical results. The formulas for each test and examples of audit issues are explained after the tables. There are also further comments on the fourth test for comparison of average value change.

Table 1										
Sale number	Roll	Asst	Sale Date	Sale Type	Sale Tenure	Price/ Value	Net Sale Price	Reval CV	Ratio CV/NSP	Absolute Difference
1	2110	501	2/08/2004	S	1	1	255000	200000	0.784313725	0.1247772
2	2110	7502	15/08/2004	S	1	1	270000	220000	0.814814815	0.0942761
3	2110	1520	20/08/2004	S	1	1	370000	325000	0.878378378	0.0307125
4	2110	610	15/08/2004	S	1	1	365000	320000	0.876712329	0.0323786
5	2110	5151	26/08/2004	S	1	1	275000	250000	0.909090909	0
6	2110	2103	25/08/2004	S	1	1	210000	230000	1.095238095	0.1861472
7	2110	2118	12/08/2004	S	1	1	285000	315000	1.105263158	0.1961722
8	2110	7305	18/08/2004	S	1	1	350000	395000	1.128571429	0.2194805
9	2110	8806	28/08/2004	S	1	1	335000	385000	1.149253731	0.2401628
								MEDIAN	**0.909090909**	
							Sum of absolute differences			1.1241072
							Sum of absolute differences/number of sales			0.1249008
							COD calaculation = .124901/Median .909091 * 100 = **COD**			**13.739088**
			Calculation of Price Related Differential							
			Mean = Sum of all price/value ratios divided by number of sales						**Mean**	**0.971293**
			Weighted Mean = Sum of CVs/Sum of NSP =				2715000	2640000	**Weighted Mean**	**0.9723757**
			Price Related Differential (PRD) = Mean divided by Weighted Mean						**PRD**	**0.9988865**
Table 2										
Sale number	Roll	Asst	Sale Date	Sale Type	Sale Tenure	Price/ Value	Net Sale Price	Reval CV	Ratio CV/NSP	Absolute Difference
1	2110	501	2/08/2004	S	1	1	255000	240000	0.941176471	0.04531
2	2110	7502	15/08/2004	S	1	1	270000	250000	0.925925926	0.0605606
3	2110	1520	20/08/2004	S	1	1	370000	365000	0.986486486	0
4	2110	610	15/08/2004	S	1	1	365000	350000	0.95890411	0.0275824
5	2110	5151	26/08/2004	S	1	1	275000	250000	0.909090909	0.0773956
6	2110	2103	25/08/2004	S	1	1	210000	225000	1.071428571	0.0849421
7	2110	2118	12/08/2004	S	1	1	285000	300000	1.052631579	0.0661451
8	2110	7305	18/08/2004	S	1	1	350000	385000	1.1	0.1135135
9	2110	8806	28/08/2004	S	1	1	335000	345000	1.029850746	0.0433643
								MEDIAN	**0.986486486**	
							Sum of absolute differences			0.5188135
							Sum of absolute differences/number of sales			0.0576459
							COD calculation = .057646/Median .9864865 * 100 = **COD**			**5.8435613**
			Calculation of Price Related Differential							
									Mean	**0.9972772**
							2715000	2710000	**Weighted Mean**	**0.9981584**
									PRD	**0.9991172**

Coefficient of Dispersion (COD):

Steps to calculate the COD are as follows:

1. Divide Reval CV by net sale price to get starting ratio.
2. Subtract the median ratio from each of the individual sales ratios to allow determination of the absolute difference.
3. The absolute difference ratio requires conversion of all differences between the median ratio and individual sales ratios to a positive i.e. if median ratio in table 1 is 0.909 and sale 1 is 0.784 then absolute difference ratio is 0.784 - 0.909 = -0.125 but convert to a positive as 0.125; where the sale ratio is greater than the median ratio as in sale 9 the absolute difference result is already a positive 1.149 - 0.909 = 0.240.
4. Sum the total of all absolute difference ratios.
5. Divide the sum of absolute difference ratios by the number of sale samples.
6. Divide this result by the median ratio i.e. 0.909.
7. Multiply the result by 100 to get the COD.

If the COD results are greater than 12 then the Valuer should check the reliability of S1-1 sale classifications. An example of audit approval problems with the COD test are those where one or two S1-1 sales have proposed CVs quite removed from the net sale price and this distorts the result. For example if sale 1 in the first table had had a new improvement it should be S1-2 and both the current and proposed capital values should be altered to reflect the true physical condition at sale date. In this case the proposed CV of the first sale may need to be adjusted to $245,000 and the resulting COD would be 11.6 – so one wide ratio sale to proposed capital value can be the difference between meeting the minimum standard and not. Alternatively the Valuer may find in later research that the sale was in fact non market and should have been classified S1-3 with supporting comment, thereby taking it out of the statistical tests.

If Valuers are satisfied that all sales are correctly classified and the COD still misses then there is a lack of acceptable uniformity between the proposed CVs of the sale property samples and their sale prices. In table 1 where the COD is 13.7 properties are likely to need a greater level of inspection and more manual value calculations – simply adjusting the proposed CVs of sale properties in isolation could trigger a failure in the fourth statistical test from the Rules which is the comparison of the average value change test. Alternatively the reason for a failed COD may be a lack of effective sales investigation to recognise certain characteristics of the sale properties and reflect that through both the sale property proposed capital value and other non sold properties with the characteristic. An example of this might be a water view on 2 out of the 9 sales which warrants a higher proposed capital value increase for those two sales and other non sold properties with water views. Statistical test failure may also be due to a lack of best fit analysis where again certain pockets of the market need to be moved at a variable level to others.

Valuers should be aware that it may be necessary to dissect the sales evidence in more than one way to fully understand the market and then draw the right value change conclusions for unsold properties.

Median Value Price Ratio
As shown in both table 1 and table 2, this is the middle value ratio of the sale sample range. For an even numbered sample it is the average of the two middle ratios.

Price Related Differential
The formula is to divide the Mean by the Weighted Mean. The Mean is the sum of all price/value ratios divided by the number of sales and the Weighted Mean is the sum of capital values divided by the sum of net sale prices.

Failure of this test may be linked to a lack of best fit analysis. It may be that one broad index is not appropriate for all properties in the roll/sales group because lower value properties have increased by a higher percentage than higher value properties or vice versa.

Comparison of Average Value Change
This is the difference in the average value change between sold and unsold properties. It is important that this test is run over all categories. Recent audits have exposed situations where the proposed capital values of sold properties have moved at far greater levels than those of unsold properties, particularly in the commercial category. Where this happens full basis comments around the circumstances of each sale are needed to support the variance. There may only be a small number of sale samples but this increases the need for quality explanations.

APPENDIX B – DEFINITION OF SALES CLASSIFICATION SYSTEM

Sale Type

Indicates what the status or type of sale being entered is

Valid Data

S   Sale of whole property

M   Sale of more than 1 property. A multi sale is not automatically a non market sale. The classifier needs to compare total of all property capital values against the sale price as well as make other investigations about the nature of the sale.

X   Cross reference sale. Property sold in conjunction with a type M sale.

Sales classification prior to the Local Government (Rating) Act 2002 included a P character for sale type – since the new Act this is seldom used as a rating unit generally equates to one certificate of title or some other instrument of ownership and the sale need not be entered until receipt of all necessary documentation.

Sale Tenure

Denotes tenure status of the property. Must be 1, 2, 3 or 4.

Code	Description
1	Freehold.
2	Leasehold (lessee's interest).
3	Sale of share in property (Not sale of part of property).
4	Other i.e. not included above (lessor's interest, etc).

Price/Value Relationship Code

Denotes the relationship of the property's market value to the sale price. Valid data must be 1, 2, or 3.

Code	Description
1	Arms-length sale, or family/business etc. sale at market price, which can be matched with property valuation. These sales form the basis of the statistical tests and a review of them should be undertaken to ensure ones with a large variance between sale price and current/proposed capital value are actually S1-1 sales. There should be a close correlation between S1-1 sale prices close to the effective date of the revaluation and proposed values.

2   Market sale as above but awaiting update of property valuations (these will be corrected later).   This classification is only a holding basket and these sales should all be inspected and have either the:

- capital value altered if appropriate for new improvements having been added or removed from the property. The property data must be updated on the DVR to reflect the sale condition and the classification altered to S1-1 or S1-3 once the new capital value has been assessed and other sale investigations carried out.

- sales classification changed to S1-1 or S1-3 because there has not been any physical change to the property and other investigations reveal that they are either market or non market transactions.

There should be no S1-2 sales classifications as at 30 June of each year and at the time of revaluation.

Sales should only be classified S1-2 where the prices for individual properties indicate a significant and unexplained variance from the general ratio of sale prices to current capital values at the date of sale. Example: If sales indicate a market is say 30% above the current capital values then S1-2 sales could be those with a ratio of less than a 10% increase or greater than a 50% increase depending on the Valuer's analysis of the market conditions. The classification system needs to be adjustable to cope with a steadily rising or falling market where the S1-2 parameters need to move up or down with the market. If in the above example the market moves ahead in the next two months to an average 50% increase over current capital values, then the S1-2 parameters could be altered to 30% and 70% respectively for sales in the relevant date range again subject to the Valuer's analysis of the market conditions.

3   Non-arms length sales, or sales which can never be matched with the property valuation. i.e. Trust formations.

The reason for classifying these sales as non market must be provided in the Valuer's comments field. Typical reasons are likely to include family sale, related parties, trust formation etc. Mortgagee sales are not automatically S1-3 as they may be indicative of where the market is at in depressed circumstances and in firm markets mortgagee sales often achieve the same price levels as normally marketed properties.

APPENDIX C – EXPANSION OF RULE 7.4

The TA should keep documented evidence of supply of a written copy of the relevant revaluation basis to the Valuer-General (e-mail will suffice.)

The revaluation basis should contain the following where appropriate (market dynamics may dictate what is appropriate):

1. Profiling

   The purpose of profiling is to give an overview of the district to demonstrate your understanding of the various components of the market. Provide evidence of profiling of the district to give assurance that the relevant market components have been addressed. For example consider:
   - Typical make up of the property category
   - Identify significant sub-localities within suburbs
   - Identify the objection issues in previous revaluations
   - Typical capital value and land value
   - Schedule of rolls and sales groups
   - Provide details of any electronic profiling of the district i.e. use of digital cadastral maps showing relative land values and highlighting any positive or negative valuation factors affecting properties.

   With respect to other/specialist properties supply a list detailing major properties, e.g. dams, forestry, tourist attractions etc.

2. Methodologies

   Provide evidence of the methodology that has been adopted for each property category:
   - Arable
   - Commercial (including specialist commercial property)
   - Dairying
   - Forestry
   - Horticultural
   - Industrial
   - Lifestyle
   - Mining
   - Other
   - Pastoral
   - Residential
   - Specialist Livestock
   - Utilities.

   Where appropriate the basis should be provided for sub-category property types e.g. churches, Māori land, hotels, motels, boarding houses, rest homes, service stations, schools, cinemas, dams, casinos, airports, ports, railways, other utilities, civic property (e.g. town halls, museums, libraries, land fills, parks and reserves, designated land, sport centres, swimming pools, parking buildings), Government properties (e.g. naval bases, military properties, prisons, universities, hospitals, historic properties), dairy and meat processing. Examples of methodologies are: component build-up based on comparable market evidence, capitalisation of rents, or cost less depreciation.

2.1 Indexing

   Indexing is a technique, not a methodology. If applying an indexing technique for mass revaluations your methodology should be able to be applied to any individual property to support the proposed value by index, within accepted valuation tolerances. Where indexing has been used, you will need to provide documents showing:
   - How have you applied your basis for each property type? E.g. Rural index programme, index by percentage, individually assessed, etc.
   - A comprehensive schedule of the final index specifications where this technique has been used to effect value changes. Where indexing was done in stages we require the overall percentage change to previous values.
   - Details of cusp management procedures where indexes vary at different junctions within a roll/category type/existing CV/LV range including key sales that support the index variations.
   - What systems are in place to check that indexes are correct and supported by sales.

2.2 Māori Land

   Provide documents showing:
   - How have you identified and valued Māori freehold land and Māori customary land subject to Te Ture Whenua Act?

   In the case of Māori freehold land and the application of the Mangatu judgement, how you have identified and maintained:
   - Number of owners
   - Sites with special cultural significance
   - Adjustments already in place

- % to be adjusted
- A schedule of individual Māori land assessments showing application of adjustments.

3. Schedules of Market Evidence
   Complete market evidence files must be provided under the headings detailed in 4 "Summary of Key Market Evidence", for each category. Additional schedules of market evidence should show that consideration has been given to readily available market evidence and where appropriate second tier evidence e.g:
   - Sales analysis of individual properties showing ratios of existing CV to sale price
   - Rental evidence (e.g. commercial, industrial, residential)
   - Sale price per industry unit.

   Where the above evidence is inconclusive consideration should be given to:
   - Real estate data (e.g. auction, tender, and other industry data)
   - Unconfirmed sales and market listings (e.g. asking prices).

   Some of the key questions that must be covered in the revaluation are:
   (a) Did you consider you had sufficient market information/evidence for each property type and location when determining the revaluation basis?
   (b) If you had insufficient market information, how did you determine your basis?
   (c) Please supply details of any market evidence from outside the district that was used to determine values.
   (d) In accordance with Rule 7.6.1 what level of inspection of properties that had sold did you undertake to set your basis?
   (e) In accordance with Rule 7.6.1, how have you recorded changes to current roll values for sale properties that were used to determine the basis? Please supply any schedules to evidence compliance with this rule.
   (f) How do you ensure that all sales classified as S1–1 are in fact market sales?
   (g) What level of checking was undertaken where proposed values are quite removed from recent S1–1 sale prices? Provide any documentary evidence of this checking.
   (h) How have you determined the dairy company shares component of dairy farm sales? Submit an example of a typical sales analysis to evidence this.
   (i) Commercial, Industrial and Accommodation properties – Did you send out rental sheets to owners to complete? If yes, please supply a copy and an indication of the response levels.
   (j) Rural properties- did you send out stock sheets/horticulture sheets for these types of properties? If yes, please supply a copy and an indication of the response levels.
   (k) Where stock sheets/horticulture sheets were not sent out for this revaluation, or where responses were poor, what other methods did you use to review and update land use and production changes?

4. Summary of Key Market Evidence
   A schedule and explanation of process (where appropriate) for the selection of the key/benchmark property sales/rental information etc. per property category that forms the basis of the revaluation (photos optional).

   Residential:
   - Profile of the relevant residential suburbs/sub markets of the district – Examples of details of housing types may include: % RD, RF,RV, breakdown within RD e.g. 80% RD6 & 10% RD4 SRs, average/median sale price/capital and land value, typical floor areas of dwellings, rental detail, significant positive (school zonings, transport, shopping etc) or negative (landfill) features of the area. Comparison of average CV to average LV may be useful for testing LV relativities between suburbs. It is useful to provide maps showing pockets within suburbs.

   - Market evidence schedules:
     - Val Ref & Assessment number
     - Address
     - Category
     - Sale Date
     - Net Sale Price
     - Chattels
     - Floor Area
     - Net rate
     - Land Area
     - Current CV & LV
     - NSP/Current CV ratio
     - Proposed CV & LV
     - NSP/Proposed CV
     - Benchmark sale indicator (can be narrative in comments)
     - Comments.

- Market rental evidence schedules (primarily for annual value):
    - Val Ref & Assessment number
    - Address
    - Category
    - Rental date
    - Rental amount
    - Term of lease
    - Floor area
    - Number of bedrooms
    - Other buildings
    - Other improvements
    - Land area
    - Comments.

- Details of inspection levels of market evidence properties – including extent of inspections i.e. internal, roadside inspection.
- Highlight and explain selection criteria for key sales/market evidence.
- Where appropriate include details of other key evidence such as most recent sales, asking prices, listings, extent of mortgagee sales, plan/schedule of large subdivisions plotting land sale prices.
- Details of any reworking of individual properties to compare to index results or to set new values – this is important where there is limited market evidence and comparisons of ratios between reworked properties to current CV is used to support a particular indexing action.
- Copies of any questionnaires sent for revaluation purposes and detail of responses.

Commercial/Industrial:
- Profile of various commercial precincts and sub markets e.g. CBD, suburban commercial, hotels, motels, service stations, and rest homes. It is useful to provide maps showing the CBD and other significant commercial/industrial areas. Maps should highlight 100% point as well as details of land value ranges, retail rental ranges and areas of high vacancy.

- Market evidence schedules:
    - Val Ref & Assessment number
    - Address
    - Category
    - Sale Date
    - Net Sale Price
    - Other
    - Net lettable area
    - Capital value net rate and/or other appropriate measure such as $/units for motels, $/bed for rest homes etc
    - Current CV & LV
    - NSP/Current CV ratio
    - Proposed CV & LV
    - NSP/Proposed CV
    - Actual rent at date of sale
    - Market rent at date of sale – can compare to previous revaluation rent and show ratio
    - Cap rate on actual rent
    - Adjustments to sale price for over/under rent/vacancy/leasehold etc – need to include any present value calculations
    - Cap rate on adjusted sale price where actual and market rents differ
    - Benchmark sale indicator
    - Vendor/Purchaser
    - Comments.

- Market rental evidence schedules:
    - Val Ref & Assessment number
    - Address
    - Category
    - Rental date
    - Face rental amount – whether gross or net
    - Outgoings
    - Treatment of chattels in rental analysis
    - Net face rent
    - Term of lease
    - Rent review date & right of renewal provisions
    - Net lettable area
    - Incentives analysis
    - Carparks & excess land.

- Analysed rental amount for building
- Net rental per m^2 and/or per week
- Rental per bed or unit for rest homes, hotels and motels
- Comparison to previous revaluation rental levels – show ratio of difference
- Comments
- Details of inspection levels of market evidence properties – including extent of inspections.
- Highlight and explain selection criteria for key sales/market evidence.
- Details of any reworking of individual properties to compare to index results or to set new values including the actual worksheet. This is important where there is limited market evidence and comparisons of ratios between reworked properties to current CV are used to support a particular indexing action. As a minimum a worked example for a hotel, motel, service station and rest home should be included.
- Copies of any questionnaires sent for revaluation purposes and detail of responses

Other:
- Profile of the various Other properties within the district – note any significant large Other uses.
- Market evidence schedules
  - Val Ref & Assessment number
  - Address
  - Category
  - Sale Date
  - Net Sale Price
  - Floor Area
  - Land Area
  - Current CV & LV
  - NSP/Current CV ratio
  - Proposed CV & LV
  - NSP/Proposed CV
  - Significant non principal building value features
  - Comments
- Explain the process for valuing designated land against underlying zone. Include a detailed chance of change schedule for various O types – schedule to identify type of property i.e. cemetery, school, reserve, park etc and the % chance of change factor.
- Include relevant guidelines to rural land values/rural section values by area.
- Include worked examples of the application of the methodology i.e. typical school, large other use such as a hospital etc.

Rural/Lifestyle:
- Profile of the rural area[s] within the district – note any significant land use changes since the last revaluation.
- Market evidence schedules:

Rural
- Val Ref & Assessment number
- Address
- Category
- Land Area
- Production
- Sale Date
- Net Sale Price
- Other [e.g. chattels, dairy shares, timber, plant]
- Current CV & LV
- NSP/Current CV ratio
- Proposed CV & LV
- NSP/Proposed CV
- NSP/Hectare
- NSP/Production
- Value of OBs and OIs
- Analysed Land Value
- Breakdown of land classes
- Analysed LV/Hectare
- Analysed LV/Production
- Analysed LV/Land Class
- Proposed CV/Current CV
- Proposed LV/Current LV
- Vendor/Purchaser
- Benchmark sale indicator
- Comments

Forestry Properties to also include breakdown of Land Area to:
- Plantable Area and Waste, and
- Hauler and Skidder

Lifestyle
- Val Ref & Assessment number
- Address
- Category
- Land Area
- Sale Date
- Net Sale Price
- Other [e.g. chattels, timber, plant]
- Current CV & LV
- NSP/Current CV ratio
- Proposed CV & LV
- NSP/Proposed CV
- NSP/Hectare
- Site value
- Proposed CV/Current CV
- Proposed LV/Current LV
- Comments

- Details of inspection levels of market evidence properties – including extent of inspections, and examples of sales analysis for individual properties.
- Highlight and explain selection criteria for key sales evidence. Include details of recent sales [confirmed and unconfirmed], asking prices and listings, recent CMVs if applicable. Include details of any evidence used from outside the district.
- Details of any reworking of individual properties to compare to index results or to set new values – this is important where there is limited market evidence and comparisons of ratios between reworked properties to current CV is used to support a particular indexing action.
- Copies of any questionnaires sent for revaluation purposes and detail of responses.

5. Market Comments and Conclusions
This is a very crucial step in the process. This section is intended to provide an overview of each particular relevant market component. Comments are required on the movement of values when compared to the last revision. It also provides the reasons why a particular conclusion was reached and links the evidence to the final values. Where there is little or no sales evidence your market comments should include details of assumptions made to arrive at proposed value levels.

Where the evidence is not definitive provide a narrative as to why a particular outcome has been adopted, e.g. why you have chosen to index by a certain percentage when the evidence indicates a range, or why you have adopted a particular cap. rate/rental etc. when the evidence indicates a range.

If the indexation technique is used, a detailed schedule of final indices applied must be supplied. i.e. a summary of roll numbers in a territorial authority area is required outlining the towns/suburbs they relate to and the value movements which are proposed, (e.g. industrial location 1, roll number 16600, 10% capital value increase and 5% land value increase; residential location 6, roll numbers 17700-17702, 20% capital value increase and 20% land value increase etc.).

In addition to the above commentary, the following specific items should also be detailed in the basis:

- Rationale for choosing index levels (including details of any best fit or regression testing) or rationale for full inspections.
- Explain any exceptions where individual or groups of property(s) moved at a significant variance to the general movements. Include details of specific adjustments.
- Details of trends within commercial sectors i.e. changes in pedestrian counts, development of new bulk retail areas, shift in entertainment precinct etc – supporting maps recommended.
- Treatment of coastal influence.
- Extent of statistical testing and results.

6. Working Basis
Provide a summary of key evidence which will then become a working guide to apply conclusions in the field. Includes a guide to the value of improvements.

Residential:
- Modal rate and key modal variations/multiples
- Market based net rates for relevant housing types
- Market based net rates or lump sums for components of houses i.e. basement, decks etc

- Typical market based lump sum allowances for added value of other buildings and other improvements. Should at a minimum include garages (attached and freestanding – double and single), carports, garden sheds, granny flats/sleep outs, tennis courts, swimming pools, driveways and fencing.

Commercial/Industrial:
- Range of net or gross market based rentals and adjustment factors for relevant property types, locations and ages. This needs to cover appropriate detail for retail (e.g. 1st 15 m and balance), office, car parking (covered and uncovered), storage, factory, warehouse, hotel/motel tariffs, rest home rates, literage or forecourt, storage/lock up sheds etc
- Range of outgoings if gross rents
- Capitalisation rates
- Capital Value net rates for typical properties – CV/Bldg area
- $/unit for motels, $/bed for hotels, rest homes etc
- CV/Gross or Net income for rest homes, hotels and motels
- Hotel and motel range of occupancy levels by age and location
- Indicative land value rates by unit metre frontage and/or $/m^2.

Other:
- Chance of change factors
- Typical rural land values/rural section values
- Modal rate and multiples for improvements.

Rural/Lifestyle:
- Rural Guide to Improvements. Examples include Dwellings, Terrace/decks, Basements Garages, Carports, Sleepouts, Gardens and layout, Domestic power/water, Farm Buildings, Implement sheds, Hay barns, Stables, Cowsheds, Woolsheds, Yards, Dips, Piggeries [commercial], Silos, Manure bins, Poultry sheds, Greenhouses, Fencing, Water supply, Roading/tracks [including forestry roads], Combined Other Improvements [power, water, fencing, tracks], Horticulture [including Kiwifruit / Avocados / Apples / Pears / Grapes [vineyards] / Olives / Berryfruit / Citrus], Shelter.
- Base land value rates per hectare for economic rural properties. This may be for the whole district, for certain geographical areas, or may be required for each individual roll. Typically will include rates for flat-undulating contour, easy hill, steep hill & gully, and permanently required for grazing, for dairy and dry stock properties.