

Rating Valuations Regulatory System Assessment - Toitū Te Whenua Land Information New Zealand's Response

As Secretary for Land Information and Chief Executive of Toitū Te Whenua Land Information New Zealand (LINZ), I am responsible for stewardship of the regulatory systems LINZ administers. The Rating Valuations system is one of these.

A well-functioning Rating Valuations system is a necessary foundation for the funding of local authorities, as it generates credible rating values that local authorities must use as the basis for striking rates.

I welcome the Rating Valuations regulatory system assessment's findings on the system's current performance and guidance on how it could be improved.

This response to the assessment focuses on the steps LINZ can/will take to influence system participants (Territorial Authorities (TAs) and the Valuation Service Providers (VSPs) they engage) so that revaluations are produced at the required standard, first time.

Where will remedial efforts be focused?

I accept the key issue identified in the Rating Valuations system assessment, that the system and its participants are not reliably producing revaluations that meet the required standard the first time they are submitted to the Valuer-General (VG) for certification. I also accept the recommendation that TAs take more responsibility for the quality of rating valuations, and Valuation Service Providers (VSPs) must ensure they consistently deliver quality revaluation services.

Priorities for system improvement

The response I propose for LINZ (including the Valuer-General) falls into two categories. Actions that will be taken in the short term within the bounds of the current regulatory framework, and potential longer-term actions that require further analysis and scoping.

In the short term (6 – 12 months)

In the short term, LINZ will focus on using all available regulatory levers to incentivise and encourage TAs and their VSPs to deliver certifiable revaluations the first time they are submitted for certification. Four short term actions have been identified.

1 Revise the Valuer-General's approach to certifying revaluations.

The assessment notes that the Valuer-General (VG) has been proactive in trying to support and influence TAs and their VSPs to deliver certifiable revaluations by providing:

- detailed instructions on how non-certifiable revaluations should be improved, and
- operational support in some cases to help VSPs deliver certifiable revaluations.

This level of proactive support is not sustainable and risks over-reliance on assistance from the Office of the Valuer-General (OVG). The mitigation is to ensure TAs and their VSPs focus on submitting appropriate quality revaluations first time.

In 2020, the VG made some changes to the way he executes his responsibility under s 11 of the Rating Valuation Act (RVA) to better reflect the TA's statutory roles. The revised approach has added a new 'review and assess quality' step in the existing process (s 10 and s 11 of the RVA), which will mean the revaluation either:

- **proceeds** through the usual certification decision process
- **pauses** so moderate improvements can be made before proceeding through certification, or
- **stops** because significant quality improvements need to be made, and the revaluation submitted at a later date.

To implement this approach, the VG will continue to identify and explain the specific areas of a revaluation that need to be improved, but will no longer provide detailed instructions or operational support to bring a revaluation up to a certifiable standard.

2 Optimise the effectiveness of existing regulatory tools

Education and guidance

The VG has a strong focus on outreach and regularly engages with TAs and VSPs to provide education and guidance on the Rating Valuations Rules 2008 (the Rules), and standards for revaluations and roll maintenance work. The VG, for example, has regular meetings with VSP management, runs training workshops for valuers and presents to local government senior management at their forums.

The VG is now also communicating directly with TAs through the audit process so they are aware of the status of their revaluations and, if required, can exercise contractual remedies with their VSP as early as possible.

LINZ will support the VG to review the education and guidance materials (including the Rating Revaluation Handbook) that support the VG's outreach activity, to ensure guidance and education are focussed on the regulatory risks and emphasise the system participants' responsibilities.

LINZ will also assess what further steps can be taken to support TAs in procuring and managing quality valuation services.

Standard Setting

Under the RVA the VG sets quality standards and specifications necessary for the maintenance and upkeep of district valuation rolls.

LINZ will support the VG to test whether this standard setting function can be improved, so that TAs and their VSPs are clearer on the level revaluations need to meet before they will be certified.

Monitoring and Audit

Under the RVA the VG also:

- monitors and audits rating valuations against the minimum standards and specifications; and
- monitors and audits local authorities, and their contracted provider for compliance with the provisions of the RVA, Regulations made under the RVA and the Rules

LINZ will support the VG to test whether existing monitoring and audit practices could be improved to drive better compliance with the RVA.

3 Review of the Rating Valuations Rules 2008

Rulemaking is one of two regulatory levers the VG can use to achieve desired regulatory outcomes for the rating valuation system (the other being certifying that general revaluations meet minimum standards).

The Rules will be reviewed. They were last substantially reviewed in 2008 and in some areas the need for update is clear. In particular, the rules that relate to the minimum standards for Rural and Commercial and Industrial valuations need updating because they no longer reflect what is required for robust revaluations of these property categories.

A Rules review will also provide an opportunity to address identified areas of system underperformance and risk. For example, to provide a suitably enabling framework for digital innovation, in keeping with the technological developments which have occurred within the valuation industry since 2008.

4 Effective monitoring and evaluation

Ongoing monitoring and evaluation are essential to identify where compliance activity and intervention needs to be focussed. Monitoring also provides an information base for future assessment, should it be required, of the suitability of the existing regulatory system design for delivering rating valuations.

While some information on the rating valuations system is collected, there is an opportunity to be more deliberate about information collection and use, to better understand system performance and inform our regulatory activities. LINZ will explore what improvements can be made and where further investment is needed in this area.

Over the longer term (12 months – 2 years)

The system assessment identifies some potential longer-term actions aimed at strengthening the Rating Valuations system that I agree are worth exploring further.

1 Supporting a well-functioning market for rating valuation services

Better enable new firms to participate in the market

There is scope to lessen barriers for new VSPs to provide rating valuation services, including:

- Centralising (by holding within LINZ) the District Valuation Roll (DVR) and providing the required database infrastructure to enable operational rating valuation activities for current and future providers.
- Improving the quality of the DVR so potential and existing market participants have greater confidence in the DVR data they would inherit if undertaking a new revaluation contract. Actions might include:
 - helping TAs lift awareness of their DVR inventory.
 - introducing format standards resulting in consistent, high quality DVR datasets.
 - increasing the number of roll maintenance audits to test and report on compliance with the Rules.
 - enabling property owners to view and correct data about their properties to improve the quality of the DVR.

2 Improve rating valuation capability and capacity

Attracting and retaining experienced valuers plays an important part in the success and long-term viability of VSPs, and I note the issues VSPs have identified in their recruitment and retention efforts. We will look at options to:

- build the profile of rating valuation as a career path by developing closer working relationships with universities to help them develop rating valuation-focused course material
- encourage the Valuers Registration Board to develop more effective communications to VSPs on how qualified rating valuers can become registered.

These actions to improve system performance should be tested. If they do not have the desired impact, further work will be needed to explore whether the Ratings Valuation system should be reconfigured to achieve its objectives.

Gaye Searancke

Te Tumu Whakarae mō Toitū Te Whenua
Chief Executive & Secretary for Land Information