

## Scheme Number SCM7671 - Land and Asset Valuation

### Real Property and Asset Advisory Valuation Services

#### Standard Specifications (version 1.1)

#### 1. Standard Specification

These standard specifications apply to all contracts/agreements unless specifically amended in a Request for Tender/Quote (RFx) or contract/agreement document.

#### 2. Professional Standards

Compliance with the Practice Standards in the API Professional Practice Guide (or equivalent as deemed by the buying agency) and the Royal Institute of Chartered Surveyors International Valuation Standards (IVS) is mandatory. Whilst compliance with Guidance Notes or equivalent is not compulsory, they represent 'good practice' and should be followed.

#### 3. Valuation Report Quality Assurance and Feedback

- 3.1. The buying agency reserves the right to review/audit any valuation report and request amendments to align with statutory, policy, standards and professional requirements.
- 3.2. An Issues Register may be maintained by the buying agency to report on and store resolutions to such issues.
- 3.3. The buying agency reserves the right to withhold payment for the service should the quality of the service not meet requirements. The buying agency has sole discretion in this regard.

#### 4. Government Financial Reporting Valuations

4.1. All financial reporting valuations must comply with the Treasury Policy Paper Accounting Policy **TPP21-09** - *Valuation of Physical Non-Current Assets at Fair Value*

4.2. **TPP21-09** mandates that physical non-current assets be measured at fair value under:

- AASB 116 - Australian Accounting Standards Board; Property, Plant and Equipment
  - requires assets to be valued at fair value or cost
- AASB 140 - Australian Accounting Standards Board; Investment Property
  - requires assets to be valued at fair value or cost
- AASB 1049 - Australian Accounting Standards Board; Whole of Government and General Government Sector Financial Reporting
- AASB 13 - Australian Accounting Standards Board; Fair Value Measurement
  - sets out in a single Accounting Standard how to measure fair value
- AASB 136 - Australian Accounting Standards Board; Impairment of Assets
  - **States** how to measure the fair value of assets taking into account the unique circumstances in the public sector.

To assist NSW public sector entities and service providers TPP14-01 provides guidance not provided in AASB 13, AASB 116, AASB 140 and AASB 1049 and AASB 136.

- 4.3. Treasury Circular **TC12-05** *Fair Value of Specialised Physical Assets* allows for specialised assets (market based evidence does not exist) to measure fair value using either the depreciated replacement cost or an income approach. However **TC12-15** only applies to NSW public sector entities with cash generating specialised assets (i.e. mainly for profit).
- 4.4. The types of financial reporting valuations that may be required in any RFx are:
  - Capital Value
  - Land Value
  - Rental Value
  - Insurance Value
  - Hypothetical Value
  - Market Movement

#### **4.5. Market Valuation**

4.5.1. Service providers are to use the Market Approach when arriving at Fair Value. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets.

In this approach, the relative merits of the subject property and each of the comparable market transactions are analysed and compared, having regard to matters such as location, aspect, topography, size of land, shape of land, size and quality of the improvements, features and condition of the improvements and current market sentiment in the area.

4.5.2. It is to be assumed that separate title exists for each dwelling and that each is capable of separate sale.

#### **4.6. Rental Assessment**

4.6.1. Generally, property/premises are leased in compliance with the *Residential Tenancies Act 2010*, unless the tenure is granted under the *Crown Land Management Act 2016*, where the provisions of this Act applies.

4.6.2. The Service provider must obtain a clear understanding of any rental agreement in terms of inclusions and exclusions and which party is responsible for costs of services and outgoings, including but not limited to:

- ground rent or improved rent,
- furnished or unfurnished,
- grounds maintenance (including guttering),
- Council (sewage, water rates, water consumption),
- energy (electricity, gas),
- telephone and internet,
- pay TV, and
- other discretionary outgoings.

#### **4.7. Insurance Valuation**

4.7.1. Service providers will use the current *Rawlinson's Construction Handbook* to obtain the replacement costs **and** new **rates** per square metre.

4.7.2. Insurance valuations are to be GST inclusive.

4.7.3. An insurance valuation is to allow for professional fees and removal of debris.

#### **4.8. Market Movement**

4.8.1. Service providers will ensure any market movement adjustment is market based.

#### **4.9. Remaining Useful Life**

4.9.1. Service providers may be required to determine the remaining economic useful life of an asset.

4.9.2. Specifications in regard to individual requirements and historical information will be provided as part of each RFx/contract agreement.

#### **4.10. Capital Expenditure**

Service providers must take account of maintenance programs when determining rental and capital valuations and remaining useful life.

#### **4.11. Property Inspection**

4.11.1. Valuers acting on behalf of a buying agency are required to physically inspect the property/premises that are the subject of the valuation.

4.11.2. Prior arrangements should be made with the Property Manager of the property to arrange a suitable time for inspection. Contact details will be provided if available.

4.11.3. In some cases, an external inspection only will be required, so that the service provider will not be required to inspect the property internally. This will be clearly defined in the RFx/contract agreement documents. If in doubt contact is to be made with the buying agency.

#### 4.12. Photos

- 4.12.1. A single photo or multiple photos will be required for each property/valuation. This will be clearly defined in the RFx/contract agreement documents.
- 4.12.2. Photos should not to include people and must not include children.

### 5. **Crown Lands Valuations**

5.1. Statutory requirement - All Crown Land valuation services must comply with the provisions of the **Crown Lands Management Act 2016** (the Act).

5.2. A **value determination** may be a new determination or a redetermination.

5.3. A **property's tenure type** may be a Lease or a Licence.

5.4. **ALL reports are to be marked:**

*"Commercial in confidence – sought for negotiation purposes – should not be released under any freedom of information or Government Information (Public Access) Legislation ('GIPA') request until case file marked as negotiations complete"*

5.5. **Basis of Market Rental Valuation**

The net annual current market rental is to be determined in accordance with the provisions of *Part 6*, and in particular *Division 6.3* of the Act and any relevant associated Regulations in force and having regard to the terms and conditions of the subject tenure. Due consideration should be given to the form and length of tenure in determining the rental.

5.6. **Property Inspection**

Valuers acting on behalf of Crown Lands are required to physically inspect the property/premises that are the subject of the valuation. Prior arrangements should be made with the Property Manager of the leased/licensed premises to arrange a suitable time for inspection. Contact details will be provided if available.

5.7. **Qualifications**

In addition to the valuer qualification requirements of prequalification scheme number SCM7671, Land and Asset Valuation, valuers acting on behalf of Crown Lands must, as a minimum, hold an Associate membership of the Australian Property Institute with Certified Practising Valuer status, with a minimum of 5 years' experience in undertaking valuations of the relevant property class to which a RFx applies.

5.8. **Insurance** requirements are in accordance with the requirements of prequalification scheme number SCM7671, Land and Asset Valuation, *Clause 8.5* of the *Rules of Scheme Participation* and to provide Crown Lands valuations specifically include:

- (i) Professional Indemnity insurance – minimum \$1,000,000 cover in respect of any one claim;
- (ii) Public Liability insurance - minimum \$10,000,000 cover for any single claim and unlimited cover in the aggregate as to the number of occurrences; and
- (iii) Workers Compensation cover in accordance with current statutory requirements.

Crown Lands may request to sight relevant Certificates of Currency for the above insurances prior to awarding the work instruction to the successful respondent(s).

#### **Information Provided by Crown Lands**

Crown Lands will provide all available documentation required to complete any valuation task. Requests for additional information/data that may be held by Crown Lands or another Government agency are to be directed to Crown Lands.

5.9. **Methodologies for Determining Market Rentals**

5.9.1. Established methodologies for determining market rentals may include:

- (i) Direct comparison with other recently negotiated leases with similar permitted uses.

- (ii) Fully rationalising all adjustments between the rental evidence and subject property as necessary and undertaking a comparison on a suitable rate/unit basis including analyses of rates for both dry areas and wet areas.
- (iii) Determining rental as a percentage of the market value of the leased land and Crown improvements. The capital value of the land should be derived via direct comparison with comparable sales of similar use sites while the rate of return should be derived from analysis and comparison with similar investments. Both the capital value and rate of return should be supported by adequate research and relevant market evidence.
- (iv) Determining rental based on a percentage of income. When utilising the potential income method, potential income should be based on an average standard of management. This may or may not be equivalent to actual turnover/net operating profit being achieved by the current tenant/operator. Industry benchmarks should be used to support the percentage of income utilised in calculations. The rental percentage of both turnover and net operating profit should be analysed in order to account for situations such as those where tenant investment generates higher turnover but results in proportionately lower net operating profits or where reported expenses are excessive compared to known benchmarks. In adopting this method due allowance should be made to exclude any Goodwill Value the operator may possess.

5.9.2. When utilising any of the above methods, the rental value of lessor owned improvements may be separately determined from the ground rental based on a percentage return on the depreciated replacement cost of those improvements.

5.9.3. When choosing and applying primary and secondary methodologies, these should be clearly identified and articulated within your valuation report.

#### **5.10. Turnover Rent**

5.10.1. Trading figures provided by the Lessee for turnover rent purposes are to be certified by a Registered Auditor.

5.10.2. Crown Lands will provide these certified trading figures if available.

5.10.3. The service provider may obtain the certified trading figures directly from the Lessee.

5.10.4. Where the trading figures are not available the service provider is to inform Crown Lands immediately.

#### **5.11. Confidentiality**

5.11.1. Service providers must not discuss any Crown Land tenure holdings other than those in the contract agreement.

5.11.2. Questions that relate to Tenures outside of the contract agreement must be referred to Crown Lands.

#### **5.12. Précis of Professional Work**

A brief précis of assignments previously undertaken in relation the stated purpose and property class that is the subject of any RFX is to be provided. This detail is required in relation to the Valuer(s) who will be carrying out the valuation(s) and the primary signatory on the final report.

#### **5.13. Additional Representation**

5.13.1. Rent determinations may require further negotiation with the Lessee. In particular, high value or specialised tenures will be carried out by Crown Lands.

5.13.2. When required a Service Provider must provide additional representation for Crown Lands as a subject matter expert. In such cases an additional fee will be negotiated.

5.13.3. In any RFX a service provider may be asked to provide an hourly fee, inclusive of GST, for services in the event that additional representation for Valuer conferencing is required, either face to face, over the telephone or utilising other technology.