



PARLIAMENT OF NEW SOUTH WALES

# JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

REPORT 3/55 — NOVEMBER 2014

## Report on the Ninth General Meeting with the Valuer General



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The motto of the coat of arms for the state of New South Wales is “Orta recens quam pura nites”. It is written in Latin and means “newly risen, how brightly you shine”.

# Contents

Membership _____	ii
Terms of Reference _____	iii
Chair’s Foreword _____	v
<b>CHAPTER ONE – INTRODUCTION AND CONDUCT OF THE INQUIRY _____</b>	<b>1</b>
<b>CHAPTER TWO – VALUATION REFORMS _____</b>	<b>4</b>
VALUATION INTEGRITY _____	4
FAIRNESS IN THE VALUATION SYSTEM _____	8
<b>CHAPTER THREE – GOVERNANCE FRAMEWORK AND ACCOUNTABILITY _____</b>	<b>14</b>
INDEPENDENCE OF THE VALUER GENERAL _____	14
PUBLIC REPORTING _____	14
PROBITY AND THE TENDER EVALUATION PROCESS _____	20
<b>APPENDIX ONE – LIST OF WITNESSES _____</b>	<b>23</b>
<b>APPENDIX TWO – EXTRACTS FROM MINUTES _____</b>	<b>24</b>

# Membership

<b>CHAIR</b>	Ms Melanie Gibbons MP, Member for Menai (from 15 May 2014) Mr Matt Kean MP, Member for Hornsby (until 15 May 2014)
<b>DEPUTY CHAIR</b>	Mr Christopher Gulaptis MP (from 15 May 2014) The Hon. Scot MacDonald MLC (until 15 May 2014)
<b>MEMBERS</b>	The Hon. Charlie Lynn, MLC (from 15 May 2014) Mr Clayton Barr MP The Hon. Adam Searle MLC (until 14 August 2014) The Hon. Ernest Wong MLC (from 14 August 2014) Ms Leslie Williams MP (until 15 May 2014)
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# Terms of Reference

Resolution Passed 22 June 2011, Legislative Assembly, Votes & Proceedings No 23, Entry 9, p. 7.

(1) A Joint Standing Committee, to be known as the Joint Standing Committee on the Office of the Valuer General be appointed.

(2) The committee's functions be:

(a) to monitor and review the exercise of the Valuer General's functions with respect to land valuations under the Valuation of Land Act 1916 and the Land Tax Management Act 1956, and in particular:

(i) to monitor the methodologies employed for the purpose of conducting such valuations,

(ii) to monitor the arrangements under which valuation service contracts are negotiated and entered into, and

(iii) to monitor the standard of valuation services provided under such contracts,

(b) to report to both Houses of Parliament, with such comments as it thinks fit, on any matter connected with the exercise of the Valuer General's functions referred to in paragraph (a) to which, in the opinion of the committee, the attention of Parliament should be directed,

(c) to report to both Houses of Parliament any change that the Committee considers desirable to the Valuer General's functions referred to in paragraph (a),

(d) to inquire into any question in connection with the Committee's functions which is referred to it by both Houses of Parliament, and to report to both Houses on that question.

(3) The functions of the Committee not extend to the investigation of any matter relating to or arising from a particular valuation of a specific parcel of land.

(4) The Committee consist of five members as follows:

(a) three members of the Legislative Assembly of whom two must be Government members and one must be a non-Government member, and

(b) two members of the Legislative Council of whom one must be a Government member and one must be a non-Government member.

(5) Mr Clayton Barr, Mr Matt Kean and Mrs Leslie Williams be appointed to serve on the Committee as the members of the Legislative Assembly.

(6) Notwithstanding anything contained in the standing orders of either House, at any meeting of the Committee, any three members of the Committee shall constitute a quorum, provided that the Committee meets as a Joint committee at all times.

JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

(7) The Committee have leave to sit and transact business during the sittings or any adjournment of either House, and despite any prorogation of the Houses of Parliament.

(8) The Committee have leave to make visits of inspection within the State of NSW and other States and Territories of Australia.

(9) A message be sent acquainting the Legislative Council of the resolution and requesting the Legislative Council appoint two of its members to serve with the members of the Legislative Assembly on the Committee, and to fix a time and place for the first meeting.

# Chair's Foreword

I have pleasure in presenting the Report on the Ninth General Meeting with the Valuer General.

The purpose of the meeting was to review the Valuer General's Annual Report 2012-2013 and follow up on issues raised at the Eighth General Meeting and during the Inquiry into the Land Valuation System. In particular, the Committee examined the progress made by the Valuer General in implementing the recommendations, which were made by the Committee, to improve the valuation system in NSW.

Overall, the Committee is pleased that the Valuer General has commenced executing reforms to strengthen the valuation integrity and enhance the fairness of the valuation system in NSW. The Committee is also satisfied that the Valuer General has implemented the Committee's recommendation to design a financial report that provides automated activity based costing information and has thereby improved financial reporting by, and accountability of, his Office.

There remains an area of concern to the Committee, namely the fact that the Valuer General will not publish a separate annual report for the 2013/2014 reporting period. The Committee appreciates that the new Valuer General will consider the form of future annual reports. The Committee will monitor and report on the progress the Valuer General makes in this regard in its future reports.

I would like to take this opportunity and thank Mr Philip Western, who was the Valuer General until 31 August 2014. I would also like to thank Mr Matt Kean, Member for Hornsby and the previous Chair of this Committee. Finally, I would like to thank the previous and current Committee members for their participation in the General Meetings and the Committee staff for their assistance.

**Melanie Gibbons MP**

Chair





# Chapter One – Introduction and conduct of the inquiry

- 1.1 *The Valuation of Land Act 1916* (the VL Act) establishes the Valuer General as the independent statutory authority responsible for the overall management of the valuation system and for ensuring the integrity of land valuations. The Valuer General regulates the system by setting standards and policies as well as independently overseeing the quality of its outcomes. The Valuer General provides land values to local councils for rating purposes and to the Office of State Revenue for managing land tax, as well as to a number of other government agencies.
- 1.2 The Valuer General delegates operational responsibilities under the VL Act to Land and Property Information (LPI), Department of Finance and Services (DFS). In a Service Level Agreement, which is reviewed on a regular basis, the Valuer General details the services and performance standards that LPI is required to deliver. LPI outsources the majority of land valuation services to external valuation firms, which are scrutinised through an independent open tender and an evaluation process.
- 1.3 There are approximately 2.47 million land valuations produced annually in New South Wales.<sup>1</sup> The Valuer General advised the Committee that as at 1 July 2013, the Office of the Valuer General had released the latest land values to councils, the Office of the State Revenue and land holders in late 2013 and January 2014. Mr Western further stated that:
- approximately 774,000 notices of valuation were issued to the landholders; the Office of State Revenue released approximately 141,000 land tax assessments to date; and for the first time, the total land value of New South Wales exceeds the trillion dollar mark.<sup>2</sup>
- 1.4 The role of the Committee is to monitor and review the exercise of the Valuer General's functions with respect to land valuations. In particular, the Committee can monitor valuation methodologies, the arrangements under which valuation contracts are negotiated and entered into, and the standard of valuation services provided under such contracts. The Committee does not, however, have the ability to review individual valuations or objections to individual valuations.
- 1.5 As part of its oversight function, the Committee holds regular 'General Meetings' with the Valuer General to examine matters contained in his annual reports and to review issues that have been identified by the Committee.

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<sup>1</sup> Valuer General, *The Valuer General's Annual Report 2012-13 in NSW Department of Finance & Services Annual Report 2012/2013*, June 2013, p. 67.

<sup>2</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Transcript of evidence, 7 April 2014, p. 3.

JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL  
INTRODUCTION AND CONDUCT OF THE INQUIRY

- 1.6 The Committee also has the power to conduct inquiries into matters connected with the exercise of the Valuer General's functions to which, in the opinion of the Committee, the attention of Parliament should be directed.

### Conduct of the inquiry

- 1.7 On 20 March 2014, the Committee resolved to meet with the Valuer General to review the *Valuer General's Annual Report 2012-2013*. The Committee also resolved to send a number of Questions on Notice to the Valuer General. The Committee received all the responses by 16 April 2014.
- 1.8 As part of the Ninth General Meeting with the Valuer General, the Committee met with the Valuer General on 7 April 2014. Evidence was taken from three witnesses. This comprised Mr Philip Western, Valuer General; Mr Michael Parker, Chief Valuer from the Office of the Valuer General; and Mr Simon Gilkes, Deputy General Manager and Director, Valuation Services, Land and Property Information.
- 1.9 The meeting provided an opportunity for the Committee to follow up on and examine to what extent the Valuer General had implemented the Committee's recommendations as outlined in the Committee's *Interim Report on the Eighth General Meeting with the Valuer General* and its *Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*.
- 1.10 Following the hearing, on 16 April 2014 the Committee resolved to send a number of Questions taken on Notice to the Valuer General. The Valuer General provided the responses on 29 May 2014.

### Appointment of a new Valuer General

- 1.11 The Valuer General at the time of the inquiry was Mr Philip Western. Mr Western's term expired on 31 August 2014 and he was not reappointed to the position. Mr Simon Gilkes has been appointed Acting Valuer General until recruitment for the permanent position is completed. Mr Gilkes was previously the Deputy General Manager of Land and Property Information and has appeared at a number of hearings with the Committee in that role. Mr Gilkes' appointment was announced in the Government Gazette (No. 73, 5 September 2014, p. 2995). An excerpt of the gazette is included below:

Notification of Appointment of Acting Valuer General

HER Excellency the Governor with the advice of the Executive Council, pursuant to section 8 and Clause 6 (1) of Schedule 1 of the Valuation of Land Act 1916, has appointed Mr Simon GILKES, Deputy General Manager, Land and Property Information, Office of Finance and Services, to act as Valuer General for the period 1 September 2014 until recruitment to the position is completed.

DOMINIC PERROTTET, M.P.

Minister for Finance and Services

- 1.12 Since Mr Philip Western was the Valuer General during the conduct of the inquiry, the report will refer to him as the Valuer General.

## Structure of the report

- 1.13 This report is comprised of three chapters. This chapter outlines the basis for the inquiry. Chapter Two documents the extent of the progress made by the Valuer General in implementing the Committee's recommendations concerning valuation reforms. Chapter Three examines whether and how the Valuer General has enhanced the governance framework and the accountability of his Office, following the Committee's recommendations in this area.

## Chapter Two – Valuation reforms

- 2.1 This chapter will review the progress, which the Valuer General has made with the implementation of the valuation reforms. Specifically, the chapter will evaluate to what extent the Valuer General has executed changes to strengthen the valuation integrity and enhance the fairness of the valuation system in NSW.

### VALUATION INTEGRITY

- 2.2 This section documents the changes, which the Valuer General made following the Committee's recommendations concerning the valuation integrity of the NSW valuation system. It mainly focuses on the examination of the development of new public valuation guidelines and the implementation of reforms to enhance the quality of the land valuations assurance process.

#### Public valuation guidelines

- 2.3 As part of its last two inquiries, the Committee raised concerns that the land valuation methodologies, which were used by the Office of the Valuer General (OVG), were not transparent. As a result, the Committee made a number of recommendations (No. 2, 3, and 4) in its last report to address its concerns regarding the OVG's land valuation methodologies. Recommendation 2 suggested that:

That the Chief Valuation Commissioner issue public guidelines for the valuation of land in NSW, including land tax and council rate valuations and compulsory acquisition valuations. The guidelines should clearly state: 1. The methodologies for valuing land; and 2. The circumstances in which those methodologies are applied.

That the guidelines be recognised by legislation, though their formulation should not be contained in the legislation to allow the flexible development of the methodologies.<sup>3</sup>

- 2.4 Furthermore, in recommendation 3 the Committee suggested:

That the public guidelines for the valuation of land be binding on valuers, except:

1. For original rating and taxing valuations, where there has previously been a successful valuation review and the reason for departing from the original valuation is still current;
2. For compulsory acquisition valuations and for valuation review, where a landholder requests to apply an alternate methodology;

That the guidelines do not apply to the Land and Environment Court in any way, but that judges be required to identify where they depart from the guidelines, so that the guidelines may be amended appropriately.<sup>4</sup>

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<sup>3</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, pp. 73-74.

- 2.5 Finally, the Committee made the recommendation that ‘the Chief Valuation Commissioner review the public guidelines for the valuation of land in NSW annually’ (recommendation 4).<sup>5</sup>
- 2.6 Following the publication of the Committee’s last report in May 2013, the Government provided a response on 4 November 2013 stating that it supported the Committee’s findings and the abovementioned recommendations.<sup>6</sup>
- 2.7 As part of the Ninth General Meeting with the Valuer General, the Committee examined to what extent the Valuer General had carried out the abovementioned recommendations.
- 2.8 In his response, the Valuer General stated that rather than releasing ‘the long and complex technical manual’, the Office of the Valuer General was developing around 30 separate guidelines for a number of different valuation types conducted in NSW. He emphasised that the purpose of those guidelines was to, in plain English, provide information to the general public about and thereby increase public confidence in the valuation system.<sup>7</sup>
- 2.9 In preparation for the Ninth General Meeting with the Valuer General, the Committee inquired where members of the public could access the valuation guidelines. The Valuer General explained that the public guidelines would be ready for publication in July 2014 and would clearly state the methodologies for valuing land.<sup>8</sup>
- 2.10 On 25 August 2014, the Valuer General advised the Committee that six valuation policies had been published. These include: *Valuation of industrial land*, *Valuation of commercial land*, *Valuation of rural land*, *Valuation of englobo land*, *Valuation of single residential land*, and *Valuation of high density residential land*.<sup>9</sup> Furthermore, the Valuer General stated that these policies covered the majority of land types in NSW and were available at: [www.valuergeneral.nsw.gov.au/about\\_us/publications/policies](http://www.valuergeneral.nsw.gov.au/about_us/publications/policies).
- 2.11 Mr Western also emphasised that these policies were binding on valuers, as was recommended by the Committee. Finally, he informed the Committee that another twenty policies would be finalised and published by 1 October 2014, and

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<sup>4</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, pp. 73-74.

<sup>5</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, pp. 73-74.

<sup>6</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 November 2013, pp. 2-3.

<sup>7</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Transcript of evidence, 7 April 2014, pp. 16-18.

<sup>8</sup> Mr Philip Western, Valuer General, Office of the Valuer General, 21 March 2014 Questions on Notice No.2, Ninth General Meeting with the Valuer General, 4 April 2014, p. 1.

<sup>9</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Letter to the Chair in relation to ‘Recommendation regarding public policies for the valuation of land in NSW’, 25 August 2014, p. 1.

would be reviewed on an annual basis, commencing November 2015, as recommended by the Committee.<sup>10</sup>

- 2.12 However, on 26 September 2014, Mr Simon Gilkes, Acting Valuer General, advised the Committee that – in order to avoid disruption to the finalisation of the annual valuation program – the remainder of the policies would be published and would be available to the public by the end of November 2014, in time for the issue of the 1 July 2014 land values in January 2015.<sup>11</sup>

### *Committee comment*

- 2.13 The Committee is pleased that the Valuer General commenced the development of new public valuation guidelines and thereby made progress with the efforts to enhance the integrity of the valuation system in NSW. Yet, the Committee notes that around twenty public valuation guidelines still need to be developed and published. The Committee will monitor and report on the progress the Valuer General makes in this regard in its future reports.

### **Quality of land valuations assurance process**

- 2.14 Another matter, which is related to valuation integrity and which the Committee examined, is the quality of land valuations assurance process. Principally, the Committee sought to determine whether LPI had in place a robust and effective quality assurance process in its review of land valuations, which are provided by external contractors.

- 2.15 During the Committee's Eighth General Meeting and the Inquiry into Land Valuation System, the Valuer General informed the Committee that LPI had in place a process to systematically audit land valuations:

I might point out that you are aware that LPI also undertakes audit activities across the valuation systems. Part of those audit activities could involve having a look at how the contractors have gone about analysing sales to ensure there is some consistency in terms of the approach.<sup>12</sup>

- 2.16 This issue of auditing land valuations was followed up by the Committee ahead of its Ninth General Meeting with the Valuer General. In its Questions on Notice, the Committee inquired about the auditing reports of land valuations. The Valuer General replied on 4 April 2014. His reply is summarised below, after a brief outline of the existing quality assurance framework. The section below also explains the auditing processes as well as recent reforms to enhance the valuation integrity in NSW.

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<sup>10</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Letter to the Chair in relation to 'Recommendation regarding public policies for the valuation of land in NSW', 25 August 2014, p. 1.

<sup>11</sup> Mr Simon Gilkes, Acting Valuer General, Office of the Valuer General, Update from the Valuer General, 26 September 2014, p. 1.

<sup>12</sup> Mr Philip Western, Valuer General, Transcript of evidence, 5 April 2013, p. 5.

*Quality assurance framework*

- 2.17 The Service Level Agreement between the Valuer General and Land and Property Information (LPI) specifies that LPI is responsible for reviewing the quality of land valuations.<sup>13</sup>
- 2.18 LPI has in place a number of methods for ensuring that the quality of land valuations, it receives, are consistent. These include:
- (1) *the Rating and Taxing Valuation Procedures Manual*, which outlines the principles, which contractors have to follow in the provision of valuations;<sup>14</sup> and
  - (2) Valuation Analysis Reports (VARs), which contractors are required to submit for each of the 152 Local Government Areas (LGA) in NSW and which describe the quality assurance measures undertaken by contractors and explanations for any non-compliance with requirements.<sup>15</sup>

*Auditing processes and procedures*

- 2.19 Once LPI receives the Valuation Analysis Reports, it undertakes quality assurance of the valuation recommendations through the *Annual Values Acceptance Audits* for each of the 152 LGAs. The purpose of these Audits is to examine whether the contractors' valuation recommendations comply with specified contractual and procedural requirements, which are designed to guarantee the correctness of valuations against 'statistical, mass valuation and land value exception parameters'.<sup>16</sup> In cases where the parameters are not met, contractors are required to provide valid explanations.
- 2.20 The Valuer General summarised the importance of Annual Values Acceptance Audits as follows:

Annual Values Acceptance Audits are the culmination of a number of risk-based technical and process audits and quality assurance activities forming part of an approved annual quality assurance program, which is designed to assure the quality, consistency and integrity of land values.<sup>17</sup>

*Continuous improvement & Independent Audit of LPI's quality assurance process*

- 2.21 Mr Western also advised that there were a number of methods in place to guarantee continuous improvement of the Annual Value Quality Assurance Processes, including:
- (1) limiting the rating and taxing contracts to a three year term;

<sup>13</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

<sup>14</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

<sup>15</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

<sup>16</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

<sup>17</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

- (2) reviewing the contract specifications and the *Rating and Valuation Procedures Manual* on an annual basis;<sup>18</sup> and
- (3) developing new tools such as the new audit issues register platform, which will replace the current document template used in the Annual Value Acceptance Audit and will integrate the completion of audit templates, thereby linking issues registers and contractor performance reporting.<sup>19</sup>

- 2.22 Finally, the Valuer General reported that an independent audit was being conducted into LPI's quality assurance program. He further stated that the overall objective of the audit was to ensure that LPI had in place a robust and effective quality assurance process operating within an appropriate governance framework. Mr Western advised that the audit was being conducted by IAB Services and was expected to be completed in June 2014.<sup>20</sup>
- 2.23 The Committee had not been advised as to whether the audit had been completed, but will examine this in its next report.

#### *Committee comment*

- 2.24 The Committee is satisfied with the quality assurance process, which LPI has in place to audit and review land valuations.
- 2.25 The Committee is pleased that an independent audit of the LPI's quality assurance program has been launched. The Committee anticipates that the Valuer General will report on the findings of this report in his next annual report. The Committee will monitor and report on the findings of this independent audit in its future reports.

### **FAIRNESS IN THE VALUATION SYSTEM**

- 2.26 As part of its evaluation of the progress which the Valuer General made with the implementation of valuation reforms, the Committee also assessed whether the Valuer General has made the relevant changes to enhance the fairness of the valuation system in NSW. Notably, the Committee considered the reforms, which the Valuer General made to the objection process, the dispute resolution service and the just terms procedures. The section below documents the Committee's findings.

#### **Land valuations objection processes & Valuations for Just Terms purposes**

- 2.27 During its last two inquiries, the Committee found that the existing processes associated with land valuation objections, valuations for just terms purposes and related objection processes were unfair and inadequate. As a result, the Committee made a number of recommendations to address the identified shortfalls. More specifically, the Committee recommended that 'a new valuation

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<sup>18</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

<sup>19</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.

<sup>20</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 3, 4 April 2014, p. 2.



review mechanism replace the current objection system and compulsory acquisition process' (recommendation No. 11):

That the NSW Government introduce a new valuation review mechanism and compulsory acquisition process to replace the current objection system and compulsory acquisition valuation process, and includes the following minimum standards:

1. Landholders are entitled to make submissions to the review; 2. Landholders are entitled to a conference after they make their submission to the review; 3. Landholders are provided with a preliminary valuation review report, along with any other adverse and credible information relevant to the decision; 4. Landholders should be given 30 days to make any further submissions, and if they make further submissions they are entitled to a conference to discuss those submissions; 5. If a landholder makes further submissions on any material in the preliminary valuation report, the submissions should be considered and the landholder should be provided with written reasons for accepting or rejecting the submissions after the conference.

A conference is defined as an oral conversation between the landholder and the valuer in person, on the telephone or via some form of online oral communication system. That these recommendations be legislated, but until then be adopted as far as possible by the Valuer General as a matter of policy.<sup>21</sup>

- 2.28 Furthermore, in its recommendation No. 13, the Committee suggested that 'landholders be entitled to a valuation review based on the comparison of statutory values of surrounding properties or the rate of change of the land value for their own property, in addition to the existing grounds for objection'.<sup>22</sup>
- 2.29 Following the publication of the Committee's last report in May 2013, the Government provided a response in November 2013 stating that it acknowledged the Committee's findings and believed that further work needed to be undertaken, including consultation with impacted stakeholders before it could determine support or otherwise for these recommendations.<sup>23</sup>
- 2.30 Ahead of its Ninth Meeting, the Valuer General advised the Committee of the progress made with the Committee's recommendations concerning land valuations objection and just terms processes. These are summarised below.

### *Land valuations objection process*

- 2.31 In April 2014, the Valuer General advised the Committee that the objection process was being reviewed with the view of implementing the Committee's recommendations. The review of the objection process included the implementation of six objection process improvement projects including: 'process design; customer engagement and issues management; contractors;

<sup>21</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p. 91.

<sup>22</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p. 92.

<sup>23</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 November 2013, pp. 3-5.

customer service; data reporting; and quality assurance'.<sup>24</sup> The Valuer General outlined that he expected that the projects would be completed in September 2014 and that a new land value review process would be in operation for objections received from 1 January 2015.<sup>25</sup> The Committee is not aware whether these projects have been completed, but expects that the Valuer General will provide an update in his next annual report. In the meantime, the Committee noted that the Valuer General had provided an outline of the progress, which he had made with the implementation of the abovementioned initiatives.

2.32 Namely, as part of his response to the Committee's recommendation No. 11, the Valuer General advised that:

- more conferences had been added to the objection review process where there is an ongoing disagreement about a valuation; and
- customer service had been improved as there is a process in place to make a phone call to landholders whose objections are not valid (i.e. do not provide valid reasons for objections, have been lodged outside the period for lodgement or do not provide the adequate supporting information).<sup>26</sup>

2.33 The Valuer General also informed the Committee that a customer service officer would be assigned as a coordinator for each objection. That way, there would be a case manager who would be responsible for keeping the landholder informed of the progress of the objection.

2.34 Additionally, in line with the Government's response to the Committee's recommendation No. 11, a pilot project had been established to determine the impact of the Committee's recommendation No. 11 on stakeholders.<sup>27</sup>

2.35 Moreover, following the Committee's recommendation No.13, the Valuer General explained that he was implementing a trial of new objection guidelines according to which all objections – where reasons provided made references to changes in previous land values and made comparisons to surrounding land values – were accepted. Data, which was being captured on objections that reference these reasons, would be used to determine the likely impact of additional objections. Analysis of this data would show what the likely impact of these changes might be and would thereby assist the rating and taxing authorities with the Government's response to the Committee's recommendation No.13.<sup>28</sup>

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<sup>24</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 4.

<sup>25</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 4.

<sup>26</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 5.

<sup>27</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 5.

<sup>28</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 4.

*Valuations for Just Terms purposes*

2.36 The Valuer General also advised that he had commenced the implementation of a number of improvements to address the Committee's concerns in regards to the Valuer General's role in the Land Acquisition (Just Terms Compensation) valuations, which are valuations where disposed owners and the acquiring authority have not been able to reach an agreement and the Valuer General is engaged to provide an independent valuation. The improvements included the following:

1. review of the Just Terms process and the establishment of the Just Terms Project Board to improve the Just Terms process;
2. adjustments of the valuation reports to better reflect 'the landholders claim for compensation; any information landholders may have provided; valuation rationale and methodology; and comparison of market evidence to the subject property';
3. appointment of a new Valuation Manager-Compensation to improve the Just Terms process;
4. new Just Terms brochure, which will be available to disposed landowners; and
5. improvement of the Certification of Determination to provide the contact details for the Valuation Manger-Compensation.<sup>29</sup>

2.37 At the Ninth General Meeting with the Committee, the Valuer General confirmed the commencement of the reforms relating to the just terms processes. Furthermore, the Valuer General highlighted that he had provided input into the review of the Just Terms legislation.<sup>30</sup>

2.38 In a recent correspondence to the Committee, Mr Simon Gilkes, Acting Valuer General, advised that the publication of the Valuer General's brochure, which was supposed to explain the Just Terms compensation process, had been put on hold pending the outcome of Cabinet deliberations on the review of the Just Terms Act on how best to communicate with the public.<sup>31</sup>

*Committee comment*

2.39 The Committee is pleased that the Valuer General has launched a number of projects and initiatives to enhance the objection system and the compulsory acquisition process.

**Dispute resolution service**

2.40 The Committee also decided to follow-up on the changes made to the dispute resolution service, another key area, which is closely related to the valuation

<sup>29</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 6.

<sup>30</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Transcript of evidence, 7 April 2014, pp. 7-8.

<sup>31</sup> Mr Simon Gilkes, Acting Valuer General, Office of the Valuer General, Update from the Valuer General, 26 September 2014, pp. 1-2.

integrity and which the Committee examined in its last inquiry when it found that the existing dispute resolution service processes were inadequate. Accordingly, the Committee made the following recommendations (No. 14 and No. 15) to the Office of the Valuer General to build a strong dispute resolution capability for the land valuation system in NSW:

Recommendation 14:

That the NSW Government establish a dispute resolution system to supplement the processes outlined in recommendations 11 and 12. The dispute resolution system should remain flexible, with the capacity to identify and execute the appropriate mechanism to resolve a dispute, including, but not limited to: adding more conferences to the process; adding an independent chairperson to a conference; having some form of case manager separate to the valuer; and having some form of stakeholder statements focused on the key issues, which landholders and valuers agree to at the beginning of the process.

Recommendation 15:

That the Valuation Commission build a strong dispute resolution capability for the land valuation system in New South Wales, by: training all relevant personnel in the techniques to handle disputes effectively; providing adequate resources to implement and operate the system – including adequate staffing, facilities, equipment and training for specialist dispute handling staff and for all staff; keeping records to ensure that the system can be evaluated and to enable strategies to be developed to minimise problems arising; and establishing clear policy and objectives and procedural guidelines for the conduct of dispute resolution processes, which are well documented and publicised to make the system accessible to all.<sup>32</sup>

- 2.41 Following the publication of the Committee's last report in May 2013, the Government provided a response in November 2013 stating that it supported the Committee's findings and the abovementioned recommendations.<sup>33</sup>
- 2.42 Ahead of its Ninth General Meeting with the Valuer General, the Valuer General outlined progress he had made in implementing the Committee's recommendation concerning the dispute resolution process.<sup>34</sup>
- 2.43 Namely, the Valuer General stated that he had engaged a consultant to design and provide assistance with the implementation of a new dispute resolution process. The reforms are conducted under the banner of the Customer Engagement and Issues Management project, which had commenced in February 2014. The Valuer General further explained that the project would be conducted in a number of stages. These include: consultation, analysis and design. It was expected that the project would be completed in April 2014, or more specifically

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<sup>32</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p.92.

<sup>33</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 November 2013, p. 6.

<sup>34</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 5.

in June 2014, once the system had been refined, skills assessment completed, and staff and contractors trained.<sup>35</sup>

- 2.44 At the Ninth General Meeting with the Committee, the Valuer General confirmed the engagement of consultants and the implementation of the dispute resolution reforms. The Valuer General outlined that he viewed the implementation of the Committee's recommendation, as it relates to the dispute resolution process, to be part of broader reforms relating to 'engaging the customer more'.<sup>36</sup>

*Committee comment*

- 2.45 The Committee has not been advised whether the Customer Engagement and Issues Management project had been finalised, but expects that the Valuer General will report on the progress of this project in his next annual report.

**Complaint handling policy**

- 2.46 To further enhance fairness in the valuation system, the Valuer General advised the Committee that a new complaint handling policy had been introduced in the Office of the Valuer General in December 2013. The purpose of the policy was to:

provide guidance for employees of the Office of the Valuer General who receive and/or address complaints; ensure complaints are handled in a manner which is consistent, fair, courteous and respectful of privacy; ensure that reasons are provided for decisions made in relation to any complaint received; and ensure all employees are aware of their responsibilities regarding handling complaints.<sup>37</sup>

- 2.47 The policy, the Valuer General stated, had been published on his website.

*Committee comment*

- 2.48 The Committee is pleased that the Valuer General has made progress with the implementation of the recommendations to improve fairness of the valuation system. The Committee will continue to monitor and report on the developments with regards to Valuer General's efforts to enhance the fairness of the valuation system in NSW.

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<sup>35</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 5.

<sup>36</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Transcript of evidence, 7 April 2014, pp. 6-7.

<sup>37</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 6.

## Chapter Three – Governance framework and accountability

- 3.1 This chapter encapsulates the improvements of the governance framework and the accountability of the Office of the Valuer General, which the Valuer General has implemented to address the Committee’s recommendations made in its last report.

### INDEPENDENCE OF THE VALUER GENERAL

- 3.2 The level of independence of the Valuer General from government was a recurrent theme throughout a number of the Committee’s inquiries. During its last two inquiries, the Committee found that the Valuer General was not sufficiently independent from government. As a result, it recommended the establishment of an independent Valuation Commission. This recommendation is still under consideration by the NSW Government.<sup>38</sup>
- 3.3 As part of its latest inquiry, the Committee re-examined the issue of the independence of the Valuer General. Namely, ahead of the Ninth General Meeting, the Committee inquired whether ‘there are any powers the Valuer General has delegated which he still exercises some level of control over’. In his response, the Valuer General reiterated that he maintained a level of control over all functions under the *Valuation of Land Act 1916*:

The Valuer General maintains a level of control over all functions under the *Valuation of Land Act 1916*. Although the *Valuation of Land Act 1916* (the Act) authorises the Valuer General to delegate his authority, that does not diminish his or her responsibilities under the Act. All delegations are made in a prescriptive manner requiring reporting, performance measuring and adverse event escalation.<sup>39</sup>

#### *Committee comment*

- 3.4 While the Committee acknowledges the existence of a Service Level Agreement between the Valuer General and Land Property Information, it still questions whether this is a sufficient guard of the Valuer General’s independence from government.

### PUBLIC REPORTING

- 3.5 In its inquiry of accountability-related issues in the Office of the Valuer General, the Committee examined whether the Valuer General has in place adequate public reporting processes and tools. The Committee found that the Valuer General could implement a number of measures to enhance public reporting by his Office. Accordingly, the Committee made a number of recommendations. The

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<sup>38</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 November 2013, p. 1.

<sup>39</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 1, 4 April 2014, p.1

section below summarises the progress, which the Valuer General made with the implementation of these recommendations.

### The Valuer General's Annual Report 2013/2014

- 3.6 The Committee found that the Valuer General's annual report did not provide enough detail and that it was not produced as a separate report, but rather had been included in the Department of Finance and Services Annual Report. As a result, the Committee recommended that 'the proposed Valuation Commission produce a separate report and that it be tabled in Parliament'. In particular, the Committee recommended (recommendation No. 25):

That the Valuation Commission produce a separate and detailed annual performance report that reflects state, national and international best practice reporting standards and that this annual performance report be tabled in NSW Parliament.<sup>40</sup>

- 3.7 Furthermore, the Committee recommended (recommendation No. 26) the inclusion of and reporting on a number of performance indicators in the Office of the Valuer General's Annual Report. In its report, the Committee suggested that:

That practicable and appropriate key performance indicators be developed, relating to the following areas of performance, and be published in the annual performance report tabled in Parliament:

- (a) stakeholder satisfaction and engagement;
- (b) the consistency and accuracy of land valuations across NSW and how the Valuation Commission's land valuations track against property valuations in the marketplace over time;
- (c) the major sources of land valuation objections including (depending on the associated insight) land value, geography, cause of objection (such as inappropriate methodology, inappropriate sales comparison), etc.
- (d) outcomes of land valuation objections, particularly outcomes that result in changes to land value;
- (e) outcomes of proceedings arising from land valuation objections, particularly outcomes that result in changes to land value.
- (f) key procedural fairness metrics including, but not limited to: i) the effectiveness of different types of conferences/the number of conferences; ii) the time between each conference; iii) landholder satisfaction surveys; and iv) flow through rates to appeal.<sup>41</sup>

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<sup>40</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p.116.

<sup>41</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p.116.

JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL  
GOVERNANCE FRAMEWORK AND ACCOUNTABILITY

- 3.8 Following the publication of the Committee's last report in May 2013, the Government provided a response in November 2013 stating it supported the Committee's findings and the abovementioned recommendations.<sup>42</sup>
- 3.9 Ahead of the Ninth General Meeting, the Valuer General advised the Committee that he would publish his own annual report in 2014. The Valuer General had specified new content to include details on:
- stakeholder satisfaction and engagement; the consistency and accuracy of land valuations across NSW; outcomes of land valuation objections, particularly outcomes that result in changes to land value; and activity-based costing to improve transparency on the management of valuation system resources.<sup>43</sup>
- 3.10 The Valuer General further stated that while the report would address recommendation 25 in full, it would only partially address recommendation 26. The reason for that was that funding, which was necessary for IT enhancements as part of the implementation of recommendation 26, would be sought as part of the 2014/2015 budget rounds.
- 3.11 At the Ninth General Meeting, the Valuer General had confirmed that his own annual report would be available for the 2013/2014 reporting period.<sup>44</sup>
- 3.12 However, on 26 September 2014, Mr Simon Gilkes advised that, following Mr Philip Western's departure, a separate annual report for the 2013/2014 reporting period would no longer be produced. Mr Gilkes further stated that while the 2013/2014 annual report of the Office of the Valuer General would be included in the Office of Finance and Services (OFS) annual report, he had made the request to OFS to include information on additional Key Performance Indicators and new financial information on the costs associated with the valuation system. Finally, Mr Gilkes explained that, once appointed, the new Valuer General would consider the form of future annual reports with regards to the Committee's recommendation 25.<sup>45</sup>

*Committee comment*

- 3.13 The Committee is disappointed that the Valuer General will not publish a separate annual report for the 2013/2014 reporting period. However, the Committee appreciates that the new Valuer General will consider the form of future annual reports with regard to the Committee's recommendation 25. The Committee will monitor and report on the progress the Valuer General makes in this regard in its future reports to ensure it meets the specific requirements.

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<sup>42</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 November 2013, p. 9.

<sup>43</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 7.

<sup>44</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Transcript of evidence, 7 April 2014, p. 6.

<sup>45</sup> Mr Simon Gilkes, Acting Valuer General, Office of the Valuer General, Update from the Valuer General, 26 September 2014, p. 1.



## Improving financial reporting

3.14 As part of its suggestions to improve public reporting by the Valuer General, the Committee also made the recommendation for the Valuer General to provide detailed financial information in his annual report. This recommendation stems from the Committee's findings as part of its Eighth General Meeting with the Valuer General when the Committee released an Interim Report. One of the report's findings was that 'the Valuer General does not maintain a financial management environment that can consistently answer questions relating to major areas of expenditure of public moneys'.<sup>46</sup> As a result, the Committee recommended:

That appropriate financial reporting tools be developed, so that the Valuer General can oversight the value of contracts entered into for the purposes of property valuations.<sup>47</sup>

3.15 This issue of the lack of adequate financial reporting was reiterated in the Committee's latest report, which stated that the Valuer General 'does not provide sufficient information about 'finance-related items', in particular money spent on rating and taxing valuations, objection valuations and litigation'. As a result, the Committee made a recommendation (27) for the Valuer General to provide detailed financial information in his annual report. In particular, the Committee recommended that:

That the annual report includes some key financial information and areas of spending including money spent on: (a) first instance rating and taxing valuations; (b) objection valuations; and (c) litigation.

This financial information should be consistent with activity based costing provided to this Committee.<sup>48</sup>

3.16 Following the publication of the Committee's last report in May 2013, the Government provided a response in November 2013 stating that it supported the Committee's findings and the abovementioned recommendation.<sup>49</sup>

3.17 As part of the Ninth General Meeting with the Valuer General, the Committee examined to what extent the Valuer General had implemented the abovementioned recommendation.

3.18 On 21 August 2014, the Valuer General advised the Chair that he had implemented the Committee's recommendation as outlined in the Interim Report to develop financial reporting tools:

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<sup>46</sup> Joint Standing Committee on the Office of the Valuer General, *Interim Report on the Eighth General Meeting with the Valuer General*, Report 1/55, October 2012, p. 11.

<sup>47</sup> Joint Standing Committee on the Office of the Valuer General, *Interim Report on the Eighth General Meeting with the Valuer General*, Report 1/55, October 2012, p. 11.

<sup>48</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p.117.

<sup>49</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 Nov 2013, p. 9.

I am pleased to advise that I have completed the project for the development of a SAP based financial report that provides the Office of the Valuer General with automated activity based costing information.

The financial reports that are now produced, following the successful completion of this project, allow for more effective monitoring of financial revenue and expenditure for valuation services.<sup>50</sup>

### *Committee comment*

3.19 The Committee is pleased that the Valuer General has addressed the Committee's concerns about the lack of adequate financial reporting in his annual report. The Committee anticipates that the development of the financial tool will allow the Valuer General to provide more detailed financial information in his forthcoming annual report. The Committee will monitor and report on this matter in its next report.

## **Valuation System Improvement Program**

3.20 An additional matter, which is related to public reporting and accountability, is the deficiency of information and data provided by the Valuer General. Namely, as part of its last two inquiries, the Committee requested a large amount of data and information from the Office of the Valuer General. While the Committee was generally impressed with the Valuer General's ability to provide a significant amount of information, it also identified some deficiencies. These included: inaccurate information, delays and inadequate data. As a result, the Committee made a recommendation (29) to address these deficiencies. In particular, the Committee suggested:

That the Valuation Commission ensure that key information concerning the land subject to a non-mass valuation determination is captured, stored and centralised electronically. The information should include: the landholder's name; the size of the land; the purpose of the valuation (valuation review/compulsory acquisition, etc.); the valuer's name; the valuing firm; the valuer(s) responsible for quality control; the land's use; the reason for objection (where applicable); the client (where applicable); the size of any alteration in land value (where applicable) and, customer satisfaction, determined from surveys (especially after compulsory acquisition or valuation review determinations);

And that the Valuation Commission conduct regular analysis on the effectiveness of the valuation system, using the data collected above, in order to identify the major areas where the valuation system is performing well and where it needs improvement.<sup>51</sup>

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<sup>50</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Letter to the Chair in relation to 'Recommendation 4, completion of the project to develop financial reporting tools, 21 August 2014.

<sup>51</sup> Joint Standing Committee on the Office of the Valuer General, *Land Valuation System – Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*, Report 2/55, May 2013, p.124.

- 3.21 Following the publication of the Committee's last report in May 2013, the Government provided a response on 4 November 2013 stating that it supported the Committee's findings and the abovementioned recommendation.<sup>52</sup>
- 3.22 As part of the Ninth General Meeting with the Valuer General, the Committee examined to what extent the Valuer General had implemented the abovementioned recommendation.
- 3.23 Ahead of the Ninth General Meeting, the Valuer General advised the Committee that in July 2014 LPI had commenced a three year capital funded program to improve the valuation system.<sup>53</sup> One of the key purposes of this program was to enable LPI to better capture and report on valuation and customer satisfaction data as well as allow LPI to use the information for quality assurance purposes and better decision making.<sup>54</sup> He emphasised that the projects under the program focused on:
- increasing the availability of valuation data and property information by enhancing the capture of data such as valuer's worksheets, detailed sales analysis, Just Terms and objection reports so that the data collected can be centrally stored, searched and analysed;
  - improving the access to and delivery of valuation information by further leveraging LPI's spatial technology and electronic systems;
  - reporting and monitoring customer satisfaction;
  - improved recording and reporting on quality assurance activities;
  - improved services to customers;
  - improved contractor management systems; and
  - development of improved systems to record, monitor and report on performance.<sup>55</sup>

*Committee comment*

- 3.24 The Committee is pleased that the Valuer General has announced the implementation of a program which will enable his Office to better capture and analyse data and thereby improve the accountability of his Office. The Committee will monitor and report on this matter in its next report.

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<sup>52</sup> The Hon. Andrew Constance MP, Minister for Finance and Services, Government response in relation to the Inquiry into Land Valuation System, 4 November 2013, p. 11.

<sup>53</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 9.

<sup>54</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 9.

<sup>55</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Question on Notice No. 6, 4 April 2014, p. 9.

## PROBITY AND THE TENDER EVALUATION PROCESS

- 3.25 Another key matter, which is related to the accountability of the Valuer General and which the Committee examined, is the tender evaluation process and the adequacy of the relevant probity-related processes and procedures. This includes conflict-of-interest of the Valuer General as well as robustness of the tender evaluation process.
- 3.26 The examination of probity-related issues, including conflict-of-interest of the Valuer General, was triggered by the fact that the Valuer General, was, in his previous role, the General Manager of Quotable Value Australia (QVA), a private valuation company, and that until 2006-07, he was on the Tender Evaluation Committee for valuation services.<sup>56</sup> The Committee noted that the Valuer General had been on the Tender Evaluation Committee, hence part of the decision-making process to even reward contracts to his previous employer, Quotable Value Australia.<sup>57</sup>
- 3.27 However, the Valuer General advised the Committee that he had questioned whether he should have been involved in the tender process, given his past as a General Manager of a private valuation company. Mr Western had provided the Committee with evidence – a brief from the Office of Government Procurement and a letter from the State Contracts Control Board to the Director General, Department of Lands – supporting his statement that he had sought advice in relation to his potential conflict of interest.<sup>58</sup>
- 3.28 The letter from the Office of Government Procurement noted that Mr Western had been the General Manager of QVA until his appointment as Valuer General in 2003. The letter commented that the expertise of the Valuer General had been considered critical in the evaluation of tenders as ‘no other member of the Tender Evaluation Committee had the expert qualification to assess the more technical aspects of the tender responses’.<sup>59</sup>
- 3.29 The letter from the State Contracts Control Board to the Director General, Department of Lands outlined the support for the Valuer General to be fully involved in the evaluation of all tenders received, including those submitted by organisations which he had worked for.<sup>60</sup>

### *Committee comment*

- 3.30 The Committee considers that the Valuer General acted appropriately in declaring his previous employment with Quotable Value Australia.

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<sup>56</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Transcript of evidence, 19 November 2012, p. 20.

<sup>57</sup> Matt Kean, Chair of the Joint Standing Committee on the Office of the Valuer General, *In camera* Transcript of evidence, 7 April 2014, p. 1.

<sup>58</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to Questions Taken on Notice a), 2 April 2012, Attachment E.

<sup>59</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to Questions Taken on Notice a), 2 April 2012, Attachment E.

<sup>60</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to Questions Taken on Notice a), 2 April 2012, Attachment E.

## The tender evaluation process

3.31 The Committee also examined broader probity issues related to the tender evaluation process. In particular, the Committee examined whether the profile of the Tender Evaluation Committee is appropriate, whether its members are required to fill out a conflict of interest form, whether a probity officer is involved in the Tender Evaluation Committee and whether potential bidders are aware of LPI's policy on conflicts of interest.

3.32 At the Ninth General Meeting, the Chair inquired whether there was a process in place to ensure that the Tender Evaluation Committee members had the relevant skills to carry out the job of awarding contracts 'for a multitude of different valuations'.<sup>61</sup> Mr Gilkes confirmed that they did have the relevant skills :

The panel comprises, as Mr Parker rightly said, senior people from Land and Property Information who have an understanding of the valuation industry. Assessing someone's capability to do this comes down to their knowledge, skills and experience, as they would demonstrate through their CV; that is similar to carrying out this kind of practice for any number of different things. The panel though also comprises representatives of local government and the Office of State Revenue, who are not valuation experts but are senior people from those organisations who, likewise, would consider the knowledge, skills and experience of the people being put forward.<sup>62</sup>

3.33 The Committee also inquired whether the Tender Evaluation Committee members were required to fill out a conflict of interest form. Mr Parker confirmed that there was such a requirement in place:

Every committee I have been on we have been asked to fill out a conflict of interest form and declare any conflicts, and at any tender evaluation meetings also one of the first agenda points is to declare any conflicts.<sup>63</sup>

3.34 The Committee was interested in finding out since when this procedure of filling out a conflict of interest form had been in place. In his response to the Questions taken on Notice, the Valuer General advised the Committee that 'the process of filling out conflict of interest declaration forms for tender evaluation committee members for the provision of land valuation services was introduced in 2000'.<sup>64</sup>

3.35 The Valuer General also provided a copy of blank Conflicts of Interests, Confidentiality and Code of Conduct Declaration form, which was used by the tender evaluation committee.<sup>65</sup>

3.36 The Committee also inquired how conflicts of interest had been dealt with:

<sup>61</sup> Matt Kean, Chair of the Joint Standing Committee on the Office of the Valuer General, *In camera* Transcript of evidence, 7 April 2014, p. 3.

<sup>62</sup> Mr Simon Gilkes, Deputy General Manager and Director, Valuation Services, Land and Property Information, *In camera* Transcript of evidence, 7 April 2014, p. 3.

<sup>63</sup> Mr Michael Parker, Chief Valuer from the Office of the Valuer General, *In camera* Transcript of evidence, 7 April 2014, p. 3.

<sup>64</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Questions Taken on Notice, Response No.18, 29 May 2014, p. 7.

<sup>65</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Questions Taken on Notice, Response No.19, 29 May 2014, p. 8.

JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL  
GOVERNANCE FRAMEWORK AND ACCOUNTABILITY

... is every conflict of interest fully recorded, including what was done to deal with the conflict of interest and the reasons for taking the course of action stated, whether by you or anyone sitting on these committees?<sup>66</sup>

3.37 In response, the Valuer General stated that any conflict of interest issues would have been addressed by the probity officer.<sup>67</sup> Mr Gilkes added that once actual or potential conflict was declared, the role of the probity officer was to make an assessment about whether that conflict had been discharged. Mr Gilkes further stated that the independent probity officer could not be overruled by the Chair of the Tender Evaluation Committee as the probity officer actually reported to the General Manager of LPI.<sup>68</sup>

3.38 Finally, the Committee inquired whether potential bidders/service providers were aware of LPI's policy on conflict of interest. In response, the Valuer General stated that a declaration, requesting compliance with LPI's conflict of interest policy, was required from each potential bidder, as was covered under the Request for Tender (RFT) document. He emphasised that each potential bidder was requested to disclose any potential or actual conflict of interest in their response to the tender. Furthermore, the tender evaluation methodology prescribed that the Tender Evaluation Committee should examine respondents' compliance with these clauses and policy requirements as part of the evaluation criteria. Finally, potential bidders were provided with two attachments with the RFT documents, which outlined that they would not unduly influence public officials through the offer of gifts or benefits.<sup>69</sup>

*Committee comment*

3.39 The Committee is satisfied with the system, which the Valuer General has in place to address any probity issues related to the tender evaluation process.

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<sup>66</sup> Matt Kean, Chair of the Joint Standing Committee on the Office of the Valuer General, *In camera* Transcript of evidence, 7 April 2014, p. 6.

<sup>67</sup> Mr Philip Western, Valuer General, Office of the Valuer General, *In camera* Transcript of evidence, 7 April 2014, p. 6.

<sup>68</sup> Mr Simon Gilkes, Deputy General Manager and Director, Valuation Services, Land and Property Information, *In camera* Transcript of evidence, 7 April 2014, p. 12.

<sup>69</sup> Mr Philip Western, Valuer General, Office of the Valuer General, Response to the Questions Taken on Notice, Response No.25, 29 May 2014, p. 10.

# Appendix One – List of Witnesses

Monday 7 April 2014 Waratah Room Parliament House

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Witness	Organisation
Mr Philip Western, Valuer General	Office of the Valuer General
Mr Michael Parker, Deputy Chief Valuer	Office of the Valuer General
Mr Simon Gilkes, Deputy General Manager and Director, Valuation Services	Land and Property Information

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## Appendix Two – Extracts from Minutes

### MINUTES OF PROCEEDINGS OF THE JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL (NO. 40)

10:00 am on Thursday, 20 March 2014  
Room 1254, Parliament House

Members present

Mr Kean (Chair), Mr Barr, Mr MacDonald, and Mr Searle.

Officers in attendance

Helen Minnican, Carly Maxwell, Vedrana Trisic and John Miller.

Apologies

Apologies were received from Mrs Williams.

The Chair commenced the meeting at 10:08 am.

1. ...

2. ...

3. General Meeting with the Valuer General

The Chair noted the background paper on regular meetings with the Valuer General, prepared by Committee staff, and the *Valuer General's Annual Report 2012-2013*.

Resolved, on the motion of Mr Searle, that the Committee – as part of its oversight function – meet with the Valuer-General to review the *Valuer-General's Annual Report 2012-2013*.

The Chair also advised that Committee staff will liaise with Committee members' offices and the Office of the Valuer-General to determine the date for the next general meeting with the Valuer-General.

The Chair also advised members that the Valuer-General will appear as the only witness.

Resolved, on the motion on of Mr Searle, that the Committee send Questions on Notice (as circulated) to the Valuer-General.

The Committee adjourned at 10.16 am until the next meeting in early April 2014.

### MINUTES OF PROCEEDINGS OF THE JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL (NO. 41)

1.00 pm on Monday 7 April 2014  
Room 1254, Parliament House

Members Present

Mr Kean (Chair), Mr MacDonald (Deputy Chair), Mr Barr, Mr Searle, and Mrs Williams.



Officers in Attendance

Helen Minnican, Carly Maxwell, Vedrana Trisic and John Miller.

The Chair commenced the meeting at 1.00 pm.

1. ...

2. Response to the Questions on Notice from the Valuer General

Resolved on the motion of Mr MacDonald, seconded by Mrs Williams: That the Committee authorise the publication of the responses to the Questions on Notice received from the Valuer General on 4 April 2014.

Discussion ensued.

Previous resolution rescinded on the motion of Mr Searle, seconded by Mrs Williams.

Resolved on the motion of Mr Searle, seconded by Mrs Williams, that:

- (a) the Committee note the responses to the Questions on Notice 1-3 and 5-6, received from the Valuer General by way of letter dated 4 April 2014, and electronically on memory sticks (distributed at the deliberative meeting);
- (b) the Committee note the undertaking given by the Valuer General to provide an answer to question 4 by 16 April 2014;
- (c) the information provided be published to the extent necessary for the purpose of the Valuer General's examination at the public hearing for the ninth General Meeting; and
- (d) the Committee defer considering the publication of the remaining information, either in part or in full, until after the public hearing.

3. Response to questions taken on notice at the hearing on 2 April 2012

The Chair advised the Committee of the need to publish certain information provided by the Valuer General, over which claims of confidentiality had been made, for the purpose of questioning the witnesses during the ninth General Meeting.

Discussion ensued.

Resolved on the motion of Mr Searle, seconded by Mrs Williams, that:

- (a) the answers provided by the Valuer General on 27 April 2012 to Questions taken on notice taken on 2 April 2012, be formally received by the Committee;
- (b) the information contained within Attachments A and B of the response to question (a) be published to the extent necessary for the purpose of the Valuer General's examination at the public hearing being conducted for the ninth General Meeting; and
- (c) the Committee defer considering the publication of the remaining information, either in part or in full, until after the public hearing.

4. ...

5. ...

The committee adjourned at 2.00 pm until 2.30 pm.

6. Public hearing - Ninth general meeting with the Valuer General

The Chair opened the public hearing at 2.30 pm. The press and public were admitted.

The following witnesses were affirmed and examined:

JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL  
EXTRACTS FROM MINUTES

- Mr Phillip Western, Valuer General, Office of the Valuer General,
- Mr Michael Parker, Chief Valuer, Office of the Valuer General, and
- Mr Simon Gilkes, Deputy General Manager and Director, Valuation Services, Land and Property Information.

The Committee agreed to proceed to take evidence from Mr Western, Mr Parker and Mr Gilkes in camera, with a view to considering publication of the evidence at a later date.

The public and media withdrew at 4.50 pm.

The Committee proceeded to take evidence in camera.

In camera evidence concluded, the hearing resumed in public.

The public and media were readmitted at 5.43 pm. Evidence concluded. The witnesses withdrew.

The Chair closed the hearing at 5.54 pm

Resolved on the motion of Mr MacDonald, seconded by Mr Barr: That the corrected transcript of evidence given today be authorised for publication and uploaded on the Committee's website.

7. Next meeting

The committee adjourned at 5.55 pm until a time and date to be determined.

**MINUTES OF PROCEEDINGS OF THE JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL (NO. 42)**

9.30 am on Wednesday 16 April 2014  
Room 1254, Parliament House

Members Present

Mr Kean (Chair), Mr MacDonald (Deputy Chair), Mr Searle, and Mrs Williams.

Officers in Attendance

Helen Minnican, and John Miller.

The Chair commenced the meeting at 9.30 am.

1. Apologies

Apologies were received from Mr Barr.

2. Confirmation of Minutes

Resolved, on the motion of Mr Searle, seconded by Mr MacDonald: That the minutes of meeting no. 41, held on 7 April 2014, be amended by inserting the words "with a view to considering publication of the evidence at a later date." after the words "take evidence from Mr Western, Mr Parker and Mr Gilkes in camera" in Item 6.

Resolved, on the motion of Mr MacDonald, seconded by Mrs Williams: That the minutes of the meeting no. 41, as amended, be confirmed.

3- Questions taken on notice and supplementary questions following the hearing on 7 April 2014

Resolved, on the motion of Mr Searle, seconded by Mrs Williams: That the Chair send the Valuer General questions taken on notice during the hearing on 7 April 2014 and supplementary questions, as circulated, and request that the answers be returned by 30 May 2014.

4- Publication of in camera transcript from hearing on 7 April 2014

Resolved, on the motion of Mr Williams, seconded by Mr Searle: That the Committee authorise the publication of the corrected transcript of the in camera evidence given on 7 April 2014, with the exception of page 1 of the transcript which relates to the Committee's deliberations, and that the public transcript be posted on the Committee's website.

5- Next meeting

The committee adjourned at 9.35 am until a time and date to be determined.

#### **MINUTES OF PROCEEDINGS OF THE JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL (NO. 44)**

1.30 pm on Wednesday 18 June 2014

Room 1254, Parliament House

Members present

Ms Gibbons (Chair), Mr Gulaptis (Deputy Chair), Mr Barr, Mr Lynn, Mr Searle.

Officers in attendance

Carly Maxwell and John Miller.

The Chair commenced the meeting at 1.37 pm.

1. Confirmation of minutes

Resolved, on the motion of Mr Lynn: That the minutes of deliberative meeting no. 42 held on 16 April 2014, and meeting no. 43 held on 15 May 2014 be confirmed.

2. 9<sup>th</sup> General Meeting with the Valuer General

a) Questions on notice asked prior to 7 April 2014 hearing

Resolved, on the motion of Mr Barr, seconded by Mr Searle: That the Committee note the response to the Question on Notice 4, received from the Valuer General on 16 April 2014, and defer considering the publication of the response until a later date.

b) Questions taken on notice and supplementary questions from hearing on 7 April 2014

Resolved, on the motion of Mr Barr, seconded by Mr Gulaptis: That the Committee note the responses to the Questions taken on notice received from the Valuer General on 29 May 2014, and defer considering the publication of the responses until a later date.

c) Transcript from hearing on 7 April 2014

JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL  
EXTRACTS FROM MINUTES

Resolved, on the motion of Mr Barr, seconded by Mr Lynn: That the Committee note the corrections to the transcript received from the Valuer General on 17 April 2014 and publish his clarification of one matter as a footnote on page 3 of the transcript.

3. ...

4. Next meeting

The committee adjourned at 2.08 pm until a time and date to be determined.

**MINUTES OF PROCEEDINGS OF THE JOINT STANDING COMMITTEE ON THE OFFICE OF THE VALUER GENERAL (NO. 45)**

9.30 am on Thursday 23 October 2014  
Room 1153, Parliament House

Members present

Ms Gibbons (Chair), Mr Gulaptis (Deputy Chair), Mr Barr, Mr Lynn, Mr Wong.

Officers in attendance

Bjarne Nordin and Vedrana Trisic.

The Chair commenced the meeting at 9.35 am.

1. ...

2. ...

3. ...

4. Correspondence from the Valuer General to the Committee

Resolved, on the motion of Mr Barr, seconded by Mr Gulaptis: That the Committee note and resolve to publish the following correspondence from the Valuer General:

- a. Update to the Committee regarding completion of a project to develop financial reporting tools;
- b. Letter regarding publication of valuation policies; and
- c. Update to the Committee regarding the production of a separate annual report.

5. ...

6. Ninth General Meeting with the Valuer General

a. Publication of responses to questions

Resolved, on the motion of Mr Gulaptis, seconded by Mr Barr: That the Committee publishes the Valuer General's response to Questions on Notice 1, 2 and 6 in full, Questions on Notice 3 in part and Questions Taken on Notice 18, 19 in full and 25 in part, which were provided as part of the Ninth General Meeting.

b. Consideration of the Chair's draft report

The Committee considered the report chapter by chapter:

- Resolved, on the motion of Mr Barr, seconded by Mr Gulaptis that Chapter 1 be agreed to.
- Resolved, on the motion of Mr Gulaptis, seconded by Mr Barr that Chapter 2 be agreed to.
- Resolved, on the motion of Mr Barr, seconded by Mr Gulaptis that Chapter 3 be agreed to.

Resolved, on the motion of Mr Barr, seconded by Mr Lynn:

1. That the draft report be the report of the Committee and that it be signed by the Chair and presented to the House.
2. That the Chair and Committee staff be permitted to correct stylistic, typographical and grammatical errors.
3. That, once tabled, the report be published on the Committee's website.

7. Next meeting

The Committee adjourned at 9.45 am until a date and time to be determined.