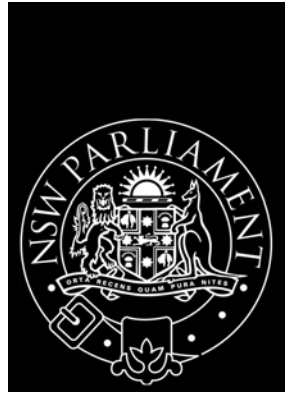


PARLIAMENT OF NEW SOUTH WALES



Joint Committee on the Office of the
Valuer General

REPORT ON THE SECOND GENERAL MEETING
WITH THE VALUER GENERAL

Together with Transcript of Proceedings and Minutes

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Chair's Foreword

This is the second report from the Joint Committee on the Office of the Valuer General. The report highlights:

- The Committee's role and work program; and
- Information on activities of the Office of the Valuer General relevant to the Committee's terms of reference.

The Committee's First General Meeting Report outlined its activities 2004. This included the Committee's development of an appropriate oversight program to effectively monitor the Valuer General's functions relevant to the Committee's terms of reference.

This Second General Meeting Report contains two reports prepared by the Valuer General describing various programs and reforms for the Office of the Valuer General, along with transcripts from the Committee's meeting with the Valuer General on 19 May 2005. The report also outlined the Committee's ongoing issues and concerns.

The steps taken and systems being put in place by the Valuer General are aimed to improve transparency and accountability of the Valuer General's operations and communication with the public. These reforms are consistent with the Committee's views on the direction and priorities for the change.

The Committee outlines its findings and recommendations in Chapter 1.

I am pleased to present this report and thank my fellow committee members and the secretariat for their assistance and support for the Committee. I would particularly like to thank Ms Gladys Berejiklian MP for her contribution to the Committee. Ms Berejiklian has been on the Committee since its establishment and was replaced by Mr Steven Pringle MP in April 2005. I welcome Mr Pringle in this position.

I also thank the Valuer General, Mr Philip Western, for his assistance and co-operative approach.

Kayee Griffin MLC

Chair

Committee Functions

The Joint Committee on the Office of the Valuer General was established in New South Wales in 2003 as an oversight committee comprising of five members, including two members of the Legislative Council and three members of the Legislative Assembly,

The Act provides the Committee with the ability to monitor and to review the exercise of the Valuer General's functions with respect to land valuations under the *Valuation of Land Act 1916*, the *Land Tax Management Act 1956* and the *Premium Property Tax Act 1998*.

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. Land valuation in New South Wales, as defined by the Valuation of Land Act, is based on the sum that vacant land might be expected to realise if offered for sale on reasonable conditions to a bona fide purchaser.

The Committee does not, however, have the ability to review individual valuations or objections to individual valuations. The processing of these issues will remain the responsibility of the statutory officer, the Valuer General.

The Committee was established under the *Valuation of Land Amendment (Valuer-General) Act 2003*. Under this Act (s 85), the Committee's main functions are:

- 1) to monitor and to review the exercise of the Valuer General's functions with respect to land valuations under the *Valuation of Land Act 1916*, *Land Tax Management Act 1956*, *Premium Property Tax Act 1998*¹ and in particular:
 - to monitor the methodologies employed for the purpose of conducting such valuations,
 - to monitor the arrangements under which valuation service contracts are negotiated and entered into, and
 - to monitor the standard of valuation services provided under such contract;
- 2) to report to both Houses with such comments as it thinks fit, on any matter connected with the exercise of the Valuer General's functions referred to in 1);
- 3) to report to both Houses any change that the Committee considers desirable to the Valuer General's functions referred to in 1); and
- 4) 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.

¹ Premium Property Tax Act 1998 was repealed on 1 June 2004 by the State Revenue Legislation Amendment Act 2004.

Abbreviations and Explanations

Abbreviations

IPART	Independent Pricing and Regulatory Tribunal
IVMS	Inwards Volume Management Strategy
LGSA	Local Government and Shires Association
LPI	Land and Property Information
LVAG	Land Value Advisory Group
NOV	Notices of Valuation
OSR	Office of State Revenue
PIS	Process Improvement Strategy
SLA	Service Level Agreement
WMA	Water Management Act 2000

Explanations

Land value/ unimproved value	refers to the value of the land only and does not include the value of improvements to the property such as a home. Consequently the land value does not generally reflect the full sale price of a property with a residence.
Handcrafted valuation	refers to the individual valuation assessment of a particular property conducted by a valuer.
Mass valuation system	refers to the generation of land values for multiples properties as at a given date. Mass valuations are generated by standardised computer methods as distinct from individual or handcrafted valuations.
Component method valuation	refers to the NSW methodology for generation of mass valuations. The method involves grouping properties that are similar or are likely to change in value in a similar ways. These groups or components contain a benchmark property/ies, which are handcrafted and serves as a standard basis for mass generation of land values.
General re-valuations	refers to valuations that are reassessed by the Valuer General. General re-valuations may be initiated because of formal objections by property owners or other mechanisms.
Re-ascertainments	describes the process where valuations are reviewed outside the objection process.
Separation of water rights	refers to the decoupling of the value of water access licences that have been historically tied to rural land value assessments. This process has occurred as a result of reforms implemented by the Water Management Act 2000.

Findings and Recommendations

FINDING – OBJECTION MANAGEMENT

The Committee finds that the Valuer General is making improvements to land valuation objection management and is open and responsive to issues regarding collective valuations. The Committee notes that there are resource needs to be addressed to sustain effective objection management and will monitor the provision of resources by the NSW Government.

FINDING – CONTRACTOR MANAGEMENT

The Committee finds that improvements in contractor management are being implemented by the Valuer General. More generally, accountabilities for valuers are being improved through Government regulations. However the Committee believes that more needs to be done to keep valuations accurate in terms of reflecting changes in property characteristics and the Council's planning intentions for adjacent development. The Committee will also monitor the integrity of valuations in isolated coastal communities.

FINDING – VALUATION PRICING REVIEW

Changes to valuation pricing may significantly impact on local government financial management. The Committee feels that these impacts need to be explored thoroughly as part of any review pricing of valuation charges to Councils and to the Office of State Revenue. The Committee sees that the review of a valuation pricing methodology should be transparent, consultative, and outline the Government's principles for pricing. The Committee supports the Valuer General's pricing review with the proviso proposed by the Independent Pricing and Regulatory Tribunal (IPART) that IPART retain some powers to resolve any disagreement between the parties in the transition to a new pricing structure.

FINDING – COUNCIL ISSUES

The collective impacts on local government of reforms being implemented by the Valuer General with respect to valuation pricing, water rights separation and contractor relationships need to be further examined by the NSW Government. The Committee supports the Valuer General's review into valuation pricing. In addition the Committee will be seeking information from key stakeholders about the possible costs and benefits of changing the cycles for provision of valuations for ratings and taxation purposes.

FINDING – PUBLIC INFORMATION

The Valuer General is making substantial changes to improve information provided to the public through a series of mechanisms. The Committee feels the improvements introduced to date are very positive. The Committee will monitor the Valuer General's adherence to proposed timeframes for rolling out further information projects.

The Committee is mindful that information must be accessible to all types of property owners and is keen to ensure that information is provided through traditional forms as well as new technologies. The Committee is also supports eliminating the anomalies between information accessible to owners of strata properties compared to owners of individual properties.

RECOMMENDATION

The Committee recommends a monitoring program be introduced to measure the effectiveness of the Valuer General's public information initiatives.

FINDING – INDEPENDENT REPORTING OF VALUER GENERAL ACTIVITIES

Preliminary research by the Committee into best practice annual performance reporting reveals that no other jurisdiction is undertaking a separate reporting of Valuer General activities.

However the Committee believes that substantial benefits would be made from an annual performance report provided by the Valuer General to the public. In addition to the oversight role provided by the Committee, an annual performance report from the Valuer General would assist in maintaining public accountability and confidence in the Valuer General's activities. The Committee will make recommendations on suggested content for an annual report in its best practice review.

Chapter One - Commentary and Committee Program

INTRODUCTION

- 1.1 This is the second report from the Joint Committee on the Office of the Valuer General. The report highlights:
- the Committee's role and work program; and
 - information on activities of the Office of the Valuer General relevant to the Committee's terms of reference.
- 1.2 **Chapter 1** of the report outlines the establishment and operation of the Committee. A commentary on key issues is also provided in this Chapter.
- 1.3 **Chapter 2** contains two Reports prepared by the Valuer General and submitted to the Committee. These reports are the result of an agreed reporting regime developed by the Committee and Valuer General and are reference documents for the Committee's oversight function.
- 1.4 **Chapter 3** contains Questions on Notice and Answers concerning the Valuer General's reports that were considered at the Second General Meeting of the Committee on 19 May 2005. Additional Questions on Notice and Answers provided by the Valuer General on 9 June 2005 are also included.
- 1.5 **Chapter 4** contains a full transcript of the proceedings from the Second General Meeting of 19 May 2005.

ESTABLISHMENT OF THE COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

- 1.6 The Joint Committee on the Office of the Valuer General was established in New South Wales in 2003 as a joint parliamentary committee under the *Valuation of Land Amendment (Valuer General) Act 2003*.
- 1.7 In his second reading speech of 30 May 2003, Mr Bryce Gaudry MP, on behalf of Minister Knowles, outlined the objective of the Act and purpose of the Committee:
- The object of the [Act] is to provide for the establishment and functions of a joint committee of members of this Parliament to oversee the functions of the Office of the Valuer General and to ensure the independence of that office. Honourable members may be aware that in recent years the quality and independence of valuations undertaken at the direction of the Valuer General have been open to speculation from some quarters. To ensure the community's continued confidence in the Office of the Valuer General, the Premier announced the creation of a joint committee of Parliament that will have the power to monitor and review the functions of the Office of the Valuer General... As honourable members will be aware, the land market in Sydney has enjoyed an extended period of growth. More recently, the coastal areas of New South Wales have enjoyed a similar boom. This Government wishes to assure the people of New South Wales that land valuations undertaken by the Valuer General are sound, well informed, quality valuations based on reliable information and expertise. This process will ensure that the functions of the Office of the Valuer General remain open and accountable to the public.
- 1.8 The Committee is constituted to operate until the end of the 53rd session of Parliament in 2007. It has five members: two from the Legislative Council and three from the Legislative Assembly. The current membership of the Committee is:

The Hon Kayee Griffin, MLC, Chair

The Hon Don Harwin, MLC

Mr Richard Torbay, MP, Vice Chair

Mr Steven Pringle, MP

Mr Allan Shearan, MP

- 1.9 In September 2004, Mr Anthony McGrane MP, who was originally appointed to the Committee passed away. In October 2004 the Legislative Assembly appointed Mr Richard Torbay MP, to take the role of Vice Chair. In April 2005, Mr Steven Pringle MP was appointed in place of Ms Gladys Berejiklian MP.
- 1.10 The Committee has power to send for persons, papers and records. All hearings are to be public subject to confidentiality requests. The Committee may report when Parliament is not in session. The Committee must report to the Clerk of the Legislative Assembly and the Committee is guided by the Standing Orders of the Legislative Assembly.

COMMITTEE'S ACTIVITIES - DECEMBER 2004 TO JUNE 2005

1.11 During 2004 the Committee:

- Commissioned a series of information briefings on the general operations of the Office of the Valuer General and on land valuation methodology in particular;
- Determined a program to oversight the Office of the Valuer General in accordance with the Committee's powers and functions under the legislation;
- Released a public brochure in August 2004 outlining the Committee's role; and
- Conducted the First General Meeting of the Committee and the Valuer General in October 2004.

1.12 Details of these activities are contained in the Committee's First General Meeting report released in December 2004.

1.13 In 2005 to June, the Committee met to discuss and monitor developments relating to land valuation issues. This included:

- A briefing from the NSW Office of State Revenue (OSR) on 21 January 2005 to outlining public education initiatives, management and compliance processes for the changes to land tax commencing in 2005;
- A Committee meeting on 2 March 2005 to discuss recent developments in legal cases, media issues and matters raised in correspondence relating to the Valuer General's activities;
- The Chair's attendance at the Land Valuation Advisory Group meeting of 14 March 2005: and
- A briefing from the Local Government and Shires Association of NSW on 17 June 2005 outlining key processes for Council use of land value information.

1.14 Some key developments have occurred since the First General Meeting in October 2004 including:

- The judgement by the Land and Environment Courts on the ‘Maurici’ case handed down on 10 February 2005 which supported the primary valuation methodology used by the Office of the Valuer General²;
- The ongoing inquiry by the NSW Ombudsman into aspects of valuation methodology, which commenced in October 2004³; and
- The May 2005 NSW Government Budget decision to reinstate the land tax threshold of \$330,000 for non-principle places of residences. Consequently many of the “first time land tax payers” affected by the land tax threshold removal in the May 2004 NSW Government Budget and who were billed for land tax in 2005, will be exempt from land tax from 2006. This decision was announced on 24 May 2005 after the Committee had held its Second General Meeting on 19 May 2005.

1.15 The impact of these developments are noted in the following section.

KEY ISSUES/ CONCERNS RAISED BY THE COMMITTEE

1.16 The Committee identified issues of interest in its First General Meeting report. These included:

- A. Objections management;
- B. Valuation Contractor Management;
- C. Valuation Pricing for Local Councils;
- D. Public information strategies;
- E. Future inquiries; and
- F. Other issues.

1.17 An update on these items and further information is provided in this section.

A - Objections management

1.18 As a consequence of changes to land tax thresholds and eligibility introduced by the NSW Government in the May 2004 Mini Budget, the Valuer General informed the Committee that the number of new land tax liable properties could rise considerably. The Valuer General suggested approximately 660,000 properties may be subject to land tax⁴.

1.19 In its First Report, the Committee raised concerns that the Valuer General provide a robust and responsive objections system and the resources to manage a potential increase in objections to valuations.

1.20 At the Second General Meeting the Valuer General reported on objections management noting:

² See page 21 for further details on this case.

³ See page 30 for further details.

⁴ Report on the First General Meeting with the Valuer General, Joint Committee on the Office of the Valuer General, December 2004, page 35.

- **Objection rates** have risen since the October 2004 from a low base of 0.5 per cent to 1.2 per cent of number of land valuations notices issued. Currently approximately 1500 objections are being processed each week.
- **Objection turn around time** is targeted at 90 days. At this time the Valuer General reports that only 40 per cent are turned around in this period. The Valuer General has implemented two programs to streamline the objections management system and improve objection turn around time. These are:
 - Inwards Volume Management Strategy (IMVS) - which involves the introduction of a standardised objection form that articulated categories of objections, to facilitate faster document processing (see objection form at Attachment 3 tabled by the Valuer General); and
 - Process Improvement Strategy (PIS), which attempts to resolve objections through desktop reviews if feasible to reduce the administrative burden of revaluations.

1.21 Re-ascertainments are revaluations triggered quality control systems, which identify possible errors as distinct from revaluations, triggered by the objection process. The Valuer General has a goal re-ascertainment rate of less than 1.25 per cent. The rate currently is 0.12 per cent.

1.22 The Valuer General highlighted that the additional workload imposed by increased objections is currently being absorbed by existing contract valuers⁵ and that, without additional resources, the contractors capacity to meet contractual valuation commitments may be affected. The Valuer General noted that a submission for additional resources and staffing was with the Government for consideration. Since the Second General meeting the Valuer General has advised that an additional \$2.550 million will be allocated to Land and Property Information for valuation services.

1.23 As noted in paragraph 1.14, the reintroduction of the threshold unimproved property value of \$330,000 for land tax in May 2005 will mean that the numbers of property owners incurring land tax will be reduced in 2006. The Valuer General expects that the numbers of objections to valuations will also fall proportionally after 2006. The funds provided are aimed to deliver long-term improvements in objection processing.

Group objections

1.24 Since the First Report the Committee received several letters from individuals and community organisations seeking to lodge group objections regarding land valuations.

1.25 The Committee questioned the Valuer General about options for group objections or objections by petition. At this stage under the current Valuation of Land Act 1961 there is no provision to object by petition and objectors are advised to submit individual objections.

1.26 The Valuer General advised that letters for group objections have been received and investigations into the objections initiated. The Valuer General retains the discretion to re-examine individual valuations or groups of valuations. Group valuation reviews may be triggered by such petitions, objections and valuation audits or through quality

⁵ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 51.

assurance regimes such as the Valnet administered by Land and Property Information. For example if the Valnet system reveals a high incidence or concentration of individual complaints in area, this may trigger a re-examination of valuations in that location. The Valuer General is currently implementing an electronic mapping system that will integrate with spacial land data, to provide further quality checks on individual land values, groups of valuations or the relationship between land values.

- 1.27 The Valuer General has noted that Crown Solicitor advice is being sought on the options for petition objections. Some problems with a petition process for objections were noted by the Valuer General at the Second General Meeting⁶:

Mr WESTERN:you would effectively have the ability for people to simply put their names on a piece of paper, and there could be hundreds of names on there with really no valid grounds individually on which to object; yet they put their name to a piece of paper and it would require the Value-General to review all their individual valuations.

FINDING – OBJECTION MANAGEMENT

The Committee finds that the Valuer General is making improvements to land valuation objection management and is open and responsive to issues regarding collective valuations.

The Committee notes that there are resource needs to be addressed to sustain effective objection management and will monitor the provision of resources by the NSW Government.

B - Valuation Contractor Management

- 1.28 NSW is currently divided into 19 contract areas that are tendered to valuers by the Valuer General to provide land valuation services. The Committee's terms of reference includes the monitoring of the quality of these "valuation service contracts".
- 1.29 At the Committee's First General Meeting in October 2004, the Valuer General outlined a review of tender processes and contract documents being conducted by a tender review panel. This review included substantial changes aimed to update and improve the contractual relationship between the Valuer General and contract valuers. These changes are noted the Committee's First Report⁷.
- 1.30 The contract review recommendations are being implemented over time as particular valuation contracts expire and are tendered on a cyclical basis. The Valuer General reported that in September 2004, nine contract areas were up for renewal and tenders have been awarded for services commencing from 1 May 2005. Changes to these contracts include:
- A performance scorecard has been introduced to the valuers contract, which is monitored monthly by the Valuer General;
 - The contracts are being converted and refined into plain English;
 - Contract tenure is being standardised to 3 year terms with extension options; and
 - Electronic information transfer is being included in contracts.

⁶ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 70.

⁷ Report on the First General Meeting with the Valuer General, Joint Committee on the Office of the Valuer General, December 2004, pages 24 and 37.

Penalties for Contractors

1.31 In its Second General Meeting in May 2005, the Committee sought further information about penalties for contractors in light of the review of valuations in Minnie Water and Diggers Camp where a series of objections were brought to the Committee's attention⁸. The Valuer General noted that current penalties for contractors (See page p25 and transcript p 69) includes:

- **Step in rights** where there is a failure to perform the contract the Valuer General can cancel the contract;
- Poor performance can result in the loss of the **performance bond** for the contractor (which is equivalent to 15 per cent of the annual fee paid for service); and
- **Scorecard performance notes** can be issued which may impact on renewal of or extension of contract.

1.32 In the Minnie Water and Diggers Camp valuation review, the Valuer General noted that payments were withheld from these contractors while the investigations took place. The investigation concluded that errors in the Diggers Camp valuations were due to the contractor assessment not reflecting recent changes in the characteristics of the properties, in particular, extensive sea views now obscured by vegetation⁹. The contractor has been penalised in the scorecard performance notes that can impact on the contractors' chances to be re-awarded that contract.

1.33 The Valuer General noted that the contract review panel would consider further expansion of penalty provisions for the 2006 round of contract tenders.

Valuations in Isolated Communities

1.34 The Valuer General provided information to the Committee about new structural review of valuations in isolated communities triggered by group objections for the Diggers Camp area. The Valuer General commissioned Land and Property Information to examine isolated coastal settlements. The validity of valuations were confirmed for most regions with minor adjustments recommended for several areas within Port Stephens and Lake Macquarie¹⁰.

1.35 Physical changes such as obscuring of views or new council road or drainage works adjacent to properties can affect the land value. Such changes to the character of a property should trigger the contractor to revise that property's categorisation in their valuation analysis.

1.36 The Valuer General noted that the valuation contractors are required to monitor changing area characteristics and to liaise with local councils about their planning intentions and capital works programs.

⁸ Correspondence to the Committee from the Diggers Headland Ratepayers and Friends Association Inc received on 28 January 2005.

⁹ Correspondence to the Committee from the Valuer General received on 30 March 2005.

¹⁰ See Chapter Three – Questions on Notice (with Answers), page 42.

- 1.37 The Committee supports the Valuer General's proactive approach in initiating this review. However the review reveals that improvements are necessary to encourage contractors to maintain up to date knowledge of changes within contract areas.

Code of Conduct for Valuers

- 1.38 In April 2005 the NSW Government introduced the Valuer Registration Regulation, which applies a Code of Conduct for all valuers practising in NSW including those valuers who have contracts with the Valuer General. The Code includes adherence to impartiality, confidentiality and prohibition of inducements to engage services¹¹.

FINDING – CONTRACTOR MANAGEMENT

The Committee finds that improvements in contractor management are being implemented by the Valuer General. More generally, accountabilities for valuers are being improved through Government regulations. However the Committee believes that more needs to be done to keep valuations accurate in terms of reflecting changes in property characteristics and the Council's planning intentions for adjacent development. The Committee will also monitor the integrity of valuations in isolated coastal communities.

C - Valuation Pricing for Local Councils

- 1.39 The Valuer General provides valuations to local councils for calculation of Council rates. Councils are charged a price per valuation that historically has been determined by the Independent Pricing and Regulatory Tribunal (IPART).
- 1.40 In the 2004 First General Report, the Valuer General noted that IPART had not revised its price determination since 1996 and that a pricing restructure was necessary¹². The Valuer General's proposal is to remove IPART from the price setting role and for the Valuer General to renegotiate prices directly with Councils in concert with other competitive reforms to be applied to the valuation system. In correspondence with the Committee in July 2004 IPART noted its support for the Valuer General's pricing review with the proviso that IPART retain some powers to resolve disagreements between parties in the transition to a new pricing structure.
- 1.41 Since the First General Report, the Valuer General has held discussions with Local Government representatives and has put forward an alternative option for future rating valuation pricing.
- 1.42 However at the Second General Meeting, the Valuer General informed the Committee that the review has been expanded to also consider the prices charged to the OSR for the supply of valuations. As such the review will be delayed. The Valuer General has proposed an interim pricing solution might be CPI (Consumer Price Index) adjustment of current prices for Councils however this proposal was yet to be formally raised with Local Government representatives¹³.
- 1.43 A term of reference and review process has not been provided to the Committee. However the Valuer General noted, in Questions on Notice for May 19 2005, that the

¹¹ See Chapter 3 – Questions on Notice (with Answers), page 40.

¹² The 1996 IPART determination was \$3.60 per *Residential* valuation and \$7.90 per *Non Residential* valuation.

¹³ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 54 and 55.

process of the pricing review will include consultation with stakeholder groups. It is not clear if any public or general consultation on this issue will be undertaken and under what principles new pricing regime should be established. The Valuer General highlighted to the Committee that there are many different ways that valuation pricing and funding of the Valuer General's services are determined in other Australian jurisdictions. For example these approaches include¹⁴:

- In Victoria - 50/50 split between State Revenue office and Local Government;
- In Queensland 50 per cent paid by State Government, the balance paid by Local Government and Commissioner of Land Tax; and
- In South Australia costs are shared across three bodies – Revenue South Australia, South Australia Water and Local Government (SA).

1.44 As demonstrated there are different approaches and principles applied to the funding and provision of land valuation information around Australia. IPART noted that its role as price setter related to historical monopoly provision of valuation services by the Valuer General to local government. However IPART was not able to clarify what policy principles were applied to the pricing methodology used to determine 1996 prices.

1.45 In its First Report the Committee noted that the Valuer General had moved to competitive tendering for valuation contracts and had developed a tender evaluation panel where the local government is represented. However, as noted by IPART there remains monopoly elements in the provision of valuations to local government because powers to award tenders remains with the Valuer General.

FINDING – VALUATION PRICING REVIEW

Changes to valuation pricing may significantly impact on local government financial management. The Committee feels that these impacts need to be explored thoroughly as part of any review pricing of valuation charges to Councils and to the Office of State Revenue. The Committee sees that the review of a valuation pricing methodology should be transparent, consultative, and outline the Government's principles for pricing. The Committee supports the Valuer General's pricing review with the proviso proposed by the Independent Pricing and Regulatory Tribunal (IPART) that IPART retain some powers to resolve any disagreement between the parties in the transition to a new pricing structure.

Valuation cycles for Council and taxation purposes

1.46 A related issue that affects the cost for valuations is the frequency that valuations are provided to Councils. At present most Councils receive valuations every 3 years from which rates are derived and Council financial planning structured. OSR is provided with valuations annually for land tax assessment purposes.

1.47 Under these arrangements it is possible for a property owner to receive a rates notice on a property linked to a land value, which may be 1 to 3 years old and also a land tax assessment based on a land value calculated for the current year.

¹⁴ See Chapter 3 – Questions on Notice (with Answers), page 38.

- 1.48 The Committee is aware that the different land values may be sent to property owners as a result of these cyclical arrangements, which may cause confusion¹⁵.

CHAIR: *In looking at how best to assist people with the current valuation of their property, because people receive their local government rates every year, some are either happy that the unimproved value of their property has gone up or they feel that nothing has changed and they probably accept the valuation listed on their council rates as the most relevant one. Is there an opportunity in what you are looking at to try to get the message across—and it may have to be with local government—that the valuation that is on a rates notice each year does not necessarily reflect the current valuation if that council is in the cycle that is being revalued? People who do not access the Internet or have easy access to computers would regard the valuation listed on the rates notice as being current and that issue may need to be addressed as well*

- 1.49 The Valuer General highlighted the implications of reconciling the valuation cycles¹⁶.

Mr WESTERN: *... Obviously, there are a number of different scenarios. You could advise every landowner in New South Wales every year of what their valuation is. You could allow them all to have an objection right, so you are issuing 2.4 million valuations every year; everyone has an objection right. You can imagine the large number of objections which would come into that and the cost associated, not just in terms of the issuing of the valuations but processing objections. One of the other ways that you might be able to do it is to issue an interim valuation, in other words, if it was outside of the local government cycle, you would issue an interim valuation, where other people in New South Wales would be advised of their land value. They would not have a right to object but once they were issued with their land tax assessment valuation, which would have that valuation on it, then they would have the right to object, so that would cut down the number of objections or possibilities as far as objections are concerned.*

There are a whole lot of different scenarios and I have just started to undertake work in this regard as to how we might be able to move forward, but there clearly is a need for more information to be provided particularly in terms of the valuations and the current valuation that is applicable to a particular property

- 1.50 If valuation cycles were to be changed the ramifications for Council rating systems would be significant. While there are benefits for transparency and public information, this needs to be weighted against the processing and administration costs to the NSW Government and Councils. For example there would be substantial cost increases with the annual supply of 2.4million valuations to councils to enable rates to be generated an annual basis.

Water

- 1.51 The Committee also discussed the impact of the separation of water rights valuations from land valuations resulting from the Water Management Act 2000. This Act allows for the separation of the value of water access/ownership rights from the total land value. This enables rural property owners to trade their right to use and access water. The Valuer General has commenced issuing new notices of valuation reflecting these changes. All values will need to be determined by 1 July 2006.

¹⁵ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 60.

¹⁶ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 60.

- 1.52 The changes impact significantly on rural land valuations. The historic base land value on properties with water rights will be reduced. This in turn will affect rating revenues for some Councils. Approximately 44 rural Councils are impacted by this change.
- 1.53 The Committee questioned the Valuer General about how Councils are planning for loss of revenue resulting from these reforms. The NSW Government has developed a transition proposal to assist local governments maintain rates income. On June 27 the Local Government and Valuation of Land Amendment (Water Rights) Act 2005 received royal assent. Essentially this Act will allow Councils to sub-categorise farmland into irrigated and non-irrigated properties. Councils will then be able to apply a sufficient ad valorem amount to those categorised as irrigated to return the same level of rates from them as in previous years. Under the Act however the maximum amount levied by ordinary rates for any farmland property cannot exceed more than 20 per cent on the levy of the previous year.
- 1.54 Irrigated and non-irrigated land values will be calculated by the Valuer General and will be issued to councils by the end of 2005 or early 2006 for integration into 2005/6 council management plans. The Valuer General noted that the cost of calculating the “ex-water values” was expected to be around \$2million, with most of those valuations being undertaken by existing contractors.

FINDING – COUNCIL ISSUES

The collective impacts on local government of reforms being implemented by the Valuer General with respect to valuation pricing, water rights separation and contractor relationships need to be further examined by the NSW Government. The Committee supports the Valuer General’s review into valuation pricing. In addition the Committee will be seeking information from key stakeholders about the possible costs and benefits of changing the cycles for provision of valuations for ratings and taxation purposes.

D - Public Information Strategies

- 1.55 In 2004 the Committee has shown a strong interest seeing improvements in the communication and information provided by the Valuer General to the public. The Valuer General has responded with the roll out of various information initiatives. At the Second General Meeting the Valuer General reported on the following:
- the creation of a **new call centre** by Land and Property Information to handle complaints and information queries regarding valuations. The centre handles around 140 calls per day and has dealt with over 20,000 calls since its establishment in January 2005;
 - the distribution of a **2004 newsletter to 700,000 ratepayers** via local councils which includes a summary of market changes in the state, and an explanation of the valuation and objection processes. A draft 2005 newsletter is being developed which will be more widely distributed (See *Attachment 1-* for a draft newsletter tabled by the Valuer General); and
 - the **creation of a sales report facility** whereby an analysis of recent sales data in a particular location can be provided to the public for a small charge. Currently only hardcopy reports are available this is intended to be made available online. The Valuer General provided a sample of a sales report to the Committee (See *Attachment 2* tabled by the Valuer General).

- 1.56 In response to questioning by Mr Harwin MLC, the Valuer General noted that compliance with privacy legislation had been considered by the Department of Lands before the sales report facility was initiated¹⁷. The Committee noted that at this stage, the sale report facility does not include unimproved property values. The Committee Members noted that the critical issue in terms of transparency was disclosure of both unimproved land value and sales values.
- 1.57 The Valuer General argued that it was his ultimate intention to provide both sets of information, that is, unimproved land valuations and sales information. However this will require conversion of calculation information from a valuers coding system into a consumer friendly format as explained:

Mr WESTERN: At the moment the information does not come in from the contract valuers in a form—it is in valuers' speak, if you want to call it that. It would be very difficult for a member of the public to pick up that piece of paper and understand it. So part of the reform process we are going through—I will speak about it a bit more later in terms of the roles and responsibilities of contractors—is that we are going to have a situation where we will move from this valuation jargon to a general speak, if you want to call it that. So people will be able to see exactly how we have got from the sales information and how the contract valuer has analysed the market and arrived at the individual valuation.¹⁸

Valuations of strata properties

- 1.58 The Committee has been made aware of particular information gaps over the 2004/2005, which were discussed in the Second General Meeting. This included the different provision of information to strata property owners.
- 1.59 Currently strata owners are not provided with an individual notice of valuation as explained by the Valuer General:

Mr WESTERN: ..The other major issue is that under the Valuation of Land Act the Valuer General is not required to notify people who own strata properties of their individual valuations because under the Valuation of Land Act that is not regarded as a separate property, but what is notified is the body corporate. The Office of State Revenue issues its land tax assessment based on the individual strata, so there is an automatic issue there in terms of one scheme: we are notifying them of the total land value for the Body Corporate, rather than what the individual strata itself is valued at, which is provided by OSR. So there are a whole lot of issues that need to be looked at in that regard. Obviously, I will be seeking the advice and assistance of a number of parties in regard to what the opportunities are in terms of how we actually go about improving that notification process¹⁹

- 1.60 The Committee believes that this anomaly between information provision to strata and single dwelling owners needs to be examined. With continued growth of strata properties in NSW, there is likely to be a reasonable expectation by the public for uniformity of information.

¹⁷ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 49.

¹⁸ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 48.

¹⁹ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 60.

Monitoring public awareness

- 1.61 The Committee also raised the issue of how to measure the effectiveness of the public information initiatives:

Mr STEVEN PRINGLE MP: One of the key points is 4.1, where you mentioned property owners not understanding how the system works. You have covered a number of ways to improve that system. How are we going to measure it? Will you hire some form of survey company, Hunter Valley Institute, or one of those that would be able to accurately measure whether people are now better informed than they were in the past?

Mr WESTERN: We would certainly look to introduce, once these various communications are established, some sort of monitoring systems to see how well or how much better people are being informed in regard to that²⁰.

- 1.62 The Committee recommends that the Valuer General implement a monitoring program to assess the ongoing impact of the public information initiatives.

FINDING – PUBLIC INFORMATION

The Valuer General is making substantial changes to improve information provided to the public through a series of mechanisms. The Committee feels the improvements introduced to date are very positive. The Committee will monitor the Valuer General's adherence to proposed timeframes for rolling out further information projects.

The Committee is mindful that information must be accessible to all types of property owners and is keen to ensure that information is provided through traditional forms as well as new technologies. The Committee also supports eliminating the anomalies between information accessible to owners of strata properties compared to owners of individual properties.

RECOMMENDATION

The Committee recommends a monitoring program be introduced to measure the effectiveness of the Valuer General's public information initiatives

E - Future inquiries

Best Practice Review

- 1.63 In its First General report the Committee noted its intention to examine the quality of performance reporting in the annual report entries for the Valuer General.
- 1.64 The Committee Secretariat has considered reporting processes used by Valuer Generals in other jurisdictions and had preliminary discussions with the NSW Audit Office on the reporting obligations of the Valuer General in NSW.
- 1.65 It appears that no other Australian jurisdiction is undertaking a separate reporting of Valuer General activities. Furthermore there is no obligation under NSW annual reporting legislation for the Valuer General to provide information other than that required for inclusion in the Department of Lands Annual Report.
- 1.66 However in light of the establishment of the Committee and the level of speculation that has been given to the independence and quality of Valuer General activities, the

²⁰ See Chapter 4 – Transcript of Proceedings 19 May 2005, page 66.

Committee believes that a performance report would be a further mechanism for the Valuer General to articulate his role in a wider context.

- 1.67 As a statutory officer created under the Valuation of Land Act 1916, the position of Valuer General is an independent appointment and as such has the discretion to report to the public in any manner appropriate.
- 1.68 At the Second General Meeting, the Committee briefly discussed some issues about public reporting including the possibility of the Valuer General reporting against key performance indicators and setting up a performance scorecard of key statistics relevant to the Office:

Mr STEVEN PRINGLE MP: Are the key performance indicators you mentioned publicly available?

Mr WESTERN: No, they are not publicly available, although, obviously, in terms of the key performance indicators with Land and Property Information there is nothing that is commercially sensitive, so they could be made available to the public.

Mr STEVEN PRINGLE MP: Could that be put on the web site or at least provided to us?

Mr WESTERN: I had provided in the past a copy to the Committee and I am certainly happy to do that. I guess, once again, my only concern would be that if you look at all the key performance indicators, once again, they may have very little relevance or meaning for the public. But, certainly, I agree that some of them, particularly in terms of statutory turnaround times and those sorts of things, would be of interest.

Mr STEVEN PRINGLE MP: On that same theme, when you walk up to the counter some councils have the key performance indicator for their DA process, which says within 40 days of whatever it is and the current processing time is 42 days, or whatever. Could we do the same for your department?

Mr WESTERN: That is a possibility. I would not want to clutter up the front counter with heaps of information.²¹

FINDING – INDEPENDENT REPORTING OF VALUER GENERAL ACTIVITIES

Preliminary research by the Committee into best practice annual performance reporting reveals that no other jurisdiction is undertaking a separate reporting of Valuer General activities.

However the Committee believes that substantial benefits would be made from an annual performance report provided by the Valuer General to the public. In addition to the oversight role provided by the Committee, an annual performance report from the Valuer General would assist in maintaining public accountability and confidence in the Valuer General's activities. The Committee will make recommendations on suggested content for an annual performance report in its best practice review.

F - Other issues

Ombudsman's Inquiry

- 1.69 On 30 November 2004 the Committee became aware that the NSW Ombudsman had initiated an investigation into objections management by the Valuer General and the controls employed to ensure the accuracy of component method valuations.

²¹ See Chapter 4 – Transcript of Proceedings 19 May 2005 page 65.

Chapter One – Commentary and Committee Program

- 1.70 Under the Ombudsman's Act, the investigation is not a public process. The Ombudsman can seek information from relevant parties to assist the investigation and the Committee may contribute if required.
- 1.71 The Valuer General reported that he has had several meetings with the Ombudsman and has provided information on requested to assist the inquiry.
- 1.72 The investigation is ongoing. The Committee will consider any information released by the Ombudsman relating to the Committee's terms of reference.

Chapter Two - Reports Prepared by the Valuer General for the Committee

Report 1: Reform Program Update

As part of the on going improvements to the valuation system to enhance valuation outcomes for the people of New South Wales, the Valuer General is continuing to implement a number of initiatives.

1. Service Level Agreement between the Office of State Revenue and Land and Property Information

Background

The previous Service Level Agreement (SLA) had not been reviewed for a number of years. The purpose of this review was to provide focus on the key areas of service and delivery to the OSR.

Considerable input from various levels of both organisations has provided a practical working document with clear objectives and outcomes.

Current situation

This SLA has been agreed and signed. Regular monthly meetings are held between Land and Property Information (LPI) and the OSR.

2. Service Level Agreement between the Valuer General and Land Property Information

Background

The contents and requirements of the previous SLA did not meet the expectations of the current Valuer General. The previous SLA had not been reviewed for a considerable period of time.

The new SLA is more detailed and focused on key performance areas to ensure that the valuation database and key deliverables continue to contribute to the development of the integrity and quality of the valuation system.

The agreement covers the key areas of valuation services, managing valuation contracts, provision of other valuation services, customer service, external communication and the management of the valuation data and systems.

The new agreement will be reviewed on an annual basis to ensure that it continues to meet the on going requirements of the Valuer General and the primary stakeholders.

Current situation

The Valuer General monitors the SLA on a monthly basis with reference to the Key Performance Indicator targets.

A review of the current SLA will be commenced in late May 2005, with a new SLA being in place for 1 June 2005 for the ensuing 12-month period.

3. Rating - taxation valuation tender – contract review

Background

The Valuer General implemented in May 2004, a review of the prevailing tender and contract documentation for rating – taxation valuations.

The need for this review arose, following many years of additions/deletions and ‘band aiding’ to existing documentation. This resulted in difficulties interpreting issues and requirements amongst both the Office of the Valuer General and LPI, as well as existing contractors and prospective tenderers.

Current situation

A number of changes were implemented for the 1 May 2005 contract and tender documentation. These changes were detailed in my first report to this Committee in 2004.

A further review of the tender process and documentation will be undertaken before September 2005, to provide further enhancements and efficiencies. This review will also incorporate the Statewide real estate valuation services tender.

4. Communications strategy review

Background

The majority of property owners, ratepayers and taxpayers do not understand the valuation system or the manner in which valuations are established.

Previously, the principal communication with property owners has been through the brochure enclosed with each valuation that is posted to property owners at the time of a general valuation.

The other main forms of communication have been through:

- Department of Lands web site.
- Enquiries to Land and Property Information offices.
- Valuers and support staff talking directly with property owners.

No information has been provided to property owners with respect to historical property market value movement in the intervening years between general valuations. This often results in property owners being surprised by the change in the value of their property.

Often the limited information available to property owners means that when the valuations are issued, LPI resources are diverted to answering simple enquiries.

Current situation

The Valuer General has adopted an on going strategy of being open and transparent with all stakeholders. This has already been acknowledged by a number of key stakeholders as being conducive to improving the creditability of both the valuation system and the position of Valuer General.

As part of this strategy in 2004, a newsletter was developed and sent via local government councils to approximately 700,000 ratepayers. Feedback from this publication has generally

been positive, especially in assisting the public to better understand and appreciate the process involved in arriving at a valuation.

The majority of councils, who participated in this project in 2004, indicated that the newsletter should be published on an annual basis.

The 2005 newsletter is currently being developed. A draft copy is attached as Attachment 1. Councils are currently being canvassed, to establish if they would like to provide the newsletter to ratepayers, in conjunction with the first rates instalment for the 2005–06 year. Participation feedback to date has been good.

The public can now access both current and previous land values through the Department of Lands website. Previously this information has not been readily available. The public can register to receive up to 5 land value searches free of charge. The availability of this information has been well received. This and other property related information is also available over the counter at LPI office.

Sales information relevant to the particular locality and property is now being made available to the public. (See Attachment 2). While currently only available as a hard copy, the intention for the future is this information will be available electronically through the Lands website.

To assist in providing an improved information service to the public, a call centre has been established by LPI. The call centre will operate during peak public enquiry times, generally when the majority of valuations and land tax assessments are posted between December and the end of the following May.

On average, there have been approximately 140 calls per day to the call centre.

The total number of enquiries received by the call centre to date is 20,851.

The number of calls made directly to LPI offices has been reduced by 81% with the introduction of the call centre.

The majority of calls to the call centre have been regarding general valuation information or changes to postal addresses. Approximately 16% of enquiries related to land tax issues.

For the release of the 1 July 2004 general valuation, a new policy was implemented to provide the media with access to the senior valuation staff operating at a local level. This has proved beneficial with the valuers being able to provide authoritative and accurate information on the market, valuation levels and other information relevant to their particular location.

5. Valuation services pricing review

Background

Pricing for valuation services (for the provision of rating valuations) provided to local government councils is currently set by the IPART.

The last review was undertaken as at 1 July 1996, when IPART set the following maximum prices for rating valuations.

- Residential \$3.60 per assessment
- Non Residential \$7.90 per assessment

After consultation with the Local Government and Shires Association (LGSA) [as the member councils representative body] and IPART, the Valuer General has put forward an alternative option for the future pricing of valuation services to local government councils.

The proposal is for the Valuer General to review the pricing of valuation services on an annual basis. On reaching agreement with LGSA, the new pricing levels will be signed off by IPART.

Should agreement on pricing with the LGSA, not be attained, then IPART will decide the pricing structure.

It was originally intended that the pricing review and consultation would be undertaken in early 2005, with implementation for the 2005–06 financial year.

In late 2004, Land and Property Information presented a business funding proposal to New South Wales Treasury, proposing a number of actions so that Land and Property Information could achieve its goal of optimising the objection system to meet the needs of government and the public.

Current situation

As a result of this initiative, and the additional reforms I am implementing to provide further improvements and efficiencies to the valuation system, a decision was made to postpone a full pricing review until these reforms are completed.

As no funding adjustment (on the basis of price per valuation assessment) has been made since the 1 July 1996 IPART review, an interim pricing solution will be discussed with LGSA.

6. Water Management Act 2000 – valuation implications

Background

The Water Management Act 2000 (WMA) allows for the separation of water rights from the land title.

Currently water rights are included in valuations prepared under the Valuation of Land Act 1916.

With the removal of water rights from the land valuation, there is a major impact for many rural councils, particularly where the land value utilized for rating purposes contains a significant component related to the value of the water right.

There are approximately 44 shire councils impacted by the changes.

A working group comprised of representatives of the affected organisations (including the Valuer General) developed a discussion paper on the issues and future options for council rating revenue. This was issued in late 2004, with responses evaluated and collated in February 2005.

A cabinet minute has recently been drafted, for presentation.

The primary implications for the Valuer General centre on issues of timing. There is a need to ensure that valuations where the water right is currently included in the land valuation, have the value attributable to the water right removed, to reflect the new legislation.

Schedule 8.29(10) of the WMA allows for the Valuer General to continue valuing water rights in the land value until at least the general valuations established at 1 July 2005.

Government Gazette No. 110 of 2 July 2004 included the proclamation of Schedule 8.29(10).

Current situation

The Valuer General's preferred option for the re-ascertainment of the valuations for those properties affected by the WMA is to assess the 'ex water' land values in a single year through a combined process of:

- Assessing 'ex water' land values for all properties that currently include water in the shires that will have Notices of Valuation issued for 1 July 2005 as part of the general valuation program. This work is to be completed by November 2005; and
- Assessing 'ex water' supplementary land values for all properties affected by the WMA in those shires that would not have Notices of Valuation issued for this valuing year 1 July 2005. This work is to be completed by the end of March 2006.

7. Objections management

Background

The Valuer General in conjunction with LPI implemented a review of objection management and associated processes in May 2004.

This was required to improve the efficiency in the management and processing of objections as well as ensuring the timely completion of objections being actioned.

The following objectives were established for the review:

- To improve the objection process so they are decided in a timely manner, irrespective of the number of objections lodged.
- Maintain the integrity of the objections process.
- Implement more efficient processes for the long term as well as short term.
- Develop innovative solutions for processing objections.
- Increase communication and positive relations with the public, the media and other stakeholders.

Additionally with the removal of the land tax threshold, and a considerable number of 'first time land tax payers', it is expected that there will be an increase in the number of objections received for the valuations prepared as at 1 July 2004.

It is important for the principal stakeholders, as well as rate and taxpayers that objections are completed as efficiently and as promptly as possible.

In particular it is critical for local government councils and OSR to have their rating and taxation valuation base as accurate and as stable as possible prior to the commencement of their respective rating and land tax years.

The objection process, importantly, also aids the identification of errors or anomalies and so forms a valuable part of the quality control mechanism for the valuation system.

Current situation

The review has been completed and two strategies developed:

- An Inwards Volume Management Strategy (IVMS)
- A Process Improvement Strategy (PIS)

These strategies need to be implemented in conjunction with the establishment of appropriate staffing for the short term as well as the long term.

The IVMS seeks to address the reasons why landholders object to their land value in the first place. It aims to reduce the number of objections by:

- Increasing public confidence in the valuation system.
- Discouraging vexatious or flippant objections.
- Requiring objections to be lodged on a standardized form.

Streamlining the process. The PIS aims to minimize the time taken to resolve objections.

The receipt and registration can be streamlined through the use of a prescribed form. This will speed the identification of properties and the grounds for objection. It is envisaged that long term, an on-line objection registration process will be introduced.

The inspection of objections is both time consuming and costly. Efficiency gains can be achieved by limiting inspections to only those cases where it is essential to resolve the objection. To achieve this an improved objection process has been developed. This comprises:

- Resolving objections by desk top review where appropriate.
- Resolving queries from desk top reviews through telephone interviews with objectors.
- Limiting inspections to objections that cannot be resolved through the preceding processes.

The expected increase in objection volumes will naturally require additional staff resources to manage the process: There are four main requirements:

- District Valuer position
- Valuation Contract staff
- Temporary Clerical staff
- Outsourced call centre

As a result of this review additional funding has been made available through the OSR for processing objections.

The proposal for an increase in permanent staff resource is still subject to discussion.

8. Maurici objection

Background

In February 2003, the High Court handed down its decision in relation to the Maurici objection appeal. This originated from an objection to a residential land value as at 1 July 1997.

At that time the High Court made certain declarations concerning the issue of scarcity of vacant land and then remitted the case to the Land and Environment Court to consider whether the lower court should consider further evidence in the matter.

The Valuer General's contended land value for the property at the 1999 hearing was \$2.0 million. The Commissioner reduced that on hearing evidence from both parties to \$1.95 million. The applicants were contending \$1.3 million.

A number of hearings were held in the Land and Environment Court between July and August 2004, to hear further evidence. The final hearing was on 31 August 2004. A decision was issued in February 2005.

The following is a summary of the decision:

- Commissioner Nott of the Land and Environment Court, delivered a 114 page decision on 11 February 2005. He found in favour of the applicant and reduced the land value as at 1 July 1997 to \$1.89 million, which is an approx 5% variation from the Valuer General's contended value of \$2.0 million and approx 45% higher than Maurici's contended valuation of \$1.3 million.
- Importantly Commissioner Nott's decision stated that no adjustment should be made for scarcity in analysing vacant land sales. The impact of including a scarcity factor could have had immense consequences for the current and past valuations made by the Valuer General.
- The Commissioner agreed with the applicant's argument that an 'improvements increment' is an appropriate valuation technique to use in the analysis process for improved sales.
- The term 'improvements increment' is an unfortunate term, but essentially permits for an allowance to be made in the sales analysis for the inclusion of developers/entrepreneurs profit. The Valuer General accepts that this is one of many appropriate methodology tools available to the valuer when analysing improved sales.

Current situation

Maurici has appealed the decision of the Land and Environment Court.

Proceedings are set down for a hearing on 15 June 2005. No specific formal points have been submitted by Maurici at this point.

9. AMP Global Henderson Objections

Background

The NSW Land and Environment Court heard this objection, submitted by AMP HENDERSON GLOBAL INVESTORS LIMITED in early December 2003.

It related to valuations as at 1 July 2001 in the Sydney central business district. It involves the assessed land values for two central business district buildings, namely National Australia Bank House, in George Street and the Colonial Centre in Martin Place. These properties have land values as at 1 July 2001 of \$58,000,000 and \$70,000,000 respectively.

The objectors argued that the land values of both properties should be considerably lower. This Court case had significant implications in respect to both local council rating revenue and OSR, if the applicants contended valuations were accepted by the Court.

The Land and Environment Court dismissed the objections.

AMP appealed to the Court of Appeal. The grounds for the appeal were:

- The Commissioner in the Land and Environment Court failed to take into account post valuation date comparable sales.
- The Commissioner wrongly dismissed as irrelevant comparable sales applying the whole percentage depreciation method.

The appeal was allowed on these grounds.

The matter has been referred back to the Land and Environment Court for the Commissioner to take into account a broader range of comparable sales.

Current situation

The Commissioner has requested that a Court appointed expert be involved in these objections. The expert will be an independent valuer, agreed by both parties. He will hear the evidence of both parties and make his own investigations to arrive at a valuation decision.

This will be the first time that a court appointed expert has been involved in a Land and Environment Court objection under the appeal provisions within the Valuation of Land Act 1916.

At this stage a decision is expected in early July 2005.

10. Land Valuation Advisory Group

Background

The Land Value Advisory Group (LVAG) met on two occasions during 2004.

The primary focus for the group is to provide advice to the Valuer General on the appropriate application of mass land appraisal techniques including the following:

- Investigate and advise on the application of mass appraisal methodologies.
- Establish the means to identify properties unsuited to mass valuation methodologies.
- Examine and review the criteria for component areas.

Principal outcomes from the meetings have been:

- An understanding of the Valuer General's philosophy.

- A project to examine the identification factors that should be taken into account in deciding whether properties should be handcrafted.
- Commence discussions with an appropriate University to undertake further work on statistical analysis and improving the quality of valuation outcomes.
- Develop accountability for contractors to assume more of the risk of carrying out the provisions of the compilation of land values.

The group will be meeting in May, to assist the Valuer General in designating specific localities where check valuations should be undertaken by independent valuers. These valuations (as at 1 July 2005) will be undertaken prior to valuation recommendations being accepted from valuation service contractors.

In March 2005, the Hon Kaye Griffin MLC (Chair Committee on the Office of the Valuer General) spoke with group members, principally on the role of the Parliamentary Committee.

11. Roles and responsibility—contractors/land and property information

A working group has been established to review the current mass valuation system and develop proposals for improvements to valuation management and reporting processes.

The intention is to focus contract management and valuation regulation on valuation outcomes, rather than processes.

This project has also been established to consider improved methods to monitor the quality of processes and outcomes provided by contractors in undertaking mass valuations.

The project is based on the following principles:

- The Valuer General is responsible for the establishment of policies and principles to direct the rating and taxing valuation system.
- Contractors are responsible for the development of their valuation methodologies as well as the accuracy and quality of the valuation recommendations they provide to the Valuer General.
- Sufficient reporting and quality controls to demonstrate valuations are soundly based and are able to withstand the scrutiny of the stakeholders.
- LPI is responsible for the management of valuation contracts and the acceptance of valuation recommendations provided by the contract valuer.
- Contract management efforts should focus on valuation principles and outcomes rather than processes.
- Information supplied should be in electronic format as far as possible.
- Contractors are to be offered the opportunity to contribute to the process.

There are a number of changes to the existing reporting system that can be implemented with little disruption to the 2005 valuation program.

The working group has expanded an initial action plan to include undertaking a far more extensive review of options to improve the quality of valuations, and public confidence in the current system. The implementation of a number of the enhancements may occur over a 2 year period. This may be due to funding constraints, further developments of the current Valnet and

Valmap systems and the introduction and continued refinement of the proposed contract management program.

The following are possible enhancement changes, which can be implemented without any disruption to the 2005 valuation program.

- Statistical training.
- Stricter adherence to the statistical measures by the contract managers and the contractors to report on any variances, which may occur.
- Identification of new and improved statistical measures for implementation for the 2006 program.
- With the anticipated introduction of Valmap the ground audit can be implemented, however, it may not be possible to fully develop the audit and it may carry over to the 2006 program.
- Formulating a new report – land value/sales ratio.
- Provision of a new report through Valnet/Cognos – deduced land value/draft land value ratio.
- Introduction of the contract management program and its interaction with Valnet/Valmap/Cognos. Rationalisation of the component report.
- Contractors to supply a complete and full narrative at the conclusion of the program detailing the rationale for the values describing the market, the evidence relevant to that area and the movement of values in that area.
- AI data to be electronically transferred.
- Complete and strict adherence to the recording of file notes and other records as a result of the monthly meetings between the contractors and contract managers.
- Transfer of all the relevant data to the website for all stakeholders to view the openness and transparency of the valuation process.
- Update/amend the current procedures manual.
- Enhancement to the Valnet objection manager which flags all properties, which had objections registered and allowed.
- Ensure contractors accept accountability for the accuracy of the valuations.

Some of the enhancements listed above, will commence in 2005, however they may not be fully implemented until 2006. Additionally the following enhancements will be developed in 2006:

- Investigate new and more relevant statistical measures.
- Further enhancement of the contract management program through the improvements to the current Valnet/Valmap/Cognos systems.
- Complete interaction between all systems to ensure uniformity.
- Further investigation into the ongoing amendment of the procedures manual with consultation with the contractors.

- Consideration of penalties for default or non compliance.

12. Notification of valuations

During the last 2–3 months there has been some debate over the frequency that land taxpayers in particular are notified of the land value applicable on their property as at 1 July of the valuing year.

The Valuation of Land Act 1916 provides for new rating valuations to be issued to councils at the discretion of the Valuer General, which must be undertaken at least every 4 years.

The Valuer General values all land in New South Wales annually. Land values are determined each year as at 1 July and reflect property market conditions at that time. The Valuer General provides these values to local councils and the OSR for rating and taxing purposes. Landowners receive their Notice of Valuation to coincide with the provision of new valuations to local councils for rating purposes.

Notices of Valuation are generally issued every three to four years for rating purposes. For land tax purposes, the Valuer General is required to provide land values annually to the OSR but not to individual property owners. Land tax notices issued by OSR to affected property owners make provision for owners to object to these annual land values.

The debate around the frequency with which the Valuer General advises landowners of their latest land valuations, has principally arisen following the removal of the land tax threshold and the increased number of land owners who are now subject to land tax.

The Valuer General is implementing a project to examine the possible options and to find a resolution, which is efficient, yet does not add significant additional cost to the overall value notification process.

Report 2: Principal Work in Progress

1. Valuations as at 1 July 2004

Current situation

Approximately 650,000 Notices of Valuation (NOV) were issued as a result of this general valuation for rating purposes.

Notices of Valuations were posted to landowners from late November 2004 through to mid January 2005.

Approximately 2.4 million valuations were provided to the OSR on 31 December 2002.

OSR began issuing land tax assessments in January 2005 and this will continue through to early June 2005.

Land and Property Information have established a call centre for enquiries as a result of the mailing of Notices of Valuation and land tax assessments (For more detail see 'Reform Progress Update Report', Paragraphs 4.12 – 4.16).

2. 1 July 2004 objections process

To date 11,841 valid objections have been received to the 1 July 2004 valuation. This represents approximately 1.2 % of the valuations issued.

There are currently 10,829 objections to the 1 July 2004 valuation on hand.

Independent valuers have been employed on a contract basis to assist with the processing of objections.

3. Minnie Water – diggers camp re-ascertainments

The Valuer General initiated a review of the 1 July 2004 valuations for Minnie Water and Diggers Camp.

This followed receipt of an increased number of objections for the localities.

A District Valuer from Land and Property Information has overseen the review of the valuations and undertaken an inspection of the localities. He has also spoken with a number of landowners.

The review confirmed that, in a number of cases, the land valuations in Minnie Water and Diggers Camp were too high. However, there were also cases of the valuations being too low.

There are two primary reasons for the errors in the land valuations:

- Properties that are likely to move in value on a similar basis are grouped together. The review identified a number of properties in the wrong group. As an example, some properties that previously may have had a wide 'sea view' but now do not were found to be grouped with those properties which had extensive sea views. Generally, market evidence supports properties with sea views increasing in value at a different rate to those without sea views.
- The review also revealed that the contract valuer had very little in directly comparable sales evidence available at the time of completing the valuations.

While these valuations, on a relativity basis, appeared to align with valuations in other coastal centres, subsequent evidence of sale transactions has revealed that the valuations for some properties are too high, and the relativities have been distorted.

Landowners were notified of the amended valuations in mid March 2005. A letter explaining the amendment accompanied the new Notices of Valuation.

The last day for lodging an objection to these altered valuations will be 20 May 2005.

In respect of the Minnie Water valuations:

- 66 objections have been received to date.
- 52 properties had their valuations reduced. Objections had been lodged in respect to 25 of these properties.
- 19 properties had their values increased.

In respect to the Diggers Camp valuations:

- 30 objections have been received to date.
- 20 properties have had their valuations reduced; objections had been lodged in respect of 5 of these properties.
- no properties have increased in value.

4. Local government amalgamations (2004–2005)

The Valuer General is required under Section 52 Valuation of Land Act 1916 to furnish new valuations as soon as practical after the proclamation.

This is to provide a consistent rating base for councils to raise rating revenue.

The Valuer General consults with the affected councils to establish their preferred valuation date to bring all properties in the LGA into alignment regarding the time of valuation. In addition, councils are consulted as to when they would like the new valuation regime to commence.

During the past 12 months, 39 former local government areas have been subject to mergers and required alterations to issued valuations.

This involved the adjustment of valuations for approximately 96,400 properties.

5. Tenders for rating taxation valuation services

In September 2004, tenders were advertised for the provision of Rating/Taxation Valuation services to the Valuer General, commencing 1 May 2005.

The following contracts were tendered: Wollongong, Blacktown, Central Coast, Newcastle, Coffs Harbour, Bega, New England, Dubbo, Albury.

The contracts for all areas will operate for the 3 year period from 1 May 2005 to 30 April 2008, with the Valuer General having the option to extend each contract by up to two one year periods.

Public tenders were invited on 13 September 2004 and closed on 11 November 2004.

In response 13 tenders were received.

A tender evaluation committee comprising the following members was established:

Philip Western	Valuer General (Chair)
Simon Gilkes	Chief Valuer
Nikki Kempson	Office of State Revenue
Shaun McBride	Local Government and Shires Association
Mark van Epen	Dept of Commerce (Procurement)

and; various representatives from individual local government areas.

Following a detailed analysis of the tenders received the following were the successful tenders.

Wollongong Contract	Crown Valuation Services
Blacktown Contract	Crown Valuation Services
Newcastle Contract	Dupont Valuation and Property Research
Central Coast Contract	Robertson and Robertson
Coffs Harbour Contract	Property Valuation Services
Bega Contract	Property Valuation Services
New England Contract	Property Valuation Services
Dubbo Contract	Aspect Property Consultants
Albury Contract	Quotable Value Australia

The following contract areas will have a new valuation services contractor from 1 May 2005:

Wollongong
Dubbo

6. Tenders for State wide real estate valuation services

Tenders were requested to assist Land and Property Information in undertaking work on behalf of the Valuer General.

This work would include Just Terms valuations, advisory work and assisting with reviewing objections to valuations. Tenders were let by local government area. An excellent response was received with good coverage being obtained for the majority of locations.

An excellent response was received. The majority of local government areas will have several contractors working in them.

In particular this will greatly assist with improving the processing of and completion times for objections.

Senior personnel from Land and Property Information will carefully monitor the performance and outcomes from all contract valuers.

7. Valuation of Land Act 1916 amendments

The Valuer General in consultation with the Minister for Lands and Land and Property Information (LPI) has implemented an Objection Form (see Attachment 3).

The Valuation of Land Act 1916 was amended to accommodate this change in early December 2004.

All parties objecting to the land value for either a general valuation for rating purposes or a land tax assessment, will be required to lodge their objection on the form, rather than providing an objection in letter format.

This has greatly improved the efficiency of registering and processing objections.

The objection form will also assist rate and taxpayers to have a better understanding and appreciation of the basis on which they can object.

8. Further research

The Valuer General is continually seeking to enhance the valuation system and associated processes to provide for the efficient utilisation of the State's investment and to provide for the timely provision of services and outcomes to all stakeholders.

The Valuer General, in conjunction with the University of Western Sydney (UWS), sought a PhD research student to provide medium term input into improving the valuation system.

The research graduate would focus on the following areas of research:

- Identification of current and future areas of risk for the application of mass appraisal valuation in the New South Wales residential land property market.
- Development of appropriate tools and methodologies to identify current and future areas of risk in the residential land market for the application of mass appraisal valuation techniques.
- Research, development, testing and implementation of appropriate statistical techniques to assess the accuracy, consistency and quality of valuations of land prepared for the purposes of rating/taxation valuations.
- Identification of appropriate tools and methodologies to assess the appropriateness of the number of component groups, as well the composition of individual component groups.
- Identification of alternative mass appraisal valuation methodologies that would be suitable for establishment of land values in the New South Wales residential market.

The search for an appropriate student did not provide any suitable candidates.

A project is now being developed with UWS, to undertake the research work, utilising Professor John McFarlane.

The goal is for the actual research work to commence in July 2005.

9. Ombudsman investigations

Following on going complaints and allegations by David Singer, the Ombudsman implemented a formal investigation into the activities of the Valuer General.

The Valuer General has endeavoured to answer on numerous occasions, the allegations made by Mr Singer.

While a number of the responses provided to issues raised by Mr Singer have assisted the Ombudsman's Office preliminary investigations, the Ombudsman believes that the conduct by the Valuer General may be of one or more of the kinds described in section 26(1) of the Ombudsman Act 1974.

Specifically the investigation will examine the conduct of the Valuer General as follows:

- The controls employed by the Valuer General to ensure the accuracy of valuations derived by the component method of mass valuation in valuation districts of New South Wales.
- The handling of objections to valuations including the provision of information to potential and actual objectors.

The Ombudsman has requested and been provided with a vast assortment of records from the Valuer General, Land and Property Information and valuation contractors.

A number of formal interviews have been conducted with the Valuer General, Chief Valuer, contract managers, contractors and John McFarlane from the University of Western Sydney.

The Valuer General welcomes this investigation has cooperated fully with the Ombudsman.

ATTACHMENTS

Attachments 1 to 3 follow.



Newsletter *from the* NSW Valuer General

Attachment 1



Informing New South Wales landowners about valuation activities

PRINTED JUNE 2005

Snapshot of valuation process

The NSW Valuer General values land on behalf of State and Local Government. Approximately 2.4 million land values are issued annually.

All privately owned or occupied land is valued on an annual basis (to keep valuations consistent they are all made as at 1 July each year).

These valuations are used by local councils and the NSW State Government to levy rates and taxes.

An Act of Parliament ensures councils receive these valuations at least every four years, with most councils receiving



new valuations every three years. The timing is determined by the Valuer General in consultation with the local council.

Landowners receive their Notice of Valuation to coincide with the provision

of new valuations to local councils for rating purposes.

Councils use land values as a factor in determining landowners' level of rates.

Land values for all properties in New South Wales are provided annually to the Office of State Revenue.

It is the role of the Office of State Revenue to determine the landowners who are liable for land tax and to calculate their tax liability.

Those landowners who are liable for land tax will receive a land tax assessment from the Office of State Revenue, with the land value recorded on it.

Initiatives for 2005

The valuation system is continuously monitored and improved. Initiatives being progressively introduced this year include:

- The development of an online property sales report. This will make the sale price of property more accessible to

members of the public and assist in improving people's understanding of the real estate market. This report is expected to be accessible via the Department of Lands website (www.lands.nsw.gov.au) and at Lands offices.

- The introduction of an

additional quality check process for valuations. Independent valuers not involved in the preparation of land values for rating and taxing purposes will check a range of valuations to ensure the land values are supported by impartial verification. This initiative will add to the quality assurance process for valuations.

- A review of land value notification provisions. Currently, landowners receive their Notice of Valuation, advising them of their land value, to coincide with the provision of new valuations to councils for rating purposes. The Valuer General is reviewing the availability of valuation information.

Land values online

To improve access to land values, the Department of Lands website now hosts a new land value search facility.

Visit www.lands.nsw.gov.au/records/valuation and select NSW Land Values to begin your land value search. This facility is also available over the counter at Lands offices.

Landowners can access their current land value free of charge by following an online registration process. Other online searches incur a fee of \$8.25. All land value searches obtained through a Lands office will incur a \$10.30 fee per property.

Who values your land?

All valuations for rating and taxing purposes are undertaken by independent contract valuers, on behalf of the Valuer General.

Following a competitive tender process, valuation firms are awarded contracts for specific areas in the State.

Contracts are generally for a three year period. Valuers follow

strict guidelines to ensure the implementation of a consistent approach to the valuation process.

This includes analysing sales for both improved properties and vacant land in the locality. The valuers have university or TAFE qualifications in valuation and are registered valuers.



Opportunity for review

Landowners who have concerns with the land value of their property have the opportunity to object. State Government legislation provides an objection process that gives landowners receiving a Notice of Valuation or land tax assessment the opportunity to have their valuation reviewed.

By law, objections must be lodged on the new objection form (see *New Objection Form*, right) and objectors must provide appropriate information to support the objection, such as including sales evidence of comparable properties, or changes to the physical condition or the permissible use of the land.

An objection must be lodged within 60 days from the issue of the Notice of Valuation or land tax assessment. There is no fee to lodge an objection.

Objections are reviewed by a qualified senior valuer (other than the valuer who

provided the original valuation), and landowners are advised in writing of the outcome of their objection.

If a land value is amended on objection, the Valuer General will also inform the local council and the Office of State Revenue.

The objection process assists in safeguarding the quality assurance aspect of the land valuation system.

In the first instance, any landowner who is concerned about the accuracy of a valuation or the information contained on the Notice of Valuation, should ring our **toll free number 1800 110 038** to discuss further.

The introduction of the new objection form will improve the efficiency of the review process.

Any landowner wishing to follow up on an objection already lodged can contact

New Objection Form

A new form has been introduced to assist landowners to lodge an objection to their land value. The form outlines for landowners the basis on which objections can be made.

This is the result of a recent amendment to the *Valuation of Land Act 1916* which requires all objections to be lodged on a form approved by the Valuer General.

Objection forms are available from the Department of Lands website at www.lands.nsw.gov.au/records/valuation,

Department of Lands offices and some local councils, or by phoning 1800 110 038.



their local Department of Lands, Land and Property Information Office.

Role of Land Valuation Advisory Group

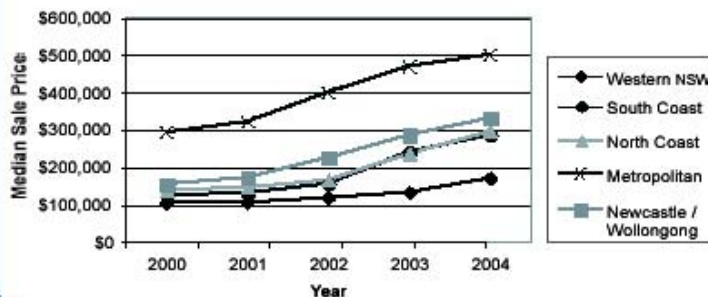
The Land Valuation Advisory Group provides the Valuer General with advice on valuation matters, including land valuation methodology.

The group is made up of valuation and property industry professionals and stakeholders. Groups represented include the Real Estate Institute of NSW, the Property Council of Australia, the Australian Property Institute and government stakeholders.



What's happening with the market in your region?

Median Residential Sale Prices By Region 2000-2004



Visit our website

Want to find out more about land value issues? Visit our website www.lands.nsw.gov.au/records/valuation for more about:

- 1 Land valuation process
- 2 Types of valuations
- 3 Land value objections
- 4 Land valuation contractors
- 5 Land values
- 6 Property sales information

Contact Details

The Valuer General welcomes feedback. To receive future issues of this newsletter, please email us.

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 Sydney NSW 2001

Toll free phone number
 1800 110 038

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General Valuation Sales Report

Attachment 2

Department of Lands **Byron Council Area****1 July 2004****Report Produced at : 28/07/2005 13:19**

The sales listed below were used for the general valuation of the Byron Council Area as at 1 July 2004.

These sales constitute part of the market in the Residential zone and Ocean Shores suburb within your local government area. Although some of these transactions may not be directly comparable to your property it is normal valuation practice to view the breadth of the real estate market in establishing land values.

Valuers will often consider sales of both vacant and improved properties. When considering sales of improved properties valuers make allowance for the added value of the improvements on the land.

It should be noted that this list of sales is limited to those used during the general valuation process. It is possible that other sales evidence may be used in the review of any objection.

The property details contained in the report were advised at the time of the general valuation. These details are regularly updated and some addresses and lot descriptions may no longer be current.

Street Address Lot Description	Area	Zone	Contract Date Purchase Price
2 ALOOTA CRES OCEAN SHORES 668//240398	860 M	Residential	08/07/2003 [REDACTED]
11 BALEMO DR OCEAN SHORES 607//240398	967.5 M	Residential	25/05/2004 [REDACTED]
11 BALEMO DR OCEAN SHORES	967.5 M	Residential	08/02/2004 [REDACTED]
110 BALEMO DR OCEAN SHORES 767//240399	923.2 M	Residential	17/11/2003 [REDACTED]
128 BALEMO DR OCEAN SHORES 862//240400	948.5 M	Residential	07/11/2003 [REDACTED]
72 BALEMO DR OCEAN SHORES LOT 787 DP 240399	891.6 M	Residential	19/12/2003 [REDACTED]
44 BANOOL CCT OCEAN SHORES 1928//262829	720 M	Residential	06/05/2004 [REDACTED]
24 BERRIMBILLAH CT OCEAN SHORES 3017//249562	1127 M	Residential	11/03/2004 [REDACTED]
9 BINYA PL OCEAN SHORES 1719//244385	997.3 M	Residential	03/10/2003 [REDACTED]
3 BOBRA GLEN OCEAN SHORES 1588//243995	1018 M	Residential	06/02/2004 [REDACTED]
2 BULGOON CRES OCEAN SHORES LOT 450 DP 238451	4388 M	Residential	29/01/2004 [REDACTED]
31 COOMBURRA CRES OCEAN SHORES 1662//243995	860 M	Residential	20/03/2004 [REDACTED]
8 ELOURA CT OCEAN SHORES 2027//808461	817.2 M	Residential	15/12/2003 [REDACTED]
8 FLINDERS WAY OCEAN SHORES 6//1007832	804.1 M	Residential	16/04/2004 [REDACTED]
GARA CT OCEAN SHORES 1803//1046181	1062 M	Residential	31/10/2003 [REDACTED]
GARA CT OCEAN SHORES 1806//1046181	913.1 M	Residential	29/01/2004 [REDACTED]

Valuation Objection Form

All relevant sections of this form must be completed.

Failure to provide supporting information for objecting to your land value may result in your objection being rejected on the grounds that it is invalid.

Further information on the valuation and objection processes may be obtained from www.lands.nsw.gov.au/records/valuation

Owner's/ Lessee's Name(s)

Property Address.....

City..... Post Code

Description of Land (lot/section/plan)

Please provide the following details from your Notice of Valuation

Property Number Valuing Year.....

or from your Land Tax Assessment Notice.

Assessment Number

Land Tax Year..... Issue Date

Reasons for objecting

The only valid grounds for objection under Section 34 of the Valuation of Land Act 1916 are listed below. Identify the reason(s) you are objecting to your Land Value by ticking the appropriate box or boxes.

- Value(s) assigned are too high
- Value(s) assigned are too low
- Incorrect area, dimensions or description of land or stratum
- Interests held by persons in the land are not correctly apportioned
- Apportionment of the valuations is not correct
- Lands or stratum which should be included in one valuation have been valued separately
- Lands or stratum which should be valued separately have been included in one valuation
- The person named in the notice is not the lessee or owner of the property

If you are objecting to your land value please complete this section.

Land value objected to..... Your proposed land value.....

If you are objecting to concessions and/or allowances please complete this section.

Concessions and/or allowances are detailed on your Notice of Valuation.

Type of concession or allowance objected to	Amount of concession or allowance	Your proposed amount of concession or allowance
.....
.....
.....
.....



Include information on which your objection is based, together with any evidence that supports your objection, for example, details of sales of land and changes to the physical condition or the permissible use of your land.

Your objection to the valuation will be considered based on factors related to the property, and how the valuation relates to the market evidence. Your personal circumstances, the increase in the value, your liability for rates and/or taxes or the method used to make the valuation cannot be considered.

Information supporting your objection (in point form):

-

If you require more space, please attach additional sheets.

Name(s) of Lodging Party

Postal Address

City..... Post Code State.....

Day Time Phone Number

Please use these details for all future correspondence regarding this property

Capacity Owner Lessee Authorised agent for the owner or lessee

Complete the following statement if you are acting as an agent for the owner or lessee.

I,..... certify that I am the agent for the owner/lessee

(cross out whichever does not apply) and that the owner/lessee has given me the authority to object on their behalf.

This form must be signed by, or on behalf of, the objector.

Signature(s)..... Date

Please return this form to:

**Valuation Objections
GPO Box 15
SYDNEY NSW 2001**

www.lands.nsw.gov.au

Chapter Three - Questions on Notice (with Answers)

REPORT 1 – REFORM PROGRAM UPDATE

1 Section 1 of The Reforms Program Update relates to Section Level Agreement between the Office of the State Revenue and Land and Property Information.

Could the Valuer General outline the key changes in the SLA and what improvements are anticipated from the new agreement?

The SLA between LPI and OSR is the first formalised SLA between these two organisations and covers a range of LPI services.

The valuation related services are focussed on objection and supplementary valuation performance.

It is anticipated that the SLA will focus further attention on the timelines or performance on these services and so will deliver improved services to the OSR and NSW taxpayers.

2 Section 3 of the Reforms Program Update relates to Rating Taxation Valuation Tender Contract Review.

Could the Valuer General outline why a second review is following so closely (before September 2005) after the original review of May 2004?

The review to be undertaken in 2005 will not be a comprehensive review of the documentation.

It will involve the principle tender panel members evaluating the overall tender process, with the view to implementing improvements to the process for 2006 Rating Taxation Valuation Tenders.

This meeting is scheduled for Thursday 26 May.

The Working Group on 'Roles and Responsibilities' may also recommend changes to the contract as a result of their work.

3 Section 5 of the Reform Program Update relates to Valuation Services Pricing Review.

The Committee notes that the pricing review has been deferred. At the first General Meeting of the Committee, the Valuer General noted that the Local Government and Shires Association saw that a new pricing methodology should be transparent, easy to apply and common to all councils.

Can the Valuer General outline what other principles will be examined in establishing a new pricing model? In addition to LGSA, what other groups will be consulted and what pricing arrangements are utilised in other jurisdictions?

Given the current prices have been applied for over 8 years why is an "interim pricing solution" being sought rather than continuing with current prices until a comprehensive review is completed?

The new pricing model will encompass the range of services provided to Local Government, including provision of valuations for revaluation, supplementary purposes; review of objections and appeals.

As outlined to the Committee earlier, IPART in undertaking the 1996 pricing review had limited costing data available in arriving at the original pricing model.

Consultation will involve a range of stakeholders including Department of Local Government; Local Government and Local Shires Association; Treasury; and the Ministers Office. Where required I will also be available to discuss with individual Councils. The proposed pricing regime will also require the endorsement of IPART.

The provision of funding in other State (no information available at the time of writing for Tasmania and Western Australia) include:

- Queensland:
 - Approximately 50% State Government funding
 - Balance paid by Local Government and Commissioner of Land Tax.
- Northern Territory:
 - Approximately 75% of costs are paid for by Local Government, with the balance funded by State Government.
- South Australia:
 - The cost of valuation services is shared between Revenue South Australia (Land Tax Emergency Services); South Australia Water; and Local Government.
- Victoria:
 - Approximately 50/50 split between State Revenue Office and Local Government. The costs of the Valuer General's Office are met by the State.
- New Zealand:
 - Total funding is provided by Local and Regional Government, including the majority of ongoing costs of the Valuer General's Office.

An interim pricing solution would provide some degree of equity with the contribution made by Office of State Revenue. There has been no review of pricing for Local Government contribution since 1996.

As an interim solution, while the comprehensive pricing review is undertaken, one possible solution is for a CPI increase to be applied, commencing 1 July 2005.

4 Section 6 of the Reform Program Update relates to Waste Water Management Act 2000.

Can the Valuer General outline the anticipated costs for administering the special "ex water values" and whether special contracts will be issued for this purpose? What is the availability of contractor expertise in this new area?

The extraordinary costs for administering "ex water" land values are expected to be incurred during the implementation phase only. Once land values on the Register of Land Values have been updated to be assessed on the new ('ex water') basis it is expected that costs for the maintenance program will revert to similar levels to previous.

The estimated cost of the initial implementation is approximately \$2 million.

It is anticipated that the service will be obtained, wherever possible, through special variations to existing rating and taxing valuation contracts. In some cases it is likely that the additional workload may require the contracting of separate providers although this is not expected to be the case in most areas.

The making of these amended valuations will require similar expertise to that currently employed by rating and taxing valuation contractors in the irrigation areas of the State.

5 Section 7 of the Reform Program Update relates to Objections Management.

The Committee notes that objections have risen from between 0.5-8 percent to 1.2 percent.

How much additional funding has been received to support this process to date? Can the Valuer General indicate the number of additional employees needed? How has this new influx of objections affected performance against benchmarks for objection processing?

Of the objections processed for “new taxpayers”, what has been the proportion of objections upheld?

No additional funding has been provided to address this issue, for the 2004-05 financial year.

The majority of the additional work is being undertaken by contract valuers, however, this is exacerbating an existing shortage of District Valuers to manage the contracts, consider contractor recommendations and identify areas of valuation system improvements.

It is expected that the increase in the number of objections received will prevent the meeting of SLA targets.

The liability for a rate or tax is not a valid ground for objection. In addition, the determination of liability for land tax is a matter for OSR. While LPI is advised of the date of issue of land tax assessments for the purpose of determining whether objections are received in time it is not aware of whether or not an owner is ‘new taxpayer’.

OSR advise that to date, 894 objections to 2005 Land Tax assessments have been received.

Of the objections processed for 1 July 2004 land values 19.7% have been amended. This compares to a rate of 22.06% for objections to 1 July 2003 land values, 21.73% for objections to 1 July 2002 land values and 26.19% for objections to 1 July 2001 land values.

6 Section 11 of the Reform Program Update, New Reforms relates to Roles and Responsibilities Contractor.

The enhancements for 2006 outlined in this review, includes consideration of penalties against contractors for default or non-compliance. Can you outline what penalties are in current contracts? For example, what actions have been taken to the contractors whose work was reviewed in the Minnie Water – Diggers Headland investigation? Will penalties be expanded under the review?

What additional codes of conduct or guidelines exist for contractors and valuer in general?

Current penalty provisions contained within the current valuation contracts include:

- Step-In Rights:
 - where failure to provide service in accordance with Contract.

- Performance and Fidelity Bond:
 - Equivalent to 15% of the annual fee paid for service.
- Scorecard Evaluation:
 - Monthly performance evaluation; Allows objective assessment of contractor performance at time of tendering for contract; Provides monthly narrative on current performance.
- Withholding of payments for services

In the Minnie Water – Diggers Camp review payments were withheld until satisfactory resolution on valuations; Performance noted on scorecard; letter to contractor from Valuer General (to be issued).

The Working Group examining “Roles and Responsibilities” will consider expansion of penalty provisions.

The introduction of Valuers Regulations 2005, (as developed by the Department of Fair Trading) establishes mandatory rules of conduct for valuers.

- In providing valuation services to the Valuer General for Rating and Taxation valuations, a number of the rules will not be applicable, however, the majority will apply including:
 - Must have a knowledge and understanding of the Act and the regulations and any other relevant laws;
 - Must act honestly, fairly and professionally and exercise reasonable skill, care and diligence in the course of practice as a valuer;
 - Must not disclose any confidential information;
 - Must not offer any inducements to engage their services;
 - Must not solicit clients; and
 - Must keep copies of all written confirmations of client instructions.

The Australian Property Institute also issues Practice Notes, or guidance notes in respect to specific issues and/or subjects.

REPORT 2 – PRINCIPAL WORK IN PROGRESS

7 In Section 3 of the Principal Work in Progress, Minnie Water/Diggers Camp Re-ascertainments.

The Committee received correspondence on these complaints which were forwarded to the Valuer General. An issue raised in addition to the valuation was the desire to make collective complaints or complaints by petition. Can the Valuer General outline processes to allowing collective complaints?

The Valuer General has received a number of letters, where landowners have sought to object by petition.

The Valuer General is currently seeking an opinion from the Crown Solicitors Office.

The current process is to write back to the correspondents outlining that there is no provision within the Valuation of Land Act 1916, to object by petition. The majority of affected landowners will submit individual objections.

SUPPLEMENTARY QUESTIONS AND ANSWERS

8 An approximation of the legal costs to the NSW Government (Crown Solicitors) for actions in the Maurici Case (Draft Transcript p17).

The Crown Solicitor has advised that as at 27 May 2005, expenditure on the Maurici case has amounted to \$286,714.44. This includes barrister's fees, Crown Solicitors fees, expert witness fees, travel expenses.

9 A comprehensive explanation of the number of properties reascertained in both Minnie Water and Diggers Camp; the number of properties that had valuations amended; and the relative proportion of those properties to the total number of properties (residential) in those areas (Draft Transcript p24).

Minnie Water: The review of 1 July 2004 land values in Minnie Water involved the investigation of 172 valuation assessments in the village. The review resulted in the land values on 64 valuation assessments being adjusted. As a proportion of the total number of valuations in Minnie Water, the number of valuation assessments adjusted represents 37.2%.

Diggers Camp: The review of 1 July 2004 land values in Diggers Camp involved the investigation of 45 valuation assessments in the village. The review resulted in the land values on 22 valuation assessments being adjusted. As a proportion of the total number of valuations in Diggers Camp, the number of valuation assessments adjusted represents 48.9%.

Sandon River: The review of 1 July 2004 land values in Sandon Creek village was part of the Diggers Camp review. There are a total of 36 properties in the village. The review resulted in the land values on 1 valuation assessment being adjusted. As a proportion of the total number of valuations in Sandon Creek, the number of valuation assessments adjusted represents 2.8%.

10 A summary of the review report on valuations in isolated communities along the eastern seaboard of New South Wales, being conducted by Land and Property Information. The Committee is particularly interested in how "isolated communities" are defined in this review (Draft Transcript p26).

The following were the terms of reference provided by the Valuer General for the review:

- *The LPI Contract Manager for the Lismore contract, in conjunction with the contractor, Southern Cross Valuations, is to immediately initiate a review of coastal settlements (as a guide similar to Minnie Water/Diggers Camp) but more particularly those settlements where there was very limited sales evidence at the time of the 1 July 2004 valuations being implemented.*

The review must also satisfy the LPI contract manager that general component composition in these locations is also correct.

- *All LPI Contract Managers with isolated coastal settlements (where there were very few or no comparable sales at the time of the implementation of the 1 July*

2004 valuations) are to use their discretion, knowledge and professional judgment to confirm if a more detailed review of values and component groupings in their contract areas are also required. Where a review is to take place this should be implemented immediately.

The following is a summary of the outcome of that review:

Northern Region

On the north coast, Southern Cross Valuations were requested to review the evidence available to support the 1 July 2004 land values. Particular attention was given to the small villages on the coastal strip around Minnie Water. This involved reviews of the villages of Iluka, Angourie, Brooms Head and Woolli. In each case it is confirmed that the levels of land value in these villages is well supported by available sales evidence. In addition extensive component upgrading was undertaken in Iluka at the time of the general valuation.

The larger towns in the area including Lennox Head, Ballina, Evans Head and Yamba were also reviewed. The general land values were well supported by adequate volumes of sales evidence.

Hunter Region

Coastal villages in Great Lakes and Greater Taree (north of Port Stephens) were reviewed during the objection process. These reviews did not identify any problem areas. Seal Rocks has very few sales but ocean front land values are supported by a 2004 sale. Hawks Nest Tea Gardens has reasonable volume of sales evidence.

However, the review revealed some locations in Port Stephens requires closer examination. In particular, Fingal Bay and Shoal Bay appear to be slightly overvalued. These values are currently undergoing a more detailed review and are expected to result in approximately 100 reascertainments of approximately 10% reduction in land value.

Lake Macquarie also has a few (mainly minor) problems. The locality of Warners Bay has approximately 100 valuation assessments affected by a change of zoning boundaries. These will require an alteration of land value. A small area at Caves Beach is also being more closely investigated.

Southern Region

A number of small volume reascertainments have been identified (eg Cringila) and more detailed investigations are still being carried out at Sandon Point (Bulli). The level of values in other locations appear to be satisfactory, due in part to work conducted over the last two years in the coastal towns of Culburra Beach and Bawley Point, both in Shoalhaven Shire.

Chapter Four - Transcript of Proceedings 19 May 2005

REPORT OF PROCEEDINGS BEFORE

COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

At Sydney on Thursday 19 May 2005.

The Committee met at 10.00 a.m.

PRESENT

The Hon. K. F. Griffin MLC (Chair)

Legislative Council

The Hon. D. T. Harwin MLC

Legislative Assembly

Mr S Pringle MP

Mr A. F. Shearan MP

CHAIR: I welcome our Committee members and also the Valuer General, Mr Western. This is the Committee's Second General Meeting since its first general meeting, which was held in September 2004. The Committee has held four deliberative meetings, which have included explanatory briefings from the Office of State Revenue [OSR] in January this year. We also have a new member, Mr Steven Pringle, Member for Hawkesbury, who is replacing Ms Gladys Berejiklian. On behalf of the Committee I thank Ms Berejiklian for her contribution to the Committee and, once again, formally welcome Mr Pringle to the Committee.

Thank you, Mr Western, for being here today. You are here to report on key issues relating to the Committee's terms of reference and to provide answers to Questions on Notice. The Committee will be pleased to hear your evidence. I am advised that you have been issued with a copy of the Committee's terms of reference and also a copy of the Legislative Assembly's Standing Orders Nos 332, 333 and 334, which relate to the examination of witnesses. Is that correct?

Mr WESTERN: Yes, it is.

PHILIP JOHN WESTERN, Valuer General of New South Wales, Queen Square, Sydney, sworn and examined:

CHAIR: Could you state in what capacity you are appearing before the Committee today?

Mr WESTERN: As the Valuer General of New South Wales.

CHAIR: Would you like to make an opening statement?

Mr WESTERN: No.

CHAIR: In terms of the proceedings this morning, do you want to speak to your report and then reply to the questions on notice?

Mr WESTERN: I think that probably would be the appropriate way to go through this. Hopefully, that will offer some answers to some of the questions that have been asked and the questions on notice as well.

CHAIR: If Committee members have questions, obviously they will ask those during the process.

Mr WESTERN: If I can refer Committee members to the update that I have given them and first go to page two, which talks about the reform program update. I will go through and endeavour to highlight some of the main issues in here for you in regard to No. 1, which is the Service Level Agreement between the Office of State Revenue (OSR) and Land and Property Information [LPI]. To give you some background, you will recall that this has not been reviewed for a number of years. In my view there are a number of key areas that needed to be considered, particularly in terms of timeliness and quality of service provided to OSR. Land and Property Information have, over the past nine months, been closely involved with OSR in cementing down this Service Level Agreement. I am pleased to report that that has now occurred. Both groups are having regular monthly meetings, the first of which they had last month and that is proving extremely beneficial in relation to that agreement.

Some of the key indicators in there from my perspective, while there are a lot of other services that Land and Property Information provide, are around the delivery of valuations and the key ones are that, effectively, the Office of State Revenue needs to have draft

valuations supplied to them by 15 November of each year for all properties in New South Wales. They also require, obviously, the timely update of information being supplied even in terms of supplementary valuations or in terms of objections. The other important aspect is that in terms of finalised values that I sign off, they require those to be with them by 31 December of each year so that they can commence the implementation of land tax assessments early in January.

In regard to point two, which is the service level agreement that I have with Land and Property Information, previously there was a service level agreement in place before I took up this position. There was not a lot of detailed information in it. There was not a lot of focus in terms of qualitative outcomes in respect of what the stakeholders required from the valuation system. We worked in terms of getting that together and we had that implemented in about October last year and reporting on that has commenced. I monitor that on a monthly basis, plus receive updates during the month if there are exceptions in terms of things that need to be brought to my attention. I am expecting that I will undertake a review of the current service level agreement, which expires on 30 June 2005. I will commence having a look at that in late May.

Just for the benefit of the Committee, some of the key indicators in that service level agreement, one of them is supplementary turnaround time. I had a target there for supplementary valuations to be processed within 95 days, which means that from being received by Land and Property Information; being entered on the database to going out to the contractors for valuations to be prepared and to come back to Land and Property Information there is to be a 95 day turnaround. Currently that turnaround time is sitting at 84 days, so it is inside the requirement, which is satisfying considering that during 2004, it was around about 174 days. There has been a substantial improvement in that area. The other area is the time it takes once LPI give the supplementaries to the contractors. The target for the time to come back was 30 days and currently it is sitting on 29.2 days, so it is just under the target for that as well. The 30 days sits also within the contracts with the valuation service providers.

The other key indicator is re-ascertainments. For the benefit of the Committee, re-ascertainments are those properties where we find there is an error in the valuation outside of the normal objection process, which is open to landholders. My target there was to have re-ascertainments less than 1.25 per cent of the number of valuations issued in a particular year. Currently that is sitting around 0.12 percent. For the benefit of the Committee I expect that percentage to increase slightly. There have been a number of errors we have picked up in recent times in some smaller localities. We currently undertake, or Land and Property Information on my behalf is undertaking some work on that and we are expecting to reissue some values in those areas over the next two to three weeks. In one case they number around a little over 200 properties and in another case there are up to about 900 properties involved.

Prior to my taking on this role, many of these re-ascertainments would have been left probably until the next general valuation round to be updated. My philosophy is that if there is an error there, in terms of the transparency of the system I want it fixed at the time, so that is what the policy currently is. The other key indicator for me is the objection turnaround time, which, obviously, is also important from the stakeholders' point of view, particularly in terms of landholders. We have a 90-day turnaround target, which most of you would be aware is also part of the statute. Currently around about 40 per cent of objections are being turned around in a 90-day turnaround time. My target was to have 85 per cent to 90 per cent

turnaround there. There are a number of reasons for that. I expect that number will come down, and I will talk about that later on.

What we are employing now are valuation contractors to assist us in terms of undertaking the objections, and it has taken some time to get that process in place. While that is being done, obviously the clock has been ticking in terms of the objections. But they are now getting processed at around about the rate of 1,500 a week, and I would expect that rate to go up considerably over the next few weeks with the aim of trying to ensure that we complete all the 2004 objections certainly towards the commencement of 2006. That will ensure that from a local government perspective we have the rating base as stable as possible as quickly as possible. In future years I expect that that turnaround time would come down considerably as we do more reforms, and I will talk about those shortly.

In regard to item three, which is the rating taxation valuation tender, the contract review, you will recall that I implemented a full review of the tender and contract documentation last year. Some of the improvements that we put in place over the last six months include putting a performance scorecard in place, which we monitor on a monthly basis, look at putting formal project plans in place as to how valuation contractors would supply the valuations over the course of the year, look to get the contract into a plain English version rather than the rather weighty, for want of a better word, legal, version that was there prior to this and look at advising tenderers what the weighting for the completion of the tender valuation program was.

We consolidated the contract term down to three years. We also increased the provision for the electronic transfer of information rather than having a paper-based system. We also looked to improve the valuation standards. That has gone extremely well and been well received by all the tenderers and the contractors who are currently in place. I am currently undertaking at the moment a further review, but that review effectively at this stage will only be looking at the tender process for this year, talking to members of the valuation panel and seeing what improvements we can make to the tender process and whether there is any fine-tuning required in terms of the contract.

The fourth item is the communication strategy review. For the benefit of members, you will recall that before there was very little information supplied to property owners, ratepayers and taxpayers. The principal form of communication was through a brochure supplied to landowners when valuations were issued. There was information available on the web site, although it was disjointed, and other inquiries were really just across the counter. Part of my ongoing strategy in terms of ensuring that the valuation system is far more open and transparent has been to make more information available to landowners, taxpayers and ratepayers.

Members will recall that in 2004 for the first time we issued a newsletter, which, because of the timing, did not get out to all ratepayers. But we managed to target about 700,000, which, once again due to the time frame, was a reasonably good hit rate in terms of getting it out there. This year we are putting in place a second newsletter. Attachment 1 is a draft of that newsletter, for the information of the Committee. We have endeavoured here once again to try to outline to rate payers and landowners what is involved in terms of the valuation process, what improvements we have made, how the valuations are undertaken and, importantly from their point of view, how they are able to contest their valuation if they believe there is an issue.

We have also started to introduce more information as to what is happening with the market. At the moment that is at quite a generic level. We are endeavouring to get that down to a locality basis, with the idea eventually being, when we issue Notices of Valuation, being able to put that in for a particular locality in terms of what has happened with sales over the past three-year period and also, as I said, possibly attach this with the annual newsletter so that we can give people continual updates in terms of what has been happening with the market. I believe that process will greatly assist people's understanding of what has been happening rather than the current process, where people tend to find out what has happened to their land valuation every three years.

Mr ALLAN SHEARAN: You mention that there will be five land value searches free of charge for the public to get an understanding. How specific will they be? Will people be able to identify street by street or by location?

Mr WESTERN: They will be able to go by a number of criteria. But, specifically, they will actually be able to come down to individual property valuations. That is why we have taken five at this stage—to let them have a look around the general vicinity of their particular property, what is happening next door and so on, to get a comparison. Further down the track we are looking to be able to have the facility to look at it on a wider basis. But clearly one of the issues is that because this would be a real-time system, effectively, how much load would be on the system in terms of drawing down data and doing extract reports? So we are endeavouring to use these to gauge the amount of interest and the number of hits we might get on the site and from that we will be able to gauge how much pressure we can put on the system in terms of being able to extract other information that people might desire.

Mr ALLAN SHEARAN: Good idea. Thank you.

Mr WESTERN: The second avenue we have taken this year is to produce a sales report, which I have provided to the Committee as Attachment 2 to my report. It is headed "General Valuation Sales Report". I have included an example there of the Byron Bay council area. Effectively, we can generate this report on the basis of zoning or we can go down to postal codes as well. The main basis of comparison for people objecting to the valuation is in relation to sales. That has been well documented in the court. The main basis is to compare it with sales as opposed to saying, "The property next door has got x on it, mine has got y. Why is there a difference?" The court, in terms of the presentation of evidence over the years, has said that is not an acceptable way to examine the valuation in question. The better way to do it is to look at sales and how those sales relate to the valuation on that property.

That is why we have now started to endeavour to supply this information. Currently, this information is only available in hard copy, but once again the intention is to be able to have this information directly accessible from the Internet so that people can come onto the web site to look at it. The reaction from people so far, as far as the supply and presentation of this information, has been extremely good. It has been well received. We would hope that eventually we would be able to get down to a property level in that a lot of the sales will have been analysed by the contract valuer so we will actually be able to show how that valuation here relates to the value we have put on it in terms of analysing that particular sale, which we think will provide more benefit.

I guess one of the issues aligned with that is that the more information you put out there you need to be careful that you do not end up confusing people. So it is trying to find a balance between being transparent and openly communicative with people but not providing so much

information that they become overwhelmed. So we are looking to try to find that balance over the next 12 months.

Mr ALLAN SHEARAN: I suppose the danger there is that you are doing the assessment on the UCV (unimproved capital value) and these sales do not reflect the UCV. I wonder how the public will perceive that.

Mr WESTERN: Exactly. In the example I have given there is one which is an unimproved value—that is the top one—and the others are all improved values. That is right, it is a question of being able to show them how the contractors analysed that sale to arrive at the resulting value. That is also part of the Ombudsman's investigation in terms of how transparent we have been as far as providing general information to the public. We are hoping to look to address that through some of these things we are implementing over the next 12 months.

The Hon. DON HARWIN: In other words, these purchase prices are simply that—purchase prices—but in some cases you are saying that there might also be the unimproved value.

Mr WESTERN: No, there will not be.

The Hon. DON HARWIN: In that case, my second question is: Are there any impediments to also including a column that just says the unimproved value for each block of land?

Mr WESTERN: That is precisely what I am saying we are looking to do. These ones represent the sale price; that is exactly what they are.

The Hon. DON HARWIN: So why, when you produced these general valuation sales reports, did you not put it in?

Mr WESTERN: One of the issues is that people need to be able to see how you get from the contract price to the land value. If we were to simply put in here what the land value was as issued we would get more inquiries than just having this in place simply because people cannot get the match between the contract date and how did you actually get back down—

The Hon. DON HARWIN: But, Mr Western, that is exactly what people want to understand: how you get from the purchase price to the unimproved land value. When was the first general valuation sales report sent out with the Notices?

Mr WESTERN: They have not gone out with the Notices at all yet. We only do this when we get follow-up once the notices have gone out.

The Hon. DON HARWIN: I see—only after.

Mr WESTERN: Yes—only after in terms of getting follow-up. We started putting these out in January 2005. As I said, the idea will be that eventually we will be able to show and provide information in a form that, hopefully, people will be able to understand in terms of how you get from this sale price to the land value. That is the next stage in the process.

The Hon. DON HARWIN: What were the impediments to doing that when you started doing it in January 2005?

Mr WESTERN: At the moment the information does not come in from the contract valuers in a form—it is in valuers' speak, if you want to call it that. It would be very difficult for a member of the public to pick up that piece of paper and understand it. So part of the reform process we are going through—I will speak about it a bit more later in terms of the roles and

responsibilities of contractors—is that we are going to have a situation where we will move from this valuation jargon to a general speak, if you want to call it that. So people will be able to see exactly how we have got from the sales information and how the contract valuer has analysed the market and arrived at the individual valuation.

CHAIR: How long do you think it will take to have that information in language that is understandable to people generally trying to make that connection?

Mr WESTERN: Sure. I will talk about that later in terms of the project that we have got going regarding roles and responsibilities. The idea is that we will be implementing the requirement in terms of this narrative form of market reporting coming back from the contract valuer for the 1 July 2005 valuations. So we would expect that we would have this better assortment of information available to the public when we issue the valuations at the end of 2005 for the general valuation process.

CHAIR: If people want to have a better understanding of the process for valuations that will be issued at the end of this year, that should be available?

Mr WESTERN: We are hoping so. That is certainly the objective at this stage. It is a question of what form that will take. One of the ways that it has obviously increasingly been used is through the Internet. That is one form. Obviously there are a lot of people who do not have access to the Internet. I note it has been a concern on this Committee in terms of getting to the wider public. Once again we would be looking to put that out in hard copy form as well to make it available to other members of the public. Just as a matter of interest to the Committee, most of the letters I get across my desk in regard to valuations generally tend to be from the older members of the community. It is those people I particularly want to be able to assist. Most people seem to be able to get access through the Internet. I am just trying to target that part of the community, who don't have access to the Internet, in particular.

The Hon. DON HARWIN: Just out of interest, have there been any privacy complaints when these sales reports get out?

Mr WESTERN: We have had a couple of inquiries, but very few. Of all the valuations issued last year, there would have been four or five, but we have resolved all those through communicating with the individuals.

The Hon. DON HARWIN: Did you have any discussions with the Privacy Commissioner's office about the sales reports before they went out?

Mr WESTERN: Within the Department of Lands, we have a Privacy Officer who is familiar with the legislation. My understanding is that they have talked with the Privacy Officer in regard to this.

The Hon. DON HARWIN: And they are happy with it?

Mr WESTERN: And they are happy with that, yes.

The Hon. DON HARWIN: That is good because obviously it is desirable that we move to something as transparent as possible as quickly as possible.

Mr WESTERN: I would certainly support that. At item 4.1.2 I have talked about the call centre which was instigated this year. One of the major issues is that there has been a lack of consistency of information going out to people who are making inquiries. We wanted to ensure that we got some continuity in terms of responses to individuals, but also what was

happening was that the district offices throughout New South Wales that were handling these inquiries. While they were handling these inquiries, they were not actually out there doing any field work, for example, in processing objections or undertaking valuations. This year we instigated a call centre which has been extremely successful.

I have noted for the information of the Committee that we are averaging 140 calls a day and the total number of inquiries for calls coming in stands at 21,000 since the implementation of that in January. We would like to continue that at this stage through to the end of May to coincide with the issuing of land tax assessments by the Office of State Revenue [OSR] which is continuing through until about the middle of June. That is tailing off in terms of the numbers going out per week from the Office of State Revenue, so then we will look to put it back into the district offices to look after the calls. But it is certainly something that I believe has been hugely successful. We will continue to use this facility for the 2005 revaluation, when it is undertaken.

Mr STEVEN PRINGLE: What is the phone number of that? It is probably here somewhere, but I just cannot see it.

Mr WESTERN: That is a very good question. It is on the bottom of the newsletter on page two, which is the new objection form. It is sitting in there at the bottom of that.

Mr ALLAN SHEARAN: There is a web address.

Mr WESTERN: It is on the new objection form on the top of page two of the draft newsletter.

Mr STEVEN PRINGLE: That is the 1 800 number.

Mr WESTERN: Yes, it is the 1 800 number, which is the one to call. In regard to Item 5, which relates to valuation services—

Mr ALLAN SHEARAN: Just before we leave that, I am quite surprised that you have said that approximately 16 per cent of inquiries related to land tax issues. Does that figure surprise you? I would have thought it would have been a lot more, given the publicity that has ensued since the introduction of it?

Mr WESTERN: We need to be aware here that sometimes it is very difficult to make the differentiation between whether they are actually inquiring about a land tax assessment or they are actually enquiring about a general valuation issue. Quite often the two can be muddled up. These would be specific inquiries where people have actually rung up and said, "Look, I have just got my land tax assessment and my valuation is X", and they are wanting some more information.

Mr ALLAN SHEARAN: That would be a general valuation, would it?

Mr WESTERN: No.

Mr ALLAN SHEARAN: When I read that, I thought it was amazing.

Mr WESTERN: Yes. As we have also said, the number of people who ring up for general valuation information is about 26 per cent related to that and postal inquiries. With some of those land tax inquiries, there will be a cross between the two. Some people will have rung up about their general valuation, but they will also be talking, in their own minds, about land tax assessments, wanting to know if they are going to get one. Probably there is some occurring in both of those. In terms of actual land tax inquiries, if you actually asked each individual what they were ringing up about, it would be in excess of 16 per cent, but it

obviously would not be any higher than the 26 per cent that is sitting there for the overall valuation inquiries.

Mr ALLAN SHEARAN: Are you surprised about that? Did you expect more?

Mr WESTERN: It is a lot lower than we would have anticipated, and certainly it is actually lower than it has been in past years. But, in saying that, the Office of State Revenue is still preparing land tax assessments. A lot of the ones that it is issuing now are to new land taxpayers.

Mr ALLAN SHEARAN: It is split.

Mr WESTERN: Yes, and we would probably expect that number to go up proportionately over the remainder through to the middle of June.

CHAIR: As part of that process, the ones who have rung up because they have received a land tax assessment, is there some confusion out there about whether or not they should be speaking to the Valuer General about it, have they really been looking at contacting the Valuer General in order to find out about objecting to the valuation?

Mr WESTERN: A lot of the first-off inquiries would tend to come through the Valuer General as opposed to coming through OSR. There is a proportion of those that we redirect to OSR and we have a direct link there, so we just put them straight through to the Office of State Revenue. But most people see that the only way that they can really object or protest against the fact that they have had land tax assessed is through the valuation process itself. Generally it tends to be that they come to us first in terms of their actual valuation. That generally tends to be the way that it works.

In regard to Item 5, which is the valuation services pricing review, just by way of background you will recall that there has been no pricing review since 1996 when the last one was implemented by the IPART. You will recall that I commenced a review during 2004. Basically what has happened with that review is that, because of the ongoing efficiencies that I am trying to gain within the system, it has not been appropriate to look at the overall pricing in regard to both local government and the Office of State Revenue until I have got those efficiencies bedded down. At the same time as that has happened, Land and Property Information have put in a request to Treasury for additional funding in relationship to the processing of objections to this year's valuations, particularly in regard to the increased numbers, or the potentially increased numbers, as far as land tax valuations go.

What I did not want to do is end up in a situation where the two were being confused, where, I was actually putting in place a price where I was trying to gain further efficiencies in the system and then I was going to end up having to review it again. It was important from my perspective that I get the efficiencies bedded down first and then look to review the pricing. You will notice that in terms of the questions on notice, and I will refer to that later on. What I was looking to do was, because there has been no review of the local government pricing since 1996, is to have a consumer price index [CPI] increase at least with local government, but that has not been discussed with local government. It is just an idea that I am floating as opposed to anything that is necessary to be implemented at this stage. I will talk about that more in a moment.

The next issue here is the Water Management Act. Once again, for the background information of Committee members, the Water Management Act requires the separation of the water right or the value of the water right which is currently incorporated into land

valuations under the Valuation of Land Act. There has been ongoing debate about this for over 18 months as to how that would be put in place. In terms of the valuation perspective, one reason is to get continuity and equity as far as both councils and the public are concerned. But the other aspect is obviously related to local government and how they would look to balance their revenue incomes with the potential loss of rating revenue from the valuations because, in general, the valuations will go down in those areas where there is a water right attached to the land value.

At the moment there are some 44 shire councils that are involved where we are going to have to take the water rights out of the valuations. It will impact on about 10,000 valuation assessments across New South Wales. There has been a Cabinet Minute prepared that has been developed and has gone up for approval. Basically my preferred option, at this stage, as far as the valuation side of things goes, as I said, is to get equity as quickly as possible but to do it in a way that does not end up causing a situation whereby, from an operational point of view, resources have to be taken out by, for example, to process objections while we do this. The best way to implement it and to ensure that we get this bedded down for local government by 1 July 2006 which is the commencement of that rating year, is for those shires where we are undertaking valuations as at 1 July 2005 to complete the review of values for those areas by November 2005 for issuing to ratepayers in December 2005. For the remaining properties, we will undertake those by supplementary valuation actions and they will be completed by March 2006, so that they will be in place and advised to landowners prior to 1 July 2006 and the commencement of the new rating year.

CHAIR: The way that local government budgets operate is that councils are working on their budgets probably from the end of this year. They have to provide management plans and have discussions with the community a couple of months before the new financial year starts for their new rating process. Is all this information going to be available for the councils affected to be able to undertake this process that they have to undertake in terms of the Local Government Act?

Mr WESTERN: Yes, they will be. In terms of looking at this particular option, we have discussed it fully with the Local Government and Shires Associations as well as with a number of councils. They are happy that if we are able to provide the valuations at the latest by 31 March, in terms of the processes that they need to go through and, as you point out, particularly in terms of management plans, they will be able to work on those numbers and put them into their management plans at that stage. There are no issues from their point of view as long as we deliver by 31 March.

The Hon. DON HARWIN: Am I right in thinking that for the 2006-07 financial year, the transition will have been completed for all 44 councils?

Mr WESTERN: Correct.

The Hon. DON HARWIN: By 1 July 2006, for that financial year?

Mr WESTERN: Well, in fact the transition will have occurred by 31 March 2006. We will have all the properties revalued by that date, so they will be in place by 1 July 2006.

The Hon. DON HARWIN: So councils will have to plan for that financial year based on the loss of revenue that will be involved?

Mr WESTERN: That is right, yes. For the Committee's information, there are a number of revenue smoothing options that have been proposed and obviously have been looked at as

part of this Cabinet minute in relationship to local government. Item 7 deals with objection management. Once again for the benefit of members, you will recall that last year I implemented a full review of objection management and associated processes in order to try to gain efficiencies in the management of the valuation process. The particular objectives there, were trying to get more timely information back to stakeholders, which includes the public, local government and State Government, trying to improve the integrity of the objection process and trying to provide more efficiencies, as well as endeavouring to find some innovative solutions. For a number of years now, the same process has been used in processing objections. I believe that has resulted in some issues regarding the complexity involved in reaching an objection outcome. We could have made some huge improvements in regard to that. So that was the reason for implementing the review, to gain a whole lot of fresh objectives and outcomes with regard to objection processing.

Members will recall that at a meeting in October last year I was in the process of putting together an objection form. Prior to having an objection form, members of the public could simply object to their valuation by letter. One of the major issues with that was that people did not know what information they needed to supply or what they should be looking at with regard to their valuation, and the information that needed to be supplied. That resulted in Land and Property Information getting letters which could be two or three pages long. If you are getting 9,000 objections, you can imagine trying to work out within those two pages what the person is getting at. Quite often you would get down to the last two lines and then you would discover the reason for their objecting.

So I believed a whole lot of efficiencies would be gained by having an objection form in place. That was promulgated in December last year, and we used that for the 1 July 2004 valuations. Once again, that has been very successful, in that people have been able to go through in an orderly fashion and put down their rationale as far as objecting is concerned. Those objection forms were made available through the Internet, through Members of Parliament and local council offices. A number of councils put them into their libraries, and they were also available through Land and Property Information.

Earlier, I spoke about the Service Level Agreement with Land and Property Information and the importance of the processing of objections in a prompt manner. It has resulted in some huge efficiencies there. As I have said, last year the average processing time was 174 days, and that has now been reduced to 84 days. Part of that involved trying to analyse the original data, but now with the objection form it has made that a lot easier and it is working extremely well. I will obviously look to refine that again this year, to see what other information we need to include in terms of making things clearer. But generally there have been very few complaints about the objection form itself.

Mr STEVEN PRINGLE: You will still accept letters as well, I assume?

Mr WESTERN: Section 37 of the Valuation of Land Act outlines the reasons you can object to your valuation. Most people did not know what section 37 was and what was required. As long as the letters that come in cover off some of those aspects, we are happy to accept them. Where they do not cover off, or they do not fulfil one of the criteria, we will write back to the individual who has written to us. We will supply them with a copy of the objection form, and outline what information they need to provide for us to consider the objection.

The second part of the objection review was to develop some new strategies, and they were divided into two aspects. I have spoken about that in Item 7.8, which deals with the inward volume management strategy and the process strategy. As I said earlier, one of those was the

objection form, but the other aspect was streamlining the processes involved in working through the objection.

This year we have instigated desktop reviews in some cases. These are the instances where we do not believe an inspection is required. It could be situations where, for example, the objector might have said, "I think you have got my land area wrong." Obviously, we can research that directly from certificate of title information. It might be that the ownership has changed but we have not received notification of that. It might be that the legal description is in error. In those instances we can perform a desktop review, whereas previously a full inspection of the property would have been undertaken. We think that about 15 per cent of objections will be able to be handled on a desktop basis.

The second stage of the process is that if we think there is a possibility of resolving the objection by phoning the objector and having a talk to them, we will use that process. If, following that phone call or by visual inspection, we can see that there have been some physical changes to the property which we are not aware of, the third step of the process is to physically inspect the property. It is now a three-stage process with regard to processing the objections from a field point of view.

Mr ALLAN SHEARAN: What sort of physical objections would there be? Could you give us an example?

Mr WESTERN: It must be borne in mind that we are valuing the land as vacant and that we are operating in a mass appraisal environment; we are not inspecting every single property every time we prepare the valuation each year. It might be a situation where some buildings have been erected on the property or properties adjoining, which has now obstructed the view that was there before. That would obviously diminish the land value of the particular property, so we have a look at that. It might be a situation where drains have been put in, which impact upon the ability to build on the site or something like that. It tends to be physical aspects associated with the property. There might have been some contour changes undertaken, which once again could impact on the available building site or sites.

CHAIR: With regard to drainage works, what happens if a local government authority or other instrumentality carries out work on vacant land, for example? Is there a way of knowing about that, rather than simply having someone object?

Mr WESTERN: Normally that would be through the association of the valuation contractor working with the local government authority. Normally through their association with the council the contractor would be advised of those things, but now and then one or two will slip through the net. It could also be a situation where something has happened but we have not been advised of it yet. The example I gave you tends to be a rarity, but situations do occur. But there are systems in place that allow the contractor to work closely with the local government authority with regard to for example changes through either LEPs, engineering works, or things associated with the particular council, that impact upon the land value.

CHAIR: They are the sorts of things the local council and the contractor would discuss during the period when valuations for the particular local government area are coming up?

Mr WESTERN: We would expect that that liaison would be going on for 12 months of the year; it would not just happen at one particular time of the year. They would be updating their information and getting their data as up-to-date as possible throughout the year.

The other issue is resourcing. Under Item 7.14, I have spoken about four main requirements with regard to resourcing. One requirement is the district valuer position, which is within Land and Property Information. These are people who are overseeing the contracts, people who are signing off the objections when they are undertaken. With regard to the new process we are putting in place, Land and Property Information believes we are about four to five district valuers short around New South Wales. We are delaying looking at that further until we look at the roles and responsibilities area.

These district valuers also undertake the audits of the valuation service providers. Currently that window of opportunity is two weeks, with regard to undertaking an audit of the valuations when the recommendations come in from the valuation service contractor. Clearly that is inadequate time to look fully at the valuations themselves. We are now looking at implementing a continual audit process which will be undertaken 12 months of the year. This will involve the district valuer having closer involvement with the contract valuer with regard to understanding what is happening with the market, and understanding what they are doing regarding their methodology and how they are arriving at the valuations.

Effectively, when it comes to the end of the year and they sign off on the valuations on my behalf, they can simply tick them off, because during the year they have been closely involved with the contract valuer in terms of looking at what is happening that it will be a matter of simply signing it off. That improves the quality, but it will involve having more resources to be able to have that undertaken. But in my view the benefits will obviously accrue in terms of a better quality valuation, improved data, and also improved accuracy of valuations under a mass appraisal process.

The second aspect with regard to resourcing is valuation contract staff. This year we have gone into a full-scale process where we have contracted out to private firms the majority of work involved in processing objections. A number of private firms are undertaking the analysis of objections. The firms are not involved directly with the rating and taxation service contract for the particular area. Effectively, they provide a recommendation to the district valuer within Land and Property Information, who has a look at the information that has been supplied and then will sign the objection if they are happy with it. That fulfils the requirements of the Walton Report, which was quite specific with regard to independent review and who should be signing off on the objections. Once again, this will provide huge efficiencies, particularly regarding turnaround times for objections and being able to notify individuals of the result of their objections far quicker than what has been the case in the past, as well as being able to bed down promptly, the valuation database for both the Office of State Revenue and local government. The other two aspects are temporary clerical staff and the outsourced call centre, which I spoke about earlier.

Item 8 is the Maurici objection, a 1997 objection that has been going through various courts for a number of years. It came back to the Land and Environment Court in July 2004, when Commissioner Nott had a further look at it. A final court hearing was held in August 2004, and a decision was handed down in February 2005. Two main principles were involved in the Maurici decision, which could have impacted substantially the methodology used by valuation service contractors on my behalf. One was in regard to the application of a scarcity factor for sales in relation to vacant land value, and the second was in regard to the establishment of what is called an improvements increment.

Commissioner Nott produced a substantive decision, amounting to some 114 pages. In that decision he reduced the Valuer General's valuation from \$1.95 million, which he had reduced from \$2 million at the previous hearing, down to \$1.89 million. So the valuation

was reduced from \$2 million to \$1.89 million. The objector was contending \$1.3 million. So it was only a small adjustment on the Valuer General's valuation but, more importantly, it was the principles involved. Commissioner Nott said there was no scarcity factor involved in the objection, and he also admitted the evidence in relation to the improvements increment which was submitted by the objector.

"Improvements increment" is an unfortunate term. It is better described as an allowance for developers/entrepreneurs' profit and risk that is generally used in the valuation industry in relation to analysing a particular sale. We have taken this aspect on board, and are currently looking at, the whole sales analysis aspect and looking at the possibility of building that into the process. Maurici has appealed the decision again so it is still continuing. There is a hearing set down for the middle of June. Whether that proceeds or not at this stage we do not know. It is a case of "watch this space" in relation to that.

Mr ALLAN SHEARAN: A costly exercise.

Mr WESTERN: Yes. Item 9 refers to the AMP Henderson Global objections that involved two central city properties that had substantial land values of approximately \$70 million and \$50 million respectively. That one has come back down to the Land and Environment Court. The commissioner has decided that the provisions in terms of the appeal relate more to technicalities and therefore he has asked for a court-appointed expert to have a look at these. He has appointed a valuer agreed to by the two parties to have a look at the valuation issues involved and to make a decision in relation to the valuation. Once again, we are expecting a decision on that to come out in late July 2005.

Mr ALLAN SHEARAN: What is the advantage in appointing an independent valuer? What we should be looking at is the principle of the valuation and how it is arrived at. You ask your valuers to exercise a certain approach. Does appointing an independent valuer suggest that that approach may be wrong and that there is another formula of assessment?

Mr WESTERN: No. Most of the commissioners who sit within the Land and Environment Court are experts but they tend to be experts in areas such as planning and engineering. So they have no expertise within the valuation profession. So while there are issues often around legal arguments and things that they can address, when it comes down to a technical issue of valuation and how sales should be analysed—bearing in mind that valuation is an art and not a science—there are different ways to approach things. The Chief Judge of the Land and Environment Court has introduced this court-appointed expert regime. This is the first time that it has been used in a valuation case but it is one that I believe can provide substantial benefits to the integrity of the valuation system itself. Particularly in these situations where you have two professionals on each side of the fence, the arguments tend to revolve around valuation issues. Quite often the valuers, for want of a better word, are unable to translate into normal everyday language what they actually do, and the expert can interpret that information and make some decisions associated with that. I am confident that this will provide improved results out of the Land and Environment Court from those we have seen in the past as far as the rationale behind the decisions that are made.

The Hon. DON HARWIN: So you have expert valuers at 20 paces, the commissioner not understanding either of them so he has got someone in to tell him which of them is right?

Mr WESTERN: Yes. The course of action there is effectively what has been used in other jurisdictions. For example, in New Zealand there is a valuer who sits—in that case with the judge—on the bench to assist.

CHAIR: In the Maurici decision and some of the other matters that have been going on for some considerable time, what would be the cost to the Valuer General's Office in terms of dealing with these processes, because they have been going on for a number of years?

Mr WESTERN: I do not know what the cost associated with that would be and that is because—

The Hon. DON HARWIN: It is not finished.

Mr WESTERN: First it is not finished, but secondly the majority of costs are not borne by the Valuer General; they are borne by the Crown Solicitor. The reason is that these come under specific statute. Anything that is under New South Wales statute and directly applicable to that is borne by the State as opposed to being borne by the individual department concerned.

CHAIR: So the work that the Valuer General's Office would have had to do in these processes would be providing information and some briefings in terms of the issues before they go into a court situation?

Mr WESTERN: In fact the information that is provided is provided by Land and Property Information rather than the Valuer General's Office but you are correct that it is undertaken on my behalf. But all we have provided at this stage is an expert witness who was involved in the original valuation. The Crown Solicitor, often, has engaged other valuers to assist in terms of getting other opinions to be able to say that they have had a look at the valuation independently. The cost would be substantial, not to me but certainly to the State. It would be reasonably significant.

CHAIR: On the appeals process that the Maurici decision will go through again—you may not be able to answer this—but if Mr Maurici has appealed again is he able to appeal on exactly the same reasons that the case went to the Land and Environment Court originally or does he have to appeal on the process of the decision?

Mr WESTERN: My understanding is that it will be looking to appeal on points of law rather than the valuation itself in this case. So the reference will be more back to the commissioner and his decision as opposed to the actual valuation itself. Item 10 refers to the Land Value Advisory Group. The only point of significance here is in 10.4, where I have asked the Land Value Advisory Group to convene to set in place some parallel valuations to be undertaken in conjunction with the 1 July 2005 general valuation process. I met with the Land Value Advisory Group earlier this week and I can inform the Committee that it has decided that it is going to look at nine different local government areas around New South Wales, looking at a sample of valuations. Independent valuers will be employed to undertake those valuations. They will then be looked at in comparison with the outcomes achieved by the valuation contractor. This once again will provide some further qualitative checks as far as the mass appraisal valuation process itself goes. The advantage of doing it this way compared with what my predecessor undertook was that the previous ones were undertaken post the valuation whereas these ones will be taken prior to the valuation being undertaken. So if any anomalies show up, or issues that the independent valuer is finding as opposed to the valuation service contractor, they will be able to be brought to the attention of the valuation contractor rather than what happened in the past.

On Item 10.5, the Chair of this Committee addressed the Land Value Advisory Group on a number of issues but particularly the role of the Parliamentary Committee, and the feedback from that has been extremely good in terms of the points that you raised, which have been duly noted. Item 11 deals with the reforms that we have started to implement. The first one I

have just talked about briefly, roles and responsibilities. I will not go through this in detail but what I will say is that there has been, in the past, no clear definition of the various roles and responsibilities of both Land and Property Information contract managers and the valuation service providers. So clearly there have been accountability issues with nothing clearly defined between the two. That was the original idea of implementing this. At the same time as that, we have held a number of workshops with valuation service contractors and other stakeholders in relation to the overall valuation process. We are now looking at that on a wider basis so it will include not only the roles and responsibilities; it will also include things such as looking at the actual reporting being in an electronic format. I have talked about one of the other aspects we are looking to implement that will provide a huge benefits in terms of quality to the valuation. It is the introduction of a package called Valmap. That will allow us to drill down graphically on a particular valuation for a particular area, looking at a raft of information available through Land and Property Information at different levels. So we will be able to look at things like topography, grading of values between properties, relationship across property boundaries and a whole lot of things that before would have had to be undertaken on a manual basis. They will now be able to be undertaken graphically. Many of the issues that have been occurring in the past—as an example the Minnie Water and Diggers Camp situation—would have been picked up through the use of a package such as Valmap. So I can see huge benefits. It is going to become an integral tool for moving the valuation system forward over the next 12 months and as we develop it further into the future.

The second aspect is defining the roles and responsibilities. In 11.7, I talk about some of the things we are going to implement in the 2005 valuation round. Once again, I will not go through those individually. There was a lack of understanding by both contractors and contract managers as to what those statistical techniques meant qualitatively and how you actually interpreted the information, whether there were areas in which you could look at the integrity of that data and improve it. With that in mind we have introduced four one-day workshops in early June involving 60 personnel from Land and Property Information and the contractors. This will give them in-depth understanding of statistical techniques but particularly how to use them from a practical perspective. You will note in 11.7, that we are producing a number of new reports. We will be able to use a number of new statistics, particularly in looking at the relationship between sales information and resulting land values. As I said, there has been an improvement in information that is transferred electronically and more interpretive databases are being employed to assist us as far as reporting on individual valuations. So we will have standardised information coming back from individual contractors, which will greatly assist Land and Property Information in interpreting the valuations and the result thereof. Further to that, in 11.8 I have talked about some of the things that are going to change in 2006 as well. Item 12 talks about the notification of valuations and I—

Mr ALLAN SHEARAN: Has there been any feedback from the market generally as to how these proposals will be received?

Mr WESTERN: In relationship to what?

Mr ALLAN SHEARAN: You have listed a number of proposals that your working group has looked at. Has there been any feedback to the industry itself?

Mr WESTERN: In regard to these proposals here, they are all in relationship to the work that the contractor prepares or the way in which the contract manager actually interprets that

data. So the consultation in regard to this was amongst the contract valuers and we held a workshop with them to try to find out what improvements we could make to the system, how we could make it easier for them, but at the same time ensuring that we are actually improving the quality of the bottom-line valuations.

Mr ALLAN SHEARAN: And having other valuations at the same time?

Mr WESTERN: Parallel, yes, having that, which is another tool in terms of looking at the whole qualitative side of it. The other important aspect was in relationship to what we talked about earlier as far as reporting or giving information to the public. We talked about narrative reporting in an easy-speak type language, which the public would be able to understand. That is particularly important from my own aspect. The system comes under a huge degree of scrutiny and more and more people are aware of their rights under the Freedom of Information Act and, therefore, daily we get more and more inquiries in relation to extracting information for that purpose, so that needs to be in a form that people can readily understand.

Mr ALLAN SHEARAN: As I understand it, the industry is happy with your proposals?

Mr WESTERN: Very much so. Item 12 is in regard to notification of valuations and I know it has been a concern that this Committee and also, with the land tax changes, particularly in regard to new land taxpayers, there has been an issue around the notification of valuations. For the benefit of Committee members I will give some background. The process at the moment is that local government valuations are issued on a cycle of every two, three or four years. Generally, they are on a three-year basis, so once every three years people are notified and they receive a Notice of Valuation telling them what their latest valuation is. Then that is utilised by local government in the following financial year as far as striking their rates go.

Up until now it has not been a major issue as far as land taxpayers have been concerned because the system has been reasonably stable. With the removal of the land tax threshold last year obviously a lot of new land taxpayers came into the net. Previously, the only advice that those individuals would have had would have been through the local government process of their valuation. So generally people thought that that was their latest valuation but in actual fact it could have been one, two or three years out of date, depending on when it was issued for local government purposes.

Consequently, the first notification that people got of the new land value for land tax purposes, in this regard was through the land tax assessment through the Office of State Revenue. This means that, where landowners receive a Notice of Valuation from local Government, which has nothing to do with their rating liability at that stage and then when the new rating year comes into place, they are obviously advised of their rates based on the new valuation. Whereas with the land tax assessment, the property owners get the valuation and they get the land tax assessment in terms of the dollars and what they have to pay at the same time.

There is obviously a need to provide more information to the public in this area. One of the ways we have sought to do that initially—and obviously the quickest and most effective way to do it in the short time frame available—was to make that information available through the Internet. So people can access their current land value directly through there or historically what their land value has been over a number of years. But that does not meet the needs of all landowners, so we are implementing a project at the moment where we are looking at how we can make that information more available.

Obviously, there are a number of different scenarios. You could advise every landowner in New South Wales every year of what their valuation is. You could allow them all to have an objection right, so you are issuing 2.4 million valuations every year; everyone has an objection right. You can imagine the large number of objections which would come into that and the cost associated, not just in terms of the issuing of the valuations but processing objections. One of the other ways that you might be able to do it is to issue an interim valuation, in other words, if it was outside of the local government cycle, you would issue an interim valuation, where other people in New South Wales would be advised of their land value. They would not have a right to object but once they were issued with their land tax assessment valuation, which would have that valuation on it, then they would have the right to object, so that would cut down the number of objections or possibilities as far as objections are concerned.

There are a whole lot of different scenarios and I have just started to undertake work in this regard as to how we might be able to move forward, but there clearly is a need for more information to be provided particularly in terms of the valuations and the current valuation that is applicable to a particular property. The other major issue is that under the Valuation of Land Act the Valuer General is not required to notify people who own strata properties of their individual valuations because under the Valuation of Land Act that is not regarded as a separate property, but what is notified is the body corporate. The Office of State Revenue issues its land tax assessment based on the individual strata, so there is an automatic issue there in terms of one scheme: we are notifying them of the total land value for the Body Corporate, rather than what the individual strata itself is valued at, which is provided by OSR. So there are a whole lot of issues that need to be looked at in that regard. Obviously, I will be seeking the advice and assistance of a number of parties in regard to what the opportunities are in terms of how we actually go about improving that notification process.

Mr ALLAN SHEARAN: What about optional notification? In other words, when you get your rate valuation, you could have it printed that these valuations are done annually and whether you wish to be advised so that they can make inquiries each year.

Mr WESTERN: That is another possibility. Once again as far as individual strata are concerned, you would have the same issue with only the body corporate getting notification and the rates are divvied up by the body corporate. In the end it will be a situation where, no matter what you do, I do not think you will be able to cover all bases without placing a significant increase in costs on the system, and that is obviously my main concern, but once again trying to get a balance between transparency and cost. I would welcome suggestions by the Committee as to how we could improve that.

The Hon. DON HARWIN: What is your time frame for that?

Mr WESTERN: Obviously, from my perspective, I would like to be able to do something for the release of the 1 July 2005 valuations, which will start going out in November of this year. We would need to have something in place as far as a lead-in goes, certainly by the end of August in terms of a decision in that area.

CHAIR: In looking at how best to assist people with the current valuation of their property, because people receive their local government rates every year, some are either happy that the unimproved value of their property has gone up or they feel that nothing has changed and they probably accept the valuation listed on their council rates as the most relevant one. Is there an opportunity in what you are looking at to try to get the message across—and it may have to be with local government—that the valuation that is on a rates notice each year does

not necessarily reflect the current valuation if that council is in the cycle that is being revalued? People who do not access the Internet or have easy access to computers would regard the valuation listed on the rates notice as being current and that issue may need to be addressed as well.

Mr WESTERN: Indeed. That does provide an opportunity. One of the other ways of looking at it also would be to issue the valuation annually. In terms of ensuring the integrity of the valuation system, from my perspective I want to try to ensure that independence is maintained, particularly in relation to either land taxpayers or ratepayers to ensure that that assessment is not seen as being part of either the rating process and that the Valuer General is part of local government, or the other assumption is that the Valuer General is part of the Office of State Revenue. It is to try to ensure that separation and integrity of independence of the valuation itself, which is the major concern for me and, I guess, is the major stumbling block in terms of how we might proceed forward on this.

CHAIR: It is probably to try to give people as much information as they need. At the moment people receive a rates notice with an amount that says, "this is the unimproved value of your property" on which the council rates are based. I do not deny that the integrity of the Valuer General needs to be separate but perhaps the Valuer General's Office should work with local government to provide more information because of the fact that an amount of money on a rates notice sometimes misleads people?

Mr WESTERN: Yes, it does. I thank you for that.

I might continue and move on to the work in progress on Page 15, which I will go through briefly. This year 650,000 Notices of Valuation, were issued for local government purposes. As I said before, we have already issued 2.4 million valuations to the Office of State Revenue. Remember that we supply the Office of State Revenue with valuations, then it decides on which properties are assessable for land tax and issues the valuations. In regard to objections to the 1 July 2004 general valuation, you will note in Item 2.1 that approximately 11,800 valid objections have been received to date. That represents 1.2 per cent of the valuations issued to date.

That is only an approximate number simply because we do not know precisely the number of land tax assessments that have been issued by the Office of State Revenue. The only number we know is the number of Notices of Valuation that we issued. In Item 2.2 just over 1,000 objections have been proposed to date. Independent valuers are undertaking the contract work in that regard. Item 3 refers to the Minnie Water-Diggers Camp reascertainment. For the benefit of members, these are two isolated communities on the northern coast of New South Wales. They have very limited services and amenities there. Properties generally tend to be closely held, so there is limited sales evidence available.

As a result of the large number of objections received to the 1 July 2004 valuation, I instigated a full review of valuations in those areas. The result of that was that we undertook a number of reascertainments of value. I noted in Item 3.8 the number that were reascertained. In Minnie Water there were 52 properties where valuations were reduced and there were 19 properties where valuations were increased. In respect of Diggers Camp 20 properties had their valuations reduced and no properties had an increase in value.

Mr ALLAN SHEARAN: Of those 66 objections do you know how many were adjusted?

Mr WESTERN: The second dot point refers to the 52 properties. Of those, 25 had objections on them.

Mr ALLAN SHEARAN: I was just wondering overall. You received 66 objections. You referred to 25.

Mr WESTERN: The balance would have had no amendment to their value. There would have been no alteration.

The Hon. DON HARWIN: Let us just be clear about this. I do not think the information is helpful in the way that it is presented. There were 52 that were reduced?

Mr WESTERN: Correct.

The Hon. DON HARWIN: Of those 52, 25 had been amongst the 66. Is that correct?

Mr WESTERN: That is correct.

The Hon. DON HARWIN: So obviously there were 52 reduced plus 19 increased, which is 71. Obviously that is many more than were objected to.

Mr WESTERN: Correct.

The Hon. DON HARWIN: How many properties in total were there in Minnie Water and how many properties in total were there in Diggers Camp? That would be a better indication of the degree of the stuff-up.

Mr WESTERN: I am just going off the numbers here. There were would have been 71 properties in total where the values were altered.

The Hon. DON HARWIN: So you are saying that all 71 properties were altered?

Mr WESTERN: Yes.

The Hon. DON HARWIN: In Minnie Water?

Mr WESTERN: In Minnie Water, correct. There were 52 properties that had valuations reduced. There were 19 that had their valuations increased. So it is a total of 71.

The Hon. DON HARWIN: So it is 71 in total?

Mr WESTERN: Correct.

Mr ALLAN SHEARAN: How many properties are there in that area?

The Hon. DON HARWIN: There are 71.

Mr WESTERN: No. That is the number of properties that had their valuations altered.

The Hon. DON HARWIN: My question was, "How many properties are there in total?" That was the answer you gave me.

Mr WESTERN: I apologise. In Minnie Water I cannot give you an exact number. I think there are in the region of 140 odd properties in total.

The Hon. DON HARWIN: I think we will need exact figures.

CHAIR: Could you take on notice the question relating to the number of properties in both Minnie Water and Diggers Camp? My understanding is that the valuation process was reviewed for all the properties in both areas.

Mr WESTERN: That is correct, yes.

CHAIR: Would you give the Committee the total number of properties in each of those affected areas?

Mr WESTERN: Yes. For the benefit of the Committee, in Item 3.5 I have outlined the errors made by the contract valuer. The Committee may recall that the valuation for the first one was undertaken on the basis of component groups. Some of the components in that location had not been reviewed recently, resulting in the circumstance that I talked about before where, in some cases, properties that had water views and were in that component now do not have water views because of other buildings that have gone up. That has resulted in a situation where their values should have been at a lower level and they should have been grouped in a different component to what they were.

The second circumstance is that at the time of undertaking the valuations virtually no evidence was available in relation to the sales that occurred in the area to be able to make a precise call of where the market was at in the locality. Subsequent to the valuations being issued more evidence came to light. One of the major things that I have talked about to this Committee before is the delay in and the timing of sales information being provided to Land and Property Information and the Valuer General being able to get that information in a timely manner. There can be delays of up to three months in getting it. One of the things that I have implemented but that I have not talked about in my report is that we are working closely with the Office of State Revenue, to secure a more timely source of sales data.

Sales are required to be notified in regard to stamp duty, at the time of the transaction occurring as far as the contract is concerned. We have undertaken some initial work that indicates that on average about 96 per cent of those transactions proceed. So we are looking to receive that information directly from the Office of State Revenue. How that will help us is that instead of having, in some cases, a two to three month delay in getting sales information through and being available to the contractor, it will now effectively be available about two weeks following the transaction. So that will provide a huge improvement in the quality of the sales information and the timeliness of it being received by the contract valuers.

CHAIR: I refer to the second area, Diggers Camp. Was one of the problems the fact that some of the sales information was not available?

Mr WESTERN: The same situation applies in Diggers Camp as it applies in Minnie Water; precisely the same thing. For the benefit of the Committee, I have also instigated a review of valuations in those isolated communities right along the eastern seaboard of New South Wales to ensure that the same circumstance has not happened there as well. As I said, my whole philosophy revolves around the system being transparent. If there is an error there I want it corrected now; I do not want it to wait until some future time.

The Hon. DON HARWIN: What are the details of that review? What is its scope? How are you conducting it?

Mr WESTERN: Currently, contract managers within Land and Property Information will examine the values along the eastern seaboard in those localities.

The Hon. DON HARWIN: How are you defining isolated communities? For example, what is your benchmark and where does it kick in?

Mr WESTERN: All I have done is to provide a broad terms of reference to Land and Property Information and I have asked them to have a look at it. LPI has developed the fine detail. I cannot comment precisely on what are the details or what was requested from the contract

managers. That has been left with the Chief Valuer to have a look at. But I am expecting a report back in relation to that by the middle of next week. As a result of that I will look to see whether a more detailed review is required.

The Hon. DON HARWIN: Will it be possible for you to give us a report on that after you get the interim report next week?

Mr WESTERN: Yes, I can do that. I will take that question on notice.

The Hon. DON HARWIN: So you will be able to report on that as an answer to a question on notice?

Mr WESTERN: Yes, I will.

CHAIR: One of the things that may not be available in the interim review or report that you receive and one of the things that the Committee would like to know—it might need to be later—is how many communities are there on the east coast? That information might not be available as quickly as the interim report. You might need time to refine it further.

Mr WESTERN: That is correct, it probably will not be available quickly, but I certainly can supply that information. In relation to Item 4, local government amalgamations, I will not go into any detail on that. Suffice to say that 39 former local government areas required amalgamation, which evolved some 96,000 properties. That has gone extremely smoothly. Item 5 talks about the rating taxation valuation services tender.

The Hon. DON HARWIN: It is straightforward, very well presented and you can understand it.

Mr WESTERN: In regard to the tenders for the last contract that were put out as at 1 May 2005, 5.7 notes the contracts and who the successful contractors were for those particular areas. I have noted at 5.8 that there are only two contracts that changed hands, and that was in Wollongong and Dubbo. Dubbo is a new contractor who has been successful and will undertake work for us, which is very pleasing from my point of view. Item 6 talks about the state wide real estate valuation services. I talked about this briefly before. This was seeking to have a panel of valuers selected by local government area, which would be able to assist in terms of preparing Just Terms valuations on my behalf, that is compensation valuations, and also looking at objections, which we talked about before, and also in regard to some other statutory requirements I have as far as producing various certificates and things. That went extremely well. We had a very good response. We now have a full panel of valuers on board. Most of those will be in place for two years, once again, with a right of review for one plus one following that upon satisfactory performance.

Item 7, I have just talked about the amendments to the Valuation of Land Act. The principal one was the valuation of objection form, which I discussed earlier on. Item 8, Committee members will recall that I was looking to bring a PhD student on board to assist in so far as looking at further aspects of statistical quality. That was not successful from the point of view that there are very, few suitable candidates available right throughout Australia believe it or not. That is people who have a combined economics statistical background. Despite some wide advertising we were unable to bring on board anyone who was of an appropriate standard. In conjunction with the University of Western Sydney, I am now endeavouring to bring Professor John McFarlane, who was instrumental in the original work that was undertaken in regard to statistical techniques and who has a very good understanding of valuation, and certainly a good understanding of the process in New South Wales, on board possibly for two days a week. He would work directly in terms of looking at a number of

projects more specific than the original brief that we gave for the PhD student, possibly for up to a period of three to four months to assist me in terms of looking at that whole area.

Item 9 covers the Ombudsman's investigation. You will recall that the Ombudsman initiated a full investigation where he was effectively looking at the controls employed by the Valuer General in relation to the accuracy of valuations and the methodology employed, and also to the processing of objections. Investigation is continuing, be it that he has concluded all of his formal interviews with parties. The last one was with myself a week or so ago. He now believes that it will take possibly around about two months to write up the formal report. I guess we can look to expect an outcome sometime maybe in early to mid July in regard to that investigation. I just reiterate to the Committee that from my perspective, I am naturally pleased to see this investigation from the point of view that for me it will provide another independent assessment of the system and, once again, to look at what further improvements we can make to improve the overall quality and transparency of the system.

Mr STEVEN PRINGLE: Are the key performance indicators you mentioned publicly available?

Mr WESTERN: No, they are not publicly available, although, obviously, in terms of the key performance indicators with Land and Property Information there is nothing that is commercially sensitive, so they could be made available to the public.

Mr STEVEN PRINGLE: Could that be put on the web site or at least provided to us?

Mr WESTERN: I had provided in the past a copy to the Committee and I am certainly happy to do that. I guess, once again, my only concern would be that if you look at all the key performance indicators, once again, they may have very little relevance or meaning for the public. But, certainly, I agree that some of them, particularly in terms of statutory turnaround times and those sorts of things, would be of interest.

Mr STEVEN PRINGLE: On that same theme, when you walk up to the counter some councils have the key performance indicator for their DA process, which says within 40 days of whatever it is and the current processing time is 42 days, or whatever. Could we do the same for your department?

Mr WESTERN: That is a possibility. I would not want to clutter up the front counter with heaps of information.

Mr STEVEN PRINGLE: Just a simple sign or the net would be equally as good, purely so that people know that when they put in their objection it would take six weeks or two weeks at an average time, so that they have some idea.

Mr WESTERN: Certainly the net could be a suitable medium for that and, once again, we probably would put it out in something like the newsletter, which is now getting wider distribution.

Mr STEVEN PRINGLE: You just lead on to my next question, which is how often is that published? You mention in here that it is published on an annual basis. There is a bit of a typographical error. It does not say.

Mr WESTERN: Sorry, I meant to correct that. It is annual. I discussed that with local government and they thought, from their perspective, that annual probably would be the way to go. So that is what we have looked at this stage, but we may look to do it more frequently. But, once again, it is trying to balance the various issues.

Mr STEVEN PRINGLE: One of the key points is 4.1, where you mentioned property owners not understanding how the system works. You have covered a number of ways to improve that system. How are we going to measure it? Will you hire some form of survey company, Hunter Valley Institute, or one of those that would be able to accurately measure whether people are now better informed than they were in the past?

Mr WESTERN: We would certainly look to introduce, once these various communications are established, some sort of monitoring systems to see how well or how much better people are being informed in regard to that.

Mr STEVEN PRINGLE: Looking down at 4.9, councils being canvassed to establish if they would like to provide the newsletter to ratepayers, et cetera, with the first rates instalment, the feedback has been good. Is that from all councils? Have you had any further suggestions as to how anything could be improved?

Mr WESTERN: In terms of that, the latest draft that we put out, which is the one the Committee has here, we have had no feedback whatsoever in terms of saying it could be improved upon. We are still canvassing councils where we have not had responses in relation to whether they want to go with it, so we are following that at the moment. My understanding is that at this stage we have had no council that has said, "No, we don't want it." It is just a question of filtering down through the various levels of management until it gets to the right person to make the decision.

CHAIR: Is that a matter that you have had discussions about, the fact that there has not been a lot of feedback? Have you had discussions with the Local Government and Shires Associations?

Mr WESTERN: With the Local Government and Shires Associations we have. A lot of the feedback was from the Local Government Association and resulted in some of the changes we made here. One of the aspects that they were particularly keen on was publicising the objection process.

CHAIR: Given the fact that they send out a circular to all the councils on a very regular basis, perhaps that could be one of the things that is included in one of your circulars about requesting responses.

Mr WESTERN: That is a good idea. I will take that on board

Mr STEVEN PRINGLE: Item 7.12 refers to the on-line registration process long term. "Long term" has a lot of different connotations for people. In your view what is long term?

Mr WESTERN: I would hope to have that on within the next 18 months. My view would be that we should be able to do that quicker than that, just bearing in mind that we are trying to put a number of initiatives on the Internet and I guess what I do not want to do is end up having to bandaid the thing. I would rather try to do it all at once and get it right once rather than doing it periodically.

Mr STEVEN PRINGLE: Does the Office of State Revenue, the Minister or anybody else directly or indirectly give you an idea of what revenue they would like to achieve?

Mr WESTERN: Certainly not.

CHAIR: We need to go on to our questions on notice. Thank you for a very comprehensive report in relation to all those issues that have been mentioned today. I know that some of the

questions on notice that we have had for you would have been covered in your report, and perhaps we could go through them. Perhaps you might like to fill in the gaps or give us a bit more information about some of those specific questions.

Mr WESTERN: In regard to item one involving the Service Level Agreement [SLA] between the Office of State Revenue and LPI that was looking at key changes I will read the answer to you. The Service Level Agreement between LPI and OSR is the first formalised SLA between these two organisations and covers a range of LPI services, that is remembering that there is also Certificate of Title, sales and a whole lot of other information that is provided to OSR outside of the valuation process itself and has nothing to do with valuations. For the valuation-related services, the key performance indicators there are focused on are objections actioned and turnaround times and the supplementary valuation performance is the other one which is a critical one, I talked about before as far as the initial valuations being supplied by the middle of November and the final values being available to the Office of State Revenue by midnight on 31 December in relation to the issuing of land tax assessments. I have also noted in the answer that it is anticipated that the service level agreement will focus further attention on the timeliness and performance of their services and will deliver improved services to OSR and the New South Wales taxpayers.

Item 3, in regard to the rating taxation tender review and the question was around why I have instigated a second review. I think I clarified it before, but for the benefit of members it is not a full review of the process. It is more an evaluation of what was good about the current process as far as the tendering went, what could we improve upon and are there any areas that we need to finetune in regard to the contract or the tender documentation. It is not a full review. It is just in relation to looking at the process from last year and what we can improve on it for this year as far as that is concerned. I have also mentioned that the working group on roles and responsibilities recommend changes to the contract as a result of their work.

Obviously, I will look at those very closely and decide whether we need to permit any of those changes for this year. Item five was in regard to the valuation services pricing review and there were a number of questions posed there. I will go through the answer. The new pricing model will encompass the range of services provided to local government, including provision of valuations for revaluation, supplementary valuation purposes and review of objections and appeals. As outlined earlier to the Committee, the IPART undertaking of the 1996 pricing review has limited costing data available in arriving at the original pricing model.

We have now got over the past 18 months far more rigorous data available as far as examining how cost can be apportioned between those that are pertinent to land tax and obviously those that are pertinent to general valuations, recognising that there will be some crossing over, of course, between the two that will be common and that we will not necessarily be able to isolate.

As far as consultation goes with this pricing model, I am looking at a range of stakeholders that will include the Department of Local Government, the Local Government and Shires Association, Treasury and the Minister's office. Where required, I will actually discuss it with individual councils. If individual councils approach me or would like me to talk to them about my whole philosophy about the valuation system or as far as the individual impact of pricing, I will be very, happy to do that. You will recall that, while I am looking to try to do this independently of IPART, their involvement will be that I will obviously need their sign-off in respect of what we finally decide or agree between the parties. But, more importantly, if there is a dispute as to the pricing, IPART will then step in and make some decisions in relation to bedding something down.

The other question asked was: What are the funding arrangements in relation to valuation services in other States? I apologise that I have not had responses from Tasmania and Western Australia. You will see that there is a mixture. Queensland effectively has a 50:50 balance of funding from State Government and local government. In the Northern Territory, 75 per cent is paid by local government. The rationale behind that is that there is no land tax in the Northern Territory. In South Australia it is shared on a formula basis. In Victoria there is an approximate 50:50 split between the State Revenue Office and local government and in New Zealand total funding is provided by local government—once again, there is no land tax in New Zealand.

The other question asked was why I was looking to implement an interim pricing regime. As pointed out earlier, the last pricing increase for local government was in 1996 and has not been reviewed since that time. While not looking to instigate a full pricing review, you will recall I mentioned that there is a paper looking at an improved contribution by the Office of State Revenue in relation to funding valuation services. Local government has also had some improvement in terms of the service that is provided to them. The valuations in relation to rating have also come under greater scrutiny. There has obviously been an increased number of objections on that aspect, and therefore local government should contribute their fair share. I see the possibility of an interim arrangement being that a consumer price index increase may be applicable. As I pointed out before, at this stage I have not discussed that with the Local Government and Shires Association nor with any other stakeholders. I have just brought that to this Committee as to what I will be looking at initially as an interim measure.

Item 6 was in relation to the Water Management Act 2000. The first question was: Are there going to be some additional costs associated with dealing with this? The expectation is, yes, there will be in terms of the implementation phase. Our estimated cost at this stage is in the region of \$2 million, which works out at around about \$150 a valuation, remembering that there is actually quite a bit of work involved as far as the separation of the water right from the current land value and analysing the data as to what portions of the property the water right is applicable to and then apportioning that out. Once that initial implementation cost has occurred I do not anticipate that there will be any ongoing additional costs in relation to servicing this. The other question was whether or not we have sufficient expertise to be able to cover that. The answer is yes. Existing contractors have expertise in this regard and quite often value properties that are either suitable for irrigation or do have irrigation undertaken on them. Therefore, they will be undertaking that work on my behalf.

Item 7 was in regard to objection management. The first question revolves around what additional funding is being provided to support the process to date. I discussed with the Committee earlier that there is a funding proposal in with Treasury in relation to additional financial assistance with the increased number of objections and also in terms of endeavouring to improve the quality of the valuations and implementing some mechanisms in regard to that. There has been no additional funding provided for the 2004-05 financial year but I understand at this stage there looks like there will be some funding appropriated for the 2005-06 financial year. I do not know what that amount is but obviously when I do I will advise the Committee.

The other question asked here was in relation to new taxpayers. I have to apologise because it is very difficult to separate out who are new taxpayers and what they have objected to. I spoke with the Office of State Revenue and they tell me that, to date, they have had 894 objections in regard to the 2005 land tax assessments. That is all the information they can

provide to me in regard to that. As I said, from our point of view, as to the objections that come in, we do not try to separate out which are land tax objections and which are general valuations objections simply because there are usually mixed messages coming through with the objections so it is very difficult to differentiate between the two.

The other question asked was: In terms of the objections we have processed so far, how many objections have been upheld? You will recall that when I talked about the work in progress I said that, to date, some 2,000 objections have been processed. Of those, 19.7 per cent have been amended. You need to put that number in perspective. That is saying that obviously one in five have been amended. The policy is that we try to target those objections initially where we can see there have been some issues raised where the valuation needs to be examined more closely and the chances of an alteration are quite high. I expect that number will come down substantially over the coming months. But the other important benefit for the Committee to look at is that, compared with previous years, that rate has continued to come down. You will note that in 2001 as far as the processing of all the objections just over 26 per cent were upheld.

In regard to Item 11, which is the roles and responsibilities of the contractor, the questions there revolved around the 2006 enhancements et cetera, particularly in terms of what penalties are in place currently as far as the performance or non-performance of contracting valuers. My answer is provided there. There are currently step-in rights available to the Valuer General. That would be a last resort. It would be a situation where there has been total malice by the contractor or we can see that quite simply the targets will not be met in relation to putting the valuations out within specified time frames. There is the ability of the Valuer General there to be able to get someone else in to undertake the work. There is a performance and fidelity bond in place, which is equivalent to 15 per cent of the annual fee for service that we hold as a bond.

There is a scorecard evaluation, which we implemented last year, remembering that this is monitored on a monthly basis. That has been utilised in the past in regard to the monthly payment of fees. If there are detrimental comments on there that have impacted upon the timeliness of the valuations then there is the ability to be able to withhold the payment to contractors. But, more importantly, the scorecard provides us with an avenue, when that contract comes up for tender again or that contractor goes for a tender in another area we have an objective measure in place in regard to evaluating that particular contractor and their performance and whether they should be taken on in other contract areas.

A specific question was asked in regard to Minnie Water/Diggers Headland and what action was taken there. As I pointed out before, some of the errors there were as a result of the contractor—and that was looking at the component groups. One of them was no fault of the contractor. It was the timing of the sales information coming through from the market. As to that particular aspect, once again it is noted on the scorecard their performance in relation to that. Their fees were withheld until the situation was rectified.

One of the other aspects of the roles and responsibilities the working group is to look at whether it is possible to impose physical or monetary penalties in relation to non-performance. One of the difficulties with that is it has to be specific in terms of, as a result of that error, what were the financial implications in regard to local government, for example, as far as rating revenue or in relation to the Office of State Revenue as another example in relation to land tax? It can be quite difficult to quantify. I understand from talking with some contract experts from the legal profession that it is an extremely difficult concept, one, to put

in place as far as a contract is concerned; and, two, to endeavour to try to enforce. So it may not be an appropriate measure to put into this particular contract.

The other question was in relation to the code of conduct and what guidelines exist for contractors and valuers in general. I have made reference there to the Valuers' Regulations 2005 and the mandatory Code of Conduct that is in place for valuers. It is principally in place for those people who are undertaking commercial work in relation to, for example, mortgage work with banks or with individual clients. But there are some particular aspects of that Code of Conduct that are directly applicable to the valuers who undertake work on my behalf. I have listed those in the answer, and I will not go through them individually. The other area that you need to note is that the Australian Property Institute also have guidance and practice notes that valuers are required to adhere to. I, in conjunction with other Valuers General around Australia, am currently reviewing a guidance note in relation to mass appraisal valuations and looking to improve upon the existing document that is available there.

The last question once again is regarding Minnie Water/Diggers Headland. The issue raised there was the ability of landowners to object by petition. I have just advised the Parliamentary Committee that I have sought the advice of the Crown Solicitor in this regard. It has not been a major issue—I think, from memory, we have had only four letters that have effectively been petitions. One of them said that they believe they have the right to object by petition and we have said to the other three, "Look, you just need to object individually. Here are the forms and this is what you need to provide". Those people have actually done that. But it is an issue that quite clearly will come up in the future. My view is that there is no provision within the Valuation of Land Act to object by petition and nor would I want that to occur from my point of view.

Why I say that is that you would effectively have the ability for people to simply put their names on a piece of paper, and there could be hundreds of names on there with really no valid grounds individually on which to object; yet they put their name to a piece of paper and it would require the Value-General to review all their individual valuations. As I say, I am the still waiting for the Crown Solicitor's advice in that regard.

CHAIR: As there are no further questions, thank you very much for a very comprehensive report this morning and for taking on board a number of issues that the Committee has raised.

Mr WESTERN: It has been a pleasure, thank you.

(The witness withdrew)

The Committee adjourned at 3.10 p.m.

Appendix One - Committee Minutes



PARLIAMENT OF NEW SOUTH WALES
COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

Parliament of New South Wales · Macquarie Street · Sydney NSW 2000 · Australia

Minutes of Proceedings of the Committee on the Office of the Valuer General

Wednesday 8 December 2004

5:15pm, Room 1153, Parliament House

Members Present

Kayee Griffin MLC, Don Harwin MLC, Allan Shearan MP, Gladys Berejiklian MP, Mr Torbay MP

1. Confirmation of minutes from previous meeting

The Committee confirmed the Minutes of Meeting of 25 October 2004. Moved Mr Shearan MP, and seconded Ms Berejiklian MP.

2. Welcome to new Committee member

Chair Ms Griffin welcomed the Member for Northern Tablelands, Mr Richard Torbay who was appointed on 21 October 2004.

3. Draft report of First General Meeting with the Valuer General

The Committee considered the draft report and resolved, on the motion of Ms Griffin MLC, seconded Mr Torbay MP, that:

- the draft report be the Report of the Committee and that it be signed by the Chairman and presented to the House, together with any Minutes of the meetings and any evidence; and
- the Chairman and Committee Manager be permitted to correct any incidental stylistic or typographical errors that are identified while preparing the Report for printing.

The Committee endorsed the draft press release on the motion of Ms Berejiklian MP and seconded by Mr Harwin MLC.

The Committee noted the intended tabling date of Thursday 9 December 2004.

The Committee noted terms of reference and timeframe regarding the NSW Ombudsman's investigation into the Valuer General. It was agreed that the Secretariat would report back about any impact of the investigation may have on the initiatives of the Valuer General that had been detailed to the Committee.

4. General Business

- Vice Chair position

The Chair called for nominees for Vice Chair position. Mr Torbay MP was nominated by Mr Shearan MP, seconded by Ms Griffin MLC.

- Briefing by OSR

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The Secretariat proposed that the Committee have a briefing from representatives of the NSW Office of State Revenue on the public education initiatives, management and compliance process for the new land tax changes commencing in 2005. The letter from Mr Achterstraat, Executive Director of OSR to the Chair Ms Griffin MLC of 21 October 2004 forms the key issues and information that the committee would like to be fleshed out.

The Committee endorsed the OSR briefing proposal, moved by Ms Berejiklian and seconded by Mr Harwin MLC.

A preliminary date of Friday 21 January 2005 was put forward. The secretariat noted it would finalise dates with Members and the proposed speakers.

Ms Berejiklian MP requested the Committee secretariat prepare an action list of items from each meeting and matching the proposals laid out in the Committee's program noted in the First General Meeting Report. Moved Mr Trobay MP and seconded Mr Shearan MP.

Meeting adjourned at 5:45 pm.



PARLIAMENT OF NEW SOUTH WALES

COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

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Minutes of Proceedings of the Committee on the Office of the Valuer General

Friday 21 January 2005

11:00am, Room 1153, Parliament House

Members Present

The Hon Kayee Griffin MLC, The Hon Don Harwin MLC, Ms Gladys Berejiklian MP, Mr Allan Shearan MP, Mr Richard Torbay MP.

1. Briefing by the Office of State Revenue

The Committee was briefed by representatives of the Office of State Revenue on public education initiatives, management and the compliance process for the changes to land tax commencing in 2005. The Office of State Revenue was represented by:

- Mr Peter Achterstraat, Executive Director;
- Ms Nikki Kempson, Deputy Director Land Tax Operations;
- Mr Ted Withers, Director Compliance; and
- Mr Ian Phillips, Principle Policy Advisor Land Tax and Payroll Tax

Also in attendance:

- Mr Philip Western, Valuer General; and
- M/s Louise Robinson, Executive Assistant, Office of the Valuer General.

2. Confirmation of minutes from previous meeting

The Committee confirmed the Minutes of Meeting of 8 December 2004. Moved Don Harwin MLC, and seconded Mr Richard Torbay MP.

3. General Business

Distribution of Report No. 53/01

The Committee was advised by the Committee Manager, Ms Carolynne James, that the *Report on the First General Meeting with the Valuer General* Report No. 53/01 which had been tabled on Thursday 9 December 2004, had been distributed on Tuesday 11 January 2005. The mail out included:

- Valuer General;
- Premier;
- Minister for Lands;
- Office of State Revenue – ED;
- IPART;
- Valuer Generals in other jurisdictions; and
- Land Value Advisory Group:
 - Property Council of Australia (NSW);

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- Real Estate Institute;
- Australian Property Institute;
- Local Government and Shires Association;
- Department of Lands (Director-General);
- Department of Lands (Chief Valuer); and
- Office of State Revenue representative.

The Chair of the Committee also sent letters to all local councils, notifying them the report had been published and directing council staff to the Parliament's website for further information.

Ombudsman

The Committee noted the continuing NSW Ombudsman's investigation into the valuation methodologies of the Office of the Valuer General. It was agreed that the Secretariat would report back about any impact of the investigation may have on the Office of the Valuer General or the terms of reference of the Committee.

4. Next Meeting

The Committee agreed on business for the next meeting, including the preparation of an action list and preliminary details for the Second General Meeting with the Valuer General. The Committee resolved to meet in late February or early March of 2005.

The meeting adjourned at 12:30 pm.



PARLIAMENT OF NEW SOUTH WALES
COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

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Minutes of Proceedings of the Committee on the Office of the Valuer General

Wednesday, 2 March 2005

10:00am, Room 1108, Parliament House

Members Present

The Hon Kayee Griffin MLC, The Hon Don Harwin MLC, Mr Allan Shearan MP, Mr Richard Torbay MP.

Apologies

Ms Gladys Berejiklian MP.

1. Confirmation of minutes from previous meeting

The Committee confirmed the Minutes of the Meeting of 21 January 2005. Moved Mr Allan Shearan MP, and seconded Mr Richard Torbay MP.

2. General Business

The Committee noted various items as described in the Committee action list including:

- OSR meeting of 21 January
- Maurici case report
- Correspondence
- Media issues
- Best Practice review
- Ombudsman inquiry
- Second General Meeting reporting items

3. Next Meeting

The Committee resolved to meet in late April 2005.

The meeting adjourned at 10:30 am.



Minutes of Proceedings of the Committee on the Office of the Valuer General

Thursday 19 May 2005

10:00 am – 12:30 pm, Waratah Room, Parliament House

Members Present

The Hon Kayee Griffin MLC, The Hon Don Harwin MLC, Mr Allan Shearan MP, Mr Steven Pringle MP.

1. Apologies and Welcome

The Chair noted apologies from Mr Richard Torbay MP and welcomed new Committee Member, Mr Steven Pringle MP, replacing Ms Gladys Berejiklian MP.

2. Second General Meeting with the Valuer General

The public hearing commenced at 10:00 am.

Mr Philip John Western, New South Wales Valuer General, Land Titles Office, Sydney, was sworn and examined. The Valuer General tabled his second review report and was questioned on his answers to questions on notice.

The questioning concluded, the Chair thanked the witness and the witness withdrew at 12:15 pm.

3. Confirmation of minutes from previous meeting

The Committee confirmed the Minutes of Meeting No 10, 2 March 2005.

Moved Mr Shearan MP, and seconded Mr Harwin MLC.

4. Other Business

The Committee resolved to write to the Valuer General about the Questions taken on Notice during the course of the hearing.

The Committee resolved to schedule a meeting in the week of June 13-17 to consider the Second General meeting draft report. The Committee also agreed to invite representatives from the Local Government and Shires Associations to brief the Committee on the use of valuations in the council rating system.

The meeting adjourned at 12:30pm.



PARLIAMENT OF NEW SOUTH WALES

COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

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Minutes of Proceedings of the Committee on the Office of the Valuer General

Friday 17 June 2005

2- 4pm pm, Room 1153 Room, Parliament House

Members Present

The Hon Kayee Griffin MLC, The Hon Don Harwin MLC, Mr Allan Shearan MP, Mr Steven Pringle MP.

1. Welcome

The Chair welcomed officers from Local Government and Shires Association: Mr Warren Taylor, Deputy Director, Policy and Research, Mr Frank Loveridge, Legal Officer, and Mr Shaun McBride, Strategic Manager. The Valuer General, Mr Philip Western also was welcomed.

2. Discussion with Local Government and Shires Association

The Committee had background discussions with the LGSA officers on how the rating process utilises valuations provided by the Valuer General and how local councils liaise with contract valuers. Two background papers were provided to the Committee for information. The Valuer General and the LGSA officers then withdrew from the meeting.

3. Confirmation of minutes from previous meeting

The Committee confirmed the Minutes of Meeting No 11, 19 May 2005.
Moved Mr Shearan MP, and seconded Mr Torbay MP.

4. Other Business

The Committee noted that the Second General Meeting report would not be finalised for tabling by the sitting week of 21 –22 June 2005, and agreed to tabling the report out of session in July 2005.

Committee Member, Mr Pringle MP, tabled a letter from the Mayor of Hornsby Shire regarding expanding the Committee's jurisdiction to include examination of valuations under the land acquisition legislation. The Chair noted that the same letter had been drawn to the Committee's attention by the LGSA and the Chair noted that the letter would be circulated with a response to Committee members.

The meeting adjourned at 3:40pm.