



Parliament of New South Wales

# Joint Standing Committee on the Office of the Valuer General

Report 2/56 – February 2018

Report on the Eleventh General Meeting with the Valuer General



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## Membership

CHAIR	Mr Geoffrey Provest MP, Member for Tweed Heads
DEPUTY CHAIR	The Hon. Kevin Humphries, MP
MEMBERS	Mr Stephen Kamper MP, Member for Rockdale The Hon. Gregory Pearce MLC (until 16 November 2017) The Hon. Ernest Wong MLC The Hon. Ms Natalie Ward, MLC (from 23 November 2017)
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## Terms of Reference

*Resolution passed on 28 May 2015, Legislative Assembly, Votes & Proceedings No 9, Entry 9, p.126-127*

- (1) A Joint Standing Committee, to be known as the Joint Standing Committee on the Office of the Valuer-General be appointed.
- (2) The Committee's functions be:
  - (a) to monitor and review the exercise of the Valuer-General's functions with respect to land valuations under the Valuation of Land Act 1916 and the Land Tax Management Act 1956, and in particular:
    - (i) to monitor the methodologies employed for the purpose of conducting such valuations,
    - (ii) to monitor the arrangements under which valuation service contracts are negotiated and entered into, and
    - (iii) to monitor the standard of valuation services provided under such contracts,
  - (a) to report to both Houses of Parliament, with such comments as it thinks fit, on any matter connected with the exercise of the Valuer-General's functions referred to in paragraph (a) to which, in the opinion of the Committee, the attention of Parliament should be directed,
  - (b) to report to both Houses of Parliament any change that the Committee considers desirable to the Valuer-General's functions referred to in paragraph (a),
  - (c) to inquire into any question in connection with the Committee's functions which is referred to it by both Houses of Parliament, and to report to both Houses on that question.
- (3) The functions of the Committee not extend to the investigation of any matter relating to or arising from a particular valuation of a specific parcel of land.
- (4) The Committee consist of five members as follows:
  - (a) three members of the Legislative Assembly of whom two must be Government members and one must be a non-Government member, and
  - (b) two members of the Legislative Council of whom one must be a Government member and one must be a non-Government member.
- (5) Ms Melanie Gibbons, Mr Stephen Kamper, and Mr Geoff Provest be appointed to serve on the Committee as the members of the Legislative Assembly.

- (6) Notwithstanding anything contained in the standing orders of either House, at any meeting of the Committee, any three members of the Committee shall constitute a quorum, provided that the Committee meets as a joint committee at all times.
- (7) The Committee have leave to make visits of inspection within the State of New South Wales and other States and Territories of Australia.
- (8) A message be sent acquainting the Legislative Council of the resolution and requesting the Legislative Council appoint two of its members to serve with the members of the Legislative Assembly on the Committee, and to fix a time and place for the first meeting.

*Resolution passed on 2 June 2015, Legislative Council, Minutes No 9. Item 13, page 5.*

Madam SPEAKER

The Legislative Council desires to inform the Legislative Assembly that it has this day agreed to the following resolution:

- (1) Joint Standing Committee on the Office of the Valuer-General
  - (a) That this House agrees to the resolution in the Legislative Assembly's message of Thursday 28 May 2015 relating to the appointment of a Joint Standing Committee on the Office of the Valuer-General.
  - (b) That the representatives of the Legislative Council on the Joint Standing Committee on the Office of the Valuer-General be Mr Greg Pearce and Mr Ernest Wong.
  - (c) That the time and place for the first meeting be Wednesday 3 June 2015 at 9.30 am in the Waratah Room.

*Resolution passed on 29 March 2017, Legislative Assembly, Votes & Proceedings No 110, Entry 14, p. 1133-1134*

Mr Anthony Roberts moved, That:

- (a) Kevin John Humphries be appointed to the Joint Standing Committee on the Office of the Valuer-General in place of Melanie Rhonda Gibbons, discharged.

*Resolution passed on 23 November 2017, Legislative Assembly, Votes & Proceedings No 153, Entry 27, p1524*

The Temporary Speaker (Mr Geoff Provest) reported the following message from the Legislative Council:

Madam SPEAKER

The Legislative Council desires to inform the Legislative Assembly that it has this day agreed to the following resolution, That:

- a) Ms Ward be appointed as a member of the Joint Committee on the Office of the Valuer-General Committee to fill the vacancy created by the resignation of Mr Pearce.

## Chair's Foreword

Public confidence in the integrity and security of the land valuation system is essential for maintaining the strength and stability of property ownership in New South Wales. The work of the Valuer General and his Office underpins this function and the Office has a long established record of providing reliable and highly valued services to all landholders. It is important, however, for Parliament to regularly review the operation of the Valuer General's Office in order to provide an open and transparent account of its activities and to ensure that it is meeting its legal and administrative obligations.

This report continues the Committee's practice of reviewing the Office of the Valuer General and examining the work of the Valuer General on a periodic basis. I am pleased to present this report on the Eleventh General Meeting with the Valuer General, at which the Committee examined the 2015-16 Annual Report and the Valuer General's responses to developments which had occurred in the legislative and policy environment since the previous General Meeting.

In addition to a number of legislative amendments, including the issuing of all council valuations on a triennial basis and the introduction of a common value base for all valuations, a major development has been the reorganisation of land and titling operations. Under the new structure, which took effect from 1 July 2016, Valuation Services was transferred to Property NSW, part of the Department of Finance, Services and Innovation.

The Valuer General reassured the Committee that there had been no significant impact on the valuation system as a result of the transfer, other than a number of administrative changes. He also pointed out that the contract for the operation of the land titles system requires the new operator to continue to provide all services previously provided by LPI's Titling and Registry Services, including the provision of information to the Valuer General.

In order to streamline governance and ensure that all the business processes identified in the Valuer General's financial report were included in the quality assurance process, there have also been changes in the structure of steering committees, providing additional oversight of administrative and business processes. This should serve to better test the rigour and integrity of land values and the valuation system as a whole. These changes have been augmented by the creation of additional senior staffing positions.

Overall, the Committee is satisfied that the Valuer General has managed the transition into the new structure in a smooth, effective and timely fashion. The Committee also welcomes the initiation of collaborative arrangements to explore the use of data sets and the development of new valuation tools.

In tandem with the amalgamation of local councils and creation of new council areas across the State, the Valuer General has embarked on a series of information sessions to explain changes in values for rating purposes. Due to the poor take up of these information sessions, the Committee has recommended that the Valuer General develops improved strategies to forge public education partnerships with local councils and better promote his activities in local communities.

The Committee notes that in response to previous recommendations, the Valuer General has redesigned and improved the objection review and compensation processes for landholders. This has significantly improved the fairness and transparency of the system, as well as reducing exposure to adversarial litigation, for the benefit of all. Similarly, enhanced public accountability measures and improved information sharing have increased stakeholder satisfaction and provided greater public access to the valuation system.

One of the shortcomings identified in past Committee reviews has been the lack of a comprehensive autonomous report, setting out all operational details in a standalone format. The Committee is pleased that, in response to previous Committee recommendations, the next report will be published as a separate document and not included in the omnibus Departmental report.

The publication of a separate standalone report will help to raise the public profile of the Valuer General and give him the opportunity to fully inform the community about the valuation system, the achievements of his Office in meeting its objectives and the measures which he takes to protect his independence.

The Committee has made a total of seven recommendations in this report and the Valuer General's responses will be examined at the next General Meeting.

I would like to thank the Valuer General and his Office for their assistance in this Inquiry. I also wish to thank my Committee colleagues and Committee staff for their contributions and support.

**Mr Geoff Provest MP**  
Chair

## Summary of Recommendations

### **Recommendation 1**

The Committee recommends that the Valuer General provides regular annual reporting updates reinforcing his independence in undertaking valuations and compulsory land acquisitions and in his working arrangements involving other agencies and organisations.

### **Recommendation 2**

The Committee recommends that the Valuer General continues to develop collaborative research efforts on a whole of government basis with relevant external stakeholders.

### **Recommendation 3**

The Committee recommends that the Valuer General makes further efforts to encourage greater participation of local councils and local residents and landholders in formal annual public information sessions.

### **Recommendation 4**

The Committee recommends that the Valuer General explores opportunities to develop further public education partnerships with local councils and the feasibility of adopting a media strategy to support a public education campaign about the land valuation system and the role of the Valuer General in local communities.

### **Recommendation 5**

The Committee recommends further investigation and development by the Valuer General of customer service initiatives in collaboration with other agencies and organisations and in particular with Service NSW.

### **Recommendation 6**

The Committee recommends that the Valuer General continues to improve the capture of data in engagement processes with landholders in order to more precisely analyse their needs and to enable exploration of new ways of optimising service delivery.

### **Recommendation 7**

The Committee recommends that the Valuer General explores how the expertise of the Land Valuation Advisory Group may be further utilised to help promote the role and functions of the Valuer General to the wider community.

## Glossary

CPA	Centre for Property Acquisition
CPI	Consumer Price Index
DFSI	Department of Finance Services and Innovation
FESL Act 2017	Fire and Emergency Services Levy Act 2017
IAB	Internal Audit Bureau
IPART	Independent Pricing and Regulatory Tribunal
IT	Information technology
JSCOVG	Joint Standing Committee on the Office of the Valuer General
KPI	Key performance indicators
L&EC	Land and Environment Court
LGA	Local Government Area
LPI	Land and Property Information
NESB	non-English speaking background
OSR	Office of State Revenue (Revenue NSW)
OVG	Office of the Valuer General
PAG	Property and Advisory Group
PAS Group	Property Acquisition Standards Group
RMS	Roads and Maritime Services
SAP	Systems Applications and Products

# Chapter One – Introduction and Conduct of the Inquiry

## Role of the Valuer General

- 1.1 The Valuer General is an independent officer appointed by the Governor of New South Wales to oversee the valuation system. The current Valuer General, Mr Simon Gilkes, was appointed to the position for a period of seven years on 7 October 2015<sup>1</sup>. The Valuer General is assisted by the Deputy Valuer General, Mr Michael Parker<sup>2</sup>, supported by an Office consisting of six staff members.<sup>3</sup>
- 1.2 The Valuer General provides independent and impartial land values used for council rating and state government taxing purposes. *The Valuation of Land Act 1916* provides the legislative basis for the valuation system. As part of his role, the Valuer General is also responsible for the independent determination of compensation when land is compulsorily acquired and for ensuring that the process is fair and transparent. These additional responsibilities are established under the *Land Acquisition (Just Terms Compensation) Act 1991*.
- 1.3 The *Land Tax Management Act 1956* requires the Valuer General to determine the land tax threshold, premium rate threshold and related indices and to provide land values to the Office of State Revenue for use in the management of land tax.<sup>4</sup>

## Role of the Joint Standing Committee

- 1.4 The role of the Joint Standing Committee on the Office of the Valuer General (JSCOVG) is to monitor and review the exercise of the Valuer General's functions regarding land valuations. The Committee can monitor valuation methodologies, contractual arrangements for valuations and the standard of valuation services. It does not, however, have the ability to review individual valuations or objections to valuations.

## Background to the Inquiry

- 1.5 In 2013, the JSCOVG conducted a full scale inquiry into the Land Valuation System in NSW. In the intervening period, the Valuer General has progressively implemented the 29 recommendations arising from that inquiry. Together with more recent government initiatives, this has resulted in extensive changes to the structure and governance of the office of the Valuer General. This includes a number of improvements, particularly in relation to: customer service; transparency of decision-making; and improved mechanisms for the determination of compensation.

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<sup>1</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p74

<sup>2</sup> Mr Michael Parker, Deputy Valuer General, Transcript of evidence, 16 October 2017, p6

<sup>3</sup> Mr Simon Gilkes, Valuer General, Transcript of evidence, 16 October 2017, p19

<sup>4</sup> NSW Government, NSW legislation website: *Land Tax Management Act 1956* <[Land Tax Management Act](#)>

- 1.6 At the Tenth General meeting, the JSCOVG examined the 2013-14 and 2014-15 annual reports. This enabled the Committee to fully explore the Valuer General's responses to the 2013 Inquiry into the Land Valuation System and to assure itself that all matters of concern identified in the former valuation system had been resolved. At the Eleventh General Meeting, held on 16 October 2017, the Committee examined the 2015-16 annual report and the Valuer General's responses to developments which had occurred in the legislative and policy environment since the previous General Meeting.
- 1.7 During the period covered by the 2015-16 Annual Report, the valuation system was managed on behalf of the Valuer General by Land and Property Information (LPI) under a Service Level Agreement. From 1 July 2016, responsibility for the operation of the valuation system transferred from LPI to Property NSW, part of the Department of Finance, Services and Innovation (DFSI).<sup>5</sup> Further details about the additional legislative, policy and structural changes impacting on the role and responsibilities of the Valuer General are discussed in the following Chapter.

### **Conduct of the Inquiry**

- 1.8 On 12 September 2017, the JSCOVG resolved to conduct a public hearing to review the 2015-16 Annual Report of the Valuer General. In preparation for the Eleventh General Meeting, the Committee met with the senior executive team representing the Office of the Valuer General and Valuation Services on 4 August 2017.
- 1.9 At the meeting, the Valuer General and his staff gave a presentation titled 'NSW Valuation System Update'. The Valuer General also provided the Committee with Power Point notes of the presentation. These notes, referred to as 'the presentation', formed the basis for a number of the questions asked by Members at the Eleventh General Meeting.
- 1.10 At the public hearing, held on 16 October 2017, the JSCOVG took evidence from: Mr Simon Gilkes, Valuer General; Mr Michael Parker, Deputy Valuer General; Ms Anna Welanyk, Executive Director, Valuation Services, Property NSW; and Mr Geoffrey Thompson, Director, Compensation Program, Valuation Services, Property NSW.
- 1.11 The Valuer General outlined the main achievements, legislative and organisational changes, and system enhancements which had occurred since the Tenth General Meeting in 2016. He further elaborated on recent developments and future objectives in response to a wide range of questions from Members.
- 1.12 Following the public hearing, the Committee sent two Questions on Notice and 13 Additional Questions in writing to the Valuer General. Written responses were provided on 7 November 2017 and are available on the Committee's webpage.

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<sup>5</sup> Letter received from the Valuer General addressed to Ms Melanie Gibbons MP, Chair Joint Standing Committee of the Valuer General, dated 29 March 2017.

## **Structure of the Report**

- 1.13 The report comprises five Chapters, including this introduction, which outlines the background to the Inquiry. Chapter Two describes the governance and administrative arrangements, while Chapter Three focusses on critical valuation processes, including: involvement with local government; complex and specific interest land valuations; valuations in relation to compulsory acquisitions; objection management and other initiatives.
- 1.14 Chapter Four examines initiatives to improve the transparency and public accountability of the system of determining valuations and compensation. These include initiatives in relation to: customer service; performance reporting; access to information and data sharing; changes to annual reporting; media relations and public education. Finally, Chapter Five considers improvements in quality assurance and risk management. This last Chapter focusses in particular on: internal and external reviews; appeals processes; and contract management.

## Chapter Two – Governance and Administrative Arrangements

### Legislative, Structural and Staffing Changes

#### Legislative changes

- 2.1 Since the Tenth General Meeting, a number of legislative amendments governing the operation of the land valuation system have been enacted. New obligations have been placed on the Valuer General resulting from changes to the *Fire and Emergency Services Levy Act 2017* (FESL Act 2017) impacting on the *Valuation of Land Act 1916*.
- 2.2 Consequential amendments to the *Valuation of Land Act 1916* required the Valuer General to provide new valuations to all local councils at least every three years (previously at least every four years) and removed the discretion for the Valuer General to extend the period due to market inactivity.
- 2.3 Transitional arrangements from 1 July 2016 further required the Valuer General to issue new land values in all local government areas, bringing all areas to a common value base. While the Valuer General confirmed that all the Valuer General FESL legislative requirements had been met, he noted that the requirements of the *FESL Act 2017* were subsequently postponed following the enactment of the *Emergency Services Levy Bill 2017* in August 2017.<sup>6</sup>
- 2.4 In November 2016, the NSW Parliament passed the *Land Acquisition (Just Terms Compensation) Amendment Act 2016*, effective from 1 March 2017. The purpose of this Act was to improve the procedure for the acquisition of land on just terms by authorities of the State. This was consequent to reviews of the operation of the *Land Acquisition (Just Terms Compensation) Act 1991* by Mr David Russell SC in 2012 and of the land acquisition process by the Customer Services Commissioner, Mr Michael Pratt AM in 2016.<sup>7</sup>
- 2.5 Amendments impacting in particular on the Valuer General's determination of compensation include: a provision for the Valuer General to issue the determination of compensation directly to the landowner; permission for the land owner to provide the section 39 claim for compensation form directly to the Valuer General; and an extension to the timeframe for determining compensation from 30 to 45 days.<sup>8</sup> In addition, the Act increased the amount of compensation for the disadvantage resulting from relocation to \$75,000.<sup>9 10</sup>

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<sup>6</sup> OVG Presentation, 4 August 2017, pp10 & 12

<sup>7</sup> Legislation Review Committee, Legislation Review Digest No 28/56 p10

<sup>8</sup> OVG Presentation, 4 August 2017, p10

<sup>9</sup> Legislation Review Committee, Legislation Review Digest No 28/56 p10; Mr Simon Gilkes, Transcript of evidence, p13;

<sup>10</sup> Hansard, Land Acquisition (Just Terms Compensation) Amendment Bill 2016, First Reading, 20 October 2016, <[Bill Extract](#)>

- 2.6 The Valuer General advised that he had reviewed and updated compensation publications to address the Government initiatives which have been made in response to the recommendations of the JSCOVG and the Russell and Pratt Reviews.<sup>11</sup>

### Separation from Land and Property Information

- 2.7 In May 2016, the Treasurer announced that the NSW Government would proceed with a 35-year long term concession of land and titling operations. As part of the concession, Land and Property Information (LPI) was to be separated into five units: Titling and Registry Services; the Office of the Registrar General; Valuation Services; the Office of the Valuer General; and Spatial Services. Under the new structure which took effect from 1 July 2016, Valuation Services were transferred to Property NSW, part of the Department of Finance, Services and Innovation (DFSI).<sup>12</sup>
- 2.8 At the Eleventh General Meeting, the Valuer General noted that the separation process from LPI did not impact on his Office, which was already separate from LPI. He explained that, although it was not legally defined, his Office in essence had a regulatory role, while Valuation Services were responsible for the operations of the valuations system.<sup>13</sup> He assured the Committee that there had been no significant impact on the valuation system as a result of Valuation Services being transferred to Property NSW other than a number of administrative changes, as Valuation Services conformed to the corporate processes operating within Property NSW.<sup>14</sup>
- 2.9 In addition, the Valuer General clarified that he was not responsible for Titling and Registry Services, which had previously provided services for the Registrar General. He advised that that Office now had a regulatory role, independent from LPI.<sup>15</sup> He further confirmed that the Registrar General is responsible for ensuring the integrity, security, performance and availability of the NSW land titles system through a range of mechanisms, quality assurance and strong engagement with stakeholders.<sup>16</sup>
- 2.10 The Valuer General also pointed out that the contract for the operation of the land titles system requires the new operator to continue to provide all services previously provided by LPI's Titling and Registry Services, including the provision of information to the Valuer General.<sup>17</sup> The transition of the Land Titles Office required the Office of the Valuer General to physically separate from the former LPI and is now relocated in the McKell Building.<sup>18</sup>
- 2.11 By the time of the Eleventh General Meeting, the separation process had almost been completed. One outstanding matter was the transition of the accounting

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<sup>11</sup> OVG Presentation, 4 August 2017, p12

<sup>12</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

<sup>13</sup> Mr Simon Gilkes, Valuer General, Office of the Valuer General, Transcript of evidence, 16 October 2017, pp19-20

<sup>14</sup> Valuer General, Transcript of evidence, 16 October 2017, p4

<sup>15</sup> Valuer General, Transcript of evidence, 16 October 2017, pp4-5

<sup>16</sup> Response to Additional Questions, Question 3, 7 November 2017, [<Response to Questions >](#)

<sup>17</sup> OVG Presentation, 4 August 2017, p11

<sup>18</sup> OVG Presentation, 4 August 2017, p11

system in SAP into a larger upgraded program operating across Property NSW. This was due to be completed by the end of 2017.<sup>19</sup>

### Changes in governance

- 2.12 The 2015-16 annual report outlined a number of changes in the structure of steering committees. In early 2016, five steering committees and the Management Assurance Committee were incorporated into one governance board.<sup>20</sup> At the Eleventh General Meeting, Mr Gilkes explained that the purpose of the merger was to streamline governance and ensure that all the business processes identified in the Valuer General's financial report were included in the quality assurance process.<sup>21</sup>
- 2.13 The amended governance structure also includes three additional oversight committees. These are: the Valuation Joint Governance Board, consisting of the senior executive team which meets with the deputy secretary of the DFSI; the Land Valuation Advisory Group, providing industry, stakeholder oversight, consultation and advice; and the Land Value Improvement Group which is responsible for testing the rigour and integrity of values on the Register of Land Values.<sup>22</sup>

### Staffing changes

- 2.14 A number of senior staffing positions have been created as a result of the separation of Valuation Services from LPI. Ms Anna Welanyk commenced her appointment as Executive Director, Valuation Services on 1 July 2016.<sup>23</sup> In addition, two new directors in the areas of contract management and customer service have been approved by the Secretary of the DFSI. Ms Welanyk advised that a Director of Contract Management and Procurement had already been appointed and that a Director of Customer Experience will be recruited in the near future.<sup>24</sup>

## Coordination in the New Environment

### External

- 2.15 As a result of the Government's changes to the land acquisition process, a new whole of government framework was needed to coordinate the legislative, administrative and operational improvements across government agencies engaged in the acquisition of private property.<sup>25</sup> Sixteen government authorities across five different departments are currently authorised to acquire land for a public purpose, such as a new road or rail line.

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<sup>19</sup> Ms Anna Welanyk, Executive Director, Valuation Services, Property NSW, Transcript of evidence, 16 October 2017, p4

<sup>20</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

<sup>21</sup> Valuer General, Transcript of evidence, 16 October 2017, p21

<sup>22</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

<sup>23</sup> Valuer General, Transcript of evidence, 16 October 2017, p4

<sup>24</sup> Executive Director, Valuation Services, Transcript of evidence, 16 October 2017, p20

<sup>25</sup> NSW Government Response to the Review of the NSW Land Acquisition (Just Terms) Compensation Act 1991 by David Russell SC and Housing Acquisition Review by Michael Pratt AM, Customer Services, Commissioner, 18 October 2016, p4

- 2.16 To improve the overall performance and consistency of acquiring authorities, as well as ensuring greater transparency, the Minister for Finance, Services and Property has been given new responsibilities for the general oversight of acquisitions across government.
- 2.17 A new Property Acquisition Standards (PAS) Group in DFSI has been established to set whole of government performance standards for acquisition processes and standards for information resources provided to landowners. This is in addition to collecting and publishing whole of government land acquisition data on a twice yearly basis. A new Centre for Property Acquisition (CPA) will be responsible for training personnel across government agencies involved in the acquisition process.<sup>26</sup>
- 2.18 The Valuer General confirmed that his Office had contributed to the formulation of the whole of government policy, guidelines and standards and implemented system changes to capture data for reporting requirements.<sup>27</sup> However, he advised that although he collaborated with the PAS Group, he was not actually part of it. He emphasised the critical importance of maintaining his separation and independence from acquiring authorities within in the new administrative structure and in the compulsory acquisition negotiation and determination of compensation process.<sup>28</sup>

### Internal

- 2.19 The Valuer General also briefed the Committee on the coordination of the administrative processes between Valuation Services and DFSI. He noted that the transfer of Valuation Services to DFSI has required adapting the previous LPI corporate processes with those of Property NSW.<sup>29</sup>
- 2.20 Following the separation from LPI, Valuation Services has undergone integration into the Property and Advisory Group (PAG) of DFSI. Integration activities included: changing delegations; the adoption of PAG practices and procedures in the human resources area; and new practices in relation to performance and financial reporting. In addition, a Service Level Agreement was entered into between the Office of the Valuer General and the PAG and operating platforms were aligned to achieve greater efficiencies.<sup>30</sup>

### Independence of the Valuer General

- 2.21 Further to the incorporation of Valuation Services within Property NSW, the Valuer General advised that a new policy had been developed to prevent possible conflicts of interest in certain cases requiring the determination of compensation. This policy sets out the procedures which apply when Valuation Services acts on

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<sup>26</sup> NSW Government, Land Acquisition Reform 2016, <[Land Acquisition Reform Factsheet](#)>

<sup>27</sup> OVG Presentation, 4 August 2017, p15

<sup>28</sup> Valuer General, Transcript of evidence, 16 October 2017, p17

<sup>29</sup> Valuer General, Transcript of evidence, 16 October 2017, p4

<sup>30</sup> OVG Presentation, 4 August 2017, p13

behalf of the Valuer General in land acquisition matters involving Property NSW as owner, lessee or agent.<sup>31</sup>

- 2.22 At the Eleventh General Meeting, the Valuer General explained that the policy prevents a possible conflict of interest occurring. This has been achieved by withdrawing the normal delegation to Valuation Services to undertake the determination and transferring it to the Deputy Valuer General who is responsible for the final sign-off.
- 2.23 Mr Gilkes confirmed that in such cases there is a clear separation between the divisions of Property NSW which could be involved. He noted that, as an additional safeguard, this provision is written into the Service Level Agreement.

### Committee Comment

- 2.24 The Committee appreciates the vigilance exercised by the Valuer General to ensure that the independence of his office is safeguarded in all transactions within the new administrative environment. In particular, the Committee is reassured to learn that the Service Level Agreement with Valuation Services includes a mechanism to address and contain any situation where a conflict of interest may arise in the determination of compensation and the delivery of services by Valuation Services on behalf of the Valuer General.
- 2.25 The Committee acknowledges that the Valuer General has taken positive steps to maintain the separation of his role within the restructured administration and the government's changes to the land acquisition system which involve greater interaction between and within agencies.
- 2.26 In answers to written questions following his appearance before the Committee, Mr Gilkes provided reassurances about his independence under the whole of government arrangements, particularly in relation to compulsory acquisitions.<sup>32</sup> However, it is important that the Valuer General continues to critically evaluate his position and informs the Committee of any changes in circumstances which may impact on his Office.

### Recommendation 1

**The Committee recommends that the Valuer General provides regular annual reporting updates reinforcing his independence in undertaking valuations and compulsory land acquisitions and in his working arrangements involving other agencies and organisations.**

### Other Developments Impacting on the Valuer General

- 2.27 Developments in information technology enable the Valuer General to collaborate more closely with other parts of government and share data more widely. Mr Gilkes informed the Committee about a collaborative research project

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<sup>31</sup> OVG Presentation, 4 August 2017, p8

<sup>32</sup> Response to Additional Questions, Question 2, 7 November 2017, [<Response to Questions>](#)

which his Office is undertaking with the Cooperative Research Centre for Spatial Information and the University of New South Wales.

- 2.28 The project aims to develop an automated valuation model for use in transport planning. In his evidence, Mr Gilkes emphasised that his most important objective in exploring innovations was to find new and better ways of performing valuations which are accurate, consistent and deliverable 'at the absolute minimum amount of cost'.<sup>33</sup>
- 2.29 Ms Welanyk outlined a range of system enhancements to the Valuation Services Information Management System, Valnet, which would enable more information to be generated and also to improve performance tracking. She referred to a collaborative undertaking between Valuation Services and the Data Analytics Team in Treasury. This examines the possible utilisation of information stored in Valnet to inform programs in other parts of government to provide more informed decision-making.<sup>34</sup>
- 2.30 In conjunction with the NSW Government Open Data policy, the Valuer General has also made improvements to the accessibility of data on the Valuer General's website.<sup>35</sup> Further information about online information provided by the Valuer General is provided in Chapter Four.

## Committee Comment

- 2.31 At the Eleventh General Meeting, the Valuer General provided a detailed account of his response to a number of significant changes in the legislative, policy and administrative environments since the Tenth General Meeting. The Committee commends the Valuer General for the timely and efficient implementation of the changes relevant to his Office in the administration of the valuation and compulsory acquisition systems since 2016.
- 2.32 The Committee is pleased that the Valuer General is participating in a number of collaborative projects in order to explore the use of improved tools to perform valuations. In addition, the Committee welcomes the exploration of ways in which data held in the Valuation Services information management system can be utilised by other government agencies for innovative purposes.

## Recommendation 2

**The Committee recommends that the Valuer General continues to develop collaborative research efforts on a whole of government basis with relevant external stakeholders.**

## Implementation of Previous Committee Recommendations

- 2.33 The report of the Tenth General Meeting made nine recommendations. These concerned a variety of matters, including:

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<sup>33</sup> Valuer General, Transcript of evidence, 16 October 2017, p15

<sup>34</sup> Executive Director, Valuation Services, Transcript of evidence, 16 October 2017, p15

<sup>35</sup> Valuer General, Transcript of evidence, 16 October 2017, p14

- the need to formulate a specific policy on Coal Seam gas mining;
- the need for more research relating to complex land valuations;
- the need for further policy development on waterfront land;
- the need for further market research in relation to the experience of landholders who receive Compulsory Acquisition Notices;
- the need to improve services for rural landholders;
- the need for more information in the annual report regarding expenditure on contractors and consultants;
- the need for further research into website use and improvement of digital services;
- the need to provide website links to interpreter services for non-English speaking background (NESB) landholders; and
- the need for more detailed information in the annual report regarding court appeals against objections to land valuations and compensation decisions.

2.34 At the Eleventh General Meeting, the Valuer General confirmed that the majority of recommendations from the Tenth General Meeting had been completed. He also referred to the recommendations of the 2013 Inquiry into the Land Valuation System and observed that his implementation of the 29 recommendations from that Inquiry would finally be completed with the tabling of his 2016-17 Annual Report as a separate report<sup>36</sup>.

2.35 The Valuer General's responses to the recommendations of the report of the Tenth General Meeting are summarised at Appendix One.

### **Committee Comment**

2.36 The Committee commends the Valuer General's comprehensive monitoring of the long-term implementation of the 29 recommendations arising from the 2013 Inquiry into the Land Valuation System. The Committee appreciates that the Valuer General has competently addressed all the challenges which have arisen in making improvements to the valuation system and its services, in addition to responding to the compulsory acquisition compensation changes introduced by the Government in 2016.

2.37 The Committee looks forward to the publication of the Valuer General's standalone annual report in the near future and to reviewing it at the next General Meeting. The Committee is pleased to note that all nine recommendations arising from its report on the Tenth General Meeting have been implemented or are actively being pursued.

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<sup>36</sup> Valuer General, Transcript of evidence, 16 October 2017, p1

## Chapter Three – Critical Valuation Processes

### Involvement with Local Government

#### Council amalgamations

- 3.1 During the period under review, the NSW Government created new council areas across NSW. The boundary changes, which became effective on 12 May 2016, affect the way in which the Valuer General receives data from contract valuers and provides valuation information to councils and other stakeholders. A Council Amalgamations Working Group was formed to ensure the smooth transition of systems and processes to reflect the boundary changes and to meet the specific information management needs of different councils.<sup>37</sup>
- 3.2 The Valuer General advised that since the Tenth General Meeting, consultation was undertaken with 20 proclaimed councils to assess valuation delivery requirements and ensure that all valuations had been provided according to councils' individual rating requirements.<sup>38</sup>

#### Council liaison

- 3.3 The Valuer General offers formal information sessions to all councils issued with new valuations for rating. The sessions give information about the land values as at 1 July, explain changes in values and provide a general forum for discussion and questions.
- 3.4 During the period under review, council visits to explain the 1 July 2015 values were offered to 47 councils, of which 35 accepted.<sup>39</sup> A further 142 visits were offered to discuss the 2016 land values, taken up by 75 mainly regional councils who met with Valuation Services staff and contractors.<sup>40</sup>
- 3.5 At the Eleventh General Meeting, Mr Gilkes advised that the take up rate by councils of around 50 per cent had been '...reasonably consistent over some period of time.'<sup>41</sup> He explained that contract valuers attend the forums with the local manager from Valuation Services responsible for that area who can elaborate on static or changed valuations.<sup>42</sup>
- 3.6 When asked about whether the Valuer General followed up non-responsive councils, Ms Welanyk confirmed that more than one attempt was made by Valuation Services to contact councils and that work was underway to organise future meetings on a consolidated basis.<sup>43</sup> Mr Gilkes assured the Committee that

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<sup>37</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p79

<sup>38</sup> OVG Presentation, 4 August 2017, p20

<sup>39</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p79

<sup>40</sup> OVG Presentation, 4 August 2017, p19

<sup>41</sup> Mr Simon Gilkes, Valuer General, Office of the Valuer General, Transcript of evidence, 16 October 2017, p2

<sup>42</sup> Valuer General, Transcript of evidence, 16 October 2017, p3

<sup>43</sup> Ms Anna Welanyk, Executive Director, Valuation Services, Property NSW, Transcript of evidence, 16 October 2017, p3

there is a very close relationship between Valuation Services and all local councils, with an ongoing dialogue on a day-to-day basis.<sup>44</sup>

### **Rural and regional landholders**

- 3.7 At the Eleventh General Meeting, the Valuer General highlighted the contribution made by councils in providing information to rural and regional landholders. He informed the Committee that regional councils are much more likely to take up the opportunity to participate in an information briefing with Valuation Services representatives. He noted that metropolitan councils are less likely to do so because they consider that they have the capacity to undertake their own analysis.<sup>45</sup>

### **Public communications**

- 3.8 The Valuer General publishes newsletters biannually to provide public information about the NSW valuation system. Newsletters are issued in January/February with Notices of Valuation, and in July when they are issued by local councils with rate notices. The Valuer General undertakes surveys with councils to inform the content of the newsletters.<sup>46</sup>
- 3.9 In his evidence to the Eleventh General Meeting, the Valuer General outlined how information categorised by local government area or regionally is now available on his website. Summaries provide information about how the valuations were made and include evidence citing the basis of valuations and typical valuations for various classes of land.<sup>47</sup>
- 3.10 The Valuer General also informed the Committee that media coverage following the release of new land values in December/January each year is monitored, coordinated and evaluated by the DFSI media unit. In January 2016, the Valuer General issued a state wide media release and 29 other media releases covering 47 local government areas for the 1 July 2015 land values.<sup>48</sup>

### **Committee Comment**

- 3.11 The Committee welcomes the initiative foreshadowed by Valuation Services in the evidence of Ms Welanyk, who suggested that future consolidated local government meetings be conducted. This is sensible in view of the amalgamation of local councils.
- 3.12 However, the Committee is concerned that local government is a key stakeholder in the operations of the Valuer General but councils currently have an attendance rate at formal information sessions of only 50 per cent. Such forums are an opportunity for local government staff not only to be informed about changes in valuations but also enable questions and discussion relevant to the role of the Valuer General in the delivery of valuation services.

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<sup>44</sup> Valuer General, Transcript of evidence, 16 October 2017, p3

<sup>45</sup> Valuer General, Transcript of evidence, 16 October 2017, p2

<sup>46</sup> OVG Presentation, 4 August 2017, p12

<sup>47</sup> Valuer General, Transcript of evidence, 16 October 2017, p6

<sup>48</sup> Response to Additional Questions, Question 7, 7 November 2017, [<Response to Questions>](#)

- 3.13 The Committee notes the active involvement of rural and regional councils in the Valuer General's annual program of meetings with local government and in providing a contact point for landholders to obtain information relating to land valuations in their local areas. Given the amount of information now provided by the Valuer General on the website about land valuations across local government areas, there are increased opportunities for initiatives to provide information to rural and regional landholders and to seek feedback from them with the assistance of local councils.
- 3.14 In the view of the Committee, this makes it possible to use local government forums to conduct a wider public information campaign regarding the role of the Valuer General and the work of Valuation Services for all residents and landholders in local government areas, whether rural, regional or metropolitan. The Committee would like to see more energetic efforts to promote these information forums for local communities.
- 3.15 The Committee notes that local councils support the distribution of the July edition of the Valuer General's newsletter with rate notices. The Committee sees merit in exploring opportunities to develop further public education partnerships with local councils and adopting a media strategy to support public education about the land valuation system.

### **Recommendation 3**

**The Committee recommends that the Valuer General makes further efforts to encourage greater participation of local councils and local residents and landholders in formal annual public information sessions.**

### **Recommendation 4**

**The Committee recommends that the Valuer General explores opportunities to develop further public education partnerships with local councils and the feasibility of adopting a media strategy to support a public education campaign about the land valuation system and the role of the Valuer General in local communities.**

## **IPART**

- 3.16 Valuation services provided to local councils by the Valuer General are declared as government monopoly services under the *Independent Pricing and Regulatory Tribunal Act 1992*. The Independent Pricing and Regulatory Tribunal (IPART) determines the prices which the Valuer General can charge for these services, which is shared between councils and the Office of State Revenue (Revenue NSW).<sup>49</sup>
- 3.17 In 2014, IPART reviewed the pricing of monopoly valuation services and published a report setting prices for the five-year period from 1 July 2014 to 30 June 2019. Price increases occurring during the five years are made in accordance with the Consumer Price Index.<sup>50</sup>

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<sup>49</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p85

<sup>50</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p85

- 3.18 The Valuer General's charges to local councils for the 2015-16 year were \$5.57 for residential land and \$12.25 for non-residential land. These charges reflected the maximum charges set by IPART and represented a 1.3 per cent increase over the previous year. The overall average cost per valuation was \$18.68, compared to \$17.53 for the 2014-15 financial year. The Valuer General reported that factors impacting on this increase included an increase in the cost of objections and an increase in corporate overheads.<sup>51</sup>
- 3.19 During 2016, IPART undertook a review of the local government rating system at the request of the NSW Government. The purpose of the review was to develop recommendations to improve the equity and efficiency of the rating system, in order to enhance councils' ability to implement sustainable fiscal policies over the long term.<sup>52</sup> The Valuer General contributed to this review by providing direct consultation as well as a written submission and by participating at a public hearing.<sup>53</sup>
- 3.20 The maximum percentage amount by which a council may increase its general income for the year is determined by the rate peg.<sup>54</sup> The Committee asked whether the Valuer General had a role in meeting with councils to provide background advice in relation to their applications to IPART concerning rate pegging.
- 3.21 The Valuer General stressed that his role was to be independent from the actual rating process. He explained that while he was happy to provide information to local councils about how valuations are structured and related to the local government area, he did not believe it was his role to advise them on how to make a submission to IPART.<sup>55</sup>

## Office of State Revenue (now Revenue NSW)

- 3.22 During the year under review, the Valuer General conducted regular liaison meetings with the Office of State Revenue (Revenue NSW) concerning the provision of land values to be used in the management of land tax.<sup>56</sup>

## Complex and Specific Interest Land Valuations

### Valuation policies relating to complex valuations

- 3.23 As discussed in Chapter Two, the Valuer General has reviewed valuation methodologies and technical procedures and developed or is progressing policies for the valuation of complex land value categories. These include policies dealing with the valuation of mines, quarries, cemeteries and crematoria.
- 3.24 In addition, the Valuer General has published a new policy on the valuation of commercial land below the high water mark, revised an existing policy relating to

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<sup>51</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p86

<sup>52</sup> Independent Pricing and Regulatory Tribunal (IPART) website, <[Local Government Rating System](#)>

<sup>53</sup> OVG Presentation, 4 August 2017, p12

<sup>54</sup> Independent Pricing and Regulatory Tribunal (IPART) website, <[For Ratepayers - The Rate Peg](#)>

<sup>55</sup> Valuer General, Transcript of evidence, 16 October 2017, p3

<sup>56</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p79

domestic land below the high water mark and is also developing a fact sheet relating to domestic waterfront occupancy.<sup>57</sup>

### **Specific interest land valuations**

#### *Airport land*

3.25 At the Eleventh General Meeting, the Valuer General advised that airport lands have been added to the current year's complex land value improvement program with a view to developing a specific valuation policy for the future guidance of contractors. The Valuer General confirmed that this policy would be published during the course of this financial year.

3.26 Mr Gilkes explained that the valuation of airport land is complicated by the fact that this land comes under Commonwealth jurisdiction and airport operators pay rate and tax equivalents under the terms of their agreement with the Commonwealth. He noted that while land values on the NSW register have previously been used for technical purposes, the agreement was not covered by the State's rating and taxing legislation or the Land Valuation Act.

3.27 However, he had written to Sydney Airport and the councils offering to continue to maintain those valuations as a base for levying rate equivalents and proposing a mechanism for dispute resolution in those cases.

3.28 Further to the Tenth General Meeting, the Valuer General reiterated his rationale for valuations of land at Sydney Airport being generally lower than the rate per square metre of valuations outside the airport area. He observed that in the past few years, there had been substantial growth in values outside the airport because those lands are zoned for mixed use, which enables not only the development of commercial use, but residential over the top of it. He explained that this does not apply to airport lands where the uses are more constrained, such as in terminal sites, and is limited to the commercial use.<sup>58</sup>

#### *Valuation of land across LGAs*

3.29 At his presentation, the Valuer General advised that a valuation policy has been published regarding the valuation of land or stratum located in more than one local government area.<sup>59</sup> The purpose of this policy is to guide valuers on the methods to use and factors to consider when valuing land which is located in more than one local government area or district for rating and taxing purposes.<sup>60</sup>

### **Annual policy reviews**

3.30 The Valuer General's policies are reviewed annually to ensure compliance with current legislation, common law principles and policy objectives. This practice was recommended by the JSCOVG's 2013 Inquiry into the Land Valuation System and implemented for the first time in 2015-16 in relation to 24 policies.

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<sup>57</sup> OVG Presentation, 4 August 2017, pp 4 & 9

<sup>58</sup> Valuer General, Transcript of evidence, 16 October 2017 p5

<sup>59</sup> OVG Presentation, 4 August 2017, p8

<sup>60</sup> NSW Valuer General's website, <[Valuation of land or stratum located in various local government areas](#)>

- 3.31 As part of the review, invitations for comment were sent to a broad range of stakeholders, including industry, professional and government representatives and contract valuers. Comments received from landholders and improvements identified throughout the year were also considered. The Valuer General advised that no changes were deemed necessary in view of the positive feedback received.
- 3.32 During the 2015-16 reporting year, an interim policy on correcting a valuation previously determined on objection was developed. This policy has since been finalised and published. Further information is provided under 'Objections Management' later in this Chapter.<sup>61</sup>
- 3.33 As at August 2017, a total of 30 policies had been published on the Valuer General's website. The Valuer General confirmed that a policy review for 2016-17 has now been completed.<sup>62</sup>

### Committee Comment

- 3.34 The Committee is pleased that the Valuer General is actively researching methodologies and developing policies in relation to complex land categories and other types of land valuations with specific issues such as airports and land located in more than one LGA. The Committee notes that the Valuer General has addressed the JSCOVG's 2013 recommendation regarding the need for policies to be annually reviewed and that formal consultation with stakeholders is being undertaken as part of the review process. The Committee looks forward to receiving further information about the 2016-17 policy review at the next General Meeting.

### Compulsory Acquisitions

- 3.35 A range of major government organisations are authorised to acquire land for a public purpose, such as a major infrastructure project. The vast majority of acquisitions, (estimated at around 85 per cent) are made by agreement. The Valuer General's role is confined to the minority of cases where agreement cannot be reached.<sup>63</sup> In such cases, the Valuer General independently determines the amount of compensation to be paid by the acquiring authority in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*.<sup>64</sup>

### Increased number of determinations of compensation

- 3.36 During the 2015-16 annual reporting year, there was a substantial increase in the number of determinations for compensation arising from the government's infrastructure development projects including WestConnex, Northern Beaches Hospital and Sydney Light Rail.

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<sup>61</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p77

<sup>62</sup> OVG Presentation, 4 August 2017, p8

<sup>63</sup> Valuer General, Transcript of evidence, 16 October 2017, p7

<sup>64</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p83

- 3.37 In addition to determinations for compensation made in cases of compulsory acquisition, the Valuer General made determinations as a result of the Treasurer's Directions in relation to intergovernmental transfers.
- 3.38 In 2015-16, there were 325 determinations of compensation for compulsory land acquisition (valued at \$390 million), compared with 163 determinations in 2014-15 (valued at \$110 million). The total number of determinations for compensation in 2015-16 (including those arising from Treasury Directions) was 374 (valued at \$445 million), compared with a total of 244 (valued at \$113.9 million) in 2014-15.<sup>65</sup>
- 3.39 The number of determinations for compensation was expected to continue to increase in 2016-17. In his presentation to the Committee in August 2017, the Valuer General advised that 177 determinations had been issued over the 2016-17 financial year for a total compensation value of \$468,463,203.
- 3.40 The Valuer General stated that the majority of determinations for compensation issued in that financial year related to commercial, industrial and business interests. The major relevant projects were WestConnex (Road) and Sydney Metro City and Southwest (Rail).<sup>66</sup>
- 3.41 Commenting on the 2015-16 financial report at the Eleventh General Meeting, Mr Gilkes noted that the increase in the salaries and on-costs was caused by the volume of compensation activity. However, he advised that the additional expenditure on contractors or staff relating to compensation matters did not burden the finances for rating and taxing valuations.
- 3.42 He explained that under the Just Terms compensation provisions, the acquiring authority is required to meet the reasonable costs of the Valuer General in determining compensation.<sup>67</sup>

#### **Improvements in fairness and transparency**

- 3.43 As outlined in Chapter Two, the Valuer General has made substantial efforts to improve the determination for compensation process since the 2013 Inquiry into the Land Valuation System. More recently, there have been two further independent reports to government on the *Land Acquisition (Just Terms Compensation) Act 1991* and the land acquisition framework.
- 3.44 As a result of these reports, additional significant changes have been made to the land acquisition process. These have focussed on improving fairness and transparency for the landholder in compulsory acquisition negotiations.<sup>68</sup> The key improvements which have been implemented and developed during the period under review are discussed individually below.

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<sup>65</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p83

<sup>66</sup> OVG Presentation, 4 August 2017, p15

<sup>67</sup> Valuer General, Transcript of evidence, 16 October 2017, p12

<sup>68</sup> Valuer General, Transcript of evidence, 16 October, 2017, p2

*Preliminary valuation reports*

- 3.45 A new process of issuing preliminary valuation reports to land owners affected by compulsory acquisition has been introduced, allowing land owners an additional opportunity to raise issues or concerns and have these addressed before the final compensation amount is determined. Responses to issues or concerns raised during the preliminary report process are addressed in writing in the final valuation report.
- 3.46 The Valuer General informed the Committee that 27 preliminary reports had been issued since March 2017, resulting in three amendments to the final issued determination amount.<sup>69</sup>

*Conferences*

- 3.47 At the Eleventh General Meeting, the Valuer General observed that the introduction of conferences, in response to the JSCOVG's 2013 Inquiry into the Land Valuation System, has improved fairness and access to information by providing a forum to ask questions and resolve issues before decisions are finalised.
- 3.48 Conferences range from one-to-one telephone discussions between landholders and valuers to clarify information and issues to more formal, independently facilitated dispute resolution conferences. Conferences are structured to meet the circumstances of each case and landholder feedback is sought to ensure the conference process meets their needs.<sup>70</sup>
- 3.49 In addition, Valuers and other experts representing the Valuer General are required to contact the land owner or their representative in all cases. Internal coordinators are appointed in each case and are available to discuss issues and concerns throughout the process.<sup>71</sup>
- 3.50 At the start of the 2015-16 annual reporting period, the Valuer General introduced a survey to measure customer satisfaction with the 63 facilitated conferences undertaken. While the response rate was small, the majority of respondents were satisfied with the conduct of the conferences. The Valuer General provided assurance that the conference process was subject to continuous improvement, aided by a new fact sheet introduced and published on his website.<sup>72</sup>

*Information sharing*

- 3.51 The Valuer General's policy for compensation following compulsory acquisition has been updated to reflect the objectives of the JSCOVG recommendations and the Government's land acquisition changes, with a view to increasing procedural fairness and transparency for land owners.<sup>73</sup>

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<sup>69</sup> OVG Presentation, 4 August 2017, p14

<sup>70</sup> Valuer General, Transcript of evidence, 16 October 2017, p2

<sup>71</sup> OVG Presentation, 4 August 2017, p14

<sup>72</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p79

<sup>73</sup> OVG Presentation, 4 August 2017, p14

- 3.52 The updated Policy requires that when compensation is being determined, the Valuer General will receive and consider all information provided by both the landowner and the acquiring authority. The Policy stipulates that the Valuer General is committed to full disclosure in the determination of compensation process.
- 3.53 Landowners who wish to claim compensation must lodge a claim in accordance with section 39 of the Land Acquisition Act. Following the 2016 legislative amendments, the landowner may lodge this directly with the Valuer General or, as was previously the case, with the acquiring authority.<sup>74</sup> In addition, the Valuer General is now issuing the final valuation report and determination of compensation at the same time as the acquiring agency.<sup>75</sup>

*Compensation for disadvantage*

- 3.54 The Government's 2016 amendments to the *Land Acquisition (Just Terms Compensation) Act 1991* provided for an increase in the amount of compensation for the land owner's disadvantage resulting from relocation (previously known as 'solatium') from \$27,235 to a maximum of \$75,000, indexed to CPI and backdated to 26 February 2014.<sup>76 77</sup>
- 3.55 The increase in the maximum payment was implemented by the Valuer General from 18 October 2016, following the notification of the revised amount in the NSW Government Gazette. The process for backdated compensation amounts was managed by Revenue NSW.<sup>78</sup>
- 3.56 At the Eleventh General Meeting, the Committee explored how this compensation was assessed and asked for details about relevant dispute resolution provisions. The Valuer General advised that compensation assessments were made on a case by case basis. He observed that this type of compensation was for nonfinancial losses and it was a judgement about how seriously an acquisition affects an individual. He pointed out that he would not be privy to the resolution of disputes, as these matters were between the acquiring authority and the landholder.<sup>79</sup>
- 3.57 Following the implementation of the new maximum amount, the Valuer General confirmed that he has been determining compensation for disadvantage resulting from relocation having regard to the relevant NSW Government Guidelines. He further confirmed that amounts determined for disadvantage resulting from relocation are generally at the maximum gazetted amount. As

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<sup>74</sup> NSW Valuer General's website, Policies, Compensation following compulsory acquisition, August 2017, <[Compensation following compulsory acquisition](#)>

<sup>75</sup> OVG Presentation, 4 August 2017, p14

<sup>76</sup> NSW Government, Land Acquisition Reform 2016, <[Land Acquisition Reform Factsheet](#)>

<sup>77</sup> Legislation Review Committee, Legislation Review Digest No 28/56 p10; Valuer General, Transcript of evidence, p13

<sup>78</sup> Response to Questions on Notice, Question 2, 7 November 2017, <[Response to Questions](#)>

<sup>79</sup> Valuer General, Transcript of evidence, p13

such, this component of compensation has not been subject to objection or dispute.<sup>80</sup>

*Extended time frame for determination of compensation*

- 3.58 Following the 2016 Amendments to the *Land Acquisition (Just Terms Compensation) Act 1991*, the time frame for determining compensation has been extended from 30 to 45 days. At the Eleventh General Meeting, the Committee asked the Valuer General about the benefits of the extended time frame. Mr Gilkes advised that this allowed for landowners to be provided with preliminary reports and enabled them to respond to the reports.
- 3.59 Mr Geoffrey Thompson, Director Compensation Program, Valuation Services confirmed that where landowners required more time to obtain information, this would be accommodated provided it did not expose the acquiring authority to penalties in the contract if commencement of an infrastructure project was delayed. Mr Gilkes emphasised his conscious decision to give priority to ensuring landowners receive full procedural fairness over meeting the statutory time frame.<sup>81</sup>

*Publication of guidelines and dedicated website*

- 3.60 In response to the Government's land acquisition changes, the Valuer General has contributed to the formulation of policy, guidelines and standards to be followed across government in relation to compulsory land acquisition and determinations for compensation.
- 3.61 This has involved ensuring that whole of government documentation accurately describes the role of the Valuer General and the production of whole of government guidelines for business compensation and disadvantage resulting from relocation.<sup>82 83</sup> In addition, the Valuer General has reviewed and updated all compensation publications issued by his office to ensure that the Government's changes have been addressed.<sup>84</sup>
- 3.62 System changes have been effected to ensure data is captured for whole of government reporting requirements in relation to compensation and compulsory land acquisition.<sup>85</sup> The Valuer General has also reviewed the content of the dedicated NSW Property Acquisition website, which was initiated in 2016 and has since been updated.<sup>86</sup> Mr Gilkes explained that while the content supports the information on the Valuer General's website, its main focus is the property acquisition process as a whole rather than the compulsory acquisition process in which the Valuer General is involved<sup>87</sup>.

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<sup>80</sup> Response to Questions on Notice, Question 2, 7 November 2017, [<Response to Questions>](#)

<sup>81</sup> Mr Geoffrey Thompson Director, Compensation Program, Valuation Services, Property NSW and Valuer General, Transcript of evidence, 16 October 2017, p13

<sup>82</sup> OVG Presentation, 4 August 2017, p15

<sup>83</sup> OVG Presentation, 4 August 2017, p11

<sup>84</sup> OVG Presentation, 4 August 2017, p12

<sup>85</sup> OVG Presentation, 4 August 2017, p15

<sup>86</sup> NSW Property Acquisition website, [<Property Acquisition>](#)

<sup>87</sup> Response to Additional Questions, Question 12, 7 November 2017, [<Response to Questions>](#)

*Determination of compensation and land below the surface*

- 3.63 During his presentation, the Valuer General reported on a change in his obligations in relation to the determination of compensation where land is below the surface. He explained that it was a previous longstanding practice not to issue determinations of compensation where land below the surface is acquired for the purpose of a tunnel. However, following a land owner query, advice was obtained from the Solicitor General that the Valuer General is obliged to issue a determination of compensation in these matters, even if no compensation is payable.<sup>88</sup>

## **Objections Management**

- 3.64 Land value reflects the market value of the land as at 1 July in the year of valuation, based on the value of land as if vacant.<sup>89</sup> When land values are used by councils for rating and by the Office of State Revenue (Revenue NSW) for land tax, landholders are notified of the land value by a Notice of Valuation or Land Tax Assessment.
- 3.65 This provides landholders with the right to lodge an objection to have their land value reviewed.<sup>90</sup> During 2015-16 and subsequently, the Valuer General has implemented a number of improvements in relation to the management of landowner objections to valuations, as set out below.<sup>91</sup>

### **Preliminary objection reports and short format reports**

- 3.66 Further to a pilot program introduced in 2014, the Valuer General measured the impact on landholders and timeframes of providing preliminary objection reports prior to finalising objections. He also assessed the acceptance of short format reports in objection matters involving less complex property types.
- 3.67 The 2015-16 Annual Report confirmed that customer feedback to the trial of all these reports had been positive.<sup>92</sup> However, the Valuer General also advised that while the pilot of the new processes had been successful, it had highlighted the challenge of providing greater landholder engagement as part of timely service.<sup>93</sup>
- 3.68 Under the *Valuation of Land Act 1916*, an objection is taken to have been disallowed if the Valuer General has not made a determination within 90 days.<sup>94</sup> A landholder not satisfied with the outcome of their objection can lodge an appeal in the Land and Environment Court.

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<sup>88</sup> OVG Presentation, 4 August 2017, p11

<sup>89</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p81

<sup>90</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p77

<sup>91</sup> Valuer General, Transcript of evidence, 16 October 2017, pp1-2

<sup>92</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p78

<sup>93</sup> Valuer General, Transcript of evidence, 16 October 2017, pp1-2

<sup>94</sup> NSW Legislation website, *Valuation of Land Act 1916*, Part3 35C, <[Valuation of Land Act 1916 No 2](#)>

- 3.69 Delays in objection completion also impact on councils and the Office of State Revenue (Revenue NSW). The 2015-16 Annual Report stated that the preliminary report had a negative impact on meeting objection completion timeframes.<sup>95</sup>
- 3.70 At the Eleventh General Meeting, Mr Gilkes informed the Committee that the objection process has since been redesigned to provide preliminary objection reports to landowners in a timely manner. In addition, the introduction of short format reports has also improved timeliness and cost-effectiveness.<sup>96</sup>
- 3.71 In the case of preliminary objection valuation reports, landholders now have 28 days to make further submissions on any material in the report before the objection is finalised. Responses to issues or concerns raised during the preliminary report process are addressed in the final report.
- 3.72 In his presentation, the Valuer General advised that 2120 preliminary decisions have been issued since 17 February 2017, when the preliminary objection process was launched. In addition, he advised that the new process had effected a 36 per cent improvement in the turn-around time in providing advice to landholders on objection outcomes.<sup>97</sup>

#### **Interaction with landholders and information provision**

- 3.73 As has been done in relation to the determination of compensation process, the Valuer General has strengthened engagement with landholders by providing more opportunities to ask questions, raise concerns and make submissions as part of the objection process.<sup>98</sup> Informal conferences have been introduced and are being systematically recorded.<sup>99</sup>
- 3.74 At the Eleventh General Meeting, the Valuer General stressed improvements made in providing access to information about the valuation process and the provision of valuation data to help landholders understand their land values, in addition to the publication of additional policies describing the valuation process.<sup>100</sup>

#### **Determinations of objections**

- 3.75 The 2015-2016 performance report of the Valuer General included for the first time a KPI measuring the percentage of objections which led to a change in land value. For that reporting year, the percentage was 30 per cent.<sup>101</sup>
- 3.76 At the Eleventh General Meeting the Valuer General emphasised that this was quite a small number because it was a percentage of objections received as a proportion of the valuations that were issued for rating and taxing. He pointed out that while there were over 1.5 million valuations for that year, only seven

<sup>95</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p78

<sup>96</sup> Valuer General, Transcript of evidence, 16 October 2017, p2

<sup>97</sup> OVG Presentation, 4 August 2017, p16

<sup>98</sup> Valuer General, Transcript of evidence, 16 October 2017, p2

<sup>99</sup> OVG Presentation, 4 August 2017, p16

<sup>100</sup> Valuer General, Transcript of evidence, 16 October 2017, p2

<sup>101</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p90

thousand resulted in an objection. He noted that this was low by world standards.<sup>102</sup>

3.77 During his presentation, the Valuer General reported that the level of allowed objections has continued to fall over the past few years, indicating an improvement in the accuracy and quality of rating and taxing valuations. He advised that, as at August 2017, the percentage of objections allowed was 25 per cent compared with 44 per cent in 2014; 42 per cent in 2015; and 30 per cent in 2016.<sup>103</sup>

3.78 In connection with the redesign of the objection management procedures, the Valuer General has also published a policy on correcting a valuation previously determined on objection. This policy directs valuers and staff about the procedures to be followed for correcting a land value previously determined on objection.<sup>104</sup> At the Eleventh General Meeting, the Valuer General emphasised his commitment to taking a proactive approach in objection management by providing opportunities for consultation rather than forcing landholders to go to litigation.<sup>105</sup>

### **Volume of objections received**

3.79 In the 2015-16 annual reporting period, the number of objections received rose significantly to 7,051, compared to 4,933 in 2014-15. At the same time, there was a marked reduction in the number of objections completed within the required time frames of 90 days and 120 days.<sup>106</sup>

3.80 Mr Gilkes explained that time frames were not met while the preliminary objection report was being trialled. With regard to the increased number of objections at that time, he surmised that this was due to the shocked reaction of landholders who received a Notice of Valuation at 1 July 2015 at the time of the spike in the Sydney residential property market.<sup>107</sup> Although KPIs for objection processing were negatively impacted in the period under review, the 2015-16 Annual Report noted that all customer service KPIs for that reporting period had been met.<sup>108</sup>

### **Committee Comment**

3.81 The Committee commends the effort invested in making improvements to the determination of compensation processes in response to its previous recommendations and following the Government's two independent reviews. The redesign of the objection review process is also a significant achievement which, based on the evidence provided by the Valuer General, has been carefully trialled and fine-tuned over a number of years.

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<sup>102</sup> Valuer General, Transcript of evidence, 16 October 2017, p14

<sup>103</sup> OVG Presentation, 4 August 2017, p16

<sup>104</sup> OVG Presentation, 4 August 2017, p8

<sup>105</sup> Valuer General, Transcript of evidence, 16 October 2017, p16

<sup>106</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p90

<sup>107</sup> Valuer General, Transcript of evidence, 16 October 2017, p14

<sup>108</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p77

- 3.82 The Committee is particularly impressed by the measures taken by the Valuer General to improve fairness and transparency by better explaining the Valuer General's role and processes in the determination of compensation and objections. Landholders will undoubtedly appreciate having more opportunities to ask questions, raise concerns and make submissions in relation to the determination of compensation and land value objection processes.
- 3.83 The provision of more information on the website about the land valuation system, the role of the Valuer General and the procedures for negotiating compensation or lodging objections is a milestone in achieving the objectives of accountability, transparency and procedural fairness which the JSCOVG envisaged in framing its recommendations as a result of its 2013 Inquiry.
- 3.84 With regard to the objection management system, the Committee welcomes the proposed inclusion of a KPI in the Valuer General's performance report, which will enable ongoing measurement of the number of objections which led to a change in the land value. In addition, the Committee supports the issuing of preliminary reports to landholders, so that they are able to see the decision made and bring to attention any factual errors, questions or concerns.
- 3.85 The proactive and conciliatory approach which the Valuer General has adopted in relation to objection management, as opposed to adversarial litigation processes, is constructive and ultimately more efficient and cost-effective for all parties concerned.

## Other Initiatives

### Publication of Valuation Reports

- 3.86 In January 2016, the Valuer General commenced publishing final valuation reports on the website. As was noted in relation to the involvement with local government earlier in this Chapter, these final valuation reports are prepared for each local government area (LGA) by the contract valuer.
- 3.87 The reports provide an overview of the valuation program for each local government area. Information in each report includes the number of properties, major changes in valuations, significant issues and planning information.<sup>109</sup>
- 3.88 In January 2017, the Valuer General published the Report on NSW Land Values. This report detailed land value totals and trends as at 1 July 2016 for land use categories and 14 regions across NSW. As part of his presentation to the Committee, the Valuer General advised that these reports will now be published on an annual basis. He noted that the Report had been the subject of many media articles.<sup>110</sup>

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<sup>109</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p80

<sup>110</sup> OVG Presentation, 4 August 2017, p12

## Chapter Four – Transparency of Determinations and Public Accountability

### Customer Relations

- 4.1 During the 2015-16 annual reporting period, the Valuer General made continuing improvements to ensure that the valuation system is fair, accessible, transparent and capable of consistently delivering positive experiences for customers. The Annual Report confirmed that all previous recommendations of the Committee relevant to the responsibilities of the Valuer General had been addressed and completed.<sup>111</sup>
- 4.2 A permanent in-house call centre has historically been provided by Valuation Services on behalf of the Valuer General. This service was retained following the transition to DFSI. Valuation Services also periodically utilises an Australian based outsourced service provider in order to increase call handling capacity during peak periods, in particular, following the issuing of Notices of Valuation.<sup>112</sup>

### Customer surveys

- 4.3 During the past year, Valuation Services has conducted customer surveys involving over one thousand customers initiated by telephone enquiries. Mr Gilkes advised that one of the measures used to determine satisfaction was a net promoter measure, which is an indicator of willingness to recommend a service to a friend.
- 4.4 The Valuer General noted that 50 per cent of participants fell within the net promoter band and confirmed that this was considered quite a strong result for a call centre. Mr Gilkes further advised that 81 per cent of respondents agreed that the service was timely, with around 90 per cent agreeing that the customer service officer was helpful, respectful and knowledgeable.<sup>113</sup>
- 4.5 In 2017, the Valuer General also implemented new customer feedback surveys for landholders who made contact and/or lodged objections. The surveys isolate the landholder's property type, which assists in gaining insights particularly in relation to the need of rural landholders.<sup>114</sup>
- 4.6 Mr Gilkes explained that customer queries have always been recorded in the database, so that a history is built up in relation to individual properties. This enables Valuation Services to identify where the bulk of enquiries occur. However, over the past year, some more specific customer satisfaction surveys

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<sup>111</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p77

<sup>112</sup> Response to Additional Questions, Question 9, 7 November, 2017 [<Response to Questions>](#)

<sup>113</sup> Mr Simon Gilkes, Valuer General, Office of the Valuer General, Transcript of evidence, 16 October 2017, p6

<sup>114</sup> OVG Presentation, 4 August 2017, p5

and data capture processes were being developed. When a reasonable volume of data had been gathered, this would be analysed.<sup>115</sup>

#### **Matters referred to the Ombudsman**

4.7 The Committee noted that the customer service page on the Valuer General's website directs landholders to the Ombudsman if they are not satisfied with the final outcome of their complaint. Mr Gilkes confirmed that while his Office did receive some customer service complaints referred from the Ombudsman, the number was very low. He explained that his method of responding to such matters was either to the Ombudsman or directly to the landholder, depending on the instructions from the Ombudsman.<sup>116</sup>

Mr Gilkes further advised that two complaints were made to the Ombudsman about valuation services in 2014-15 during which over 1.8 million land values were issued. The Ombudsman deemed no action necessary in relation to these cases. No complaints were made in relation to the Office of the Valuer General.<sup>117</sup>

#### **Online service features**

4.8 The Valuer General outlined developments in online service capability implemented on the website over the past year. These include an online form for updating the landholders' addresses for service of the Notice of Valuation and the introduction of a simpler process to enable landholders to lodge simultaneous multiple objections online.<sup>118</sup>

4.9 In relation to the online address form, Ms Anna Welanyk, Executive Director, Valuation Services, Property NSW, informed the Committee that the introduction of this facility had cut back a significant amount of calls to the call centre. This has enabled staff to spend more time in meaningful conversation with people about issues relating to valuations.

4.10 In the case of landholders wanting to make objections to land valuations for a consecutive number of years, Ms Welanyk explained that previously the landholder wishing to make an online lodgement would have to make a separate objection for every year concerned. If people wanted to make one submission for a number of consecutive years, they would have to write a letter.

4.11 Referring to improvements in online service provision, Ms Welanyk informed the Committee that:

I think we are now in the twenty-first century and we are moving actively towards providing additional facilities to enable people to have quick and easy access to finding information, lodging inquiries and providing us with further information to update our systems.<sup>119</sup>

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<sup>115</sup> Valuer General, Transcript of evidence, 16 October 2017, p6

<sup>116</sup> Valuer General, Transcript of evidence, 16 October 2017, p3

<sup>117</sup> Response to Questions on Notice, Question 1, 7 November 2017, [<Response to Questions>](#)

<sup>118</sup> OVG Presentation, 4 August 2017, p21

<sup>119</sup> Ms Anna Welanyk, Executive Director, Valuation Services, Property NSW, Transcript of evidence, 16 October 2017, p18

- 4.12 The customer service access portal enables land value searches, property address enquiries and property sales enquiries to be performed online. As at August 2017, the Valuer General had recorded over 250,000 Land Valuer Searches, over 220,000 Property Sales Enquiries and over 170,000 Property Address Enquiries.<sup>120</sup>
- 4.13 The public interactive portal enables landholders to access valuation information summaries which illustrate: land value trends; median land values; and sale prices, as well as providing typical land values for all council areas. The Valuer General reported that over the past year, there have been 746 visitors seeking information relating to regional media summaries and 3,452 seeking information relating to local government area summaries.<sup>121</sup>

#### **Translation services**

- 4.14 As discussed earlier, at the Tenth General Meeting the JSCOVG recommended that the Valuer General review the website to more prominently display links to Multicultural NSW on key information products as well as on the website itself.
- 4.15 At the presentation, Mr Gilkes confirmed that a quick link to the contracted translator and interpreter service has been added to the Valuer General's website. In addition, a standard sentence referring to the availability of the interpreter service has been added to the first contact letters sent to landholders. Mr Gilkes also noted that he had sought the advice and guidance of Multicultural NSW on the implementation of the recommendation.<sup>122</sup>

#### **Collaboration with Service NSW**

- 4.16 At the Tenth General Meeting, the Valuer General suggested the possibility of providing more local services in conjunction with Service NSW. Ms Welanyk advised that there were a number of potential services which could be deployed. In particular, she canvassed the possibility of using the Service NSW hubs in regional and metropolitan central business district location to provide valuation services.
- 4.17 This could involve making a series of appointments for customers to meet with a valuer in person on a particular day. She also indicated the possibility of augmenting the Valuation Services call centre or incorporating it within the Service NSW facility.<sup>123</sup>
- 4.18 In response to Additional Questions sent after the public hearing, Mr Gilkes further advised that the services and role of the Valuer General are promoted through a variety of other departments and organisations. Further details are provided in his response published on the JSCOVG website.<sup>124</sup>

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<sup>120</sup> OVG Presentation, 4 August 2017, p21

<sup>121</sup> OVG Presentation, 4 August 2017, p19

<sup>122</sup> OVG Presentation, 4 August 2017, p6

<sup>123</sup> Executive Director, Valuation Services, Transcript of evidence, 16 October 2017, p5

<sup>124</sup> Response to Additional Questions, Question 8, 7 November 2017, [<Response to Questions>](#)

### Staffing developments

4.19 As discussed in Chapter Two, a new role of Director of Customer Experience has been approved by the Secretary of the Department of Finance, Services and Innovation (DFSI). At the Eleventh General Meeting, Ms Welanyk informed the Committee that recruitment for the position was soon to commence. She observed that:

.. this is a position that reflects our focus on ensuring that customer experience is improved, monitored, managed and reported across the group.<sup>125</sup>

### Committee Comment

4.20 The Committee welcomes the progress made by the Valuer General and his staff in developing procedures to improve stakeholder satisfaction and engagement and to monitor outcomes. This will undoubtedly enable the development of ongoing continuous improvement strategies to ensure that customer service standards are maintained at an optimal level.

4.21 The Committee notes that the Valuer General continues to adhere to the objectives of the recommendations made in the 2013 Inquiry into the NSW Land Valuation System, in particular the requirements for: greater procedural fairness; effective conferencing processes; readily accessible information; and the development of a strong dispute resolution capacity.

4.22 The Committee supports the Valuer General and his staff on the initiatives currently in progress to establish new service provision outlets in partnership with Service NSW and to capture more precise data in customer surveys and to explore how this can be utilised more innovatively. The Committee looks forward to receiving further information about these developments in future annual reports.

### Recommendation 5

**The Committee recommends further investigation and development by the Valuer General of customer service initiatives in collaboration with other agencies and organisations and in particular with Service NSW.**

### Recommendation 6

**The Committee recommends that the Valuer General continues to improve the capture of data in engagement processes with landholders in order to more precisely analyse their needs and to enable exploration of new ways of optimising service delivery.**

### Performance Reporting

4.23 At the Eleventh General Meeting, the Deputy Valuer General, Mr Parker, explained that his role is to monitor the performance of Property NSW in different areas of the governance structure. In particular, he noted his heavy involvement in looking at the work done, the outcomes achieved and in providing

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<sup>125</sup> Executive Director, Valuation Services, Transcript of evidence, 16 October 2017, p20

feedback to Valuation Services.<sup>126</sup> An overall summary of performance is published in a table of performance measures in the annual report, entitled Performance Highlights in 2015-16.<sup>127</sup>

### Objections

- 4.24 As has been discussed in more detail in Chapter Three, while there was an increase in the number of objections lodged during the 2015-16 year and key performance indicators (KPIs) for objection processing were negatively impacted, customer service KPIs were met.<sup>128</sup>
- 4.25 At the Eleventh General Meeting, the Valuer General explained that timeliness had been adversely impacted. This was due to a pilot introduction of the preliminary objection report, allowing landholders time to comment and query the proposed finding on a valuation objection prior to the final determination. He surmised that the increased volume of objections was due to the shock factor caused by the significant rise in valuations in the Sydney property market at that time. He confirmed that the objection management system has since been redesigned so that the issuing of preliminary objection reports is much more timely.<sup>129</sup>
- 4.26 A new KPI to measure the percentage of determinations which led to a change in land value was first published in the 2015-16 Annual Report.<sup>130</sup>

### Quality assurance and risk management

- 4.27 The performance of contract valuers and the quality of land values are monitored by the Valuer General through an annual risk-based quality assurance program and system-based data integrity checks. Valuation uniformity and accuracy is tested against a range of statistical requirements.
- 4.28 The 2015-16 performance summary indicated that the level of compliance was above the targets for all major property types for that year.<sup>131</sup> Chapter Five of this report provides further discussion of the Valuer General's achievements in quality assurance and risk management.

### Valnet improvements

- 4.29 At the Eleventh General Meeting, Ms Anna Welanyk informed the Committee of improvements to the Valnet information management system for tracking and measuring performance of the valuation system. She explained that the Valnet Enhancement Steering Committee was examining the redesign of processes, adding new data fields and investigating how to generate more information

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<sup>126</sup> Mr Michael Parker, Deputy Valuer General, Office of the Valuer General, Transcript of evidence, 16 October p7

<sup>127</sup> Valuer General, Transcript of evidence, 16 October p11

<sup>128</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p77

<sup>129</sup> Valuer General, Transcript of evidence, 16 October p14

<sup>130</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p90

<sup>131</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p82

about performance metrics. She noted that in excess of 20 enhancements were currently being implemented.<sup>132</sup>

- 4.30 The Valuer General further advised that, in addition to Valnet project enhancements, the steering committee has introduced a structured approach to organisation wide system improvement. This has ensured that system risks are properly managed, use of best practice is promoted and project monitoring is improved, including budget allocation, prioritisation and closure activities.<sup>133</sup>

#### **New performance reporting procedures and formats**

- 4.31 At his presentation to the Committee in August 2017, the Valuer General advised that integration with the PAG in DFSI has involved the need to adapt reporting procedures to some new performance and financial reporting requirements.<sup>134</sup> The Valuer General confirmed that from 2017 he will publish a standalone annual performance report.<sup>135</sup> Further details about the plan for future annual reporting are given in the final section of this Chapter.

#### **Committee Comment**

- 4.32 Performance reporting is a vital factor in the accountability and transparency of a public Office, which enables stakeholders to evaluate progress towards achieving positive outcomes for the community. The quality of the Valuer General's performance reporting was one of the particular concerns of the Committee in its 2013 review of the Land Valuation System.
- 4.33 The Committee is pleased to note that constructive developments have been occurring in relation to the Valuer General's performance tracking, evaluation and reporting system. The Committee particularly supports the introduction of a new KPI in the 2015-16 annual reporting year to enable measurement and comparisons over time of the percentage of objections which led to a change in land value.
- 4.34 In the view of the Committee, it is critical that landholders are not only able to make an objection to a land valuation, but are also able to see how their objection has been addressed and what impact it has made on the valuation system as a whole. Improvements in performance reporting are an important tool for increasing procedural fairness and transparency within the valuation system and ensuring continuous improvement in service delivery and accountability over time.
- 4.35 The Committee is also gratified to learn of the enhancements which are being made to the Valnet information management system. The Committee looks forward to evaluating further progress with performance reporting measures after the new standalone annual report has been published.

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<sup>132</sup> Executive Director, Valuation Services, Transcript of Evidence, p15

<sup>133</sup> OVG Presentation, 4 August 2017, p18

<sup>134</sup> OVG Presentation, 4 August 2017, p13

<sup>135</sup> OVG Presentation, 4 August 2017, p12

## Public Access to Information and Data Sharing

- 4.36 In his overview of achievements for the past year, the Valuer General outlined improvements in access to information about the valuation process and valuation data in order to assist landholders understand their land values. He also highlighted the wider range of information published free of charge on the Valuer General's website, including additional policies describing the valuation process, interactive land value summaries and contract valuer reports profiling values in local areas, as well as land values and property sales data.<sup>136</sup>
- 4.37 In addition, the Valuer General pointed to a number of system enhancements which have been implemented over the past two years to improve public access to information and better leverage the intelligence within data held in the Valuer General's information management system.<sup>137</sup>

### NSW Globe and property sales

- 4.38 In January 2015, the Valuer General provided access to land value information on the NSW Globe. The NSW Globe allows the public to explore mapping and property information within Google free of charge. In September 2015, property sales information was added to the NSW Globe. This information is derived from the Notice of Sale.
- 4.39 The 2015-16 Annual Report highlighted the significance of providing landholders with access to sales data, as property sales are the most important consideration when determining land values. It pointed out that landholders would now be able to review their comparative land value based on sales evidence.<sup>138</sup>
- 4.40 The Valuer General monitors rates of usage of information provided on the website. The 2015-16 Annual Report stated that the number of daily visits increased from 450 to 700 following the publication of land values. Following publication of property sales, daily visitors peaked at 4,541. It further noted that a second peak of 1,200 daily visits occurred in early 2016, coinciding with the release of Notices of Valuation.<sup>139</sup>

### Data access and systems enhancements

- 4.41 At the Eleventh General Meeting, the Valuer General informed the Committee that his main objective for data was to make as much of it as possible available in consumable formats.<sup>140</sup>
- 4.42 He explained that his Office had developed a process whereby raw sales data and land values can be downloaded and imported into external systems and further analysed. He pointed out that the website gave open access, free of charge to landholders in line with the Government's Open Data Policy.

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<sup>136</sup> Valuer General, Transcript of evidence, p2

<sup>137</sup> Valuer General, Transcript of evidence, p2

<sup>138</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p80

<sup>139</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p80

<sup>140</sup> Valuer General, Transcript of evidence, 16 October 2017, p14

- 4.43 As discussed previously, the Committee is aware of a number of system enhancements currently being implemented within the Valnet information system to better manage and utilise data captured by valuation system processes. In her evidence, Ms Welanyk described a wider data analytics project which has been initiated in conjunction with the Department of Treasury. She explained that the purpose of this project was to explore how some of the previously untapped information stored in Valnet can be utilised to inform other government programs.<sup>141</sup>

### **Committee Comment**

- 4.44 The Committee endorses the Valuer General's commitment to an open information policy which empowers landholders to inform themselves and independently assess valuation determinations and compensation and raise queries wherever necessary.
- 4.45 In its 2013 Inquiry into the Land Valuation System, the Committee stressed the importance of transparency in the valuation system. In the view of the Committee, information disclosure is critical to ensuring transparency by providing landholders with as much information as possible to enable them to understand the Valuer General's policies and processes and by making available the necessary data to enable substantiation of objections and interrogation of decisions.
- 4.46 In relation to the Valnet information management system, the Committee fully supports the Valuer General's efforts to improve the system, particularly in expanding and streamlining data capture and finding new purposes for its utilisation. The Committee is particularly interested in the possibility of new ventures in data sharing with other government agencies becoming a reality in the future. The Committee looks forward to receiving further updates in future annual reports about developments in collaborative projects involving the Valuer General's processes for collection and management of data.

### **Changes to Annual Reporting**

- 4.47 As previously stated, the Valuer General informed the Committee that the annual report for 2016-17 will be produced in a standalone format. He noted that implementation of a separate report completed his response to the recommendations of the Committee's 2013 Inquiry into the Land Valuation System. The publication of a standalone report reinforces the independence of the valuation system and increases transparency and accountability.
- 4.48 Mr Gilkes informed the Committee that the annual report will be tabled in Parliament. However, he pointed out that it will not be a statutory report, as the Valuer General is not a reporting entity under current legislation. Nevertheless, the report will include financial reporting based on an activity based costing line and include comparison of current year finances with previous year finances, as previously recommended by the JSCOVG.

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<sup>141</sup> Executive Director, Valuation Services, Property NSW. Transcript of evidence, 16 October 2017, pp15-16

- 4.49 The Valuer General further advised that the report will include a table of performance measures, as has been done previously, and a greater amount of narrative about what has occurred in the valuation system during the previous year. Whereas the previous annual report, published as part of the DFSI annual report, consisted of around 10 to 15 pages, the standalone report will extend to 40 pages or more. Information will also be provided about relevant legislative changes and more detail will be given about contractor and consultant costs.<sup>142</sup>
- 4.50 Statutory reporting will continue in the DFSI Annual Report.<sup>143</sup> However this will contain less information about the Office of the Valuer General. Mr Gilkes noted that to the greatest extent possible, his Office had tried to prevent duplication and that there would be cross-referencing where relevant between the DFSI and standalone annual reports.<sup>144</sup>

### **Committee Comment**

- 4.51 The Committee welcomes the imminent publication of a separate annual report with detailed information about annual performance, as previously recommended by this Committee. The Committee has expressed the view that there should be a separate and detailed annual performance report reflecting state, national and international best practice reporting standards and that this annual report be tabled in the NSW Parliament.
- 4.52 Publication of a separate annual report is timely and appropriate in view of the new administrative arrangements for the Office of the Valuer General and the physical relocation of the Office of the Valuer General within DFSI. The publication of a separate standalone report will help to raise the public profile of the Valuer General and give him the opportunity to fully inform the community about the valuation system, the achievements of his Office in meeting its objectives and the measures which he takes to protect his independence.
- 4.53 At the Tenth General Meeting, the Committee recommended the need for a comprehensive analysis of information relating to expenditure on contractors and consultants in future annual reports. The Committee is pleased to learn that the new format annual report will include such details.

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<sup>142</sup> Valuer General, Transcript of evidence, 16 October 2017, pp11-12

<sup>143</sup> OVG Presentation, 4 August 2017, p12

<sup>144</sup> Valuer General, Transcript of evidence, 16 October 2017, pp11-12

# Chapter Five – Quality Assurance and Risk Management

## Internal and External Reviews

### Internal reviews

#### *Governance boards and groups*

- 5.1 As previously discussed in Chapter Two, there has been a significant re-organisation of the governance structure of the Office of the Valuer General. One aspect of these changes was the merging of a number of steering committees. In early 2016, five steering committees and the Management Assurance Committee were incorporated into one governance board.<sup>145</sup>
- 5.2 At the Eleventh General Meeting, the Valuer General explained that this rationalisation enabled oversight of the quality assurance process relating to all activity streams by one group. He pointed out that that this enabled him to identify where issues cut across different work streams.<sup>146</sup>
- 5.3 In addition to the major governance board, there are three main advisory groups, comprising the Valuation Joint Governance Board, the Land Value Improvement Group and Land Valuation Advisory Group. The Valuation Joint Governance Board sets strategic direction for the valuation system.<sup>147</sup> Mr Gilkes explained that this is a small board of senior executives which meets with the Deputy Secretary of the department.
- 5.4 The Land Value Improvement Group is chaired by the Deputy Valuer General and is responsible for testing the rigour and integrity of values on the Register of Land Values.<sup>148</sup> The Land Valuation Advisory Group provides industry stakeholder oversight, consultation and advice.<sup>149</sup> This group is discussed in the next section under external oversight.

#### *Quality assurance and risk audits*

- 5.5 Before land values are accepted by the Valuer General and entered on the Register of Land Values, formal quality assurance audits are undertaken in each local government area (LGA). The performance of contract valuers and the quality of land values are monitored through an annual risk-based quality assurance program and system-based data integrity checks.
- 5.6 In addition, valuation uniformity and accuracy is tested against a range of statistical requirements. As previously discussed in Chapter Four, the level of

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<sup>145</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

<sup>146</sup> Mr Simon Gilkes, Valuer General, Office of the Valuer General, Transcript of evidence, 16 October 2017, p21

<sup>147</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

<sup>148</sup> Valuer General, Transcript of evidence, 16 October 2017, p21

<sup>149</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

statistical compliance was above targets for all major property types in 2015-16.<sup>150</sup>

#### *Verification of property data and land values*

- 5.7 The verification program is a systematic risk based process to periodically verify property data and land values. The program involves the individual review of all land values and supporting data. The verification program commenced in 2006 and has subsequently been enhanced and extended until 2018. The 2015-16 Annual Report confirmed that all land values will be verified during this six year period. Properties identified as having higher risk of valuation error are verified more regularly.<sup>151</sup>
- 5.8 Over the previous year, an automated data integrity check was introduced to ensure contractor compliance with the verification of risk rated properties. Contractors were found to have 100 per cent compliance with the verification risk rating requirements. In addition, a number of enhanced contractual requirements were implemented to improve transparency and consistency in the added value analysis and reporting practices of contract valuers.<sup>152</sup>

#### *Chief Valuer reviews*

- 5.9 The Chief Valuer conducts reviews of significant matters at the request of the Valuer General. During the year in review, the Chief Valuer completed three such reviews. His recommendations resulted in a number of changes to business rules, system enhancements and additions to requirements for contractors during the past year.<sup>153</sup>

### **External reviews**

#### *Stakeholder oversight*

- 5.10 As noted above, the Land Valuation Advisory Group is one of the three main boards and groups which assist the governance board in the oversight of the valuation system. The Land Valuation Advisory Group provides industry stakeholder oversight, consultation and advice.<sup>154</sup>
- 5.11 At the Eleventh General Meeting, the Valuer General informed the Committee that the Land Valuation Advisory Group is the principal external advisory body which provides input to the valuation system, as well as providing feedback from members as to how the system is working.<sup>155</sup>
- 5.12 Representation on the board includes the:
- Australian Property Institute
  - Local Government NSW
  - Office of Local Government

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<sup>150</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p82

<sup>151</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p82

<sup>152</sup> OVG Presentation, 4 August 2017, p19

<sup>153</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p84

<sup>154</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p76

<sup>155</sup> Valuer General, Transcript of evidence, 16 October 2017, p21

- Office of State Revenue
- Office of the Valuer General
- Property Council of Australia
- Real Estate Institute of NSW
- Royal Institute of Chartered Surveyors
- Shopping Centre Council of Australia<sup>156</sup>

- 5.13 The Valuer General highlighted the additional oversight role of the Real Estate Institute in conducting parallel valuations where certain complexities were identified. He explained that each year, the Real Estate Institute chooses a group of properties where there are complexities or emerging issues which may not be recognised in the valuation.
- 5.14 In such cases, independent valuations are undertaken and the results compared with the valuations made through the normal processes. Where there are variances, they are rationalised and reviewed. The Valuer General noted that in some cases there have been changes in valuations as a result of the parallel valuations.<sup>157</sup>
- 5.15 In his response to Additional Questions sent after the public hearing, the Valuer General pointed out that his role is heavily promoted through his membership of the Australian Property Institute and as a member of the Land Valuation Advisory Group.<sup>158</sup>

#### *Independent audit*

- 5.16 Since 2014, the Valuer General has implemented a number of recommendations made by the Internal Audit Bureau (IAB) following an audit of quality assurance processes. The 2015-16 Annual Report noted that there was one outstanding recommendation which had not yet been fully implemented. This related to the establishment of efficiency and effectiveness benchmarks for the quality assurance process.
- 5.17 A key finding of the IAB Audit was the importance of linking quality assurance activities and risks to valuation outcomes. The 2015-16 Annual Report confirmed that this is now incorporated in operational procedures. A significant development has been the introduction of risk registers to support risk management.<sup>159</sup>
- 5.18 In his response to Additional Questions, the Valuer General confirmed that the establishment of efficiency and effectiveness benchmarks remain a high priority for quality assurance. He advised that a consultant is currently reviewing quality assurance activities with the expectation of a report in early 2018. Mr Gilkes

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<sup>156</sup> Response to Additional Questions, Question 8, 7 November 2017, [<Response to Questions>](#)

<sup>157</sup> Valuer General, Transcript of evidence, 16 October 2017, p21

<sup>158</sup> Response to Additional Questions, Question 7, 7 November 2017, [<Response to Questions>](#)

<sup>159</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p83

confirmed that any new quality assurance processes will be implemented before the end of the financial year.<sup>160</sup>

## Committee Comment

- 5.19 In view of the Valuer General's detailed explanation of the changes he has made to the governance structure, the Committee supports the resulting outcomes. In particular, the Committee agrees that the convergence of separate steering committees into a single governance board can strengthen oversight by bringing many perspectives together within a single management forum.
- 5.20 The Committee concludes that the risk management processes and oversight mechanisms appear to be valid and responsibly managed. The Committee was impressed by the comprehensive representation of the relevant private and public sector organisations on the Land Valuation Advisory Group. The Committee also appreciates the important risk management contribution of the Real Estate Institute in the form of annual parallel valuations.
- 5.21 In the Committee's view, however, the expertise of the Land Valuers Advisory Group could be better utilised.

## Recommendation 7

**The Committee recommends that the Valuer General explores how the expertise of the Land Valuation Advisory Group may be further utilised to help promote the role and functions of the Valuer General to the wider community.**

## Appeals Processes

### Objections to land valuations

- 5.22 Landholders not satisfied with the determination of their objection can lodge an appeal in the Land and Environment Court of NSW (L&EC). The 2015-16 Annual Report included information about the number of appeals made to L&EC by landholders who were not satisfied with such determinations.
- 5.23 The Report pointed out that data was not held in a format to allow precise tracking of matters. However, of those matters either allowed or disallowed over the period from 1 July 2013 to 30 June 2016, 38.5 per cent were settled without the need for a formal court hearing.<sup>161</sup>
- 5.24 In its report on the Tenth General Meeting, the Committee recommended that more detailed information be provided in subsequent Annual Reports regarding court appeals against determinations of objections relating to a land valuation under the *Valuation of Land Act 1916* and against compensation decisions made under the *Land Acquisition (Just Terms Compensation) Act 1991*.<sup>162</sup>
- 5.25 In his presentation to the Committee, the Valuer General advised that, for objections to land valuations, the improved consultation processes have reduced

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<sup>160</sup> Response to Additional Questions, Question 4, 7 November 2017, [<Response to Questions>](#)

<sup>161</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p85

<sup>162</sup> OVG Presentation, 4 August 2017, p7

the volumes of matters proceeding to the L&EC. He explained that this reduction was due to the conferences being made available through the objection process, along with improved participation in court sponsored mediation.

- 5.26 He informed the Committee that since 2014-15, 82 appeals had been lodged with the L&EC. Of these: 63 were resolved; 19 were allowed by agreement at mediation; and 39 were withdrawn by the owner at mediation. Of the five matters which proceeded to court, all were dismissed.<sup>163</sup>
- 5.27 At the Eleventh General Meeting, Mr Gilkes summed up his proactive management policy with regard to objections against land valuations in the following terms:

I guess the message out of all that is that if we have made a mistake in the evaluation process then we are putting our hand up and resolving it at the earliest possible stage, rather than forcing people through a difficult and expensive court process.<sup>164</sup>

#### **Appeals against compensation decisions**

- 5.28 Former landholders of compulsorily acquired property, not satisfied with the amount of compensation determined by the Valuer General and offered to them by the acquiring authority, can lodge an objection with the L&EC. The Valuer General's Annual Reports do not provide details of such matters. The Valuer General explained that this is because he is not generally party to court appeals against compensation decisions.
- 5.29 Under the *Land Acquisition (Just Terms Compensation) Act 1991*, his role is limited to those matters which actually go to compulsory acquisition and to the part of the process between the issuing of the proposed Acquisition Notice and the determination of compensation.<sup>165</sup>
- 5.30 As was discussed in Chapter Two, one of the measures taken by the Government to improve the compulsory acquisition process has been the establishment of the PAS Group. This group is set up within the Department of Finance Services and Innovation (DFSI) as a centre of excellence to oversee the collection and publication of available data on property acquisitions across NSW.<sup>166</sup>
- 5.31 At the Eleventh General Meeting, Mr Geoffrey Thompson, Director Compensation Program, Valuation Services advised that his office has been involved over the past year in setting up the new system of the PAS Group for collection and publication of data. He was confident that more information about property acquisition and any relevant litigation will be more fully available in future. He expressed the view that:

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<sup>163</sup> OVG Presentation, 4 August 2017, p16

<sup>164</sup> Valuer General, Transcript of evidence, 16 October 2017, p16

<sup>165</sup> Valuer General, Transcript of evidence, 16 October 2017, p17

<sup>166</sup> OVG Presentation, 4 August 2017, p7

The data capture across the Land and Environment Court, the Valuer General, the acquiring authorities I think will be terrific moving forward and I think we will address some of that shortfall in information available at the moment.<sup>167</sup>

## Significant Judicial Decisions

- 5.32 In response to the Committee's recommendation for more detailed information on court appeals arising from the Tenth General Meeting, the Valuer General introduced information in the 2015-16 Annual Report regarding judicial decisions relevant to his role and responsibilities. He referred in particular to the matter of *Perilya Broken Hill Ltd v Valuer General* [2015] NSWCA 400 in which a mine owner, Perilya, appealed against the Valuer General's determination of the 2007 value of the mine.
- 5.33 This matter was subject to protracted litigation. The NSW Court of Appeal agreed with the Valuer General in its decision dated 16 December 2015, with a further appeal being sought by Perilya.<sup>168</sup> Mr Gilkes advised that a valuation methodology was finally determined by the Supreme Court.<sup>169</sup>
- 5.34 The Valuer General subsequently developed and published the Valuation of Land used for Coal Mining policy in response to the recommendation of the Committee in its report on the Tenth General Meeting. The policy was based on the methodology decided by the court.<sup>170</sup>

## Committee Comment

- 5.35 The Committee acknowledges the efforts of the Valuer General to improve reporting on court matters relating to objection to land valuations and to inform the Committee about any significant court decisions which are relevant to his role and responsibilities. The Committee appreciates that the Valuer General is precluded from involvement in compensation disputes.
- 5.36 However, the Committee welcomes the new system of data collection and reporting which is now being undertaken by the PAS Group within DFSI. The Committee expects that the Valuer General will provide ongoing information in future annual reports about the impact of the new whole of government property acquisition process on his role and the performance of his responsibilities and give details of his contribution to the new arrangements.

## Contract Management

- 5.37 The majority of valuations are performed on behalf of the Valuer General by external valuation firms. During 2015-16 there were 98 valuation contracts worth approximately \$23.5 million. The services provided by contractors covered valuations for rating and taxing and independent reviews of objections to land values and compulsory acquisitions.

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<sup>167</sup> Mr Geoffrey Thompson, Director Compensation Program, Valuation Services, Property NSW, Transcript of evidence, 16 October 2017, p17

<sup>168</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, p85

<sup>169</sup> Valuer General, Transcript of evidence, 16 October 2017, p11

<sup>170</sup> OVG Presentation, 4 August 2017, p3

- 5.38 Contractors are selected by an open market tender process complying with strict procurement guidelines set for NSW public sector agencies. As up-to-date list of contractors is published on the Valuer General's website.
- 5.39 The Valuer General monitors the performance of each contractor to ensure that quality, timeliness and cost effectiveness are achieved. As well as contractual terms, individual contract valuers are required to comply with the Valuer General's policies and industry codes of professional conduct. Regular briefings and information sessions are held with contractors.
- 5.40 In the 2015-16 year, the Valuer General reported that most contractors providing valuations for rating, taxing and objections performed to the quality and timeliness standards established under the contract. He advised that where standards are not met, concerns are addressed directly with the contractor.<sup>171</sup>
- 5.41 From 1 July 2016, the contract management system for objections reporting services changed significantly with the appointment of primary single contractors through a competitive quotation process across 105 of 152 local government areas. At the Eleventh General Meeting, Ms Welanyk explained that the new system ensures that there is a separation between the contractor who does the original valuation and the contractor who deals with an objection.<sup>172</sup>
- 5.42 Mr Gilkes further advised that:
- ...the way it works is that the State is divided into a series of territories... and for the making of the valuations originally a firm has exclusive contract for a territory and they cannot deal with any objection-related matters within that territory. They may be able to provide other services outside, and in some cases that would be objection review services for valuation services; it could be... representing landholders elsewhere in assisting them to lodge objections.<sup>173</sup>
- 5.43 Mr Gilkes noted that the new contract management structure, with single providers for a larger area, was recognition of the ongoing process of consolidation of small firms into franchise arrangements or larger firms occurring throughout the valuation industry.<sup>174</sup>
- 5.44 Since the introduction of the new arrangements, the Valuer General has reported financial improvement of 7.3 per cent in objection contractor expenditure for the whole State, 10 per cent improvement in report turnaround times. An overall improvement in report quality and guaranteed availability of contractor services.<sup>175</sup>
- 5.45 During the past year, measures to ensure the quality and consistency of contractor performance have been continuously improved, for example, through the introduction of the PAG procurement manual and procurement risk

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<sup>171</sup> DFSI Annual Report 2015-16, Office of the Valuer General's report, pp83-84

<sup>172</sup> Valuer General, Transcript of evidence, 16 October 2017, p18

<sup>173</sup> Valuer General, Transcript of evidence, 16 October 2017, p18

<sup>174</sup> Valuer General, Transcript of evidence, 16 October 2017, p19

<sup>175</sup> OVG Presentation, 4 August 2017, p17

assessment.<sup>176</sup> Ms Anna Welanyk, Executive Director, Valuation Services, highlighted a number of additional quality assurance measures including: a procedures manual; audits of certain percentages of valuations; a higher level audit process; regular meetings with contractors and maintenance of an issues register.

- 5.46 She pointed out that the contract management team may also exercise its options to terminate contracts or put a contractor on notice. During the past year, a new position of Director of Contract Management and Procurement has been created to maintain the Valuer General's focus on continuous improvement in contract management.<sup>177</sup>
- 5.47 Mr Gilkes further noted that the introduction of preliminary objection reports has been a great step forward in quality assurance enabling the landholder to give critical feedback on the contractor's valuation report before the determination of the objection is finalised. As was discussed in Chapter Two, the Committee's report on the Tenth General Meeting recommended more comprehensive analysis of information relating to expenditure on contractors and consultants in future annual reports. The Valuer General confirmed that more information will be provided in the 2016-17 Annual Report.<sup>178</sup>

### Committee Comment

- 5.48 The Committee commends the efforts of the Valuer General to reorganise the contract management system to produce greater efficiencies in cost and performance and to align contract management with the changing structure of the valuation industry. The Committee acknowledges the importance of the measures taken to ensure that there is no conflict of interest between contractors who provide valuation services for rating and taxing and those who provide objection reports or who represent landholders lodging objections to valuations.
- 5.49 The Committee is reassured by the range of measures which have been put in place to monitor contractor performance. The Committee agrees with the Valuer General that the introduction of the preliminary objections report is constructive in that it allows landholders to give critical feedback on objection valuation reports thus enabling them to contribute directly to the quality assurance process for contractors.
- 5.50 The Committee expects to be informed about further initiatives to ensure the integrity of the contract management system as a result of the supervision undertaken by the new Director of Contract Management and Procurement. The Committee also looks forward to receiving further information about and analysis of the Valuer General's expenditure on contractors and consultants in the next and subsequent annual reports.

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<sup>176</sup> OVG Presentation, 4 August 2017, p18

<sup>177</sup> Executive Director, Valuation Services, Property NSW, Transcript of evidence, 16 October 2017, p19

<sup>178</sup> OVG Presentation, 4 August 2017, p5

# Appendix One – Response to Committee's Tenth General Meeting Recommendations

## The Valuer General's responses

**Recommendation 1: The Committee recommends that the Valuer General actively monitors Coal Seam Gas mining projects in New South Wales, with a view to prepare a set of binding policy guidelines to assist Valuers.**

A Valuer General's policy on the Valuation of land subject to a coal seam gas lease or licence has been published.<sup>179</sup>

**Recommendation 2: The Committee recommends that the Valuer General further expands research into the best data and methodologies to be used in the formulation of complex land values and continues to monitor the approaches taken to the valuation of complex land types in other jurisdictions.**

Reviews of methodologies and technical procedures for the complex land categories of mines, quarries and cemeteries/crematoria are underway. A policy on the valuation of land used for coal mining has been developed and is undergoing stakeholder consultation. An additional policy on metalliferous mines is planned. A policy on the valuation of cemeteries and crematoria has been drafted and is undergoing stakeholder consultation. A policy on the valuation of land used for quarries is being drafted. The NSW and Queensland Valuers are consulting with industry regarding the best methodology for the valuation of quarries.<sup>180</sup>

**Recommendation 3: The Committee recommends that the Valuer General develops further policies and information brochures in relation to the valuation of land purchased for both domestic and commercial use on the waterfront.**

The Valuer General's existing policy on land below the high water mark (domestic waterfront occupancies) has been revised. A new policy on the valuation of land below the high water mark (commercial waterfront occupancies) has been published. A domestic waterfront occupancy fact sheet is being prepared.<sup>181</sup>

**Recommendation 4: The Committee recommends that the Valuer General undertakes further independent market research to ascertain the experiences of landholders who have received Compulsory Acquisition Notices, with a view to improving the current process, if required.**

The Valuer General confirmed that his Office surveys all landholders who receive a Compulsory Acquisition Notice to measure levels of satisfaction. Following the Government's changes to the compulsory acquisition and compensation processes in 2016, a survey instrument is being

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<sup>179</sup> OVG Presentation, 4 August 2017, p3

<sup>180</sup> OVG Presentation, 4 August 2017, p3

<sup>181</sup> OVG Presentation, 4 August 2017, p4

developed by the new Centre for Property Acquisition in the Transport cluster to capture residents' feedback on the land acquisition process.<sup>182</sup>

**Recommendation 5: The Committee recommends that the Valuer General continues to analyse customer feedback to monitor the needs of rural landholders and ensure that information published for landholders, whether in hard copy or on the website, is reviewed, and if necessary, updated to reflect any impact of new conditions affecting rural areas such as the recent council amalgamations.**

The Valuer General has updated the policy on the valuation of rural land and produced a fact sheet on valuing rural land. New online information has been published including interactive land value summaries and a contract Valuer report for each Local Government Area (LGA). A new customer feedback form designed to capture the property type is being developed for landholders who lodge objections. The Valuer General advised that this will help to better understand the needs of rural landholder and inform future improvements.<sup>183</sup>

**Recommendation 6: The Committee recommends that the Valuer General provides a comprehensive analysis of information relating to expenditure on contractors and consultants in future Annual Reports.**

The Valuer General confirmed that more information will be included in the Valuer General's 2016-17 Annual Report.<sup>184</sup>

**Recommendation 7: The Committee recommends that the Valuer General, in implementing the new technology platform for the provision of landholder information, ensures that detailed profiles of website users are captured in order to customise and improve the delivery of digital services to all stakeholders.**

The Government does not support capturing detailed profiles of websites. However, the Valuer General confirmed that analytical information about website use is captured and he will continue to explore how best to use this to improve the delivery of digital services.<sup>185</sup>

**Recommendation 8: The Committee recommends that the Valuer General reviews the website to more prominently display links to Multicultural NSW on key information products as well as on the website itself.**

The Valuer General advised that he had sought advice from Multicultural NSW. A quick link to the contracted Translating and Interpreter Service has been added to the Valuer General's website. A standard sentence about the interpreter service has been added to the Valuer General's first contact letters.<sup>186</sup>

**Recommendation 9: The Committee recommends that more detailed information in relation to court appeals be provided in subsequent Annual Reports. This should include an analysis of the facts regarding the numbers of appeals to the court for both appeals against determinations of objections against a land value under the Valuation of Land Act 1916 and**

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<sup>182</sup> OVG Presentation, 4 August 2017, p4

<sup>183</sup> OVG Presentation, 4 August 2017, p5

<sup>184</sup> OVG Presentation, 4 August 2017, p5

<sup>185</sup> OVG Presentation, 4 August 2017, p6

<sup>186</sup> OVG Presentation, 4 August 2017, p6

**for appeals against compensation decisions lodged under the *Land Acquisition (Just Terms Compensation) Act 1991*.**

The Valuer General provided information in his 2015-16 Annual Report about the number of appeals to the Land and Environment Court (L&EC) by landholders who were not satisfied with the determination of their objection. He also provided an overview of judicial decisions of note. The L&EC cases were analysed to identify any areas where the valuation or conferencing processes might be breaking down.

The Valuer General pointed out that he does not hold information about court appeals against compensation decisions as he is not joined as a party to these cases. He noted that the PAS Group, which has recently been established within DFSI, will now oversee the collection and publication of available data on property acquisitions across NSW<sup>187</sup>

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<sup>187</sup> OVG Presentation, 4 August 2017, p7

## Appendix Two – Witnesses

<b>Monday, 16 October 2017</b>	<b>Parliament House</b>
<b>Witness</b>	<b>Organisation</b>
Mr Simon Gilkes, Valuer General	Office of the NSW Valuer General
Mr Michael Parker, Deputy Valuer General	Office of the NSW Valuer General
Ms Anna Welanyk, Director Valuation Services	Valuation Services, Property NSW
Mr Geoffrey Thompson, Director Compensation Program	Valuation Services, Property NSW

## Appendix Three – Extracts of Minutes

### **MINUTES OF MEETING No. 7**

9:30am, 4 August 2017

McKell Room, Parliament House

**Members Present:** Mr Geoff Provest (Chair), Mr Ernest Wong

**Officers in Attendance:** Simon Johnston, Bjarne Nordin, Jacqueline Isles, Derya Sekmen

**Apologies:** Mr Kevin Humphries, Mr Stephen Kamper, Mr Greg Pearce

### **Briefing by Office of the Valuer General (OVG) and Property NSW**

The Committee received informal briefings on the role and functions of the Valuer General and the operations of the NSW land valuation system, from the following officials:

#### **Office of the Valuer General**

- Simon Gilkes, Valuer General
- Michael Parker, Deputy Valuer General

#### **Valuation Services, Property NSW**

- Anna Welanyk, Executive Director Valuation Services
- Geoffrey Thompson, Director Compensation Program
- Michael Davidson, Principal Valuer Objection and Appeals, Valuation Services
- Tony Gorgovski, Manager Contracts & Procurement

The Committee adjourned at 11:50am until a date to be determined.

**MINUTES OF MEETING No. 8**

1:33pm, Tuesday 12 September 2017

Room 1254, Parliament House

**Members Present**

Mr Geoff Provest (Chair), Mr Stephen Kamper, Mr Ernest Wong.

**1. Officers in Attendance:** Simon Johnston, Bjarne Nordin, Jacqueline Isles

**2. Apologies:** Mr Greg Pearce

**3. Minutes of Meeting No. 5 and Meeting No. 6**

Resolved on the motion of Mr Wong, seconded by Mr Kamper: That the draft minutes of Meeting No. 6, held on 24 August 2016 and 21 June 2017 be confirmed.

**4. \*\*\*\***

**5. Public hearing**

The Committee agreed to take evidence based on the 2015-16 Annual Report of the Valuer General.

Resolved on the motion of Mr Kamper, seconded by Mr Wong:

That the Committee invites the witnesses listed in the notice of the public hearing for Monday, 16 October 2017 to give evidence in relation to the Eleventh General Meeting with the Valuer General.

- That the Committee authorises the audio-visual recording, photography and broadcasting of the public hearing on 16 October 2017, in accordance with the NSW Legislative Assembly's guidelines for coverage of proceedings for parliamentary committees administered by the Legislative Assembly.
- That the corrected transcript of evidence given on 16 October 2017 be authorised for publication and uploaded on the Committee's website.
- That witnesses be requested to return Answers to Questions Taken on Notice within 5 days of the date on which the questions are forwarded, and that once received, answers be published on the Committee's website.
- That documents tendered during the public hearing be accepted by the Committee and published on the Committee's website.

**6. General business**

There was no general business.

## **7. Next Meeting**

The Committee adjourned at 1:43pm until Monday 16 October 2017 at 9.15 am.

## **MINUTES OF MEETING No. 9**

9:15am, Monday 16 October 2017

Macquarie Room, Parliament House

### **Members Present**

Mr Geoff Provest (Chair), Hon. Kevin Humphries (Deputy Chair), Mr Stephen Kamper, Hon. Greg Pearce, Hon Ernest Wong

### **Officers in Attendance**

Simon Johnston, Bjarne Nordin, Jacqueline Isles, Derya Sekmen

The Chair commenced the meeting at 9:15am.

### **1. Apologies**

There were no apologies

### **2. Confirmation of Minutes**

Resolved, on the motion of Mr Kamper, seconded Mr Humphries: That the minutes of meeting No. 7 held on 4 August 2017 and meeting No. 8 held on 12 September 2017 be confirmed.

### **3. Public Hearing - Eleventh General Meeting with the Valuer General**

The Chair opened the public hearing at 9:30am.

Witnesses and the public were admitted.

The following witnesses were affirmed and examined:

- Mr Simon Gilkes, Valuer General
- Mr Michael Parker, Deputy Valuer General

The following witnesses were sworn and examined:

- Ms Anna Welanyk, Executive Director, Valuation Services, Property NSW
- Mr Geoffrey Thompson, Director Compensation Program, Valuation Services, Property NSW

Evidence concluded, the witnesses withdrew.

The Chair closed the public hearing at 12:06pm.

### **4. Next meeting**

The Committee adjourned until a date and time to be confirmed.

**MINUTES OF MEETING No. 10**

1.00pm, Wednesday 7 February 2018

Room 1043, Parliament House

**Members Present**

Mr Geoff Provest (Chair), Mr Kevin Humphries (Deputy Chair), Mr Stephen Kamper, Ms Natalie Ward, Mr Ernest Wong

**Officers in Attendance**

Elaine Schofield, Bjarne Nordin, Jacqueline Isles

The Chair commenced the meeting at 1.00 pm.

**1. Apologies**

There were no apologies

**2. Confirmation of Minutes**

Resolved, on the motion of Mr Wong, seconded Mr Kamper: That the minutes of meeting No. 09 held on 16 October 2017 be confirmed.

**3. Membership**

The Committee noted the appointment to the Committee of Ms Natalie Ward in place of Mr Greg Pearce (Votes and Proceedings 23 November 2017 p1542).

**4. Consideration of Chair's Draft Report – Eleventh General Meeting with the Valuer General**

Resolved on the motion of Mr Wong, seconded Mr Kamper: That the recommendations be adopted.

Resolved on the motion of Mr Humphries, seconded Mr Kamper:

- That the Committee adopts the draft report in globo and signed by the Chair for presentation to the House, and
- authorises Committee staff to make appropriate final editing and stylistic changes as required and
- once tabled, the report be published on the Committee's webpage.

**5. General Business**

There was no general business.

**6. Next meeting**

The committee adjourned at 1.10 pm until a date and time to be determined.