



Parliament of New South Wales

Joint Standing Committee on the Office of the Valuer General

Report 2/57 – November 2021

Fourteenth General Meeting with the Valuer General



New South Wales Parliamentary Library cataloguing-in-publication data:

New South Wales. Parliament. Joint Committee on the Office of the Valuer General.

Fourteenth General Meeting with the Valuer General / Joint Committee on the Office of the Valuer General. [Sydney, N.S.W.] : the Committee, 2021. – 1 online resource (68 pages). (Report ; no. 2/57)

Chair: Nathaniel Smith, MP.

“November 2021”.

ISBN: 978-1-925214-21-5

1. New South Wales. Parliament. Joint Committee on the Office of the Valuer General. General Meeting with the Valuer General (14th)
2. New South Wales. Dept. of the Valuer-General.
 - I. Title.
 - II. Smith, Nathaniel.
- III. Series: New South Wales. Parliament. Joint Committee on the Office of the Valuer General. Report ; no. 2/57

333.332 (DDC22)

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

Contents

Membership _____	ii
Chair’s foreword _____	iii
Findings and recommendations _____	v
Chapter One – Governance and administration of the valuation system	1
Role and independence of the Valuer General _____	1
Changes to the legislative and operational environment _____	1
Interagency and other relationships _____	5
Implementation of previous Committee recommendations _____	8
Committee comment _____	11
Chapter Two – Customer and stakeholder relations	13
Communication with landholders _____	13
Privacy and data protection _____	15
Quality assurance mechanisms and risk management _____	16
Annual reporting _____	17
Provision of public information _____	21
Committee comment _____	23
Chapter Three – Contractors and consultants	26
Current contracts and quality assurance safeguards _____	26
Conflict of interest provisions _____	32
Committee Comment _____	33
Chapter Four – Emergent issues	37
Bushfires and coronavirus _____	37
Tax reform _____	38
Organisational reviews _____	39
New IT System _____	44
Valuation of land and rezoning - airports _____	46
Cultural loss _____	47
Committee Comment _____	48
Appendix One – Terms of Reference	51
Appendix Two – Conduct of inquiry	53
Appendix Three – Witnesses.....	54
Appendix Four – Extracts from Minutes	55

Membership

Chair	Mr Nathaniel Smith MP, Member for Wollondilly
Deputy Chair	The Hon Scott Farlow MLC
Members	Mr Stephen Kamper MP, Member for Rockdale The Hon Daniel Mookhey MLC (from 5 August 2020 to 23 June 2021) Mr Geoff Provest MP, Member for Tweed The Hon Adam Searle MLC (from 23 June 2021)
Contact details	Joint Standing Committee on the Office of the Valuer General Parliament of New South Wales Macquarie Street Sydney NSW 2000
Telephone	(02) 9230 2843
E-mail	valuergeneral@parliament.nsw.gov.au
Website	www.parliament.nsw.gov.au/committees

Chair's foreword

I am pleased to present this Report on the Fourteenth General Meeting with the Valuer General as part of the Committee's continuing oversight process. The Committee has reviewed the 2019-2020 Annual Report of the now renamed Valuer General New South Wales and examined the responses to developments which have occurred in the legislative and policy environment since the previous General Meeting.

The General Meeting and Report continue the work of the Committee, in providing an essential mechanism for ensuring public accountability and confidence in the integrity and security of the land valuation system. Regular oversight of the functions of the Valuer General and his administration assists in maintaining the strength and stability of property ownership in New South Wales.

As previously reported by the Committee, the Valuer General has a long established record of providing reliable and highly valued services to all landholders. Nevertheless, Parliamentary scrutiny of the operational and policy functions of his administration enables an open and transparent account of its activities and ensures that it is meeting its legal and administrative obligations.

The intervening period since the Committee's last review has been a tumultuous one on many fronts, not least of which has been the significant restructuring of the Valuer General's operations. January 2020 saw the establishment of a new entity, Valuer General New South Wales, to provide a better alignment of the Valuer General's functions and consolidate human resource and financial operations as part of his ongoing statutory responsibilities.

Since the establishment of the new structure, the administrative, political and social environment has been impacted by the bushfire crisis and the COVID-19 pandemic. These events have resulted in a new set of challenges which has affected the property market and land values. Although the full ramifications are yet to be realised, the Valuer General has taken steps to safeguard the integrity of the valuation process. This is set out in more detail in the Committee's report.

Overall, the Committee is satisfied that the Valuer General has managed the variety of legislative and administrative challenges facing him in a totally professional, effective and timely fashion. It should be noted that no recommendations were made in the Committee's previous report on the Thirteenth General Meeting held in 2020. This was due to the magnitude of changes to the valuation system at the time. It also recognised the relatively short time which had elapsed since the appointment of a new Valuer General, and the introduction of a new organisational structure.

In this regard, it seems as though further changes in governance arrangements may be contemplated in an environment where working arrangements for staff over the past four years have been subject to a range of continuous upheavals. These changed arrangements have occurred in concert with the bushfires, the pandemic, a highly volatile property market and foreshadowed changes to the property tax system, as well as ongoing technological change. It may therefore be worthwhile for the Valuer General to consider the need for VG NSW to focus on a period of consolidation for the foreseeable future.

The Committee therefore seeks an assurance that the Valuer General's objectives for higher performance standards and modernisation of operations will not be pursued to the detriment of staff welfare. In order to provide an element of greater certainty for staff and management and to safeguard the integrity of the valuation process, it is essential to maintain collaborative and effective communication channels between the Valuer General and staff, with a view to overcoming reported difficulties.

The Committee has made a series of recommendations to improve performance management, quality assurance, information security and privacy, public education and community outreach and monitoring the performance of contract valuers. Additionally, the Committee has recommended an upgrade to the computing system underpinning the operations of the Valuer General, to ensure that the current outdated IT system is replaced with a superior and more robust version, capable of meeting data needs into the future.

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

A handwritten signature in blue ink, appearing to read 'N. Smith', with a stylized flourish at the end.

Mr Nathaniel Smith MP
Chair

Findings and recommendations

Recommendation 1 _____ **12**

The Committee recommends that the Valuer General and the Department of Planning, Industry and Environment consult with the relevant VG NSW stakeholders, including the executive officers and the valuation and compensation staff, before determining the final operational arrangements.

Recommendation 2 _____ **12**

The Committee recommends that the Minister for Water, Property and Housing and the Minister for Local Government require local councils to reimburse the Valuer General for the provision of a determination.

Recommendation 3 _____ **25**

The Committee recommends that the Valuer General continues to monitor and improve the performance management system of VG NSW and ensure the objection management and compensation determination processes are continuously reviewed and restructured as required, in order to achieve greater efficiencies and timeliness.

Recommendation 4 _____ **25**

The Committee recommends that the NSW Government ensures that VG NSW has adequate resources to continue to develop and improve its public education about the land valuation system, including upgrading of the website and outreach to communities from non-english speaking backgrounds.

Recommendation 5 _____ **25**

The Committee recommends that the NSW Government ensures that VG NSW has the necessary resources to explore, test and adopt new technologies to improve quality assurance, risk management, information security and greater efficiencies in the delivery of services in the land valuation system.

Recommendation 6 _____ **25**

The Committee recommends that the VG NSW provides updates on IT data security measures in future annual reports, in addition to reporting on privacy management and protection of personal information.

Recommendation 7 _____ **34**

The Committee recommends that the Valuer General continues to monitor the performance of rating and taxing valuers for determinations of compensation, including the adequacy and rigour of the quality assurance systems for checking and evaluating performance outcomes.

Recommendation 8 _____ **35**

The Committee recommends that the Valuer General takes account of the quality assurance recommendations of the International Property Tax Institute. In particular, the Valuer General should consider further use of external audits, explore artificial intelligence to improve QA

processes and outcomes, and develop data analytics capability to strengthen the mechanisms for checking data quality.

Recommendation 9 _____ **35**

The Committee recommends that the Valuer General includes more prominent analysis and discussion of the role of objections and court appeals in identifying valuation errors, in future annual reports.

Recommendation 10 _____ **35**

The Committee recommends that the Valuer General continues to rigorously monitor the integrity, performance and quality of the work of contract valuers, most particularly the efficacy of measures to provide reliability in their valuations.

Recommendation 11 _____ **35**

The Committee recommends that the Valuer General continues to prioritise audits and reviews of the efficacy of the conflict of interest management regime and provides comprehensive reports on all aspects of this matter in future annual reports.

Recommendation 12 _____ **36**

The Committee recommends that the Valuer General continuously evaluates and improves the conflict of interest component in the training program for valuation contractors.

Recommendation 13 _____ **50**

The Committee recommends that the Valuer General continues to conduct research into emerging issues impacting the land valuation system, as well as new technologies which may improve the performance of land valuations, the quality assurance of the system, and the provision of accurate information to the public.

Recommendation 14 _____ **50**

The Committee recommends that the Valuer General develops monitoring and reporting procedures to enable more comprehensive information and analysis about the effectiveness of procedural fairness measures in the new processes for management of objections and determinations of compensation.

Recommendation 15 _____ **50**

The Committee recommends that the Treasurer ensures that the highest possible priority is given to the approval of the Valuer General's funding submission for Valnet III and that delivery and installation are expedited in order to ensure that the valuation system has the required technological capability to remain fit for purpose.

Chapter One – Governance and administration of the valuation system

Role and independence of the Valuer General

- 1.1 The Valuer General is an independent statutory officer appointed by the Governor of NSW. The incumbent is charged with overseeing the valuation system, the provisioning of land values for rating and taxing purposes, and determining compensation for land compulsorily acquired by government. The independence of the Valuer General ensures a clear separation between the impartial land valuation process, and how state and local government use valuations for levying rates and taxes or determining compensation following the compulsory acquisition of land.¹
- 1.2 The *Valuation of Land Act 1916* establishes the Office of the Valuer General. The Act sets out the functional responsibilities and legislative authority under which the Valuer General operates for the valuation of land, and as custodian of the Register of Land Values. The Valuer General also determines compensation under the *Land Acquisition (Just Terms Compensation) Act 1991*.²
- 1.3 The NSW Constitution precludes the Valuer General, as a statutory officer, from directly employing staff. Under the current structure, the Valuer General is supported by staff who are employed by the Department of Planning, Industry and the Environment (DPIE), and referred to as members of the Valuer General's staff under the *Government Sector Employment Act 2013*.³ The Valuer General's salary is determined annually by the Statutory and Other Offices Remuneration Tribunal.⁴

Changes to the legislative and operational environment

New Valuer General

- 1.4 Due to the early retirement of the previous Valuer General, Dr David Parker was appointed as Valuer General on 20 January 2020. Dr Parker has extensive experience in land valuation systems and compulsory acquisitions, as a former Acting Commissioner of the Land and Environment Court of NSW and Professor of Property at the University of South Australia.⁵ The current appointment is for a period of seven years.⁶
- 1.5 The 2019-2020 Annual Report is the first such report following the establishment of VG NSW under the direction of the new Valuer General.

¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p7.

² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p8.

³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p9.

⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p8.

⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p18.

⁶ NSW Government, [Media Release](#), *New NSW Valuer General Appointed*, Minister for Water, Property and Housing, Hon Melinda Pavey MP, 18 October 2019.

During the first part of the period under review, from June 2019 to January 2020, the Acting Valuer General was the former Deputy, Mr Michael Parker, who retired on 18 October 2019. The then Acting Deputy Valuer General, Mr Paul Chudleigh was Acting Valuer General until Dr Parker assumed his duties in January 2020.⁷

Formation of VG NSW

- 1.6 For the period to 19 January 2020, the operation of the valuation system was undertaken on behalf of the Valuer General by Valuation Services, a division of Property NSW and now part of DPIE. From 20 January 2020, the Office of the Valuer General and Valuation Services were merged to form Valuer General NSW (VG NSW). The new organisation continues to undertake all activities performed under the previous structure.⁸
- 1.7 Prior to the merger, Valuation Services provided a suite of services to the Office of the Valuer General through a Service Level Agreement (SLA).⁹ By means of the SLA, the Valuer General formally delegated operational functions under section 8(5) of the *Valuation of Land Act 1916* to staff within Valuation Services.¹⁰
- 1.8 The reasons for the merger, as outlined in the Annual Report were:
- to align all functions under one integrated structure;
 - to improve collaboration and culture; and
 - to enable better delivery by the Valuer General for the people of NSW.¹¹

Governance changes

- 1.9 The previous governance arrangement comprised four levels of administration, consisting of: Parliamentary oversight by the Joint Standing Committee on the Office of the Valuer General (JSCOVG); the Valuer General; the Land Valuation Advisory Group Valuation Joint Steering Committee; and the Property NSW/OVG Liaison Meeting. This was supplemented by three Improvement Groups for the oversight of land values; compensation determinations; and land data held in the Register of Land Values. Various project groups within Property NSW were also established, as required by the Valuation Joint Steering Committee.¹²
- 1.10 Following the merger of the Office of the Valuer General and Valuation Services, a transitional governance structure was adopted. This consisted of three levels, comprising: Parliamentary oversight the Valuer General; the Land Valuation Advisory Group (the principal industry stakeholder group); and the VG NSW

⁷ NSW Government, [Media Release](#), *New NSW Valuer General Appointed*, Minister for Water, Property and Housing, Hon Melinda Pavey MP, 18 October 2019.

⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p8.

⁹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p12.

¹⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), Appendix 6, p78.

¹¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p18.

¹² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), Appendix 4, p76.

Management Committee, which oversees risk management and activity planning for key work teams.¹³

Impact of the merger and new structure

1.11 Responding to questions following the General Meeting, the Valuer General expressed the view that the merger of OVG and Valuation Services under the functional control of the Valuer General had initially conferred significant benefits on productivity and efficiency. He observed that:

- primary focus was placed on clearing the significant existing backlogs in objections and compulsory acquisition determinations, including over 2,500 outstanding land value objections and 3,615 determinations for substratum compulsory acquisition; and
- the focus has subsequently shifted to Objections 2021 and Just Terms 2021 (JT21) which are process management redesign projects to improve productivity and efficiency in land value objections and compulsory acquisition determinations, respectively.¹⁴

1.12 In relation to the simplification of the governance structure, he observed that this had been effective in strengthening governance up to 10 May 2021.¹⁵

Impact on the role of the Valuer General

1.13 At the public hearing, the Valuer General informed the Committee of a directive he had received from the DPIE executive office, which had impacted on his ability to fulfil his role under the Valuation of Land Act. He explained that:

By letter dated 10 May 2021 I was effectively directed by the secretary of the department not to communicate with any staff in Valuer General NSW other than the executive director, the executive officer and my executive assistant. This was later varied to include the Deputy Valuer General. In the same letter I was effectively directed to raise any concerns regarding my ability to carry out my functions with the group deputy secretary, who would advise me what action, if any, would be taken. I advised the department that I considered this to be unworkable as the effect of the ability of the group deputy secretaries to not take action meant that the Valuer General no longer had functional control of the staff.¹⁶

1.14 Dr Parker expressed concern that:

Effectively, the group deputy secretary is able to override the instructions of the valuer general. Therefore, effectively, the Executive Government would be undertaking valuations upon which Executive Government would then raise taxes and make compensation payments. This change reverses the system that has operated since the operation of the Act in 1916 and renders the Valuer General unable to fulfil his role under the Valuation of Land Act.

¹³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p10.

¹⁴ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 4, pp4-5.

¹⁵ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 12, p10.

¹⁶ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p 3.

I proposed a solution to the group deputy secretary that was accepted but has not yet been implemented nor explained to staff. The effect of this solution is to reverse the merger that occurred in January 2020 by returning to an Office of the Valuer General, which is totally independent and separate to a valuation service controlled by Executive Government.¹⁷

1.15 When elaborating on the reasoning behind the directive, Dr Parker said that he understood that it was 'to protect the staff's health and safety as a group of staff felt anxious and fearful.'¹⁸

1.16 In order to overcome the impasse, Dr Parker outlined his proposal to resolve the situation as follows:

... the effect of the secretary's letter is that Executive Government has the staff to make valuations and make determinations but no statutory power to register valuations or issue determinations. I, at the same time, have no staff but the ability to register valuations and issue determinations. I therefore need staff to look at the valuations and determinations to ensure that they are satisfactory and that I am happy to release them. The proposal I made to the department was to create a group of staff who would do that. I received an email saying that proposal was agreed but has not yet been implemented nor explained to staff.¹⁹

1.17 Dr Parker expressed confidence that such an arrangement could successfully operate for the duration of his term. He envisaged that the proposal would involve around twenty staff working in the role of a 'quality management team', and further explained that:

They would deal with rating and taxing valuations and then recruit some valuers to deal with compulsory acquisition and quality assurance.²⁰

1.18 Mr Andrew Coffey, Executive Director DPIE, expressed confidence that the proposal, which had been agreed to in principle, was viable. He advised that:

... At the moment, the DPIE team reports back through me. But Dr Parker needs to know that he has this independence and wants to have independence where he can direct a team himself without me stepping in and overriding that decision. I think now, functionally, he has that in terms of what has been documented on the email. I think he has got that now and can actually work with impunity and work effectively to deliver the results.²¹

1.19 Dr Parker informed the Committee that he had arranged a meeting with the Hon Melinda Pavey MP, Minister for Water, Property and Housing to discuss his proposal and concerns. The subsequent imposition of a prolonged COVID-19 lockdown has to date prevented the Committee from obtaining further detailed information. Additional commentary is provided at the end of this Chapter.

¹⁷ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p 3.

¹⁸ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, pp4-5.

¹⁹ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p6.

²⁰ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p17.

²¹ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p13.

Interagency and other relationships

- 1.20 The most significant interagency relationships of the Valuer General consist of valuation services to support the functions of Revenue NSW and local councils. During the reporting period, approximately 2.6 million valuations were issued to councils and Revenue NSW for the calculation of land tax. Additionally, approximately 50,000 supplementary valuations were provided to councils and Revenue NSW when land was subdivided, amalgamated or materially changed.²²

Service level agreement

- 1.21 A three year service level agreement (SLA) is in place between the Chief Commissioner of State Revenue and the Valuer General, which will apply until 2024.²³

Liaison

- 1.22 The Annual Report confirmed that regular liaison meetings were held during 2019-20 with Revenue NSW concerning the provision of land values for use in the management of land tax.²⁴ The Valuer General noted that the purpose of these meetings was to provide regular reporting of performance (KPI's) and statistics for the services provided, and identifying actions which may be required to address service delivery.²⁵

Service delivery and customer contacts

- 1.23 Land values for 1 July 2019 were issued to approximately 2.6 million landholders on a Notice of Valuation. Land tax assessments are issued annually, and in 2020 Revenue NSW issued 190,044 such assessments, noting that a number were delayed. This was due to the impact of bushfires on several local government areas and the 2020 land tax COVID-19 relief program.²⁶
- 1.24 Enquiries from the public about land tax and/or Revenue NSW were among the top five calls by topic to VG NSW during 2019-20. A total of 3,425 were recorded, representing 11.76% of total calls for that period.²⁷

Impact on financial reporting

- 1.25 Financial reporting data for the period under review indicated a substantial increase in total revenue growth compared to the 2018-19 financial year.²⁸ The Valuer General explained that the biggest contributor to the change in profit was a \$7m increase in income from Revenue NSW. This was partly due to a

²² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p29.

²³ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 13 pp10-11.

²⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p53.

²⁵ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 13 pp10-11.

²⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p33.

²⁷ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p44.

²⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p62.

negotiated fee increase of \$4.5m in anticipation of an influx of valuation objections throughout 2019-20.²⁹

Land tax threshold

- 1.26 In accordance with Division 4A of the *Land Tax Management Act 1956*, the Valuer General determines new land tax and premium rate thresholds for the coming year on annual basis. The Annual Report explained that the adjustments to the thresholds are based on the annual movement in average land values of land within residential, commercial, business and industrial zones in NSW. The land tax threshold for the 2020 land tax year was determined to be \$734,000, and the premium rate threshold was determined to be \$4,488,000. The new thresholds were published in NSW Government Gazette No.119 of 11 October 2019.³⁰

Local Councils

Liaison

- 1.27 During 2019-20, Valuer General representatives attended 69 council meetings to discuss the 1 July 2019 land values, as well as participating in a number of meetings with rating professionals' groups and executive committees.³¹ Themes identified from Council meetings included the possibility of obtaining rate relief for farmers impacted by drought and bushfires, and the unexpected significant increase in rural values between 2016 and 2019.
- 1.28 In response to council concerns, VG NSW delayed the issue of the 2019 Notice of Valuations to bushfire affected councils and offered councils a new 2020 general valuation, which would reflect the impact of the bushfires. However, the Valuer General advised that no councils had taken up this offer. Further details about matters raised by the councils were provided by the Valuer General in his answers to supplementary questions.³²

IPART price setting and other matters

- 1.29 Tables provided in the Annual Report confirmed that fees levied to councils by VG NSW for FY2019-20 were in line with IPART's determination on pricing. The variances were also minimal between the estimated number of valuations (2,591,956) in IPART's determination, and the actual number of valuations (2,599,650) for FY2019-20, resulting in a total fee variance of \$44,976.
- 1.30 Actual operating expenditure (Opex), was \$6,467K lower in FY2019-20 compared to IPART's determination. The Annual Report noted that this was mainly due to lower costs in labour, ICT, Other Valuation Contract and Spatial Services.³³

²⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 28, p24.

³⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p29.

³¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p53.

³² Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 20, pp17-18.

³³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp64-65.

- 1.31 In May 2021, the Government passed the *Local Government Amendment Act 2021* to give effect to certain recommendations made by the Independent Pricing and Regulatory Tribunal, following a substantial review of the local government rating system. The Valuer General advised that he concurred with the Government's response to IPART's recommendations, and did not perceive any material impact on the operation of the land valuation system, or the provision of the Valuer General's services.³⁴

Compulsory acquisition and local councils

- 1.32 The Annual Report made reference to two significant legal cases during the reporting period, in which councils had taken the unusual step of challenging the determination made by the Valuer General in the Supreme Court. While no errors were detected in key issues of valuation principles, the courts did find errors in some disturbance items.³⁵
- 1.33 Commenting on these decisions, the Valuer General observed that his relationship with councils undertaking compulsory acquisition was complicated by Government policy not currently providing a mechanism by which councils are compelled to pay the Valuer General for the provision of a determination.³⁶
- 1.34 This is not the case for other government acquiring authorities. These are required to pay the Valuer General's reasonable costs for preparing valuations for the determination of compensation, regardless of whether a determination of compensation is issued. As explained in the Annual Report, this supports the Valuer General's discretion to commence work on the determination of compensation prior to compulsory acquisition, by providing budget certainty.³⁷

Other relationships

- 1.35 In addition to the service level agreement with Revenue NSW, the Annual Report indicated that a Memorandum of Understanding was in place between the Valuer General, the Registrar General and NSW Land Registry Services. It noted that NSW Land Registry Services provides services to the Valuer General previously undertaken by Land and Property Information³⁸. The Valuer General confirmed that these agreements continue to be current after the establishment of VG NSW, and monthly meetings are held to provide performance reporting.³⁹

³⁴ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 21, pp18-19.

³⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p23.

³⁶ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 6, p6.

³⁷ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p39.

³⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p12.

³⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 13, pp10-11.

Whole of government

Land and asset valuation scheme

- 1.36 In the six-month period to 30 June 2020, VG NSW commenced transition to contracts awarded through a new procurement strategy as part of a whole of government scheme.
- 1.37 The new land and asset valuation scheme became fully operational from 19 November 2019 and is administered by VG NSW. This scheme enables all government agencies to access and engage prequalified land and asset valuation service providers to provide specific services. Advantages noted by the Annual Report include simplified procurement administration for government agencies, and an efficient way for firms to engage with government.⁴⁰
- 1.38 The Valuer General explained that the scheme is in place for an initial term of three years until 18 November 2022. He further observed that although the workload was high when commencing the scheme, additional resources were not required for administering the scheme on a day to day basis. He also confirmed that there were no financial implications for VG NSW by the establishment of the scheme. In addition, he noted that the role of administrator provided the opportunity for improved synergy with other government agencies buying valuation services, as well as a number of additional efficiencies.⁴¹

Implementation of previous Committee recommendations

- 1.39 In its report on the Twelfth General meeting, held in 2018, the Committee made six recommendations which, in the interim, have constituted a key focus for the Valuer General's ongoing program. The Annual Report provided an overview of improvements which have been made in response to the recommendations. These are summarised below.
- 1.40 It should be noted that no further recommendations were made by the JSCOVG in its report on the Thirteenth General Meeting held in 2020. This was in view of the magnitude of changes to the valuation system at the time. It also recognised the relatively short time which had elapsed since the appointment of a new Valuer General, and the introduction of a new organisational structure.
- 1.41 The Government response to the Committees recommendations from the Twelfth General Meeting can be accessed on the Committee's webpage.⁴²

Recommendation 1

Strengthening conflict of interest breaches

- 1.42 The Committee recommended that specific penalties be introduced under the terms of contract with contract valuers to strengthen deterrence against

⁴⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p26.

⁴¹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 19, pp16-17.

⁴² NSW Government, [Government Response](#) Twelfth General Meeting with the Valuer General, tabled 3 June 2020.

breaches of conflict of interest. The Valuer General confirmed that since 1 March 2019, deterrents in the current rating and taxing contracts have been strengthened. Possible sanctions include indemnity, rectification, recovery of losses and termination.⁴³

Recommendation 2

Improving efficiency in determining compensation for compulsory acquisition

- 1.43 The Committee recommended introduction of a formal consultation with key acquiring authorities to rank the complexity of negotiations on a risk management basis to prevent unnecessary duplication of effort in delivering compensation for compulsory acquisition. The Valuer General confirmed that following consultation with the major acquiring authorities, regular meetings were now held to rank the complexity of negotiations between authorities and claimants indicating the likelihood of gazettal. He advised that the agencies supported the Valuer General commencing work on a determination upon receipt of a proposed acquisition notice. However, they requested a pragmatic approach with prioritisation of high risk acquisitions, such as those which could incur financial penalties, major infrastructure projects or a high-profile matter which could receive political or media attention. The Valuer General emphasised that he retained the right to exercise discretion to commence work on matters considered appropriate.⁴⁴

Recommendation 3

Regular annual reporting on privacy issues

- 1.44 The Committee recommended that the Valuer General publish regular updates on any privacy issues resulting from the land valuation system, in particular the management of personal information and compliance with legislative and policy requirements. The Valuer General confirmed that reporting on this topic would be updated as required. He noted that the relevant Privacy Management Plan for VG NSW was the same as for DPIE.⁴⁵

Recommendation 4

Developing customer service survey initiatives and expanding feedback options

- 1.45 The Committee recommended ongoing development of initiatives to assess customer service experience and expansion of the options to receive feedback to better inform business improvement. The Valuer General confirmed that the surveys which had been in use had been externally reviewed and assessed for effectiveness. He advised that a holistic assessment approach was being developed as part of his program for the 2020-21 reporting year.⁴⁶

⁴³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp13-14.

⁴⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p14.

⁴⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p15.

⁴⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp15 & 17.

Recommendation 5

Expanding multicultural media coverage and community education about the valuation system

- 1.46 The Committee recommended expansion of multicultural media coverage and a targeted education strategy. This was to ensure that landholders from non-English speaking backgrounds were informed about the land valuation system, their rights to objections to rating and taxing valuations, and compensation in the case of compulsory acquisition.
- 1.47 The Valuer General advised that his state-wide media release is now distributed to key multicultural media outlets and the number of languages used for translation has now increased. He further noted that the Valuer General's Newsletter is also translated and a range of translated educational material, as well as a link to the national interpreter service are available on the website.⁴⁷

Recommendation 6

Continuous improvement of quality assurance and verification programs with provision of regular updates

- 1.48 The Committee recommended that the Valuer General continue to review land valuation methodologies and techniques of quality assuring land values and to publish regular updates for landholders about those improvements. The Valuer General confirmed that valuation policies are continuously reviewed and updated, along with research and production of new policies as new land use issues arise. New policies published during the reporting period addressed: cemeteries and crematoria; coal mining; metalliferous mining; and extractive industries. A specialised research report on the impact of bushfires on land values was published in the wake of the 2019-20 bushfire crisis.⁴⁸
- 1.49 The Valuer General also highlighted his ongoing research into the use of automated technologies to improve the quality assurance process. Two specific projects cited were a three year partnership with University of New South Wales and other entities to develop a valuation methodology using artificial intelligence, and a partnership with the Department of Primary Industries and other NSW agencies to provide automated land classifications using complex datasets and satellite imagery to improve the accuracy and consistency of rural land values.⁴⁹
- 1.50 Further quality improvement measures during the reporting period included: a change to the verification process for low risk properties to check the accuracy of valuations more frequently (at five not six year intervals); the expansion of digital delivery of data from contract valuers; and the development of standard benchmark codes to group similar properties and thereby facilitate the review of consistent values across different components and areas.⁵⁰

⁴⁷ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p15.

⁴⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p16.

⁴⁹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p16.

⁵⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p17.

- 1.51 Information to the public regarding quality assurance precautions in the valuation system was expanded. This included the first Quality Assurance Plan, published for the 1 July 2019 land values. In addition, information about improvements in quality assurance was disseminated via the Valuer General's 2020 newsletter.⁵¹

Committee comment

Role and independence of the Valuer General

- 1.52 The Committee was concerned to learn that difficulties had arisen in the relationship between the Valuer General and DPIE and that the establishment of VG NSW appears to have contributed to the undermining of staff morale and a breakdown in internal communications. At the public hearing, the Committee sought to explore the nature of the problems which had arisen by detailed questioning, put to the Valuer General in an in-camera session.
- 1.53 However, the Committee requires further information before coming to a conclusion as to how the situation can be resolved, after all relevant parties have had an opportunity to consult on the matter. The Committee stresses the need for procedural fairness to ensure that the views of all the relevant staff are considered before a final decision is made regarding future organisational and operational arrangements.
- 1.54 The Committee is mindful that the efficiency and effectiveness of VG NSW could be compromised if the views and experiences of staff are not heeded as part of a broader consultation process. In this regard, the Committee notes that the Valuer General has introduced an ambitious reform program which has been implemented during 2020-21. At the recent public hearing, Dr Parker canvassed a further demanding list of initiatives to be implemented in 2021-22.
- 1.55 The pace of change associated with the organisational restructuring of the Valuer General's operations in the last four years has been extremely consequential, requiring careful planning and management. Working arrangements for staff over the past four years have been subject to a range of continuous upheavals. The Committee therefore seeks an assurance that the Valuer General's objectives for higher performance standards and modernisation of operations will not be pursued to the detriment of staff welfare.
- 1.56 Over recent years, additional stresses have arisen in the NSW social and business environment. This has resulted from bushfires, the pandemic, a highly volatile property market and foreshadowed changes to the property tax system, as well as ongoing technological change. It may therefore be worthwhile for the Valuer General to consider the need for VG NSW to focus on a period of consolidation for the foreseeable future.

⁵¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p17.

Recommendation 1

The Committee recommends that the Valuer General and the Department of Planning, Industry and Environment consult with the relevant VG NSW stakeholders, including the executive officers and the valuation and compensation staff, before determining the final operational arrangements.

Interagency and other relationships

- 1.57 The Committee was pleased that the Valuer General has continued to provide efficient and effective valuation services to Revenue NSW and local government for the vital purposes of rating and taxing, notwithstanding the challenges presented by bushfires and COVID-19 during the period under review.
- 1.58 However, the Committee is concerned that the Valuer General's relationship with councils undertaking compulsory acquisition is complicated by Government policy not currently providing a mechanism by which Councils are compelled to pay the Valuer General for the provision of a determination. This is not the case in relation to compulsory acquisitions undertaken by State Government authorities.

Recommendation 2

The Committee recommends that the Minister for Water, Property and Housing and the Minister for Local Government require local councils to reimburse the Valuer General for the provision of a determination.

Previous recommendations

- 1.59 The Committee is pleased that nearly all the recommendations from the Twelfth General Meeting have been conscientiously implemented and that the relevant improvements have been comprehensively detailed in the 2019-20 Annual Report. The Committee notes that the roll-out of the new strategy for customer service research and evaluation is ongoing. The Committee looks forward to receiving a further update in the next Annual Report.

Chapter Two – Customer and stakeholder relations

Communication with landholders

Landholder feedback

- 2.1 During the reporting period, surveys were undertaken to assess land holders' experience in five key areas of customer service, namely: compulsory acquisition; call centre service; technical advice; the objection process; and facilitated conferences.
- 2.2 Following low levels of response, the surveys were externally reviewed to evaluate their effectiveness and outcomes. The Annual Report advised that the review recommendations have since been considered and a holistic approach to assess the customer service experience was being developed.⁵²
- 2.3 In addition to the telephone call centre, landholders who lodge an objection to a land valuation or determination of compensation are offered informal and facilitated conferences. In such cases, facilitators guide the conference process without making decisions.⁵³
- 2.4 As explained in the Annual Report, conferences were introduced as a way of ensuring landholders understood the information affecting their land value and, providing them with the opportunity to discuss their concerns or submit further information prior to the objection being finalised.
- 2.5 This initiative resulted from the Committee's 2013 report into the NSW land valuation system. Conferences also promote understanding of all options, should a landholder remain dissatisfied with the outcome of their objection.⁵⁴
- 2.6 At the General Meeting, the Valuer General confirmed that his objective in undertaking a holistic review of customer surveys had been accomplished. With regard to the findings, he noted that this initiative had:

..essentially confirmed that dissatisfaction at having an objection disallowed is the major source of customer unhappiness. So things like process and procedure generally seem to go well; if your objection is disallowed you are unhappy.⁵⁵
- 2.7 Additional indicators of landholder feedback on the objection process include the rate of objections and court appeals where landholders distrust the process

⁵² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p15.

⁵³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p33.

⁵⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p48.

⁵⁵ Dr David Parker, Valuer General, [Transcript of Evidence](#), 11 June 2021, p 2 viewed August 2021.

or the outcome. During the reporting period, the Valuer General made significant amendments to the objection process.⁵⁶

- 2.8 In responding to questions following the public hearing, the Valuer General advised that the primary impact of the new process to date had been a significant reduction in the number of objections, without complaints to local Members, the Minister or the Premier, and no adverse media commentary.
- 2.9 He further observed that the level of objections was subject to a wide range of influences. These include the incidence of general rating years, peaks and troughs in the property market and the variations in market conditions arising from bushfires and COVID 19. An assessment of objection volumes showed that the number had reduced from 864 in July 2020 to 279 in May 2021. He further commented that, while there was a likelihood of an increase in appeals to the Land & Environment Court, this had not manifested to date.⁵⁷

Complaints management

- 2.10 Feedback, including complaints, is used to identify areas for improvement and recorded in the Complaint and Feedback Management System. Complaints are handled in accordance with the Office of the Valuer General's Complaint Handling Policy, which aims to resolve complaints within 20 working days, with landholders kept informed of the timeframe for a response. An independent review by the NSW Ombudsman's Office is available, if the landholder is not satisfied with the Valuer General's formal processes.
- 2.11 Over the reporting period, the Valuer General NSW received 16 complaints, resolved in an average of 33 days. The main complaint types cited were: Customer service (9); Privacy complaints (1); Contractor activity (1); and the land value and objection process (1). The Annual Report provided a summary table of complaints, indicating how they were managed and their outcomes.⁵⁸
- 2.12 In response to supplementary questions, the Valuer General confirmed that 75 per cent of complaints were resolved within 20 working days, as required by the VG NSW policy. He explained that two complaints took more time to resolve and impacted the average number of days reported. VG NSW aims to review the complaints handling policy annually.⁵⁹

Service NSW

- 2.13 During the reporting period, Service NSW introduced several initiatives to reduce customer effort and improve overall customer experience. These included: the introduction of a first level call centre service; the option to receive a digital Notice of Valuation; access to digital self-service kiosks at

⁵⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp19-20.

⁵⁷ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 5, pp5-6.

⁵⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp46-47.

⁵⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 16, p13.

Service NSW centres; and the opportunity to have face to face customer experience at Service NSW centres.⁶⁰

- 2.14 In answers to supplementary questions, the Valuer General confirmed the positive benefits of expanding service access by means of Service NSW. In particular, he observed that the first level call centre has resulted in improved service, contrasting the 87 per cent of calls immediately resolved between 1 July 2020 and 30 June 2021 with 64 per cent in the previous reporting year.
- 2.15 Additionally, 77,906 customers signed up for a digital Notice of Valuation via the Service NSW website between 1 July 2019 and 30 June 2020, with a further 5,019 signing up between 1 July 2020 and 30 June 2021.
- 2.16 Although Service NSW does not provide data on the use of self-service kiosks or face to face services for VG NSW, the Valuer General was of the view that the initiatives appeared to be effective in enhancing the public profile of VG NSW⁶¹
- 2.17 He also confirmed that VG NSW was conscious of the needs of the wider community for service delivery. In particular, he gave his assurance that landowners who do not have technological access or are prevented by a physical disability, are encouraged to contact VG NSW by telephone or to visit a Service NSW centre.⁶²

Privacy and data protection

- 2.18 In the reporting period, personal information was managed in accordance with the *Privacy and Personal Information Protection Act 1998* (privacy legislation) and the Department of Planning, Industry and Environment's privacy management plan.
- 2.19 The Annual Report confirmed that the VG NSW valuation portal is made available subject to privacy legislation. Only authorised users can access data stored in the Register of Land Values by logging in to the VG NSW Valuation Portal. The login is subject to terms and conditions requiring compliance with privacy legislation.⁶³
- 2.20 The Annual Report made reference to a privacy complaint by a property owner concerning disclosure of a mailing address. The complainant was advised of the process to suppress ownership from the Register of Land Values, where there was concern about personal safety⁶⁴
- 2.21 In his response to supplementary questions, the Valuer General explained that there are a number of touch points on the VG NSW website which guide users to the privacy statement, setting out their privacy rights and advising them how VG NSW collects and stores personal information.

⁶⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p45.

⁶¹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 15 pp 12-13.

⁶² Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 2, p4.

⁶³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p50.

⁶⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p47.

- 2.22 In addition, he advised that the registration page for VG NSW online services included a statement about providing information to private contractors for customer satisfaction surveys and to private valuation contractors undertaking work on behalf of the Valuer General. He also confirmed that the privacy statements were updated during 2020, following review and advice by the DPIE privacy team.⁶⁵
- 2.23 The Annual Report also foreshadowed that a new agreement was due to be made with commercial clients distributing sales data, to ensure that vendor names would no longer be included. Commercial clients would be asked to delete vendor and purchaser names from the historical data sets received.⁶⁶
- 2.24 In his response to supplementary questions, the Valuer General advised that new agreements had not been entered into, as it was proposed to migrate the service from VG NSW to NSW Land Registry Services (LRS). Subject to this being approved, ongoing monitoring would be the responsibility of LRS.⁶⁷

Quality assurance mechanisms and risk management

- 2.25 During the 2019-20 year, the quality assurance program identified a number of areas of risk and valuation quality deficiencies that were rectified prior to the acceptance of the annual values and their entry onto the Register of Land Values.⁶⁸ The Valuer General emphasised the critical need to upgrade the technological system in order to improve quality assurance efficiencies.⁶⁹

Quality assurance improvements

- 2.26 During the reporting period, the Valuations (Quality Assurance) Team monitored the quality of valuations comprising the mass valuation system using a range of operational perspectives.⁷⁰ Additional improvements to quality assurance processes cited in the Annual Report, included expansion of the digital delivery of data provided by contract valuers, and the standardisation of benchmark and classification codes on the Register of Land Values.
- 2.27 These changes were made in order to group similar properties and review consistency of values across components, districts and contract areas. Further information resources explaining the quality assurance and land value verification processes were also added to the website.⁷¹
- 2.28 Further detail about the quality assurance process in relation to contractors is provided in Chapter Three.

⁶⁵ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 17, pp13-14.

⁶⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p50.

⁶⁷ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 17, p14.

⁶⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p30.

⁶⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p15.

⁷⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p26.

⁷¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p17.

Land value verification

- 2.29 To ensure the quality of NSW land values, contract valuers undertake a systematic risk-based process of periodically verifying property data and land values. The program provides for the individual review of all land values and supporting data. The report explained that the program takes a risk-based approach which considers the complexity and nature of properties, to determine the time frame for verification.

From March 2019, the program frequency was changed, so that all land values in NSW would be verified over a five-year period. However, properties identified as having a higher risk of valuation error would be verified more regularly.⁷²

- 2.30 The Valuer General explained that this measure enabled alignment of the verification program with the contract term to ensure all properties in a contract area were reviewed by the one contractor, thus aiming to improve consistency and quality of valuations through a more frequent review.⁷³
- 2.31 The verification program is measured for completion against a set of planned targets. The Annual Report provided a table indicating the outcomes for each of the risk rating categories verified during the reporting period.⁷⁴

Statistical measures

- 2.32 Valuations across local government areas are required to meet internationally recognised statistical standards. The Annual Report explained that these standards measure consistency and accuracy between valuations and against the market evidence. Where the standard is not met, further investigation is undertaken. Compliance is tested against key performance indicators. The report confirmed that for the period under review, all KPIs for statistical measures were met and performance continued to improve.⁷⁵
- 2.33 At the General Meeting, the Valuer General notified that he would conduct a review of quality assurance of land valuations in high risk and high value areas and compulsory acquisition. He also foreshadowed the introduction of a risk-based performance management system.⁷⁶

Annual reporting**Reporting format**

- 2.34 As a stand-alone organisation since January 2020, VG NSW publishes its own Annual Report. Production of a separate annual report commenced in 2016-17 as part of the Valuer General's implementation of the recommendations of the Committee's 2013 Inquiry into the Land Valuation System. The publication of a

⁷² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p30.

⁷³ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p15.

⁷⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p31.

⁷⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p31.

⁷⁶ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p3, viewed July 2021.

standalone report reinforces the independence of the valuation system and increases transparency and accountability.⁷⁷

- 2.35 Although an independent office, VG NSW sits within the portfolio of the Minister for Water, Property and Housing, The Hon Melinda Pavey MP. Additional statutory reporting is provided in the Annual Report of the Department of Planning, Industry and the Environment.⁷⁸
- 2.36 The main components of the 2019-20 Annual Report included: a review of responses to previous recommendations of the JSCOVG arising from the Twelfth General Meeting; an outline of achievements from 2019-2020; a statement of future initiatives for 2020-21; a finance report; and a performance report.

Achievements and future initiatives

- 2.37 The Annual Report confirmed that implementation of responses to the six recommendations made previously by the JSCOVG had been completed except for an assessment of customer survey experience.⁷⁹ At the public hearing, the Valuer General reported on the insights gained from the work which has since been initiated in relation to the review of customer surveys.⁸⁰
- 2.38 Key achievements in 2019-20 included: formation of VG NSW; the appointment of a new Valuer General; the development of a vision and strategy for VG NSW; amendments to the objection process to more closely adhere to the *Valuation of Land Act 1916* and the requirements of the Land & Environment Court; publication of a Review on the impact of bushfires on land values and of a Review on the impact of COVID-19 on the NSW property market.
- 2.39 Future initiatives to be undertaken during 2020-21 were also outlined in the Annual Report. The list of objectives included: holistic customer service surveys; timeliness and KPIs for the objection process; timeliness for the compulsory acquisition process; clarification of previous Joint Standing Committee recommendations to ensure consistency with law or court precedent; Valnet III funding; and automated valuation modelling development with the University of NSW.⁸¹

Financial reporting

- 2.40 During 2019-20, the Valuer General adopted a new method of activity costing, with reporting based on operational areas. The Annual Report advised that:

Activity based costing now enables a clear reconciliation and audit trail between the activity-based costing report and the statutory financial report at activity and profit centre level.⁸²

⁷⁷ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2016-17](#).

⁷⁸ NSW Government, [Department of Planning, Industry and Environment Annual Report 2019-20](#).

⁷⁹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p17.

⁸⁰ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 2, viewed August 2021.

⁸¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), ppv-vi.

⁸² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp57-58.

- 2.41 The report also noted that the new method has provided substantial administrative savings. In addition, the Valuer General commented that the new approach improved budget accountability and performance for the reporting areas, as these were now reported monthly.⁸³
- 2.42 Activity based costing was introduced in response to financial reporting recommendations to enhance transparency and accountability, arising from the 2013 Inquiry of the Joint Standing Committee.⁸⁴ An activity based costing report was first published in the Valuer General's 2013 - 2014 annual report and has been subject to continued improvement.⁸⁵

Performance reporting

- 2.43 The Valuer General sets the performance standards for the valuation system. The Annual Report provided comprehensive data on the key performance measures, with comparisons across a number of reporting years. During the period under review, the Valuer General issued 3,663,565 valuations for rating and taxing purposes and issued 2,672,380 notices of valuation. A total of 2,618,214 valuations was held on the Register of Land Values for the 2019-20 reporting year.⁸⁶
- 2.44 Commenting on the overall performance of the year under review, the Valuer General identified timeliness and KPIs for the objection process and timeliness for the compulsory acquisition process as key issues for attention.⁸⁷ Data provided in the performance tables indicated that the average number of days to complete objections was 140 days from a target of 75 days.⁸⁸ The report further advised that only 24 per cent of objections to land values had been completed within the minimum 90 days, whereas the target was 80 per cent.⁸⁹
- 2.45 In the case of objections to valuations for land tax, only 17 per cent had been completed within 90 days, from a target of 85 per cent. The report noted that the unusually high volume of land tax related objections received in 2019 impacted on timely processing of all objections.⁹⁰
- 2.46 Following a review of the process for lodging a valid objection, the process was amended, requiring landholders to state their opinion of the value of their landholding. In doing so, they must provide reasons and supporting sales evidence. Online and hard copy customer information was updated to reflect

⁸³ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 9, p9.

⁸⁴ NSW Parliament, Joint Standing Committee on the Office of the Valuer General, [Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General](#), Report 2/55 May 2013, viewed August 2021.

⁸⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p57.

⁸⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p66.

⁸⁷ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 11, pp9-10.

⁸⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p70.

⁸⁹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p70.

⁹⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p68.

the amendments made and a phasing in process provided so as not to disadvantage any landholders.⁹¹

- 2.47 At the public hearing, the Valuer General confirmed that the final IT upgrades for the new online objection process had been launched and the process was now live.⁹² Further information and examination of the objection process is provided in Chapter Four.
- 2.48 Performance outcomes for finalising compensation determinations were also below performance targets. Data provided, indicated that the percentage of determinations issued on time was 54 per cent, from a target of 100 per cent. The Annual Report cited particular factors which contributed to delays as follows: the complexity of matters; additional time to allow for improvements to procedural fairness for landowners, including expanded consultation and opportunity to make submissions; and a focus on fairness and quality.⁹³
- 2.49 At the public hearing, the Valuer General confirmed that the compulsory acquisition process has now been redesigned and was moving into an implementation phase, with a view to complete determinations within the 45 days specified under the Act. He noted that:
- In 2019-2020 determinations took an average of 171 days, so there is very considerable room for improvement.⁹⁴
- 2.50 In his response to supplementary questions, the Valuer General gave further assurance that timeliness and KPIs for the objection process and timeliness for the compulsory acquisition process are receiving ongoing attention as part of his Future Initiatives for 2020-21.
- 2.51 He further observed that:
- The current performance measures address operational issues across the activities of VG NSW but do not address the key risks of trust, integrity and confidence.
- 2.52 He also confirmed that a new risk management framework has been developed which focuses on the management of trust, integrity and confidence risks through a greater focus on quality, accuracy and timeliness in KPIs. Stress was placed on the need to look closely at the quality assurance of land valuations in high risk and high value areas and compulsory acquisition determinations as initiatives to be addressed in the next reporting period.⁹⁵ Further information and commentary about the proposed changes to the process for determination of compensation is provided in Chapter Four.

⁹¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p19.

⁹² Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 2, viewed August 2021.

⁹³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p71.

⁹⁴ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 2, viewed August 2021.

⁹⁵ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 11, pp9-10.

Provision of public information

Market trends

- 2.53 Over 2.6 million residential, rural, business and industrial land values for properties in NSW were determined as at 1 July 2019. The total value of land in NSW on 1 July 2019 decreased by 5.4 per cent to approximately \$1.73 trillion in the 12 months to 1 July 2019. Approximately 57,000 property sales were analysed across NSW as part of the valuation process to determine the 1 July 2019 land values.⁹⁶
- 2.54 Land values are provided to Revenue NSW for calculating land tax. In addition, councils receive new land values for rating every three years. The issuing of the 1 July 2019 land values to councils reflected the property market as at 1 July 2019 and was not affected by the 2019-20 bushfires or the COVID-19 pandemic. On the other hand, the 1 July 2020 land values were determined by taking account of the impact of those events.⁹⁷
- 2.55 Land values increased across NSW by 3.6 per cent from \$1.74 trillion to \$1.80 trillion in the 12 months to 1 July 2020. Residential land values increased by 4.0 per cent, rebounding following reductions in 2019 due to record low interest rates contributing to increased demand.
- 2.56 While the COVID-19 pandemic did not significantly affect residential property values, commercial land values showed an overall decrease of 6.6 per cent. This was attributed to the pandemic causing reductions in short and medium term revenue, mainly in Sydney metropolitan areas. A more limited impact from COVID-19 was noted in regional locations.⁹⁸
- 2.57 During the reporting period, the industrial market remained generally strong with land values increasing by 5.5 per cent overall across the state. This was influenced by demand for e-commerce and larger, well located sites close to the Sydney market with good road or rail connections. Overall, rural land values increased by 4.8 per cent, driven primarily by continued strong commodity prices, limited supply and sustained demand for good quality farming, mixed cultivation and grazing lands.⁹⁹

Expansive website and public education

- 2.58 In order to promote public information about the valuation system, the Valuer General publishes a wide range of resources on his website. In particular, the website provides details to assist land holders understand how valuations are made, how compensation is assessed and how objections are handled for compensation purposes.
- 2.59 The Annual Report included interactive summaries for 18 regions and all local government areas (LGAs), including contract valuers' final reports and added

⁹⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p26.

⁹⁷ [VG News January 2021](#), p1, viewed August 2021.

⁹⁸ [VG News January 2021](#), p1, viewed August 2021.

⁹⁹ [VG News January 2021](#), p1, viewed August 2021.

value of improvement tables for each LGA. During 2020, the Valuer General published two key valuation studies to document the impact of the 2019-2020 bushfires and the Covid-19 pandemic on the property market and land values.¹⁰⁰

- 2.60 As well, the Annual Report highlighted a variety of additional resources to assist land holders during the period under review. These included the Valuer General’s annual newsletter to land holders, issued in January 2020, and leaflets and brochures explaining land values, supplementary land valuations, and the objection process.
- 2.61 The Valuer General also published a property sales data file and data elements as well as property sales data instructions and a land valuation user guide.¹⁰¹ During the 2019-20 reporting period, the Valuer General published the annual Quality Assurance Plan and a summary of the outcomes of the Quality Assurance Program.¹⁰²
- 2.62 Website statistics for the reporting period indicated that 19, 244 visitors used the NSW Land Values and Property Sales Map during 2019-20. There was a marked increase in land value searches in 2019-20 (430,758 searches), compared with 257,840 searches reported for 2018-19 and 188,361 for 2017-18. In most instances, the data indicated some growth in use of the regional and LGA portals across the three reporting periods.¹⁰³
- 2.63 At the public hearing, the Valuer General highlighted the importance of website information to ensure procedural fairness for landholders in the objections process. He pointed out that:
- ...there is extensive comparable sales evidence available on our website and in briefing material available to object is on the website and explains in some detail how to go about submitting your objection. We have also just switched over to our new online objection form, which takes objectors step-by-step through each box and shows what they need to give us in order to lodge a valid objection.¹⁰⁴
- 2.64 Outlining future initiatives, the Valuer General indicated that these would include overhauling the content of the website and investigating greater use of social media.¹⁰⁵ In addition, he emphasised continuous improvement, particularly enhancing the customer experience and improving productivity through the use of technology. He noted that automation may be applied to future services directed to landowners where it presents an efficiency, either to productivity or by improving the customer experience.¹⁰⁶

¹⁰⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp20 & 51.

¹⁰¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p51.

¹⁰² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p17.

¹⁰³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp 51-52.

¹⁰⁴ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p3, viewed August 2021.

¹⁰⁵ Dr David Parker, [Transcript of Evidence](#), 11 June 2021, p3, viewed August 2021.

¹⁰⁶ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 2 pp3-4.

Multiple languages

- 2.65 In response to previous Committee recommendations, the Valuer General has for several years provided information about the NSW land valuation system, the objections process and the determination of compensation for compulsorily acquired land. These are provided in a range of linguistically diverse languages (CALD) on the website and available in printed form.
- 2.66 In January 2019, outreach to linguistically diverse communities was further extended, with translation of the Valuer General's state-wide media release into five of the main CALD languages. In 2020 the project was further expanded to include a total of ten languages, with translated media releases distributed to multicultural media outlets. In January 2020, the Valuer General's annual newsletter was included for the first time in the translation program. The website also provided access to the national Translating and Interpreter Service (TIS).¹⁰⁷

Committee comment

Customer surveys and complaints mechanisms

- 2.67 The Committee commends the Valuer General for reviewing customer service surveys, with a view to ensuring meaningful feedback from landholders and enabling service improvement measures to be truly effective. The Committee particularly welcomes the introduction of improved customer feedback mechanisms in order to ensure that valuation services are accountable and procedurally fair.

Service NSW

- 2.68 The Committee supports the expansion of VG NSW service accessibility through its relationship with Service NSW. The Committee is especially pleased to note the Valuer General's assurance that provision has been made for alternative access pathways to landholders who lack technological capability or are otherwise disabled.

Privacy

- 2.69 The Committee is pleased to note the Valuer General's compliance with privacy law and policy in its management of personal data relating to landowners. The Committee welcomes the regular comprehensive update on protection measures, including complaints, which is now regularly included in the annual reporting. The Committee would appreciate receiving additional updates on IT data security measures in future reports.

Quality assurance and risk management

- 2.70 The Committee commends the risk based approach taken by VG NSW and the wide range of monitoring procedures, both manual and technological, established to ensure the reliability and accuracy of the mass valuation system operating in New South Wales.

¹⁰⁷ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p15.

- 2.71 The Committee also acknowledges that quality assurance measures need to be underpinned by the strongest possible technological capability to manage the valuation data and to extract meaningful and reliable valuation reports. The Valuer General's concerns regarding the current status of the VG NSW technological system (Valnet) is discussed in detail in Chapter Four.

Annual reporting

- 2.72 The Committee is satisfied that the stand alone annual reporting by the Valuer General has greatly improved the quality of information and general accountability of his office. The Committee agrees that separate annual reporting is essential to safeguard the independent status of the Valuer General as an impartial authority within the NSW land valuation system. The Committee is also reassured by the Valuer General's improvements in financial reporting, which have enabled more effective internal auditing and strengthened the financial accountability of VG NSW.

Timeliness and KPIs

- 2.73 The Committee appreciates the Valuer General's frank statement of the challenges experienced by VG NSW in relation to the significant delays occurring in the processing of objections and the determination of compensation. There is a need to review the performance management system and revise procedures to ensure optimal performance outcomes are delivered within statutory time frames. The Committee supports the Valuer General's initiative in amending the objection process to expedite delays and despatch a significant backlog of objections.
- 2.74 The Valuer General has also informed the Committee about his plan to review and revise procedures for the determination of compensation to make them more timely and efficient. The Committee feels that it would be premature to anticipate the impact of these changes without considering further evidence once the new measures have had time to take effect. The Committee looks forward to receiving further information at the next General Meeting.

Market trends

- 2.75 The Committee commends VG NSW for its efforts in monitoring and reporting on market trends and vicissitudes. In particular, the Committee notes that the Valuer General has provided important research reports on the impact on land values of the recent bushfire and COVID-19 emergencies. In addition, the Valuer General has demonstrated his accountability by documenting his methodologies for valuation of land in areas where there has been an adverse impact on the market as a result of such crises. The Committee acknowledges the Valuer General's important contributions to land valuation research.

Website resources and services

- 2.76 The VG NSW website is a valuable resource, providing a comprehensive range of information about the valuation system. The Committee is pleased to note that the data is regularly updated and that the Valuer General is committed to making ongoing improvement, with increased on-line services and further

technological innovation. The Committee looks forward to receiving an update on developments in the next annual report.

Public education

- 2.77 Over a number of years, the website has consistently provided comprehensive information about the valuation system, not only in English but in a variety of community languages. The Committee urges the Valuer General to continue to take an inclusive approach and to ensure that the public education program addresses the needs of the diverse community of landholders throughout NSW.

Recommendation 3

The Committee recommends that the Valuer General continues to monitor and improve the performance management system of VG NSW and ensure the objection management and compensation determination processes are continuously reviewed and restructured as required, in order to achieve greater efficiencies and timeliness.

Recommendation 4

The Committee recommends that the NSW Government ensures that VG NSW has adequate resources to continue to develop and improve its public education about the land valuation system, including upgrading of the website and outreach to communities from non-english speaking backgrounds.

Recommendation 5

The Committee recommends that the NSW Government ensures that VG NSW has the necessary resources to explore, test and adopt new technologies to improve quality assurance, risk management, information security and greater efficiencies in the delivery of services in the land valuation system.

Recommendation 6

The Committee recommends that the VG NSW provides updates on IT data security measures in future annual reports, in addition to reporting on privacy management and protection of personal information.

Chapter Three – Contractors and consultants

Current contracts and quality assurance safeguards

- 3.1 VG NSW outsources the provision of most valuation services to external contractor firms. Contractors are selected by an open market tender process in line with the procurement guidelines set for NSW public sector agencies. The performance of each contractor is regularly monitored to ensure timely, high quality and cost effective service.¹⁰⁸

Contractor arrangements in 2019-2020

Rating and taxing contractors

- 3.2 Commencing on 29 March 2019, valuation services were provided under 18 rating and taxing contracts by 11 external firms contracted for a period of five years. The Annual Report advised that contractual improvements had been made in relation to the quality of worksheets, benchmark component reports, sales analysis and explanations for annual valuation trends.
- 3.3 The Annual Report noted that close liaison was maintained with contractors throughout 2019-20, particularly for managing the delivery of valuation services in response to the onset of COVID-19 restrictions. A list of contractors is published on the VG NSW website.¹⁰⁹

Valuation panel contracts

- 3.4 VG NSW contracts out additional valuation services for the purposes of compulsory acquisitions, various types of advisory valuations and the review of objections to rating and taxing valuations. Valuation panel firms are invited to submit a quote in a competitive selection process.
- 3.5 Valuation panel contractors are engaged for one calendar year, with an option for an additional year. Until 31 December 2019, when extension options expired, 80 valuation panel contractors had been engaged during the reporting period.
- 3.6 Objection contractors are selected from the panel on the basis of quality, cost and designated objection valuation areas. The selection is also governed by a rule that a contractor, other than the rating and taxing contractor for the area, must undertake the valuation review.
- 3.7 Since 2017, the Valuer General has required the use of a single contractor to provide objection review services in relation to specific local government areas zone types. The Annual Report confirmed that this was continued during the reporting period.¹¹⁰ A transition period followed until 30 June 2020, when a

¹⁰⁸ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), viewed July 2021, p24.

¹⁰⁹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), viewed July 2021, pp24-25.

¹¹⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), viewed July 2021, p25.

new panel of preferred suppliers was established for procurement of objection contractors, as part of a whole of government scheme.¹¹¹

3.8 At the public hearing, the Deputy Valuer General, Mr Paul Chudleigh, advised that a new process was now in place, whereby a single objection contractor was appointed for 27 contract areas around the State. He explained that the new approach would apply to objection services for more standard property types.

3.9 However, the whole of government recruitment scheme would be used in relation to the more difficult, complicated and high-value properties. Mr Chudleigh further advised that the new process had been introduced to drive consistency and timeliness in the delivery of objection valuations.¹¹²

Expert consultants

3.10 The Annual Report noted that exceptions are made when a specialist or expert is required who is not on the panel. In these cases, the contractor is required to agree with the terms and conditions of the panel contract and provide a quotation ensuring value for money. Some compulsory acquisitions considered during the reporting period required the input of multiple experts, such as town planners, flood engineers and quantity surveyors.¹¹³ However, the Valuer General advised that in most cases, the cost of using experts was borne by the acquiring authority.¹¹⁴

Quality assurance safeguards

The QA Plan

3.11 The Annual Report highlighted the role of the Contractor Performance Quality Plan (QA Plan) in monitoring the quality of the valuations of rating and taxing contractors. The QA Plan is supervised by the Quality Management Group, overseen by the Deputy Valuer General. The QA Plan details the monitoring activities for the performance of rating and taxing contractors. The QA program includes automated checks and manual checks. A number of localised and centralised reviews are also included.¹¹⁵

3.12 During the reporting period, the annual quality assurance program reviewed the quality of contractor deliverables in each of the 18 contract areas. This encompassed a range of contractor outputs, including: 1 July 2019 land values; sales analysis; benchmark component reports; added value of improvement tables; worksheets; monthly progress reports; final reports; and local government area land value summaries and commentary.

3.13 The Annual Report confirmed a number of areas of risk and valuation quality deficiencies identified by the QA program. These had been rectified prior to the

¹¹¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#) viewed July 2021, p26.

¹¹² Mr Paul Chudleigh, Deputy Valuer General, [Transcript of Evidence](#), 11 June 2021, p18.

¹¹³ NSW Government, Valuer General NSW [Valuer-General NSW Annual Report 2019-2020](#), viewed July 2021, p55.

¹¹⁴ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 7, p7, viewed July 2021.

¹¹⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#) p23.

acceptance of the annual values and their entry onto the Register of Land Values.¹¹⁶

- 3.14 Also outlined were a number of improvements made to strengthen quality assurance in relation to the data provided by contractors. A particular improvement during the reporting period was the development of publishable contractor worksheets.
- 3.15 These are records produced by rating and taxing contractors, which provide detailed information about the contractor's valuation processes, rationale and methodology for a particular property. They are produced only in cases where detailed calculations are required. During the reporting period, the Valuer General introduced a pilot scheme to include worksheets with information kits for rural properties, effective from March 2020.¹¹⁷
- 3.16 Other changes have also been made in the supervision of contractors since the previous General Meeting. In particular, contractor performance management instructions were introduced in June 2020, to ensure consistency in approach by VG NSW quality assurance staff in recording contract non-compliance issues. The recording of non-compliance issues is reflected in the contractor scorecard.
- 3.17 In addition, new procedures were introduced in April 2021 to review the performance of rating and taxing contractors, following successful objections against their valuation recommendations. The Valuer General explained that the new procedures improve the separation of the objection contractor's review from the original issued rating and taxing contractors' valuation. Automatic non-compliance would be recorded against contractors where valuation changes outside acceptable market ranges were determined.
- 3.18 He further advised that an external quality assurance contractor was recently engaged to undertake an independent review of 1,021 valuations at the Western Sydney Aerotropolis. This followed a rezoning and 279 valuations within Kingsford Smith Airport, revealing significant valuation quality concerns. The Valuer General confirmed that these were currently being addressed through revaluation and contract management actions and that new valuations would be issued to affected landowners.¹¹⁸
- 3.19 The Valuer General also stressed the importance of having up-to-date technology to ensure the quality assurance process was effective. In particular, the development of Valnet III would provide for quality assurance efficiencies, improved reporting, real time dashboards and the integration of contractor data with spatial technology. He informed the Committee that VG NSW has also been working on improvements to the current system to allow for automated data integrity checks of contractor's sales analysis data.¹¹⁹

¹¹⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp29-30.

¹¹⁷ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p30.

¹¹⁸ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, pp14-15.

¹¹⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p15.

Impact of Objections and court appeals

- 3.20 The Annual Report provided comprehensive comparative tables documenting objections and court appeals and outcomes during the reporting period.¹²⁰ Landholders not satisfied with the determination of their objection can lodge an appeal in the Land and Environment Court. In 2019-20, 25 appeals were lodged, in addition to 13 still pending from earlier years. The Annual Report advised that two were allowed by hearing, four were allowed through mediation, and 14 were withdrawn.
- 3.21 The report observed that the number of appeals lodged in 2019-20 had increased by eight since 2018-19, comprising 17 matters lodged over 11 properties in 2018-19, compared to 25 matters lodged over 13 properties in 2019-20. The report explained that landholders may lodge appeals to land value for multiple valuing years where they are included in a land tax assessment, and this was seen to be the main driver in the increase in numbers.
- 3.22 The report highlighted two matters for the same property, resulting in amended land values in the reporting period, when the Land and Environment Court upheld the appeals and the disputed land values were reduced.¹²¹The judgement considered that town planning evidence presented by the applicant was more convincing than evidence provided by the Valuer General. The Annual Report observed that: "... the decision reinforced the need for valuations to be based on a use that is legally permissible, physically possible and financially feasible."¹²²
- 3.23 In his response to Supplementary Questions, the Valuer General advised that while the case did not directly impact the quality assurance process, the Court had provided helpful commentary on the valuation concept of 'highest and best use' which was now reflected in policy, procedure and training.
- 3.24 He also confirmed that VG NSW will consider the quality assurance of land valuations in high risk and high valuation areas as part of its Future Initiatives for 2021-22. He further noted that a review of litigation management had been undertaken, with the result that litigation was now supervised by the Valuer General or Deputy Valuer General.¹²³
- 3.25 In response to supplementary questions, the Valuer General provided additional evidence in relation to the amendment of land values as a result of quality deficiencies. He outlined two cases of properties located in the Snowy Monaro Regional Council and the Yass Valley, where multiple objections had led to reviews of the relevant 2019 land values. In both cases, deficiencies were identified in the contractors' performance. The Valuer General confirmed that non-compliance performance issues had been recorded for each of the contractors.¹²⁴

¹²⁰ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#), pp31-36.

¹²¹ *Limina Holdings Pty Ltd ITF Galileo Superannuation Fund v Valuer General* [2019], NSWLEC 110 (7 August 2019).

¹²² NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#), p34.

¹²³ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 23, p20.

¹²⁴ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p15.

- 3.26 In his response, the Valuer General also cited a case where objections were appealed to the Land and Environment Court for commercial properties in Jamisontown. Following mediation and the identification of incorrect sales analysis, significant changes were made to multiple properties. The Valuer General confirmed that the values in the locality were being reviewed as a result of this matter.¹²⁵
- 3.27 At the public hearing, the Valuer General outlined his concerns about significant discrepancies in rating and taxing valuations in a particular case. This concerned a valuation given as \$4.4million in 2019 and \$2.7million in 2020, where both valuations were found to be incorrect. The Valuer General advised that the matter was brought to his attention by the valuer for the landholder and his solicitor. He confirmed that the checking system worked, provided it was applied correctly:
- Dr PARKER: It was brought to my attention by the valuer for the landholder and his solicitor.
- The Hon. SCOTT FARLOW: If that landholder had not objected or brought that to your attention, it would not have been discovered. Is that correct?
- Dr PARKER: Quite possibly.
- The Hon. SCOTT FARLOW: So there is no system in place that looks at perhaps the bell curve, so to speak, of when you have valuations and what is within the realms of expectations that would flag it to your attention otherwise?
- Dr PARKER: No. There is a very sophisticated and extensive system in place that requires the staff to operate it, and to operate it correctly and fully.
- The Hon. SCOTT FARLOW: So it would be flagged to a staff member?
- Dr PARKER: The system is there and works.¹²⁶
- 3.28 Mr Andrew Coffey, Executive Director, further noted the challenge for staff to make a correct valuation assessment using out of date technology:

...But coming back to our Valnet situation, a particular valuer for Sydney may have 360,000 properties with an old 20-year-old Valnet system that does not have state-of-the-art reporting. So it is up to them to scour through the system and find the relevant integrity report. As the Valuer General says, there are a lot of reports there, but it is not super sophisticated and they have a massive workload.¹²⁷

QA and Compensation Determinations

- 3.29 The majority of valuation reports for determinations of compensation are prepared by contract valuers on behalf of VG NSW. The Annual Report advised that valuation reports are reviewed before they are accepted and issued. The reports are checked to ensure accuracy, fairness, transparency and compliance

¹²⁵ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p16.

¹²⁶ The Hon. Scott Farlow MLC and Dr David Parker, Valuer General, [Transcript of Evidence](#), 11 June 2021, p 9 viewed July 2021.

¹²⁷ Mr Andrew Coffey, Executive Director, [Transcript of Evidence](#), 11 June 2021, p 10 viewed July 2021.

with the *Land Acquisition (Just Terms Compensation) Act 1991* and the Valuer General's policy on compensation, following compulsory acquisition.¹²⁸

- 3.30 Under Significant Judicial Decisions in 2019-20, the Annual Report cited three cases involving appeals against determinations for compensation. The report noted in particular that two councils, Blacktown and Ryde, had "taken the unusual step of challenging the determination made by the Valuer General in the Supreme Court on the grounds that errors occurred in making the determination".
- 3.31 In both cases the court found that while errors did not occur on key issues of valuation principle, market evidence and town planning, errors were found in some disturbance items. In each case, the determination was consequently found to be void and the Valuer General issued a new determination.¹²⁹
- 3.32 In his responses to Supplementary Questions following the public hearing, the Valuer General advised that he proposed to look closely at the quality assurance of compulsory acquisition determinations.¹³⁰

International benchmarking

- 3.33 During the reporting period, the International Property Tax Institute (IPTI) conducted a benchmark study of quality assurance processes, which assessed NSW against all other Australian valuation jurisdictions.¹³¹ All were found to use a similar range of internationally accepted quality assurance tools, including statistical analysis, sales ratio studies, valuation peer review and targeted audits.
- 3.34 The Valuer General confirmed that NSW had received endorsement for its QA systems and the accuracy and reliability of its valuations. However, IPTI made three specific recommendations: first that VG NSW should use external audits in addition to the internal QA team; secondly that VG NSW should monitor the use of artificial intelligence; and thirdly that VG NSW should engage a specialist data analyst to develop and run queries on data quality.¹³²
- 3.35 Replying to supplementary questions, the Valuer General advised that he has recently engaged an external auditor to review valuations at the Western Sydney Aerotropolis and Kingsford Smith Airport. In commenting on the development of artificial intelligence, he confirmed that VG NSW was continuing to work with UNSW in developing an automated valuation model. On the question of the engagement of a specialist data analyst, the Valuer General advised that this had not been done, but the quality management team had been expanded to run data analytics on valuation accuracy and consistency.¹³³

¹²⁸ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#), p39.

¹²⁹ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#), p23.

¹³⁰ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021.

¹³¹ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#), p57.

¹³² Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 27, pp 23-24.

¹³³ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 27, p24.

Conflict of interest provisions

The year in review

Departmental guidelines

- 3.36 Conflicts of interest are managed as part of the risk management framework and governance arrangements of VG NSW. The organisation complies with NSW Government guidelines on corruption prevention, audit and risk management, fairness and probity in procurement and establishment of valuation contracts.
- 3.37 Under the DPIE umbrella, potential or perceived conflicts of interest concerning VG NSW and DPIE employees, relations with Housing and Property (HAP) and Property NSW and property acquisition stakeholders are managed through the DPIE cross-functional procedure, *Property related declaration or interests for VG NSW and DPIE workers*. The Annual Report advised that this procedure was being progressively updated and embedded into day-to-day practices. During the reporting year, VG NSW managed two perceived conflicts of interest relating to staff members. This necessitated putting a plan in place to preclude the specific staff from involvement with relevant contractors.¹³⁴

Rating and taxing contractors

- 3.38 The report explained that rating and taxing contractors are required to have a plan to manage conflicts of interest. This requires disclosure of all properties in which valuers and their families and associates hold an interest. During the year under review, potential conflicts of interest were recorded and mitigated in the case of one rating and taxing contractor.¹³⁵
- 3.39 In relation to rating and taxing contracts, the Valuer General further explained that additional checks are carried out through the audit of rating and taxing contractor lists within a Contract Area and this was being done for all current contracts. He further advised that VG NSW preferred to conduct audits rather than matching contractor names with the landholding database. He explained that it was difficult to ensure all interests had been identified where ownership may be in another name, company name, trust or a family member with a different surname.¹³⁶

Objection contractors

- 3.40 Objection contractors must disclose any conflict of interest during the procurement process, or notify VG NSW as soon as a conflict of interest eventuates. During the reporting period, three contractors ceased providing objection and other services after conflicts were identified. The Annual Report advised that one conflict of interest was recorded for an objection contractor.

¹³⁴ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#) pp12-13.

¹³⁵ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#) p13.

¹³⁶ Valuer General NSW, Answers to Supplementary Questions, [Answers to Supplementary Questions](#), 1 July 2021, pp11-12.

This resulted in the removal and replacement of the contractor concerned, as well as a breach being recorded.¹³⁷

Further developments

Contractor training

- 3.41 The Annual Report advised that a conflict of interest training program was being developed and scheduled to be rolled out to VG NSW and DPIE staff, including contractors, in 2020-21.¹³⁸
- 3.42 In his response to supplementary questions, the Valuer General confirmed that training with objection contractors had commenced in April 2021. The Valuer General further noted that since commencing training, several conflict of interest disclosures from objection contractors did not progress to procurement, due to a perceived conflict. The Valuer General confirmed that he was satisfied that the training had been effective. He noted that the disclosures had indicated an increased awareness of conflicts at an organisational level for business relationships, where there could be a reasonable perception of bias.¹³⁹
- 3.43 The Valuer General further advised that, in addition to the recording of actual or perceived instances of conflict, VG NSW would implement a process to record instances where contractors proactively disclose a potential conflict at the procurement stage. He also advised that training was planned to continue for other contractor groups to build on the strengthened deterrence of contractor breaches.¹⁴⁰

On-line declarations

- 3.44 Work is now underway on the development of an online declaration portal and e-register of conflicts. This would enable annual declarations to be made in the case of contracting organisations with a fixed term contract, and allow declarations to be made for specific valuations whether the conflict is at an organisational or individual level. The Valuer General noted that the e-register would also capture staff declarations for contractor related conflicts. He observe that this would improve transparency and management of conflicts.¹⁴¹

Committee Comment

Quality assurance

- 3.45 Effectiveness of the quality assurance system is integral to the accuracy, reliability and credibility of the land valuation services provided by VG NSW. The Committee was pleased to learn that the Valuer General has actively monitored the performance of contractors and quality assurance processes throughout the reporting period. The evidence presented by the Valuer General outlined a number of significant improvements since the last General Meeting. In

¹³⁷ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#) p13.

¹³⁸ NSW Government, Valuer General NSW, [Valuer General NSW Annual Report 2019-2020](#) p13.

¹³⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, p11.

¹⁴⁰ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, p11.

¹⁴¹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, p11.

particular, the Committee notes that the Valuer General plans to further examine quality assurance as part of his review of the compensation determination process in valuations relating to compulsory acquisition.

- 3.46 The evidence presented by the Valuer General has also confirmed that the NSW valuation system continues to have an above average rating when internationally benchmarked against comparable valuation authorities. The Committee notes that the International Property Tax Institute suggested improvements to some aspects of the current quality assurance processes, as a result of its benchmark comparison of the NSW valuation system. The Committee endorses those recommendations and looks forward to receiving further information about their implementation in future annual reports.
- 3.47 However, the Committee shares the expressed concerns of the Valuer General about quality deficiencies identified in some property valuations. The evidence received by the Committee has pointed to a number of instances where errors in property valuations were not captured by the quality assurance processes. Instead, they were revealed at a later stage as a result of an objection lodged by a landholder or by decision of the Land and Environment Court.
- 3.48 In the view of the Committee, this highlights the need for ongoing rigorous scrutiny of the effectiveness of quality assurance processes and the performance standards of contractors. It is also clear that the objection and court appeal rights of landholders serve as additional significant safeguards to buttress the quality assurance system. It is therefore vital to ensure that procedural fairness is maintained within the valuation system to ensure that landholders know their rights of objection and appeal, and to allow them to be exercised without difficulty.
- 3.49 The Committee notes that the 2019-20 Annual Report provided detailed statistical information on the objections, court appeals and significant court decisions during the period under review. However, much of this is provided with minimal commentary. Given the valuable feedback for quality assurance purposes which may be provided by objection and litigation outcomes, the Committee recommends that future annual reports provide more comprehensive commentary about the impact of objections and court decisions which lead to reviews of valuations and valuation processes.
- 3.50 In making the above observations, the Committee is mindful that the effectiveness of the quality assurance system is compromised due to the limitations of the current 20 year-old Oracle database, Valnet II. This is discussed in detail in Chapter Four.

Recommendation 7

The Committee recommends that the Valuer General continues to monitor the performance of rating and taxing valuers for determinations of compensation, including the adequacy and rigour of the quality assurance systems for checking and evaluating performance outcomes.

Recommendation 8

The Committee recommends that the Valuer General takes account of the quality assurance recommendations of the International Property Tax Institute. In particular, the Valuer General should consider further use of external audits, explore artificial intelligence to improve QA processes and outcomes, and develop data analytics capability to strengthen the mechanisms for checking data quality.

Recommendation 9

The Committee recommends that the Valuer General includes more prominent analysis and discussion of the role of objections and court appeals in identifying valuation errors, in future annual reports.

Recommendation 10

The Committee recommends that the Valuer General continues to rigorously monitor the integrity, performance and quality of the work of contract valuers, most particularly the efficacy of measures to provide reliability in their valuations.

Conflict of interest

- 3.51 The Committee was reassured by the evidence regarding improvements made to the conflict of interest management process, since the previous General Meeting. Stronger deterrence of conflict of interest was recommended by the Committee in its report on the Twelfth General Meeting in 2018. As noted by the Committee at that time, effective deterrence of conflict of interest is necessary to protect the independence of the Valuer General, when valuations are delegated to external contractors.
- 3.52 The Committee is therefore pleased to receive confirmation that sanctions are being enforced against contractors where breaches have been detected, and that monitoring systems have been proactively, as well as reactively strengthened. The Committee was particularly pleased to be informed that a more comprehensive training program has been developed and implemented. The Committee looks forward to receiving a progress report on the new program in the next Annual Report.
- 3.53 The Committee commends the Valuer General for introducing additional conflict of interest audits to examine property ownership by contractors within their area of operation. The Committee commends the introduction of an on-line declaration portal and e-register of conflicts of interest, enabling declarations to be made at the organisation or individual contractor level. The Committee agrees with the Valuer General that this should help to improve transparency, and provide a more effective tool for managing conflicts of interest within and outside the organisation.

Recommendation 11

The Committee recommends that the Valuer General continues to prioritise audits and reviews of the efficacy of the conflict of interest management

regime and provides comprehensive reports on all aspects of this matter in future annual reports.

Recommendation 12

The Committee recommends that the Valuer General continuously evaluates and improves the conflict of interest component in the training program for valuation contractors.

Chapter Four – Emergent issues

Bushfires and coronavirus

Bushfires

- 4.1 During the reporting period, the Valuer General conducted an extensive study of the impact of the 2019-20 bushfires on the 1 July 2020 land values, resulting in the publication, in April 2020, of *A Review of the impact of bushfires on land values*. The publication explained the methodology to be applied to bushfire affected areas in cases where there may have been insufficient transactions to use comparable sales analysis.¹⁴² It also provided an opportunity for councils to seek new valuations for rating purposes for bushfire affected properties.¹⁴³

Coronavirus

- 4.2 The Annual Report outlined the steps taken by the Valuer General to ascertain 1 July 2020 valuations in light of the COVID-19 pandemic, which had affected the market from the first quarter of 2020. In July 2020, VG NSW published a *Review of COVID-19 on the NSW property market*. The report was based on an extensive analysis of the levels of transactions before and after COVID-19, together with consultations with property industry representatives.¹⁴⁴
- 4.3 The Annual Report noted that not all sectors of the NSW property market had been similarly affected by COVID-19. While the residential property sector remained active, transaction levels in the non-residential area were significantly lower. The Valuer General's Report provided a formula for the valuation of various categories of non-residential properties, where there were low sales transactions.¹⁴⁵
- 4.4 The Annual Report noted that media predictions of a 30 per cent fall in property values had influenced community expectations. However, this was not evident for 1 July 2020 sales transactions in the residential market, nor investor opinion and non-residential modelling in the non-residential property market. Nevertheless, the report observed that the property market in early 2021, when landholders received their land values, would differ considerably from the situation at 1 July 2020, when the valuation was undertaken.¹⁴⁶

¹⁴² NSW Government, Valuer General NSW, Annual Report 2019-20, pp 19-20 [Valuer General NSW Annual Report 2019-2020](#).

¹⁴³ Dr David Parker, Valuer General, Transcript of evidence, 11 June 2021, p2 [Transcript of Evidence](#), viewed July 2021.

¹⁴⁴ NSW Government, Valuer General NSW, Annual Report 2019-20, p20 [Valuer General NSW Annual Report 2019-2020](#).

¹⁴⁵ NSW Government, Valuer General NSW, Annual Report 2019-20, pp21-22 [Valuer General NSW Annual Report 2019-2020](#).

¹⁴⁶ NSW Government, Valuer General NSW, Annual Report 2019-20, p22 [Valuer General NSW Annual Report 2019-2020](#).

- 4.5 At the public hearing, the Valuer General confirmed that the approach taken by VG NSW to valuations in the COVID-19 market had a satisfactory outcome:

We completed a COVID review, which resulted in those landholders adversely affected by COVID receiving reductions in their valuations. This review was undertaken in collaboration with the property industry and involved extensive consultation with stakeholders. Sectors badly affected by COVID, such as international CBD hotels, serviced apartments and regional shopping centres, received reductions in land value. The COVID strategy proved to be very successful and resulted in no objections to land value due to the impact of COVID.¹⁴⁷

- 4.6 The Valuer General explained that the allowance for reduction in valuations was limited to specific circumstances:

Landholders only got a percentage deduction if there were no relevant sales and there was no higher and better use of the land. To get the deduction you had to be pretty much stuck with the use you had got. So we put those through. We said to the landowners at the time we were discussing them that we hoped, whilst they probably would not like them and would have liked a bigger discount, that they could live with them. It turned out that they did live with them and we had no appeals.¹⁴⁸

Tax reform

- 4.7 A proposed new property tax system, originally outlined in the November 2020-21 NSW State Budget, has since been the subject of a detailed process of public consultation. The proposal to change the current NSW tax system would give property buyers the choice to pay stamp duty (and any existing land tax, where applicable), or alternatively pay a smaller annual property tax, when purchasing a property.
- 4.8 The NSW Government has released a Consultation Paper outlining the benefits of the proposed change, along with a proposed policy framework. In June 2021, the Government issued a progress report advising that the proposal would be further refined at the conclusion of the feedback period in July 2021.¹⁴⁹
- 4.9 In his Annual Report, the Valuer General emphasised the need for a major technology upgrade of the valuation system in order to support the proposed change to the levying of land tax. He observed that implementation of Valnet III, a new cloud-based databased IT system to replace the current 20 year-old Oracle database product, would be essential to provide a robust, agile infrastructure upon which to administer the State's land taxation system. He emphasised that VG NSW would continue to vigorously pursue funding for this

¹⁴⁷ Dr David Parker, Valuer General, Transcript of evidence, 11 June 2021, p 2 [Transcript of Evidence](#), viewed July 2021.

¹⁴⁸ Dr David Parker, Valuer General, Transcript of evidence, 11 June 2021, p18 [Transcript of Evidence](#), viewed July 2021.

¹⁴⁹ NSW Treasury, *NSW Property Tax Proposal, Progress Paper for June 2021, Making Home Ownership More Achievable in NSW*, p8, [Property Tax progress paper June 2021](#), viewed 26 July 2021.

project, given the fundamental importance of Valnet III to the integrity of the State taxation system into the future.¹⁵⁰

Organisational reviews

Consistency with recommendations and precedents

- 4.10 The Annual Report noted that precedents and procedures in the Land and Environment Court were continually evolving for applying statutes relevant to VG NSW. In order to ensure that VG NSW was meeting the combined requirements of the Joint Standing Committee, relevant statutes, and current Court precedents and prevailing procedures, the Valuer General undertook to review previous Committee recommendations. This would ensure alignment and consistency and, where relevant, clarification would be sought from the Committee.¹⁵¹
- 4.11 The review identified Recommendations 11, 12 and 13 as being inconsistent with statute and Court precedent when dealing with comparisons of adjacent properties as an objection issue. This also applied to the negotiability of the Valuer General's preliminary determinations in rating and compulsory acquisition matters.
- 4.12 Following this review, comparison with adjacent properties is now addressed as a quality assurance, and not an objection issue, and preliminary determinations in rating and compulsory acquisition matters are non-negotiable, with conferences concerning matters of fact only.¹⁵²
- 4.13 The recommendations in question arise from Joint Standing Committee's Report of the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General (May 2013). The particular matters addressed were as follows:

Recommendation 11 (applies to both land valuation and compulsory acquisition):

- landholders entitled to a conference after they make their submission
- landholders should be given 30 days after receiving preliminary valuation review to make further submissions and be entitled to a conference (oral conversation) to discuss those submissions and the landholder be provided with written reasons for accepting or rejecting the submissions after the conference

Recommendation 12:

- for compulsory acquisition, acquiring authorities should be afforded Recommendation 11 entitlements

¹⁵⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p56.

¹⁵¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p55.

¹⁵² Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 7, p7.

Recommendation 13:

- for land valuation, landholders be entitled to a valuation review based on the comparison of statutory land values of surrounding properties or the rate of change of the land value for their own property, in addition to the existing grounds for objection

4.14 At a private briefing of the Committee on 15 February 2021, the Valuer General outlined his reasons for reinterpreting the recommendations in practice. He advised that his conclusions were based on previous Committee findings and subsequent independent inquiries confirming the need for values to be objectively determined rather than negotiated. At the same time, he stressed the need for agencies to operate within the laws set by Parliament.¹⁵³

4.15 The Valuer General argued that conferencing and information exchange provisions after an objection determination, had subverted the Act and encroached on the mediation process at the start of Land & Environment Court proceedings. Similarly, his review of the compensation determination process found that unacceptable delay and failure to meet the KPIs was principally due to continuous exchanges of information between the Valuer General, the acquiring authority and the dispossessed.

4.16 The Annual Report acknowledged that conferences with landholders during the objection process were introduced following Recommendation 11 of the Joint Standing Committee on the Office of the Valuer General. This provided a way of ensuring the customer understood the information affecting their land value, and enabled an opportunity to discuss their concerns or submit further information prior to the objection being finalised.

4.17 The conference also promoted understanding of the options, should a landholder remain dissatisfied with the outcome of their objection. However, as the Annual Report further noted, legislative changes were not made.¹⁵⁴

4.18 As a consequence, during the reporting period, the Valuer General introduced a streamlined process for reviews of objections to land values for rating and taxing, as well as for compensation determinations. In addition, the Valuer General foreshadowed the introduction of further measures to ensure the efficiency and effectiveness of compensation determinations.¹⁵⁵

The objection process and procedural fairness*Amended procedures*

4.19 In light of the Valuer General's review of the process for lodging an objection, the Annual Report confirmed that the following amendments have been made:

¹⁵³ Joint Standing Committee on the Office of the Valuer General, Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General, Report 2/55, May 2013 and independent reviews undertaken by David Russell SC in 2012 and the Customer Services Commissioner, Mr Michael Pratt AM in 2016.

¹⁵⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p48.

¹⁵⁵ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp 15 & 55.

- landholders are now required to state their opinion of the value of their landholding;
- to explain the reasons for their opinion of the value of their landholding; and
- to provide relevant sales evidence to support their opinion of the value of their landholding, prior to the objection being accepted.

4.20 Online and hard copy customer information was updated to reflect the amendments made and a phasing in process provided in order not to disadvantage any landholders.

4.21 The Annual Report further noted that the amendments were made to align the objection process with the requirements of the Land and Environment Court in the event of an appeal to the determination of the objection, where an opinion of value, reasons for that opinion and supporting sales evidence would be required.¹⁵⁶

4.22 At the public hearing, the Valuer General explained that:

The onus of proof, if the matter goes to the Land and Environment Court, is on the objector to prove that their valuation is correct and by so doing that the Valuer General's valuation is incorrect..... We, effectively, have implemented the same provisions that if you are of the opinion that the value should be X, you then need to provide evidence to support that. If the objector is of the opinion that the value should be X he or she needs to support that with evidence and a rationale as to why that valuation is correct.¹⁵⁷

Procedural fairness

4.23 The Committee sought reassurance that procedural fairness provisions would be ongoing. The Valuer General advised that, in his view they were adequate for the following reasons:

The objection form requires the objector to fill in all the boxes in order to have a valid objection. If an objector is unable to access a computer, there are provisions to do your objection through Service NSW. If it appears that the objector is unable to complete the form, say they may be elderly or they may be from a community for which English is the second language, they can contact our helpline and we will help them work through it. There are provisions for groups such as Telstra that may lodge 100 objections in one go, to provide their objections separately. We have had several cases of elderly residents of this State, particularly farmers, who have worked with our staff to lodge their objections because doing it online was all a little bit too hard.¹⁵⁸

4.24 Dr Parker further assured the Committee that he had consulted representatives of public interest and professional organisations and no additional costs would

¹⁵⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p19.

¹⁵⁷ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 10 viewed July 2021, p3.

¹⁵⁸ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 10 viewed July 2021, p3.

arise for landholders who objected. In particular, it would not be necessary for a landholder to obtain an independent valuation to support an objection.¹⁵⁹

- 4.25 Since the previous General Meeting, data presented by the Valuer General indicates that a decline has occurred in the number of objections lodged by property owners. Although there was a surge arising from the issuing of land tax in 2018-19, a triennial comparison provided by the Annual Report revealed a total of 5,657 objections received in 2017-18, compared with 10,719 in 2018-19 and 4,776 in 2019-20.¹⁶⁰
- 4.26 At the public hearing, the Committee sought the Valuer General's comments on these figures. Dr Parker confirmed that the decline was due to the new requirement for the objector to give a view on what the land value should be, along with reasons and supporting evidence. He further noted that, prior to the introduction of the new requirement:
- ...there appeared to be a very generous approach to accepting objections. Whereas I am of view that if you genuinely feel your land has been incorrectly valued you will have an opinion of what you the value should be.¹⁶¹
- 4.27 Additional evidence presented by the Valuer General indicated that he was expecting a possible further reduction in the rate of objections. Outlining his future initiatives for 2021-22, he stated that he would be investigating the creation of a flexible workforce to accommodate fluctuating work volumes in objections, compulsory acquisitions and special valuations.¹⁶²
- 4.28 Exactly what impact the new objections process will have on the rate of objections and landholders' exercising their objection rights has yet to be fully determined. Data presented in the Annual Report indicated that a small but steady portion of all objections have led to change of land values. A comparison of the past three reporting periods, shows that 21 per cent of total objections led to a change in value in 2017-18; 17.5 per cent in 2018-19; and 24.13 per cent in 2019-20.¹⁶³

The compulsory acquisition process

Amended procedures

- 4.29 The Annual Report stated that the average time taken to issue determinations in 2019-20 was 171 days, a marginal increase compared to the 166 days in 2018-19. Factors cited as impacting on the time taken included: late notification of a matter by the acquiring authority often after gazette; matters requiring multiple experts such as town planners, flood engineers, quantity surveyors; timeliness of valuation contractors in submission of reports; and the preliminary report process for objections, which added 15 working days. In order to improve performance, the Valuer General foreshadowed a holistic review of the

¹⁵⁹ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 10 viewed July 2021, p20.

¹⁶⁰ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p70.

¹⁶¹ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 10 viewed July 2021, p20.

¹⁶² Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 10 viewed July 2021, p3.

¹⁶³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p71.

compulsory acquisition process with a view to making major process changes.

¹⁶⁴

- 4.30 At the General Meeting, the Valuer General confirmed that the process has now been redesigned, and would soon be implemented with a view to completing determinations within the 45 days, as specified under the *Land Acquisition (Just Terms Compensation) Act 1991*. He further noted that:

In 2019-2020 determinations took an average of 171 days, so there is very considerable room for improvement.¹⁶⁵

- 4.31 In his responses to supplementary questions following the hearing, the Valuer General explained that before making the determination of compensation, he aims to ensure that all relevant information is provided and exchanged between the landowner and the acquiring authority. He advised that the new process would not include an avenue of appeal for a difference in opinion about the facts, unless there was a demonstrated valuation error.¹⁶⁶

Procedural fairness

- 4.32 The Committee asked the Valuer General to elaborate on measures put in place to ensure procedural fairness. Dr Parker explained that procedural fairness is afforded by giving both the dispossessed landowner and the acquiring authority the opportunity to submit a claim and list of issues,¹⁶⁷ together with an opportunity for a conference. In addition, the new process would allow both the dispossessed landowner and the acquiring authority to raise corrections of matters of fact at the conference offered to the parties, after the issuing of the preliminary report.

- 4.33 The Valuer General noted that the exchange should mitigate against the potential risks of adverse information. In addition, the Valuer General's quality assurance processes should reduce the risk of valuation error. He further clarified that:

The Valuer General provides a determination which is not a mediated settlement between the claims of the parties.¹⁶⁸

- 4.34 The Valuer General assured the Committee that he had undertaken extensive stakeholder consultation on the proposed new process. This had included lawyers who regularly represent dispossessed landowners in matters ranging from a single residence to major investment and development properties. He noted that lawyers representing residential and small commercial property owners were particularly enthusiastic about the prospect of a shortened process for determinations.¹⁶⁹

¹⁶⁴ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p55.

¹⁶⁵ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 2.

¹⁶⁶ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 1, pp2-3.

¹⁶⁷ As required by the *Land Acquisition (Just Terms) Compensation Act 1991*.

¹⁶⁸ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 1, pp2-3.

¹⁶⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 1, pp2-3.

- 4.35 The Valuer General also informed the Committee that, for the period 1 July 2019 to 30 June 2020, 128 determinations were issued comprising 66 per cent corporate entities and 34 per cent private entities.¹⁷⁰ As the Committee has previously observed in relation to the new objection process, further monitoring and analysis will be needed to ascertain the impact of the new procedures for determination of compensation, particularly in relation to the implications for property owners.

New IT System

Valnet III funding bid

- 4.36 The Annual Report outlined critical deficiencies in the VG NSW IT system. The Valuer General advised that during the reporting period, VG NSW had sought funding of \$26 million from Treasury to replace the outdated Oracle based Valnet II system with a new cloud based system, Valnet III.
- 4.37 The Annual Report pointed to a range of shortcomings in the organisation's current IT capability, including lack of flexibility (particularly reporting), limited data capture and ability to utilise output data without significant and costly programmer input. The Valuer General further stated that Valnet II currently provides a major source of risk to the integrity of the State's valuation system.¹⁷¹
- 4.38 The Annual Report also explained that the proposed replacement platform, Valnet III '...would be cloud-based, having the capacity to store mass valuation data, with the capability of performing various kinds of valuation and customer interaction. The new system would allow customers and contractors to interface with real-time datasets via web-based protocols, significantly streamlining the present process.'¹⁷²
- 4.39 At the public hearing, the Valuer General advised that the funding bid had not been successful:
- I regret to advise that this has still not been funded. I repeat again that this is a major risk to the revenue collection system for the State, which will become an even greater risk if the Treasurer provides an option to pay property tax instead of stamp duty.¹⁷³
- 4.40 Mr Andrew Coffey, Executive Director, Valuer General NSW, explained that the funding submission was made through the Digital Information Office (DIO). The request had been included on a high priority list when funds had become available earlier in 2021, with over \$1 billion allocated for computer and IT projects. He observed that:

¹⁷⁰ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 1, pp2-3.

¹⁷¹ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp55-56.

¹⁷² NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp55-56.

¹⁷³ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 3, viewed July 2021.

It made it onto the list but then moved around on the list. There were other priorities. at the moment we cannot seem to get sufficient recognition of the need for a new system and we cannot get it on the board.¹⁷⁴

- 4.41 Mr Coffey further explained that it would take two years to implement this new system. However, it could also be built in various applications at various stages, depending on which part of the business had priority. Mr Coffey also gave an assurance that while there was no risk of the old technology failing, the risk was whether the added programming would work to support the existing valuation computing system.¹⁷⁵
- 4.42 Dr Parker confirmed that the lack of up-to-date technology was a cause of extreme frustration to the organisation. In addition, Mr Coffey noted that it was difficult for the valuation team to meet the Valuer General's expectations of excellence using the current IT system.¹⁷⁶
- 4.43 In his response to supplementary questions, Dr Parker also outlined quality assurance efficiencies which could be provided by Valnet III. These included improved reporting, real time dashboards and the integration of contractor data with spatial technology. However, VG NSW was also working on improvements to the current system, to allow for automated data integrity checks of contractor's sales analysis data.¹⁷⁷
- 4.44 The Valuer General confirmed that he would continue to seek funding for Valnet III.¹⁷⁸

Automated valuation tool – joint research with UNSW

- 4.45 During the reporting period, the Valuer General entered into a three-year partnership agreement, commencing on 1 July 2011. This was part of the 'Value Australia' project, working with the University of New South Wales, Frontier SI and others¹⁷⁹ to develop an automated Alternate Valuation Methodology (AVM) using artificial intelligence. The Valuer General explained that the automated methodology could be applied to suitable property types, thereby improving efficiencies in the valuation and quality assurance process.¹⁸⁰
- 4.46 The Valuer General further explained that many jurisdictions in developed countries use AVMs, including New York, British Columbia and the Netherlands. The International Property Tax Institute (IPTI) also advised that assessing agencies using reliable modern AVM technology had achieved improvements in accuracy, consistency and cost-effectiveness.

¹⁷⁴ Mr Andrew Coffey, Executive Director, [Transcript of Evidence](#), 11 June 2021, p 13 viewed July 2021.

¹⁷⁵ Mr Coffey, [Transcript of Evidence](#), 11 June 2021, p 13 viewed July 2021.

¹⁷⁶ Mr Coffey, [Transcript of Evidence](#), 11 June 2021, p 14 viewed July 2021.

¹⁷⁷ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p15.

¹⁷⁸ Parker, [Transcript of Evidence](#), 11 June 2021, p 3, viewed July 2021.

¹⁷⁹ The partnership comprises VG NSW; FrontierSI; Commonwealth Bank of Australia; Liverpool City Council; OMNILINK Pty Ltd; and University of New South Wales. NSW Government, Valuer General NSW.

¹⁸⁰ NSW Government, [Valuer-General NSW Annual Report 2019-2020](#), p56.

- 4.47 The Annual Report noted that AVMs were based primarily on computer driven algorithms with limited valuer input. However, the Valuer General also explained that AVMs were less applicable to heterogeneous property such as commercial, retail and industrial property. It was therefore likely that contractors would still be required to perform valuations for such properties.
- 4.48 In addition, the outputs of AVMs, like the outputs of the current mass appraisal process, would require quality assurance, with a suitable quality assurance program needing to be designed. Dr Parker noted that UNSW expected that initial versions of an AVM for land valuation should be completed by the end of 2021.¹⁸¹
- 4.49 The Valuer General confirmed that the development of the automated valuation models would continue during 2021 - 2022.¹⁸²

Spatial data

- 4.50 During the reporting period, the Valuer General was also working in partnership with the Department of Primary Industries (within Department of Planning, Industry and Environment) and Spatial Services (Department of Customer Service) to map rural land classifications. The aim of the project was to provide automated land classifications, combining soil types, slope, vegetation and land use data to improve the accuracy and consistency of rural land values through datasets and satellite imagery. The Annual Report confirmed that these classifications would be available to the public.¹⁸³
- 4.51 At the General Meeting, the Valuer General advised that this technology would be of major benefit for the valuation of rural property, allowing valuations to reflect diverse soil types and conditions on remote landholdings, without necessarily having the need for an inspection.¹⁸⁴

Valuation of land and rezoning - airports

Private agreements for airport valuations

- 4.52 During the year under review, the Valuer General cancelled a number of valuations on the Register of Land Values for airport lands held by the Commonwealth. This followed legal advice that such land is not subject to rates or taxes. In addition, VG NSW entered into private agreements to provide airport-related valuations in six council areas, based on 1 July 2019 land values.¹⁸⁵
- 4.53 Private valuations of land are undertaken under section 9A of the *Valuation of Land Act 1916* on behalf of the Valuer General, and may be for the purpose of

¹⁸¹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 8, p8.

¹⁸² Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 3, viewed July 2021.

¹⁸³ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), p16.

¹⁸⁴ Dr Parker, [Transcript of Evidence](#), 11 June 2021, p 2, viewed July 2021.

¹⁸⁵ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 25, p21.

any agreement or arrangement between parties that provides for the valuation to be made by the Valuer General.¹⁸⁶

- 4.54 The Valuer General explained that the valuations are made annually by contract valuers under their current rating and taxing contract agreements. They are made on the same basis as other land values under the Act and subject to the same quality assurance requirements. He further noted that new agreements would be entered into with councils, where required, to provide values at the time of the next general valuation list at 1 July 2022.¹⁸⁷

Valuation of airport land policy

- 4.55 The Valuer General also advised that an external quality assurance contractor had recently been engaged to undertake an independent review of 1,021 valuations at the Western Sydney Aerotropolis following rezoning, as well as 279 valuations within Kingsford Smith Airport. The reviews found significant valuation quality concerns. He confirmed that these were currently being addressed through revaluation and contract management action. He further confirmed that new valuations would be issued to affected landowners.¹⁸⁸
- 4.56 In relation to the Western Sydney Aerotropolis, the Valuer General informed the Committee that he had undertaken a review of the impact of rezoning potentiality on land values. The review concluded that it was possible to have sufficient and consistent evidence to support upward trends in the assessment of land values reflecting potentiality, prior to a rezoning occurring.
- 4.57 The Valuer General further noted that the process for determining the value of land subject to compulsory acquisition in the vicinity of airports, is the same as for determining the value of land subject to compulsory acquisition generally, based on Valuer General's policy for *Compensation Following Compulsory Acquisition*.¹⁸⁹
- 4.58 Following the above review, the Valuer General published a policy on the impact of rezoning potentiality on land values, using the Western Sydney Aerotropolis as a case study. He stated that the aim of this policy was to ensure that land values in such areas reflect the market demand in a changing environment. He observed that, as a result, significant land value increases for many land holdings may be anticipated in the Western Sydney Aerotropolis area.¹⁹⁰

Cultural loss

- 4.59 At the public hearing, the Valuer General informed the Committee about a major research project into cultural loss for Indigenous groups subject to compulsory acquisition. This project had involved input from the International Property Tax Institute in London, the University of British Columbia in Canada,

¹⁸⁶ NSW Government, Valuer General NSW, [Valuer-General NSW Annual Report 2019-2020](#), pp40-41.

¹⁸⁷ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 25, p22.

¹⁸⁸ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 18, p14.

¹⁸⁹ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 26, pp22-23.

¹⁹⁰ Valuer General NSW, [Answers to Supplementary Questions](#), 1 July 2021, Question 3, p4.

and the University of Central Queensland. Dr Parker noted the unique nature of the project was that no Valuer General had previously had to determine compensation for cultural loss.¹⁹¹

4.60 Dr Parker further advised that the work was in response to an invitation from the Yaegl and Bundjalung people, who had invited him and the Deputy Valuer General to country, to hear their views on the impact of the M1 freeway which had been built through their land.

4.61 The Valuer General explained the challenges involved in determining cultural loss as follows:

...there is the acquisition of the physical land—which is economic loss—and the Indigenous groups under the Land Acquisition Act and the Native Title Act have a right to compensation for noneconomic loss. Noneconomic loss is cultural loss. There has been one major case in the High Court on this, the Griffiths case in the Northern Territory. Apart from that there were two public settlements in Canada. Otherwise all the other settlements have been private. There is very little to go on as to how much compensation is paid to a group.¹⁹²

4.62 Dr Parker noted that the process of settling determinations for cultural loss involved some cases which had been outstanding for a number of years.¹⁹³

Committee Comment

4.63 The range of issues which have arisen during the reporting period demonstrate the complexity of the challenges for land valuation during periods of social, economic, technological and environmental upheaval. The Committee is satisfied that the Valuer General has aimed to comprehensively restructure and re-engineer key processes to achieve a more efficient, effective and agile organisation, better equipped to manage current and future challenges.

4.64 The Committee commends the research undertaken, resulting in the publication of special reports and policy guidelines on landmark issues and their impact on land values and valuation methodologies. Research projects and publications during the reporting period and since the last General Meeting have covered an impressive range of topics including: bushfires; the Coronavirus; airport land and market trends; as well as the complex and sensitive area of cultural loss. The Committee encourages the Valuer General to continue to undertake and deliver high quality research to support the NSW valuation system.

4.65 The Committee has also been impressed by the evidence presented by the Valuer General on the possibilities which new technologies offer. This includes improvements to valuation accuracy and reliability, and the provision of more

¹⁹¹ Parker, Valuer General, [Transcript of Evidence](#), 11 June 2021, pp 2-3, viewed July 2021.

¹⁹² Dr David Parker, Valuer General, Transcript of evidence, 11 June 2021, p 19 [Transcript of Evidence](#), viewed July 2021.

¹⁹³ Dr David Parker, Valuer General, Transcript of evidence, 11 June 2021, p2 [Transcript of Evidence](#), viewed July 2021.

comprehensive and dynamic land valuation data, readily accessed by the public on the VG NSW website.

- 4.66 The valuation tool being trialled in joint research with the University of NSW and other parties is of particular interest, and further updates on progress of this technology will be welcome in future annual reports. The Committee urges the Valuer General to continue to undertake innovative research into new technologies which can further enhance the capability of VG NSW to conduct valid land valuations.
- 4.67 The Committee has followed with great interest the Valuer General's development of new processes to manage objections and to make determinations of compensation. These were made in order to more precisely meet statutory requirements, and to ensure alignment with legal and court decisions, along with Committee recommendations. The Committee looks forward to receiving more detailed information about the impact of these changes on property owners in future annual reports.
- 4.68 Of particular concern to the Committee is ensuring that procedural fairness measures are maintained within the streamlined processes. The Committee encourages the introduction of effective monitoring and reporting procedures to provide more comprehensive information about the impact of the new processes on property owners. This should include more comprehensive information about the quantity and outcome of objections, as well as appeals to the Land and Environment Court.
- 4.69 The Committee notes that, to date, although annual reports have provided statistical information, there has been a deficit of analysis including observations, discussion and conclusions drawn from the data. The Committee relies on the Valuer General to provide a thorough analysis of available data to gauge the impact of the new processes in the key areas of objection management and determination of compensation.
- 4.70 Finally, the Committee notes with great disappointment the Valuer General's unsuccessful efforts during the reporting period to obtain necessary funding from Treasury for Valnet III, in order to replace the existing 20 year old system, Valnet II.
- 4.71 As highlighted by the Valuer General when briefing the Committee on this significant matter, Valnet holds the State's entire register of land values and is the cornerstone for the 2.6 million annual valuations program. The existing platform is inadequate for keeping pace with the current demands for accuracy, timeliness and quality of valuations required. Valnet III is a transformational IT system that would more effectively underpin the operation of valuation system. In the event that a broad-based land tax system was introduced, Valnet III would be essential to provide a robust and flexible infrastructure for tax system administration.¹⁹⁴

¹⁹⁴ Joint Standing Committee on the Office of the Valuer General, Informal Briefing, held at Parliament House on 15 February 2021.

- 4.72 Further evidence presented at the General Meeting indicated that the budget submission has passed through an approvals process within the Digital Information Office without a clear indication of the reasons for the delay.¹⁹⁵ This is not acceptable, given the vital role which Valnet III can play in the future tax reform program of the State. The Committee urges the Treasurer to give the highest priority to the Valuer General's submission, to ensure that the new system is approved and delivered as quickly as possible.

Recommendation 13

The Committee recommends that the Valuer General continues to conduct research into emerging issues impacting the land valuation system, as well as new technologies which may improve the performance of land valuations, the quality assurance of the system, and the provision of accurate information to the public.

Recommendation 14

The Committee recommends that the Valuer General develops monitoring and reporting procedures to enable more comprehensive information and analysis about the effectiveness of procedural fairness measures in the new processes for management of objections and determinations of compensation.

Recommendation 15

The Committee recommends that the Treasurer ensures that the highest possible priority is given to the approval of the Valuer General's funding submission for Valnet III and that delivery and installation are expedited in order to ensure that the valuation system has the required technological capability to remain fit for purpose.

¹⁹⁵ Mr Andrew Coffey, Executive Director, [Transcript of Evidence](#), 11 June 2021, p 13 viewed August 2021.

Appendix One – Terms of Reference

Legislative Assembly Votes and Proceedings no 10, Tuesday 18 June 2019, entry no 13:

PARLIAMENTARY COMMITTEES

Mr Andrew Constance moved, by leave, that the following motions for the establishment of Parliamentary committees and the appointment of members be agreed to:

(9) Joint Standing Committee on the Office of the Valuer-General

That:

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

- (5) Mr Stephen Kamper, Mr Geoff Provest, and Mr Nathaniel Smith 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.

Legislative Council Minutes no 10, Wednesday 19 June 2019, entry no 11:

On the order of the day for consideration of the Legislative Assembly's messages of 18 June 2019 being read, Mr Harwin moved:

- (7) **Joint Standing Committee on the Office of Valuer-General**
 1. That this House agrees to the resolution in the Legislative Assembly's message of Tuesday 18 June 2019 relating to the appointment of a Joint Standing Committee on the Office of the Valuer-General.
 2. That the representatives of the Legislative Council on the Joint Standing Committee on the Office of the Valuer-General be the Hon Scott Farlow and the Hon Mick Veitch.
 3. That on the time and place for the first meeting being determined by the House a message be forwarded to the Legislative Assembly.

Appendix Two – Conduct of inquiry

On 15 February 2021, the Valuer General provided a private briefing to the Committee at Parliament House, outlining the operational environment and work program for Valuer General New South Wales.

On 11 June 2021, the Committee conducted the Fourteenth General Meeting with the Valuer General at Parliament House. During the hearing, the Valuer General was examined on the Annual Report for the reporting period of 2019-20 and his plans for the future.

On 17 June 2021, the Committee sent supplementary written questions to the Valuer General, further to the General Meeting. On 1 July 2021 the Valuer General provided written responses to questions taken on notice during evidence taken at the General Meeting, as well as answers to additional questions in writing. The Valuer General also provided a summary of progress made in implementing the recommendations from the Committee's report on the Twelfth General Meeting.

These documents are available on the [Committee's website](#) and are cited in footnotes to this report on the Fourteenth General Meeting.

Appendix Three – Witnesses

11 June 2021

Parliament House, Macquarie Room, Sydney, NSW

Witness	Position and Organisation
Dr David Parker	Valuer General, Valuer General NSW
Mr Paul Chudleigh	Deputy Valuer General, Valuer General NSW
Mr Andrew Coffey	Executive Director, Valuer General NSW
Ms Sharna Salt	Executive Officer, Valuer General NSW

Appendix Four – Extracts from Minutes

MINUTES OF MEETING No 6

2:00 pm, Monday 15 February 2021

Macquarie Room, Parliament House

Members present

Mr Nathaniel Smith (Chair), Mr Stephen Kamper, Mr Daniel Mookhey, Mr Geoff Provest

Representatives of the Office of the Valuer General

Dr David Parker, Valuer General

Mr Paul Chudleigh, Deputy Valuer General

Mr Andrew Coffey, Executive Director, Valuer General

NSW Ms Sharna Salt, Executive Officer, Valuer General

NSW

Officers in attendance

Bjarne Nordin, Jacqueline Isles, Derya Sekmen

1. Apologies

Mr Scott Farlow

2. ****

3. Forward program

The Committee agreed to conduct a public hearing for the 14th General Meeting further to the tabling of the Valuer General's 2020-2021 Annual Report.

4. Next Meeting

The Committee adjourned at 3:15 pm until a time and date to be determined.

MINUTES OF MEETING No 7

9:15 am, Friday, 11 June 2021

Jubilee Room, Parliament House

Members present

Mr Nathaniel Smith (Chair), Mr Scott Farlow (Deputy Chair), Mr Stephen Kamper, Mr Daniel Mookhey (via Webex until 9.40 am and then in person), Mr Geoff Provest

Officers in attendance

Elaine Schofield, Bjarne Nordin, Jacqueline Isles, Derya Sekmen

1. Apologies

There were no apologies.

2. Confirmation of Minutes

Resolved, on the motion of Mr Provest, seconded by Mr Farlow: That the minutes of meeting No. 6, dated 15 February 2021 be confirmed.

3. Public Hearing

Resolved, on the motion of Mr Farlow seconded by Mr Provest:

- That the Committee invites the witnesses listed in the notice of the public hearing for Friday, 11 June 2021 to give evidence in relation to the Fourteenth General Meeting with the Valuer General.
- That the Committee authorises the audio-visual recording, photography and broadcasting of the public hearing on 11 June 2021 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 11 June 2021 be authorised for publication and uploaded on the Committee's website.
- That witnesses be requested to return answers to questions taken on notice within 14 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.

4. ****

5. Adjournment

The Committee adjourned at 9:20 am.

6. Fourteenth General Meeting with the Valuer General

The Chair opened the public hearing at 9:30 am. The witnesses and public were admitted. The following witnesses were sworn and examined:

- Dr David Parker, Valuer General
- Mr Paul Chudleigh, Deputy Valuer General
- Mr Andrew Coffey, Executive Director, Valuer General NSW
- Ms Sharna Salt, Executive Officer, Valuer General NSW

The Valuer General made an opening statement.

At 9:57 am, resolved on the motion of Mr Farlow: That the Chair adjourn the public hearing to reconvene *in camera*.

At 10:04 am, resolved on the motion of Mr Farlow: That the Chair reconvene the public hearing.

At 10:18 am, resolved on the motion of Mr Farlow: That the Chair adjourn the public hearing to reconvene *in camera*.

At 10:29 am, resolved on the motion of Mr Farlow: That the Chair reconvene the public hearing.

Evidence concluded, the witnesses withdrew.

7. Next Meeting

The Committee adjourned at 11.02 am until a time and date to be determined.

MINUTES OF MEETING No 8

1.05 pm, Friday, 12 November 2021

Webex

Members present

Mr Nathaniel Smith (Chair), Mr Scott Farlow (Deputy Chair), Mr Geoff Provest, Mr Adam Searle

Apologies

Mr Steve Kamper

Officers in attendance

Leon Last, Bjarne Nordin, Abegail Turingan, Siobhan Ryan

1. Recording of meeting

Resolved, on the motion of Mr Farlow, seconded by Mr Searle, that the meeting be recorded for the purpose of the secretariat preparing the report, and that the recording be deleted when the report is adopted.

2. Confirmation of minutes

Resolved, on the motion of Mr Farlow, seconded by Mr Provest, that the minutes of meeting No. 7, dated 11 June 2021 be confirmed.

3. Consideration of Chair's report - Fourteenth General Meeting with the Valuer General

The Committee noted the Chair's draft report, *Fourteenth General Meeting with the Valuer General*, distributed to Members by email on 29 October 2021.

The Committee agreed to consider the Chair's report chapter by chapter.

Mr Searle circulated amendments for consideration.

Discussion ensued.

Moved, on the motion of Mr Searle, that the following changes be made in Chapter 1:

The following paragraphs to be inserted under the heading 'Impact on the role of the Valuer General' as paragraph 1.13 and subsequent paragraphs:

During his evidence to this committee, the VG disclosed that staff working to him had triggered a process which led to a '*work health and safety investigation*'. His understanding of the purpose of that investigation was, in the VG's own words, '*to protect the staff's health and safety as a group of staff felt anxious and fearful*.' The VG further indicated that this investigation resulted in a report being prepared by '*one member of the department with a member of an external law firm*.'

Subsequent to this evidence, the committee received that report, which was described as being an *Initial Assessment Report*, on a confidential basis, with no part of it to be made public. The content of that report is very disturbing and concerning and warrants further exploration. We note the evidence of the VG to this committee that he had not been afforded the opportunity to answer any of the matters raised in that report. We note further the report is described as '*initial*' and the committee has not been furnished

with any final report or any of the material that may embody the content of the material gathered during any inquiry.

This inquiry and report occurred in the context where staff had expressed concerns about the VG through the annual People Matters Employment Survey from around February 2020 onwards. There was an additional survey of staff sentiment, described as Teamgage, wherein staff also expressed a significant degree of unhappiness towards the VG in comments which was described by Mr Andrew Coffey as being *'quite pointed'*. This escalated each month to the point where, in the words of the VG, *"the level of intimidation and bullying at the Valuer General through Teamgage was so high or was such that Teamgage was stopped."*

Paragraph 1.15 to be deleted.

The following words to be inserted after paragraph 1.18:

In his evidence, the VG described the current arrangement with DPIE staff as *'unworkable'*, rendering the operation of the VG *'dysfunctional'* and that it constituted an *'interference'* with his independence. The Minister rejected this characterisation during her evidence to Budget Estimates.

The following words in paragraph 1.19 to be deleted:

The subsequent imposition of a prolonged COVID-19 lockdown has to date prevented the Committee from obtaining further detailed information.

The above to be replaced with:

At a hearing held by Portfolio Committee 6 into land acquisitions, the VG gave evidence that he had met with Minister Pavey who was *'very supportive'*. This is not consistent with the evidence given by Minister Pavey at Budget Estimates. The Minister was asked on a number of occasions whether she had confidence in the VG, to which she gave no direct reply. During Budget Estimates, departmental officials gave evidence regarding a number of different complaints by staff regarding the VG which had led to more than the one investigation disclosed to this committee. That evidence is best encapsulated in this exchange:

The Hon. DANIEL MOOKHEY: Ms Fishburn, has the department received any complaints from staff in relation to the Valuer General?

Ms FISHBURN: I can confirm that there are a number of investigations underway in relation to matters concerning staff and the Valuer General. These matters, as you know, have been the subject of both public and in-camera hearings by the Joint Standing Committee on the Office of the Valuer General. The joint standing committee has the role to provide oversight in these matters and its role is ongoing. The committee has been provided with significant material by both the Valuer General and the department and it is the department's intention to provide the committee with the outcome of the current investigations.

The following paragraph to be inserted:

Following that exchange, further details of complaints by staff about the VG and subsequent investigations were revealed, at pages 13-17 of the Budget Estimates

transcript. Together, this material adds weight to the view of the committee that the issues between the VG and DPIE staff need to be properly investigated and resolved. Given their apparent magnitude and the fact they began to occur shortly after the appointment of the VG in late 2019 and continue to date, this should occur as soon as possible.

The words 'and that the establishment of VG NSW appears to have contributed to the undermining of staff morale and a breakdown in internal communications.', to be deleted from paragraph 1.52.

The following words to be inserted at the end of paragraph 1.52:

The VG subsequently provided the committee with an interim assessment report on complaints made about him by some staff. The VG also subsequently gave evidence to the Legislative Council inquiry into land acquisitions being conducted by Portfolio Committee 6 which elaborated on the difficulties being experienced by the VG and the staff at DPIE who perform work relevant to the functions of the VG. These issues were also canvassed during the Budget Estimates hearings for the portfolio of Water, Property and Housing held on Friday 5 November 2021, during which it was disclosed that there were a number of different investigations into staff complaints about the VG. The committee is concerned that the issues between the VG and DPIE staff who work to support the functions of that office remain unresolved and may in fact have worsened. This could have significant impacts on the health and safety of those staff and the efficacy of the office of the Valuer General.

The following words to be inserted at the end of paragraph 1.53:

Given the very serious and disturbing evidence the committee has received regarding the issues between the VG and DPIE staff, and the evidence to other Parliamentary inquiries that we are now aware of, this committee is of the view there needs to be a full and proper inquiry into these matters conducted by an appropriate committee of the Parliament.

The words 'Apart from the potential risks to the health and safety of staff, the Committee is also', to be inserted at the beginning of paragraph 1.54, before the word 'mindful'.

The Chair put the motion.

Ayes 1: Mr Searle.

Noes 2: Mr Smith, Mr Farlow and Mr Provest.

Motion lost.

Resolved, on the motion of Mr Farlow, seconded by Mr Provest, that chapters two, three and four be adopted.

Resolved, on the motion of Mr Farlow, seconded by Mr Provest, that the following changes be made to the recommendations:

Recommendations 1 and 2 to be deleted.

The words 'and the terms of the Memorandum of Understanding.', after the word 'arrangement', to be deleted from the end of Recommendation 3.

The Chair's Foreword be amended to reflect the changes and deletions in the recommendations.

Moved, on the motion of Mr Farlow, seconded by Mr Provest:

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

The Chair put the motion.

Ayes 2: Mr Smith, Mr Farlow and Mr Provest

Noes 1: Mr Searle.

Motion carried.

4. General business

Resolved, on the motion of Mr Searle, seconded by Mr Farlow, that the Chair writes to the Department of Planning, Industry and Environment to request a confidential briefing.

5. Next meeting

The meeting adjourned at 1.28 pm until a date and time to be determined.