

VG21/51

Mr Nathaniel Smith MP
Chair
Joint Standing Committee on the Office of the Valuer General
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

By email: valuergeneral@parliament.nsw.gov.au

Dear Mr Smith

Fourteenth General Meeting with the Valuer General: Supplementary Questions

I am pleased to provide the Committee with my response to the questions resulting from the public hearing on 11 June 2021 (Tab A).

If you would like any further information, please contact me on [REDACTED] or [REDACTED]

Yours sincerely



Dr David Parker
Valuer General

1 July 2021

14th General Meeting with the Valuer General

Questions further to the public hearing

1. Future Initiative 3 - Timeliness for the compulsory acquisition process

The VG aims to ensure that all relevant information is provided and exchanged between the land owner and the acquiring authority before the VG makes the determination of compensation. The new process means that there will be no avenue of appeal for a difference in opinion about the facts, unless there is a demonstrated valuation error.

- **How will the VG ensure procedural fairness in the new process?**
 - The new process allows both the dispossessed landowner and the acquiring authority to raise corrections of matters of fact at the conference offered to the parties after the issue of the preliminary report.
 - Procedural fairness is afforded by the dispossessed landowner and the acquiring authority each being given the opportunity to submit a claim and list of issues, respectively, in accordance with the *Land Acquisition (Just Terms) Compensation Act 1991* together with an opportunity to have a conference with the Valuer General to explain their position.
 - Exchange of information from the parties by the Valuer General should mitigate against the risk of adverse information.
 - The Valuer General provides a determination which is not a mediated settlement between the claims of the parties. The Valuer General's quality assurance processes should mitigate against the risk of valuation error.
- **Can the VG provide a breakdown of the likely proportion of compensation cases which involve acquisition of land owned by private citizens versus corporate entities?**
 - For the period 1 July 2019 to 30 June 2020, 128 determinations were issued comprising 66% for corporate entities and 34% for private entities.
- **Has the VG consulted with public interest organisations e.g. PIAC, the consumers' association and other such bodies regarding the proposed procedural changes, in addition to receiving from representatives of industry and professional groups?**
 - The Valuer General undertook extensive stakeholder consultation including with lawyers who regularly represent dispossessed landowners in matters ranging from a single residence to major investment and development properties. Lawyers representing residential and small commercial property owners were particularly enthusiastic about the prospect of a shortened process for the issuing of

determinations.

- **What is the procedure in other comparable jurisdictions?**

- The Valuer General is advised that the procedure in comparable jurisdictions is as follows:
 - Victoria has an exchange of information process
 - South Australia has an exchange of information process managed by the acquiring authority
 - Tasmania has a process characterised as conciliation rather than determination
 - Western Australia provides a valuation to the acquiring authority and has no other involvement
 - ACT permits the exchange of valuation briefs and counter briefs where the dispossessed produces new reports with new methodology and new claims that bear little resemblance to previous reports
 - NT has a preference for acquisition by agreement with the exchange of valuation reports in the highly unlikely event of compulsory acquisition.
- The New Zealand Valuer General is not involved in compulsory acquisition.
- At the time of writing, a response had not been received from the Valuer General of Queensland.

- **What was the outcome of the VG's discussion with the Land and Environment Court regarding this proposal?**

- The Valuer General did not formally discuss this proposal with the Land & Environment Court.

- **What is the target time for Valuer General Office to issue a determination for the compulsory acquisition? What strategies will be implemented to achieve this target?**

- The target time is within 45 days of publication of the acquisition notice, in accordance with s42(1) of the *Land Acquisition (Just Terms) Compensation Act 1991*. Extensive stakeholder consultation has been undertaken on the strategies to be implemented which include a stricter timetable for submission of claims and issues and limitation of discussion of the preliminary report to matters of fact only.

2. Automation of service delivery to landowners

The Valuer General foreshadowed a new on-line objection form and changes to IT processes so that much more is done by technology than manually as part of the revision of the objections process (Objections 2021) (pp22-23).

- **To what extent will automation be applied to future services directed to landowners in general?**

- The Valuer General is focused on VGNSW's continuous improvement, particularly enhancing the customer experience and improving productivity, through the use of technology. As such, automation may be applied to future services directed to landowners where it presents an efficiency, either to productivity or by improving the customer experience.
- **Could the increasing reliance on computers for service delivery compromise procedural fairness or disadvantage landowners who do not have technological access or who are prevented by a physical disability?**
 - The Valuer General is conscious of the needs of the wider community in service delivery. Landowners who do not have technological access or who are prevented by a physical disability are encouraged to contact VGNSW by telephone or to visit a Service NSW centre.

3. Most recent land values report

The Valuer General determined the 1 July 2020 land values for over 2.6m properties across NSW, and reported noteworthy increases in residential, commercial, industrial and rural land values as at 1 July 2020 (VG News, January 2021).

- **What is the current situation regarding rising land values? Are there any other significant emerging valuation issues?**
 - The market for all classes of land has continued to increase from 1 July 2020 into 2021 due to a number of factors including limited supply, low interest rates and government stimulus. Analysis by VGNSW indicates land values will reflect an overall state-wide average increase of 14% for residential land and 8% for non-residential land for the period 1 July 2020 to 31 March 2021. Individual areas of significant demand are expected to see increases well above these averages.
 - The commercial market is still influenced by the impact of COVID-19 with the retail market impacted by a decline in discretionary spending within retail shopping centres, primarily in metropolitan areas.
 - The property market has remained sufficiently active for the 2021 valuations to be determined by principal reference to sales evidence. In the absence of sufficient evidence, the 2020 valuations that were determined in line with the Valuer General's COVID-19 report will be maintained.
 - Following a review in April 2021, the Valuer General published a policy on the impact of rezoning potentiality on land values, using the Western Sydney Aerotropolis as a case study. The aim of this policy is to ensure that land values in such areas reflect the market demand in a changing environment. As a result, significant land value increases for many land holdings may be anticipated in the Western Sydney Aerotropolis area.

4. New Valuer General and Organisational Restructure

Dr David Parker was appointed in January 2020 to lead the NSW valuation system. From 20 January

2020, Valuation Services was merged with the Office of the Valuer General to form Valuer General New South Wales (VGNSW) (AR p7).

- **What impact has the restructure had on productivity and efficiency?**
 - The merger of OVG and Valuation Services under the functional control of the Valuer General had a significant beneficial impact on productivity and efficiency up to 10 May 2021.
 - Primary focus was placed on clearing the significant backlogs in objections and compulsory acquisition determinations existing when the merger occurred, including over 2,500 outstanding land value objections being resolved and 3,615 determinations for substratum compulsory acquisition being issued.
 - 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.

5. Achievements during the reporting period

During the reporting period, the Valuer General amended the objection process and published research reports on the impacts of bushfires and of COVID-19 on land values. (AR pp19-20).

- **What has been the impact to date on the changes you have made to the objection process?**
 - The primary impact has been a significant reduction in the number of objections without complaints to local Members, the Minister or the Premier nor any adverse media commentary.
 - While the level of objections is subject to a wide range of influences such as the incidence of general rating years, peaks and troughs in the property market and so forth, a simple indication of objection volumes is as follows:

Month/Year	No. Objections Registered	Comments
July 2020	864	General Valuation Notices Last Date to Object
August 2020	646	Delayed Land Tax Assessments – Covid 19
September 2020	820	Delayed Land Tax Assessments – Covid 19
October 2020	667	Delayed Land Tax Assessments – Covid 19
November 2020	528	
December 2020	181	
January 2021	61	2021 Land Tax Assessment issued
February 2021	189	2021 Land Tax Assessment issued
March 2021	457	2021 Land Tax Assessment issued
April 2021	462	2021 Land Tax Assessment issued
May 2021	279	

- The distribution schedule for 1 July 2019 Notices of Valuation was reorganised and extended due to bushfires occurring in late 2019/early 2020. This impacted on the last date to object carrying over into July 2020.
- Revenue NSW also delayed the issue of Land Tax Assessments to clients as a response to both the bushfires and COVID-19. This meant that objections were received in the latter half of 2020, which would normally have been submitted in the first half of 2020.
- **Is there a likelihood of court appeals increasing as a result of the changes?**
 - While there is a likelihood of an increase in appeals to the Land & Environment Court, this has not manifest to date.
 - The Valuer General is aware of three matters registered with the Land & Environment Court in which a contributing factor was the failure of the landowner to support their opinion of land value, being a requirement of the new process. Each matter has either settled or been withdrawn prior to a hearing before the Court.

6. Significant legal decisions

In two cited cases, the Annual Report noted that councils had taken the unusual step of challenging the determination made by the Valuer General in the Supreme Court. (AR p23).

- **Did these cases impact on the organisation's valuation policies and/or practices?**
 - Following both decisions, policies and practices were amended.
 - While VGNSW Just Terms valuers have a significant time allocation for keeping up to date with relevant case law, the Valuer General has arranged for Counsel to provide a training session to ensure awareness.
- **Does court action by councils indicate a more complex relationship developing with local government?**
 - The relationship between the Valuer General and 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.
- **Do any court actions result in potential damage claims against Valuer General NSW?**
 - The two Court actions referred to in the Annual Report did not result in the potential for damages claims against the Valuer General.

7. Future initiatives

The Annual Report announced a review of customer service experience, including assessment of landholders' experiences of the objection and review processes and the determination of compensation (AR p53).

- **Does this assessment include outreach to landholder communications via Service NSW and via the national Translating and Interpreting Service?**

- Service NSW do not issue landholder communications unless VGNSW specifically request it for a targeted marketing campaign.
- The national TIS do not issue landholder communications on behalf of VGNSW, however communications to landholders from VGNSW relating to objection and review processes generally include the national TIS contact details for accessibility.
- Currently, VGNSW does not undertake a review of the customer experience for either Service NSW or TIS.

In relation to the compensation determination process, the Annual Report noted that the involvement of multiple experts (e.g. town planners, flood engineers and quantity surveyors) was an inhibiting factor in some cases (ARp55).

- **Is the complexity of cases an increasing factor?**

- In the opinion of the Valuer General, it is not.

- **Can communications technology e.g. zoom conferences assist in speeding up consultations with expert advisors?**

- Communications technology is already used by VGNSW staff to increase productivity in the use of expert advisors.

- **Does the Valuer General have a specific budget for the use of experts for each compensation determination?**

- In most cases, the cost of experts used by the Valuer General is borne by the acquiring authority.

The Annual Report announced, among its future initiatives, the intention to investigate consistency between JSCOVG recommendations with law and court precedents governing VGNSW operations. (AR p55)

- **Can the Valuer General please clarify what is intended by this review and which particular recommendations are a cause for concern?**

- The review identified Recommendations 11, 12 and 13 as being inconsistent with statute and Court precedent dealing with comparison with adjacent properties being an objection issue and negotiability of the Valuer General's preliminary determinations in rating and compulsory acquisition matters.
- Following this review, comparison with adjacent properties is now addressed as a quality assurance issue not an objection issue and preliminary determinations in rating and compulsory acquisition matters are non-negotiable with conferences concerning matters of fact only.

8. Automated valuation modelling project

The AR stated that the Valuer General is continuing to work with the University of NSW and other partners on research into automated valuation models (AVMs). The report advises that the Value Australia project will run until 2022 and that AVMs "may be of use for rating and taxing valuation by VGNSW." The report notes that advanced jurisdictions around the world are adopting AVMs (AR p56).

- **Can the Valuer General provide examples of jurisdictions using AVMs and what their experience has been?**
 - Many jurisdictions in developed countries use AVMs including New York, British Columbia and the Netherlands. IPTI advise that those assessing agencies that use reliable modern AVM technology find that they achieve improvements in accuracy, consistency and cost-effectiveness.
 - Some jurisdictions, including many of the property tax assessing counties in the USA such as Washington County, Pennsylvania, Cobb County, Georgia and Franklin County, Ohio, use AVM technology provided by commercial software suppliers.
 - Some jurisdictions, such as the Municipal Property Assessment Corporation in Ontario, Canada, develop their own inhouse AVM facilities, often using cloud-based technology.
- **Can you provide a progress update on the partnership project? Is the planned project outcome expected to be delivered in three years?**
 - The Value Australia project being undertaken by Frontier SI and which includes VGNSW and UNSW runs from 2019 to 2022. While the deliverables of the project have evolved since inception, UNSW advise that an initial version of an AVM for land valuation based on the residual method of valuation should be completed by October 2021 and that an initial version of an AVM for land valuation based on machine learning should be completed by December 2021.

The Annual Report noted that AVMs rely primarily on algorithms and require "limited valuer input".

- **Does the use of AVMs have implications for future contractor employment levels? What will be their future role?**
 - It is unlikely that AVMs will be capable of application across the entire State. Whilst large homogenous areas of residential property may suit the application of AVMs, they are less likely to be applicable for heterogenous property such as commercial, retail and industrial property. It is, therefore, likely that contractors will still be required for such heterogenous property.
- **Do AVMs pose risks for quality assurance?**
 - The outputs of AVMs, like the outputs of the current mass appraisal process, will require quality assurance. Accordingly, a quality assurance program will need to be designed to suit the form of AVM developed and applied.

9. Financial reporting

The Annual Report referred to a new approach to financial reporting, enabling a clear audit trail between the activity based costing report and the statutory report (AR p57).

- **Can you outline how this will improve transparency and organisational budget management and performance?**
 - This new financial structure facilitates activity-based reporting for internal management reporting. This improves budget accountability and performance among the reporting areas as these are reported monthly.

The Annual Report provided activity-based costing comparisons for the 2019-20 and 2018-19 reporting years (AR pp60-61).

- **Does the Valuer General wish to comment on any particular areas of activity in relation to expenses recorded over the past two reporting years?**
 - With the Valuer General moving from the former Department of Finance, Innovation and Services to the Department of Planning, Industry and Environment (DPIE), the reporting and recognition of ICT and Corporate overheads will likely be impacted. An overall DPIE Corporate service charging model has been discussed and is currently being assessed.
- **How does the Valuer General allocate cost to each activity? Is there an annual budget prepared for each activity?**
 - A bottom up budget approach by reporting area is undertaken annually and reviewed for reasonableness by the Executive Director before it is accepted.

10. IPART and operational costs

The Annual Report confirmed that VGNSW fees to councils remained in line with IPART's determination. On the other hand, VGNSW's actual operating expenditure was lower than IPART's determination. The Annual Report attributed this to lower costs in labour, ICT and other issues (AR pp64-65).

- **Does the Value General wish to make any particular comments about IPART's fee and cost setting decisions in relation to the 2019-20 financial year or more generally?**
 - The issues noted by the Committee around lower-than-expected 2019-2020 operating expenditure will be addressed by VGNSW in a review of its submission to IPART.

11. Performance report

The Annual Report provided comprehensive tables of performance measures for the 2019-20 year (pp 66-71).

- **Are you satisfied that the current performance measures adequately reflect the totality of your operational environment?**

- The current performance measures address operational issues across the activities of VGNSW but do not address the key risks of trust, integrity and confidence.
- 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.
- **Are there any particular issues with regard to performance during the reporting period or more generally?**
 - The Valuer General identified timeliness and KPIs for the objection process and timeliness for the compulsory acquisition process as issues for attention as Future Initiatives for 2020-21.
 - The Objections 21 project has addressed issues in the timeliness of the objection process and JT21 has addressed issues in the timeliness of the compulsory acquisition process.
 - A new risk management framework has been developed which will drive KPIs, with the introduction of a risk-based performance management system (as referred to in the Committee's 13th report) being a Future Initiative for 2021-2022.
 - The Valuer General has identified looking closely at the quality assurance of land valuations in high risk and high value areas and compulsory acquisition determinations as a Future Initiative for 2021-2022.

12. Governance

The Annual Report advised that a more simplified governance structure was introduced with the establishment of VGNSW on 20 January 2020 (AR p10).

- **Has the simplified structure been effective in strengthening governance?**
 - The simplified structure was effective in strengthening governance up to 10 May 2021.

13. Service level agreements

The Annual Report noted that service agreements with State Revenue NSW, the Registrar General and Land Registry Services were still operating after the establishment of VGNSW (AR p12).

- **Are those service agreements subject to review? What is their current status and effectiveness?**
 - The service level agreement for the provision of valuation information to Revenue New South Wales is current for the period 2021-2024.
 - The memorandum of understanding in place between the Valuer General, the Registrar General and NSW Land Registry Services is current.
 - Monthly Revenue NSW, VGNSW and LRS liaison meetings are held to provide regular

reporting of performance (KPI's) and statistics for the services provided.

- These meetings are very effective and are documented to include Action Register items, status and results. Actions may be required to address issues with the potential to affect service delivery.

14. Conflicts of interest

The Annual Report advised that a training program for contractors would be rolled out in 2020-21 (AR p12).

- **Has this been implemented? Are you satisfied that it has been effective in strengthening the deterrence of contractors from breaches of the conflict of interest rules of the organisation?**
 - Training commenced in April 2021 with VGNSW objection contractors. Since the training commenced, VGNSW are aware of several conflicts of interest disclosures from objection contractors where procurement did not progress due to a perceived conflict.
 - VGNSW is satisfied that the training has been effective as the disclosures indicate an increased awareness of conflicts at an organisational level for business relationships where there could be a reasonable perception of bias.
 - In addition to the current process of recording actual or perceived instances of conflict, VGNSW will implement a process to record instances where contractors proactively disclose a potential conflict at the procurement stage.
 - Training is planned to continue for other contractor groups to build on the strengthened deterrence of contractor breaches.

The Annual Report cited several instances of perceived breaches and actual breaches during the reporting year (AR p13).

- **Do such occurrences point to the need for additional reinforcement measures beyond the conditions of the contract? For example, should contractors have to sign a special undertaking to be renewed at regular intervals?**
 - Work is underway on the development of an online declaration portal and e-register of conflicts. The intention is for annual declarations to be made for contracting organisations with a fixed term contract and to allow declarations to be made for specific valuations whether the conflict is at an organisational or individual level. The e-register will also capture staff declarations for contractor related conflicts. This will improve transparency and management of conflicts.
- **Does the Valuer General perform additional checks on conflict of interest with contractors, for example matching the contractor names with the landholding database?**
 - Additional checks are carried out through the audit of rating and taxing contractor lists of all land within the Contract Area owned by, or in which an interest is held, by contractor staff or their family or associates. For current contracts, VGNSW is in the

process of auditing the land values for properties contained on contractor lists.

- At this time Valuer General NSW has not undertaken a matching of contractor names with the landholding database, relying on an audit approach. Matching of names is challenging to ensure all interests have been identified where ownership may be in another name, company name, trust or a family member with a different surname.
- Contractor declaration requirements of such conflicts at tendering have been increased to improve transparency and monitoring at the point of procuring services.

15. Service NSW

The Annual Report advised that a number of initiatives were introduced in 2019-20 for the convenience of landholders in using VGNSW services (AR p45).

- **Have those initiatives been effective in improving access to your services and enhancing the public profile of VGNSW?**
 - Initiatives introduced included first level call centre service, an opt in option to receive a digital notice of valuation and access to self-service kiosks and face to face service at Service NSW centres.
 - The first level call centre has resulted in improved service with the percentage of calls immediately resolved being 87% between 1 July 2020 and 1 June 2021 compared to 64% in year to 1 July 2019.

Period	Total No. of calls	First Tier SNSW	%	Immediately resolved	%	Referred to VGNSW for further action	%
1/07/2019 – 1/07/2020	29,129	18,940	65.0	12,241	64.6	6,699	35.3
1/07/2020 – 1/06/2021	15,962	11,435	71.6	9,950	87.0	1,485	12.9

- 77,906 customers signed up for a digital Notice of Valuation (eNov) via the Service NSW website between 1 July 2019 and 30 June 2020 with a further 5,019 customers signing up between 1 July 2020 and 1 June 2021.
- Service NSW are unable to provide data on the use of self-service kiosks or face to face

services attributed to VGNSW related services, therefore VGNSW has no evidence to suggest these initiatives have been ineffective.

- The initiatives appear to have been effective in enhancing the public profile of VGNSW.
- **What feedback have you received from the community?**
 - Valuer General NSW has not received any feedback, negative or positive, from the community.

16. Complaints management

The Annual Report advised that the average time to resolve a complaint was 33 days (AR p46). However, the complaint handling policy on the website undertakes to provide a response within 21 days or an explanation of when a response will be provided.

- **Is the VG satisfied that the complaints management system is as effective as possible?**
 - 75% of complaints were resolved within 20 working days, in accordance with VGNSW policy. However, two complaints took more time to resolve and impacted the average number of days reported.
 - If VGNSW cannot provide a response within a 20 working day timeframe, the customer is contacted to advise when a response will be provided.
- **How often is the complaints handling policy reviewed?**
 - VGNSW aims to review the complaints handling policy annually.

17. Privacy

The Annual Report noted a privacy complaint by a customer concerning the mailing address. The customer was advised of the process to suppress ownership from the Register of Land Values if concerned about personal safety (AR p47).

- **How do you ensure customers are kept up to date with their privacy rights with regard to personal data retained by VGNSW?**
 - The Valuer General's website includes links to the Valuer General's privacy statement at a number of touch points. This provides information on how VGNSW collects and stores personal information. It is governed by the Privacy and Personal Information Protection Act 1998 NSW.
 - The registration page for VGNSW online services also includes 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.
 - The privacy statements were updated during 2020 following review and advice by the DPIE privacy team.

- **Is there a need for more information, possibly in a Q and A format, to be available on the website?**
 - A *Frequently asked questions* section on the website may help customers understand the way their personal information is handled and their rights about this.

The Annual Report 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 also be asked to delete vendor and purchaser names from the historical data sets they received (AR p50).

- **Has the new agreement been put in place? How will it be monitored to assess effectiveness?**
 - New agreements have not been entered into as it is proposed to migrate the service from VGNSW to NSW Land Registry Services (LRS). This proposal is presently under discussion and awaiting ratification from the Office of Register General.
 - Ongoing monitoring, once transitioned to LRS, will be the responsibility of LRS.

18. Quality Assurance

The Annual Report highlighted the role of the Contractor Performance Quality Plan (QA Plan) to monitor 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 (AR p23).

- **Does the Deputy Valuer General have any further comments to make about the performance monitoring of contractors?**
 - New contractor performance management instructions were introduced in June 2020 to ensure consistency in approach by VGNSW quality assurance staff in recording contract non-compliance issues. The recording of non-compliance issues is reflected in the contractor scorecard.
 - New procedures for reviewing the performance of rating and taxing contractors following successful objections against their valuation recommendations were introduced in April 2021. The new procedures improve the separation of the objection contractor's review from the original issued rating and taxing contractors' valuation. Automatic non-compliance will be recorded against contractors where valuation changes outside acceptable market ranges are determined.
 - An external quality assurance contractor was recently engaged to undertake an independent review of 1,021 valuations at the Western Sydney Aerotropolis following rezoning and of 279 valuations within Kingsford Smith Airport. The reviews found significant valuation quality concerns. These are currently being addressed through revaluation and contract management action. New valuations will be issued to affected landowners.

The Annual Report noted that the quality assurance program identified a number of areas of risk and valuation deficiencies which were rectified prior to accepting the annual values for entry on the Register

of Land Values. The report outlined a number of improvements made to strengthen quality assurance in relation to the data provided by contractors (AR p30).

- **Does VGNSW intend to make any further changes to the quality assurance process in line with a possible future technology upgrade and proposed changes to the contractor management system?**
 - The development of Valnet 3 would provide for quality assurance efficiencies, improved reporting, real time dashboards and the integration of contractor data with spatial technology. VGNSW is also working on improvements to the current system to allow for automated data integrity checks of contractor's sales analysis data.

The Annual Report explained that contract valuers must undertake a systematic, risk-based process of periodically verifying property data and land values in order to ensure their quality. The report noted that for the 2019 rating and taxing contracts, the verification services changed to a five year program (AR p30).

- **What is the significance of this time frame within the risk-based monitoring process?**
 - The verification services changed from a six year program to a five year program. This aligns the verification program with the contract term to ensure all properties in a contract area are reviewed by the one contractor, thus aiming to improve consistency and quality of valuations through a more frequent review.

During the reporting period, the Valuations (Quality Assurance) Team monitored the quality of the valuations which comprise the mass valuation system using a range of operational perspectives (AR p26).

- **Were there any particular perspectives which revealed quality deficiencies in particular, the number and nature of objections and/or appeals to the Land and Environment Court?**
 - Concerning the number and nature of objections, the following quality deficiencies were identified:
 - Following multiple objections to the 2019 land values of properties in the Peakview/Jerangle locality of Snowy Monaro Regional Council, VGNSW identified deficiencies in the contractors records regarding access and dwelling entitlement. The review included sourcing data from Council which should have been sourced by the contractor. The land values of 73 properties were reduced. A major non-compliance issue was recorded against the contractor.
 - In Yass Valley, 66 objections were registered against the 2019 valuations, of which 42 were allowed. A further 15 properties had land values re-ascertained in line with the objection decisions. The deficiencies related to the inappropriate selection of sales evidence used in the mass valuation process. A non-compliance performance issue was recorded against the rating and taxing contractor.
 - Concerning appeals to the Land & Environment Court, in Jamisontown the review of

objections and settlement of a matter by mediation at Court identified contractor error. Incorrect sales analysis processes led to significant valuation changes being adopted for multiple commercial properties. The values in the locality are currently being reviewed for amendment.

19. Land and asset valuation scheme

The Annual Report advised the appointment of VGNSW to administer the whole of government land and asset valuation scheme, which commenced operation on 19 November 2019. This scheme provides access by all government agencies to qualified land and asset valuation services providers (AR p24).

- **Can the Valuer General update the Committee on the current operation of the scheme?**

- The scheme provides a panel of prequalified service providers in statutory, land, asset, financial and infrastructure valuation services, by geographic area, throughout NSW.
- Service categories cover requirements for multiple agencies. These include:
 - land value advisory and objection review services;
 - compensation recommendations of determination for the Valuer General;
 - real property and asset valuation advisory services; and
 - acquisition valuation services for acquiring authorities.
- The scheme is in place for an initial term of three years until 18 November 2022. Organisations can be added to the scheme at any time. All government agencies, including VGNSW determine the most suitable delivery model and sourcing strategy for the specific engagement in accordance with procurement guidelines.
- There are 76 pre-qualified valuation organisations on the Scheme in total. For VGNSW, there are up to 50 suppliers pre-qualified in the compensation recommendations of determination for the Valuer General category and up to 64 pre-qualified in the land value advisory and objection review services category.

- **What is the impact on VGNSW resources?**

- The impact on VGNSW resources for administering the scheme is similar to administering the previous internal valuation panel. Additional resources are not required for administering the scheme on a day to day basis.
- The resourcing workload was high when commencing the scheme, in qualifying and on-boarding service providers. This workload was comparable to retendering, tender evaluation and set up of the past internal valuation panel. It is anticipated that extending the scheme will be similar in resourcing requirements to extending an internal valuation panel.
- The annual review of scheme documentation requires no additional resources compared to prior procurement processes.
- There were no financial implications for VGNSW for the establishment of the scheme.

- **Are there specific opportunities or challenges for the organisation in its role as administrator?**
 - The specific opportunity for VGNSW in its role as administrator of the scheme is improved synergy with other government agencies buying valuation services and efficiency in updating service category documentation.
 - As an agency directly involved in two of the four service categories, VGNSW benefits from:
 - a fully online, simple and streamlined process for evaluating applicants to the scheme for VG related service categories through the eTendering platform;
 - the scheme aligns with government directions for procurement;
 - the scheme is adaptable and enables the addition of further valuation categories or changes if required;
 - simplified administration and procurement rules and processes allow engagement of regional and metropolitan services providers of all organisational sizes;
 - a fit for purpose procurement scheme; and
 - liaising with other Government agencies.
 - There are no specific challenges for VGNSW as administrator of the scheme. All agencies directly involved in the scheme service categories, including VGNSW, are required to evaluate scheme applications and have subject matter experts trained on eTendering scheme application software. Challenges that might arise for an administrator of any scheme include:
 - ensuring sufficient numbers of trained evaluation panel members and qualified subject matter experts;
 - ensuring evaluation process timeframes are adhered to; and
 - dealing with disputes, if any.

20. Service delivery and liaison

The Annual Report confirmed that during the reporting period, 2.6m valuations were provided to councils and to Revenue NSW for use in the calculation of land tax. In addition, around 50,000 supplementary valuations were provided to councils and Revenue NSW when land was subdivided, amalgamated or materially changed (AR 29). The Annual Report also noted periodic or regular meetings held with local councils and Revenue NSW to discuss the 1 July 2019 land values and relevant matters (AR p53).

- **Does the Valuer General have any comment to make about any particular issues which may have arisen, at the time of the report or subsequently, concerning the provision of valuations to councils or Revenue NSW?**
 - Themes that were identified from Council meetings included the possibility of obtaining rate relief for farmers given drought and bushfires and the unexpected significant increase in rural values between 2016 and 2019

- Following the 2019/2020 bushfires the majority of bushfire affected councils raised concerns related to issuing new valuations to bushfire impacted areas. In response, VGNSW 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. No councils took up this offer.
- The following councils raised specific issues:
 - Broken Hill City Council raised concerns with the strong increase in industrial land values between 2016 and 2019 while commercial land values decreased during the same period. This resulted in a significant increase to industrial landholder rate payments. VGNSW reviewed the industrial land values in Broken Hill and found that they were supported by sales evidence and ultimately this was a Council rating issue.
 - Blue Mountains City council requested that we put on hold the 2019 general valuations for 12 months following increasing land values and the subsequent impact of bushfires and COVID-19. Council were advised that VGNSW had no authority to put the valuations on hold and were offered a new 2020 general valuation which would reflect the impacts of COVID-19 and bushfires, which Council declined.
 - Snowy Monaro Regional Council raised concerns with the significant increase to industrial land value in the Polo Flat area. VGNSW received 26 objections to the land values. A review found the majority of industrial land values were supported by sales evidence. Six of the larger sized properties had land values reduced.
- No specific issues have been raised by councils or Revenue NSW in relation to the provision of supplementary valuations.

21. IPART and Local Government Rating Review

On 18 June 2020, the Government issued its final response to the IPART Local Government Rating Review. The purpose of the Review was to identify how to improve the equity and efficiency of the rating system in order to improve council's ability to implement sustainable fiscal policies over the long term. On 17 March 2021, the Government introduced the Local Government Amendment Bill which includes a range of reforms to the rating system in response to the IPART Review. The Bill enables councils to have greater flexibility to create new rating categories and subcategories (The Hon. Mrs Shelley Hancock MP, Minister for Local Government, Second Reading Speech, Legislative Assembly Hansard, 17 March 2021).

- **Does the Valuer General have any comment to make regarding possible impacts of the Rating Review on the land valuation system or the provision of services to local government?**
 - The Valuer General concurs with the Government response to the IPART Local Government Rating Review.
 - The recommendations adopted by government have no material impact on the operation of the land valuation system or the provision of the Valuer General's services to councils.

- The Valuer General supports the government response under Theme 1, *Use of the CIV valuation method to levy council rates*, in not adopting a change to capital improved valuations, on the basis that there is currently no database in NSW that comprises the built environment on which to determine improved values. The IPART recommendation would have had a significant impact on the valuation system regarding legislative changes, contract variations and the costs to determine the nature of improvements to a quality acceptable to ratepayers, for NSW's 2.6 million valuation assessments.
- VGNSW is currently assisting IPART with implementation of recommendations under Theme 2 *Allow councils' general income to grow as the communities they serve grow*, regarding the supplementary valuation processes.

22. Objections by property type

The Annual Report provided a comprehensive tabular analysis of objections for different property groups completed across valuation years (AR p32).

- **Business and residential properties continue to be critical categories attracting the greatest proportions of objections. Would the Valuer General like to comment on this?**
 - There are more residential properties in NSW than any other property type and commercial properties represent the third largest group after rural properties.
 - Land tax liability is a key factor in objection volumes. Landholders may object to any land value shown on a land tax assessment, which usually shows at least three valuing years:

Zone	One property - 1 valuing year objected to	One property - 2 valuing years objected to	One property - 3 or more valuing years objected to
Residential	51%	15%	34%
Business	52%	15%	33%

- For 2019/20 there were more land tax objections (68.2%) than those lodged for a Notice of Valuation (31.2%).
- **Were there any matters of concern in relation to objections lodged for other types of properties?**
 - A significant number of objections were received that cited concerns about bushfires

and COVID-19. However, following investigation, it was determined that neither bushfires nor COVID-19 had any impact on those objections.

- Landholders who raised concerns about either bushfires or COVID-19 were directed to the reviews undertaken by the Valuer General and published on the website. These provided clarification on how land values were determined within the impacted areas.
- Many rural landholders lodged objections raising concerns about the increase in their land value following a period of prolonged, extreme drought. However, market activity was strong during that period and land values increased despite the drought conditions.

23. Amendment of land values as a result of court appeals

The Annual Report advised that two matters referred to court during the reporting period, resulted in amended land values (AR p 34).

- **Would the Valuer General like to comment on the quality assurance system of his Office?**
 - The two matters (heard together) focused on the interpretation of the valuation concept of highest and best use in the context of a particular property type. As such, the case does not have a direct impact on the quality assurance process generally.
 - The Valuer General seeks to maintain the highest standards of quality assurance and has identified looking closely at the quality assurance of land valuations in high risk and high value areas and compulsory acquisition determinations as a Future Initiative for 2021-2022.
- **What is the significance of such precedents for future valuation policies and procedures and for contractor training and practices?**
 - The two matters concerned valuations for the same property in 2015 and 2016 with the Court providing helpful commentary on the valuation concept of highest and best use that has been reflected in policy, procedure and training.
 - As this was the only case lost in the Land & Environment Court during the year, the Valuer General instigated a review which identified issues with case management, the choice of valuer and the choice of barrister. Learnings from this review have been reflected in the Valuer General's approach to litigation which is now supervised by the Deputy Valuer General and the Valuer General.

24. Valuations for Compulsory Acquisition

The Annual Report advised that the number of surface land determinations decreased to 128 in 2019-20. However, there was a marginal increase in the average time taken to issue determinations (177 days versus 166 days for the previous year) (AR p37).

- **What would the Valuer General prioritise as the main challenges to be addressed in facilitating the valuation process, particularly in relation to complex matters?**

- The priority challenges in the valuation process are the timely receipt of claims and lists of issues from the parties and the permissible extent of discussions of the preliminary report following its issue.
- One of the Future Initiatives for 2019-20 was to undertake a holistic review of the compulsory acquisition process with a view to making major process changes to improve productivity and efficiency – the JT21 project. This has been completed and an implementation plan is currently being prepared.
- **How many proposed acquisition notices (PANs) are received by the Valuer General's Office on a monthly basis? What are the percentage of PANs ranked as high risk that required more attention?**
 - While there were 178 PANs received between 1 July 2019 and 30 June 2020, averaging 14.8 per month, receipt is usually in large blocks often exceeding 100 rather than as even monthly numbers. 78.6% of PANs are ranked as high risk.

The Annual Report noted the work of the Compensation Improvement Group, in exploring improvements to the compensation determination process up until 19 January 2020 (AR Appendix 9).

- **What is the current system for monitoring the efficiency of the compensation determination process?**
 - The Compensation Improvement Group did not address the efficiency of the compensation determination process.
 - As part of the JT21 project, the Valuer General, Executive Director and Just Terms Team looked closely at productivity and identified a range of ways by which this could be improved.
- **Are any further changes proposed for the monitoring process?**
 - As part of the Future Initiative for 2021-2022 to look closely at the quality assurance of compulsory acquisition determinations, further changes may be anticipated.

25. Private valuations

The Annual Report noted that 18 private valuations were undertaken during the reporting period in relation to land subject to various agreements, specifying that the valuation be made by the Valuer General (under Section 9A of the Valuation of Land Act 1916) (AR p40).

- **Does the Valuer General wish to highlight any particular matter in relation to private valuations?**
 - There are no particular matters that the Valuer General wishes to highlight. All private valuations undertaken between 1 July 2019 and 30 June 2020 were in accordance with legislation.

The Annual Report further noted that the Valuer General had cancelled a number of valuations for

airport lands held by the Commonwealth from the Register of Land Values following legal advice that such land is not subject to rates or taxes (AR p41).

- **Can the Valuer General outline the approach that VGNSW is now taking in response to any council airport land valuation requests?**
 - VGNSW has now entered into private agreements under Section 9A of the *Valuation of Land Act 1916* (the Act) to provide airport-related valuations as at 1 July 2019 in the following council areas:

Council	Number of Valuations	Date of delivery to council
Bayside Council	236	10/06/2020
Canterbury-Bankstown Council	246	04/06/2020
Port Stephens Council	6	04/06/2020
Tweed Council	1	12/06/2020
Liverpool Council	2	19/11/2020
Inner West	43	24/11/2020
Total valuations	534	

- The valuations are made annually by contract valuers under their current rating and taxing contract agreements. The valuations are made on the same basis as other land values under the Act and are subject to the same quality assurance requirements.
- VGNSW has recently completed an independent external quality assurance review of valuations at Kingsford Smith Airport to determine whether these private valuations were fair, supported by market evidence and consistent with surrounding values.
- New agreements will be entered into with councils, where required, to provide values at the time of the next general valuation list at 1 July 2022.

26. Western Sydney Aerotropolis and review of rezoning impacts on land values

A new report from the Valuer General regarding rezoning impacts used the Western Sydney Aerotropolis as a case study and found that compensation for compulsory acquisition of adjacent land should be based on current market value (The Western Weekender, 14 April 2021).

- **Could the Valuer General please comment on the review and outline the process for determining the valuation of land subject to compulsory acquisition in the vicinity of airports?**
 - The Valuer General undertook a review of the impact of rezoning potentiality on land values, concluding that it is possible to have sufficient and consistent evidence to support upward trends in the assessment of land values reflecting potentiality prior to a rezoning occurring.
 - The process for determining the value of land subject to compulsory acquisition in the

vicinity of airports is the same as that for determining the value of land subject to compulsory acquisition generally, being considered in the Valuer General's policy for *Compensation Following Compulsory Acquisition*.

- **What is the status of data held in the Register of Land Values with regard to land impacted by critical infrastructure developments? What role does the Valuer General have in those matters regarding advice on valuation of the properties and/or determination of compensation, particularly if the proponent of the critical infrastructure is the Australian government?**
 - The Register of Land Values holds current valuation information for all relevant parcels of land in NSW, some of which may be impacted by critical infrastructure developments.
 - Being an independent statutory officer, the Valuer General does not provide advice on the valuation of properties to acquiring authorities.
 - In the event that an entity associated with the NSW Government compulsorily acquires land or property, the *Land Acquisition (Just Terms) Compensation Act 1991* prescribes that the Valuer General determine the amount of compensation.
- **Does the Valuer General still have a role in informing impacted landholders about their rights and providing other information and advice in these matters?**
 - The Valuer General publishes an information brochure, *Compulsory acquisition NSW Valuer General's role*, which is available on the VGNSW website.

27. Compliance with International Standards

The Annual Report advised that the International Property Tax Institute (IPTI) was engaged to undertake a benchmark comparison of the NSW Valuation System (p57).

- **Can the Valuer General inform the Committee about the outcome of this review?**
 - The benchmark comparison study reviewed the quality assurance processes for all Australian valuation jurisdictions.
 - The review found that all jurisdictions use a similar range of internationally accepted quality assurance tools including statistical analysis, sales ratio studies, valuation peer review and targeted audits.
 - IPTI concluded that "The VGNSW, in particular, has in place QA systems that go a long way to meeting the need for accurate and reliable valuations."
 - IPTI's recommendations for NSW included:
 - The use of external audits in addition to the current internal QA team. In response, VGNSW has recently engaged an external auditor to review valuations at the Western Sydney Aerotropolis and Kingsford Smith Airport.

- Monitoring the development of artificial intelligence.
The use of artificial intelligence is being considered as part of VGNSW's ongoing engagement with UNSW in developing an automated valuation model.
 - Engaging a specialist data analyst to develop and run queries on data quality
While a data specialist has not been engaged, the quality management team has been expanded to run data analytics on valuation accuracy and consistency.
- **Is the Valuer General satisfied with the current level of professional scrutiny regarding his activities?**
 - Advice from the Joint Standing Committee, the Land Valuation Advisory Group, the International Property Tax Institute and DPIE Internal Audit has been very helpful in improving the quality of the valuation system.
- **Could the Valuer General comment, in particular, on how the VGNSW processes for dealing with landholders measure up to international standards relating to land valuation service delivery?**
 - The IPTI benchmarking report showed that the processes put in place by the VGNSW for dealing with the valuation of property for the purposes of state land tax and council rates meet, and in some cases exceed, the recognised international standards for the delivery of such services.
 - Quality assurance processes and procedures, transparency, communication with taxpayers and dealing with appeals are all aspects of the VGNSW system for dealing with landholders that were rated highly in IPTI's international study.

28. Activity Based Costing disclosures in the Annual Report

Based on the data provided in the Annual Report, the Valuer General was running at a loss of \$1.7 million in 2018-19 and a profit of \$11.3 million in 2019-20.

- **Can you please provide some background on the trend?**
 - The biggest contributor to the change in profit was a \$7m increase in income from Revenue NSW. This was partly due to a negotiated fee increase of \$4.5m in anticipation of an influx of valuation objections throughout 2019-20. The balance was attributed to the increased share of costs resulting from the 2019 IPART determination.
 - Offsetting this was the impact of changes to the objection process which mitigated the anticipated higher objection costs.
- **In 2019-20, there was a \$6.4 million increase in revenue and a reduction of \$6.7 million in expenses compared to 2018-19. Does the total revenue include any grants and subsidies from the Government? If so, should this be reported as a separate line item?**

- There were no grants and subsidies revenue reported in the total revenue figures.
- **Can VG explain the methodology for assigning overhead and indirect costs to each activity (to improve visibility and transparency of reporting)?**
 - Overhead and indirect costs are typically assigned as a portion of Full Time Equivalents. This gives the reporting unit a broad oversight of the overall costs that are being incurred by the reporting unit relative to the whole business.