

Office of the New South Wales Valuer General

Mr Matt Kean MP
Committee Chair
Joint Standing Committee on the Office of the Valuer General
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

VG14/59/6

4 April 2014

Dear Mr Kean

21 March 2014 Questions on Notice, Ninth General meeting with the Valuer General

- 1. Are there any powers the Valuer General has delegated which the Valuer General still exercises some level of control over? If so, what are those powers and what control is exercised?**

Please refer to the attached document (Question 1).

- 2. Please provide information as to where members of the public can access the valuation guidelines as discussed in the last Committee meeting.**

The guidelines referred to at the last committee meeting are contained within the Rating and Taxing Procedure Manual. This document forms part of the contractual material used to instruct contractor firms in the provision of their services. It has not been published publically but is made available upon request. Land and Property Information commissioned an external review of the document in 2012 and were advised by QuayIT consulting group that it was not fit for publication to the general public without modification, primarily due to the document being for a technical audience.

Public guidelines will be ready for publication in July 2014 to assist landholders to better understand land valuation processes and to provide clear guidance to valuers on a range of valuation policies, standards and practises. The guidelines will cover the valuation of land in NSW for rating and taxing purposes and the land acquisition compensation determination process. The guidelines will clearly state the methodologies for valuing land.



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Question on Notice

1. Are there any powers the Valuer-General has delegated which the Valuer-General still exercises some level of control over? If so, what are those powers and what control is exercised?

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

The following narrative provides context to the above response.

Background

The Valuer General is an independent statutory officer appointed by the Governor of NSW to oversee and set the standards for the NSW valuation system.

The independence and governance provided by the Valuer General is fundamental to the establishment and maintenance of a fair and equitable valuation system.

The Valuer General:

- is responsible for ensuring the delivery of procedurally fair, accessible, accountable, transparent and independent valuation services
- provides governance to ensure valuations are accurate, consistent, delivered in a timely manner and provide value for money
- requires all services to be delivered in a manner that is responsive to landholders and meets the needs of all stakeholders
- develops policies and standards for the valuation system to ensure valuations meet the needs of stakeholders.

Valuation of Land Act 1916

The Valuer General is responsible for the administration of the *Valuation of Land Act 1916* (the Act), which includes oversight and management of the valuation system and ensuring the integrity of the land valuations made.

The specific functions of the Valuer General outlined in the Act include:

- Maintaining the Register of Land Values
- Making valuations of land under the Act
- Entering these valuations on the Register of Land Values
- Dealing with objections and appeals against valuations under the Act
- Entering into, managing and monitoring valuation service contracts.

Section 8(5) of the Act authorises the Valuer General to delegate any of the functions outlined in the Act, except the power of delegation. The Valuer General delegates these functions to Land and Property Information (LPI).

Land Acquisition (Just Terms Compensation) Act 1991

Under the *Land Acquisition (Just Terms Compensation) Act 1991* the Valuer General is responsible for the determination of compensation following the compulsory acquisition of land.

The role of Land and Property Information

LPI manages the valuation system on behalf of the Valuer General.

The services and performance standards that LPI is required to deliver on behalf of the Valuer General are detailed in a Service Level Agreement (SLA). The SLA is reviewed and updated by the Valuer General and the General Manager, LPI annually to ensure regular reporting against key performance indicators and continuous improvement of the valuation system.

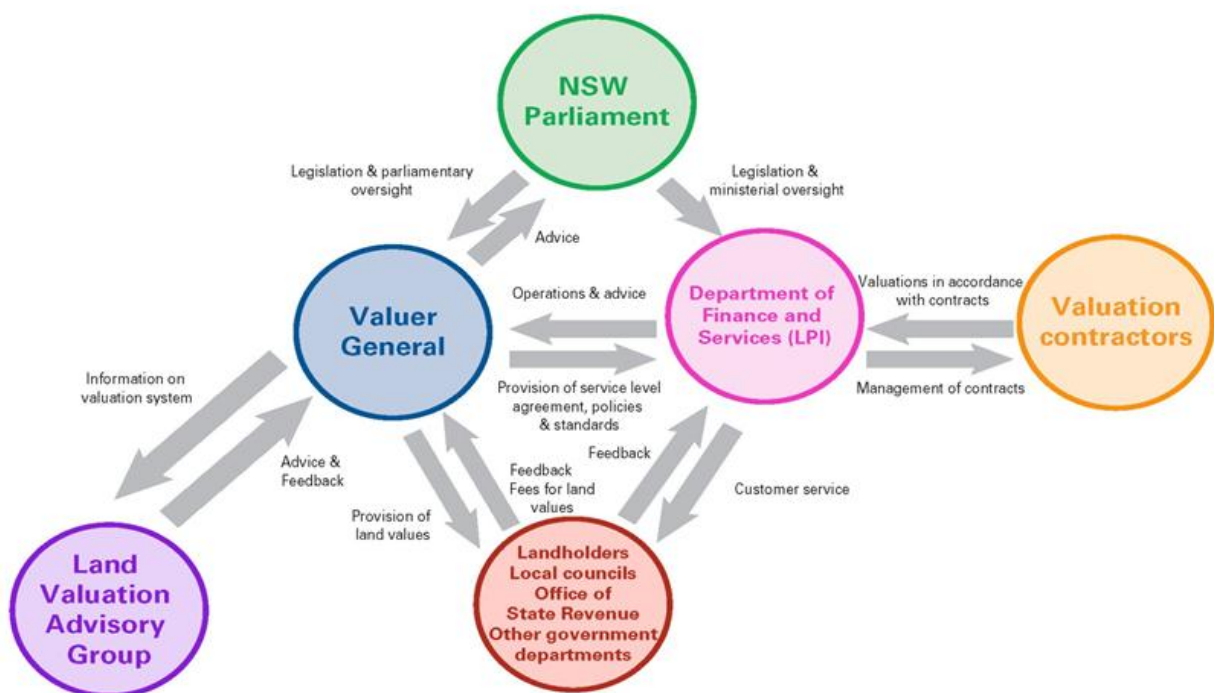
The SLA defines the separation of responsibilities and accountabilities between the Valuer General and LPI and establishes clear performance goals within the valuation system. The Valuer General oversees and monitors LPI's implementation of these functions to ensure compliance with the requirements of the Act as well as standards and policies set by the Valuer General.

The Valuer General does not, through the SLA, transfer to the General Manager LPI or to officers within LPI, his statutory authority under the *Valuation of Land Act 1916* or any other Act.

The Valuer General delegates functions to the General Manager LPI and other LPI staff. Responsibilities and accountabilities are shared between the Valuer General, the General Manager LPI and LPI staff as detailed in the table provided in Question on Notice 5.

This clear separation of accountabilities between the operational functions carried out by LPI and the regulatory functions carried out by the Valuer General provides a key level of independence and assurance for all stakeholders.

The diagram below provides an overview of the relationships between the various stakeholders within the Valuation System.



Governance

The position of Valuer General was established by the *Valuation of Land Act 1916* to ensure independence from government and to create a single point for rating and taxing authorities to obtain valuations.

The position of Valuer General having oversight of the valuation system is similar to the Valuer General position in Queensland, Victoria, South Australia, Tasmania and the Northern Territory.

This however, was not always the case. In 1992, the Queensland Government made the decision to remove the statutory role from the rating and taxing legislation. The valuation system was instead overseen by a General Manager within the government department responsible for the administration of the valuation system.

In 2010, the Queensland Government reinstated the position of Valuer General in response to industry and landholder concerns.

The Queensland Government made the commitment to establish the statutory position of Valuer General to provide transparency and independence in the assessment and issuing of valuations for Queensland. The Government emphasised that the position of Valuer General provides strategic and operational responses for current and emerging valuation issues and is the State Government's authority on all land valuation matters.

The *Land Valuation Act 2010* incorporated the statutory position of Valuer General with the provisions consistent with the Queensland Government's commitment to appoint an independent Valuer General to provide transparency in the valuation system.

Oversight

In NSW, the Valuer General retains close oversight of the operations of the valuation system initially through the SLA and regular reporting on progress against KPIs. Importantly there are also a number of key groups and committees that the Valuer General is represented on. These include:

Valuation Services Strategy Group

The role of the group is to provide strategic leadership to the operational management of the NSW valuation system. The group meets once a fortnight.

The terms of reference for the group are:

- Provide strategic leadership for the valuation system
- Oversee valuation related communication and stakeholder management strategies
- Oversee the allocation and management of risk within the valuation system
- Lead the review and monitor performance under the Service Level Agreement between LPI and the Valuer General
- Identify opportunities for improvements within the valuation system
- Approve and monitor strategic development projects
- Review and approve budgets for LPI's valuation cost centres and the Office of the Valuer General
- Provide strategic direction in LPI's management of valuation contractors
- Monitor valuation quality assurance programs

- Review and approve changes to accountabilities and structures within Valuation Services.

This group comprises the Valuer General (chair), General Manager LPI, Deputy General Manager LPI and Director Valuation Services LPI.

Office of the Valuer General – Land and Property Information Liaison Meeting

This meeting is held once a week between senior people from both entities. The group comprises the Valuer General, Chief Valuer OVG, Manager Policy and Projects OVG, Deputy General Manager LPI and Director of Valuation Services LPI, Assistant Director Valuation Operations LPI and Assistant Director Valuation Customer and Information Services LPI.

Land Value Improvement Group (LVIG)

The role of this group is to consider enhancements to the valuation system that will improve the quality of land values. The group meets approximately once per month.

The LVIG consists of key senior personnel including the Valuer General, Chief Valuer OVG, Deputy General Manager LPI and Director of Valuation Services LPI, Assistant Director Valuation Operations LPI, Assistant Director Valuation Customer and Information Services LPI and an independent member, Associate Professor John MacFarlane from the University of Western Sydney.

Quality Assurance Steering Committee

The Quality Assurance Steering Committee oversees all quality assurance measures undertaken within Valuation Services.

The purpose of the Committee is to:

- Review and monitor quality assurance procedures
- Ensure appropriate record keeping and reporting of quality assurance activities
- Ensure proper governance of the valuation quality assurance program
- Review and approve the quality assurance program
- Monitor progress against the quality assurance program milestones
- Approve variations to the quality assurance program
- Monitor quality assurance program outcomes
- Recommend commitment of appropriate resources for conduct of the quality assurance program
- Monitor quality assurance program risks.

Members of this Committee are the Deputy General Manager and Director Valuation Services LPI, Assistant Director Valuation Operations LPI, Assistant Director Valuation Customer and Information Services LPI, Valuation Manager Rating and Taxing LPI, Regional Valuation Managers (x3) LPI, Chief Valuer OVG and an independent advisor, Associate Professor John MacFarlane, University of Western Sydney.

The Committee meets quarterly.

Management Assurance Committee (MAC)

The members of the MAC include the:

- Deputy General Manager and Director Valuation Services LPI (Chair)
- Assistant Director Valuation Operations LPI
- Assistant Director Valuation Customer and Information Services LPI
- Manager EPMO and Strategic Procurement LPI
- Office of the Valuer General – Observer.

The purpose of the Committee is to have oversight and reporting responsibility for the implementation of the Management Assurance Framework.

The Committee meets at least quarterly.

Valuation Contract Management Committee

The purpose of the Valuation Contract Management Committee is to:

- Review the adequacy of valuation contracts and recommend changes
- Consider and advise on procurement issues
- Oversee the monitoring and governance requirements relating to the performance reporting of contractors
- Consider significant and contentious valuation quality and contractor performance issues arising from the activities of valuation contractors to determine appropriate methodologies for resolution under the terms of the contract
- Assign and monitor dispute resolution actions to ensure a satisfactory and timely closure of issues
- Identify improvements to contractual arrangements for implementation that will minimise systemic risks.

Members of the Committee are the Deputy General Manager and Director Valuation Services LPI, Chief Valuer OVG, Assistant Director Valuation Operations LPI, Assistant Director Valuation Customer and Information Services LPI, Valuation Manager Rating and Taxing LPI, Regional Valuation Managers (x3) LPI, Valuation Manager Compensation LPI, Manager Industry Engagement and Contracting (EPMO) LPI, Contract Managers LPI and other advisors by invitation when required.

The Committee meets at least quarterly.

Objection Process Review Program Board

Members of this board provide oversight of the six separate projects currently being undertaken to establish a more efficient, procedurally fair, effective and timely land value review process. This aligns with the Joint Parliamentary Committee's recommendations contained in their Inquiry report.

Members of this group are; Deputy General Manager and Director of Valuation Services LPI, Assistant Director Valuation Customer and Information Services LPI, Assistant Director Valuation Operations LPI, and the Valuer General.

The Committee meets at least monthly during the course of this key program.

Just Terms Review Project Board

The Just Terms Project Board oversees the Just Terms Improvement Project. The Just Terms Improvement Project is addressing a range of issues identified with the current

compensation valuation and communication processes. More detail on the specific projects is provided in Question on Notice 6.

The board comprises the Deputy General Manager LPI and Director Valuation Services LPI, Assistant Director Valuation Operations LPI, Manager Enterprise Program Management Office LPI, Valuation Manager Compensation LPI and the Executive Manager OVG.

Land Valuation Advisory Group

The Land Valuation Advisory Group (LVAG) includes senior representatives of the property industry and stakeholders comprising of the Real Estate Institute of NSW, Australian Property Institute, Local Government NSW, Property Council of Australia, Office of State Revenue and the Valuer General. The Deputy General Manager LPI and Director Valuation Services LPI, and Chief Valuer OVG, or their representatives are invitees to meetings.

The LVAG provides advice to the Valuer General, assists with monitoring the quality of land valuations and importantly provides a channel for communications between the Valuer General and property industry stakeholders.

The LVAG meets approximately once every three months.

Reporting

Early advice and reporting of Issues

Identification and reporting of matters early is essential to ensuring issues are well managed. As documented in the SLA between LPI and the Valuer General, as soon as LPI officers become aware of potentially contentious or significant matters they are to advise their manager or the Valuation Services Executive Officer. This is essential, even when the full facts of the issue are not yet known.

Responses are provided as documented in the SLA.

The raising of issues or communication from or to the Valuer General are assessed on a basis of Level 1 – 5. Level 5 being low level priority, routine enquiries or requests, while Level 1 is high priority. Examples of inclusions in Level 1 are:

Issues that have a significant impact on stakeholders, including:

- Significant changes to LPI structures / resourcing / budget / financial situation
- Significant non-performance, contract enforcement issues or other significant service matters
- Formal advice to the Joint Standing Committee on the Valuer General, the Minister, Director General and Valuer General
- Level 2 matters being escalated.

Regular reporting of performance against the SLA

The General Manager LPI is required to present a quarterly report on progress against each individual KPI and Action Item as notated within the SLA for consideration and approval by the Valuer General. The quarterly report is accompanied by a briefing note to the Valuer General seeking approval of the report.

3. On Page 5 of the April 5 Transcript you refer to an audit report. Can we please have a copy of your two most recent reports?

Annual Value Quality Assurance Processes

Background

Rating and taxing valuation contractors provide valuation services in accordance with the specifications of Part B of the rating and taxing valuation contracts (Q3 Attachment A) and in accordance with the requirements of the Rating and Taxing Valuation Procedures Manual (Q3 Attachment B). The valuation services include provision of Annual Valuation Recommendations for all properties within each Local Government Area.

In accordance with the Service Level Agreement with the Valuer General, Land and Property Information (LPI) is responsible for reviewing the quality of the valuation recommendations and for acceptance of the values onto the Register of Land Values.

LPI undertakes quality assurance of the valuation recommendations through Annual Values Acceptance Audits for each of the 152 Local Government Areas in NSW. The audits are designed for a technical audience with an in depth understanding of statutory, contractual and procedural requirements and the mass valuation system methodology.

The purpose of the Acceptance Audits is to determine whether contractors' valuation recommendations comply with specified contractual and procedural requirements that are intended to ensure the accuracy and conformity of valuations against a range of statistical, mass valuation (components) and land value exception parameters. Contractors are required to provide valid explanations where required parameters are not met.

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

Audit Process and Procedures

Annual Value and Market Data files are uploaded by contractors to LPI and are subject to a range of data integrity checks to ensure all required data is provided and delivered in the correct format as per the Instructions for Annual Value and Market Data uploads (Q3 Attachment C).

Contractors are required to provide a Valuation Analysis Report (VAR) for each Local Government Area (samples provided) on delivery of their Annual Value and Market Data files. The VAR describes the quality assurance measures undertaken by the contractor and explanations for any non-compliance with requirements.

Analysis is undertaken by LPI audit valuers in accordance with the detailed Instructions for Annual Values Acceptance Audit (Q3 Attachment D). The analysis is undertaken with the assistance of automated audit analysis tools within Valnet.

All Annual Value Acceptance Audits are recorded on structured document templates within LPI's SharePoint platform.

Audit findings, recommendations and any non-compliance issues are documented and recorded on contract management issues registers.

A PDF version of the Annual Value Acceptance Audit for each of the 152 Local Government Areas for the valuing years 1 July 2012 and 1 July 2013 has been provided. However, due to limitations of the current structure and format of the Annual Values Acceptance Audits, there are instances within some of the pdf documents where the text is larger than the standard comment box size. This is because the boxes do not auto-expand. As a result the full comment is not visible in the pdf. This means that some reports only show a cropped segment of the entire comment, for example:

Has a satisfactory reason been supplied for all properties:

Yes
 No

Please Comment:

Satisfactory reasons supplied. Majority have been handcrafted to bring land values in line with surroundi...

Additionally, if the box does expand, but the comment is so long it goes over a page, the pdf truncates the text, as per this example:

Satisfactory explanations.

AD 6.78 2011 Primary Bm is now 6.78% from median following supp action and verification throughout the year. This is acceptable as Primary Bm for this in accordance with 6.3

ED 9.795 Small component of properties with waterviews scattered across north Glebe. Primary Bm is closest to the median and represents the best Benchmark.

EH 42.295 4 properties, 2 of similar high value and 2 of similar low value. Primary BM is closest to Median.

CK 38.00 5 properties in the component made up of Heritage 6a2 and 26a. All 5 properties have been verified after a factor of 1.00 was applied. P BM most representative.

CO 9.453 Due to some handcrafting the original Primary Benchmark is now outside the 5% range but is still closest to the median and the most representative property to be the primary benchmark.

CX 14.092 Only 2 properties in the component, both BMs, closest is Primary

47

GS -25.04 16 properties in the component. No property has a value within +/-5% of the median. All properties have been verified for this year. The primary benchmark chosen is the closest PID to the median.

EV 99.641 Only 4 properties 2 very small and 2 very large. One of each as a Benchmark

KW 98.30 Only 2 properties both Benchmarks and both reviewed individually.

MU 5.098 This benchmark is actually the closest to median and just falls outside the parameters mainly due to rounding procedures.

DH 86.361 Only 3 properties wide range of value, all three are Benchmarks. Primary Bm doesn't not represent component factor. All properties have been handcrafted

KZ 22.9 Small component, BM is closest to median and most appropriate

WP 8.971 Small component, BM is closest to median and most appropriate

XS 18.143 Large and small stratum open space across the District. PM is

The complete, uncropped text is available on the original documents within LPI's SharePoint platform, but cannot efficiently be exported into a secure format for provision to the Committee.

This issue will be remedied by the implementation of the Issues and Audit Registers project. The issue affects approximately 20% of the pdfs. We are happy to arrange access to the original Annual Value Acceptance Audit documents within LPI's SharePoint platform along with the remaining VARs if required.

Continuous Improvement to the Annual value Quality Assurance Processes

Issues and Audit Registers

Rating and taxing contracts are subject to a 3 year term (2 year 11 months in 2014 to align with a proposed new contract commencement date) with 2 x 1 year options exercised at LPI's discretion. The contract specifications and the Rating and Taxing Valuation Procedures Manual are reviewed annually for contract tender purposes.

LPI is developing a new audit register/issues register platform within Valnet which will replace the current document template used in the Annual Value Acceptance Audit. The new register is currently under test with final staged development to be rolled out by July 2014. The new register will integrate the completion of audit templates, linking to issues registers and contractor performance reporting.

Independent audit of Land and Property Information's quality assurance program

As part of the Valuer General's ongoing governance of the valuation system an independent audit is being conducted into LPI's quality assurance program.

The overall objective of the review is to provide assurance that LPI has in place a robust and effective quality assurance process operating within an appropriate governance framework and that process is operating effectively and as designed.

Specific objectives to be addressed as part of this review are to obtain reasonable assurance that;

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- the quality assurance process has adequately described aims and objectives that are being achieved through the conduct of assurance activities
- responsibilities, accountabilities and qualifications of those people involved in the assurance process have been clearly articulated
- policies and procedures for the conduct of assurance activities are well designed and delivered effectively
- records and working papers support all assurance work performed
- audit outcomes are being appropriately evaluated and any resultant remedial action is effective, timely, monitored and reported. This includes the collection of data designed to measure the performance of contractors against prescribed standards
- time spent by auditors within the process is monitored and measured against efficiency and effectiveness benchmarks.

The audit is being conducted by IAB Services (IAB).

- 4. Please provide the Committee with a copy of your most recent report on numbers of objections received, sorted by objection type for all the years where that type of sorting is available.**

Reforms

Table of Contents

Valuation integrity	2
Public guidelines	2
Independent audit of Land and Property Information's quality assurance program.....	2
Metalliferous mines, review of land values for 2013 valuing year	3
Goods and Services Tax included in land values	3
Study on the impact of the Coal Seam Gas industry on land values in NSW.....	3
Fairness in the valuation system	4
New land value review process	4
New acceptance criteria	4
Additional conferences	4
Improved customer service.....	4
Coordinator role for each objection.....	5
Preliminary objection report to landholder - pilot project.....	5
Dispute resolution process	5
Rural sales reports	5
Complaint handling policy	6
Just Terms.....	6
Courts, tribunals and appeals.....	7
Attorney General's review of Land and Environment Court Class 3 land valuation matters.....	7
Governance framework.....	7
Valuation Commission	7
Public reporting/access to information.....	7
The Valuer General's annual report 2013/14.....	7
New website launched	7
Valuation customer service benchmark survey	8
Increased council liaison.....	8
Just Terms research	8
Improved financial reporting	8
Technology and systems development	9
Valuation System Improvement Program.....	9
Reascertainment Register.....	9
Issues and Audit Registers.....	10
Integration of Valnet and the Digital Plan Processing System	10

Valuation integrity

Public guidelines

Public guidelines will be ready for publication by 31 July 2014 to assist landholders to better understand land valuation processes and to provide clear guidance to valuers on a range of valuation policies, standards and practices. The guidelines will cover the valuation of land in NSW for rating and taxing purposes and the land acquisition compensation determination process. The guidelines will clearly state the methodologies for valuing land.

The guidelines relating to rating and taxing valuations have been drafted and are currently undergoing stage one of a three stage review process.

The publication of the guidelines will address concerns raised by the Committee that valuation methodologies are not transparent. Upon publication, recommendations 2, 3, 8, 9 and 10 of the Committee will be completed.

The first annual review of the guidelines is scheduled to be completed in November 2015. This will address the Committee's recommendation 4.

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Specific objectives to be addressed as part of this audit are to ensure:

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- policies and procedures for the conduct of assurance activities are well designed and delivered effectively
- records and working papers support all assurance work performed
- audit outcomes are being appropriately evaluated and any resultant remedial action is effective, timely, monitored and reported. This includes the collection of data designed to measure the performance of contractors against prescribed standards
- time spent by auditors within the process is monitored and measured against efficiency and effectiveness benchmarks.

The audit is being conducted by IAB Services (IAB) and is expected to be completed in June 2014.

This project was initially instigated in February 2013. A Request for Quotation (RFQ) issued in March 2013 provided only one response.

The quote was not accepted as it was over nine times higher than the budget available for the project. A further RFQ issued at the end of June 2013, with a closing date of 28 August 2013, returned no quotes.

Metalliferous mines, review of land values for 2013 valuing year

As part of the annual audit program Land and Property Information instructed an expert valuer to undertake a specific review of the land values for major metalliferous mines in NSW. This review involved considerable research and obtained significant amounts of additional data from government and industry to provide a more accurate valuation for each mine.

Goods and Services Tax included in land values

The inclusion/exclusion of Goods and Services Tax (GST) in the determination of land value was considered as part of the Valuer General's review of the *Valuation of Land Act 1916* in 2013. As part of that review, stakeholder submissions to the Committee were considered, prior to the publication of the Committee's final report.

Following publication of the Committee's final report, the Valuer General's policy was affirmed by the judgment in *Storage Equities v Valuer General*, handed down in the Land and Environment Court on 22 August 2013. The case held that GST should not be excluded when determining land value.

This addresses the Committee's recommendation 10. A new guideline will be issued in line with the Committee's recommendation 2.

Study on the impact of the Coal Seam Gas industry on land values in NSW

The Valuer General has commissioned a study to investigate if the Coal Seam Gas (CSG) industry is having a material impact on land values in New South Wales.

The study has examined market evidence (sales prices of properties) in areas of NSW where the CSG industry is present, having regard to all factors influencing the prices paid, inclusive of both current and proposed government policy in relation to CSG activities.

The study includes an analysis of other research that has been undertaken in other states or overseas into the impact of the CSG industry on land values.

The project reviewed and considered:

- if the presence of the CSG industry on a property has a material impact on the land value of that property
- if the presence of the CSG industry in a locality has a material impact on the land value of adjoining or surrounding properties
- the prevalence or otherwise of market evidence to support the findings made above
- research undertaken by other states (and where available overseas) on the impact of the CSG industry on land values and policies implemented to address any impact on land values
- whether specific technical guidance is required for the valuation of lands in CSG industry localities.

The report is due for publication in the second quarter of 2014.

Fairness in the valuation system

New land value review process

The objection process is currently being reviewed. The review is addressing changes to the process recommended by the Committee, including procedural fairness requirements, incorporating a dispute resolution process, improved data and reporting as well improving the timeliness and efficiency of the process. The initiative is being managed as a program to ensure a coordinated approach due to the links between the key initiatives. The program contains six objection process improvement projects focussed on the following streams:

- Process Design
- Customer Engagement and Issues Management
- Contractors
- Customer Service
- Data and Reporting
- Quality Assurance.

The program, commenced in January 2014, is expected to be completed in September 2014, with a new land value review process implemented for objections received from 1 January 2015.

The following key initiatives have already been implemented:

New acceptance criteria

The government requested that further work be undertaken in respect of the Committee's recommendation 13. New objection guidelines have been implemented, on a trial basis, to accept all objections where reasons provided reference changes in previous land values and comparison to surrounding land values. Data is being captured on objections that reference these reasons to determine the likely impact of additional objections. This information will assist in properly informing rating and taxing authorities of the impact of these changes in line with the government's response to the Committee's recommendation 13.

Additional conferences

More conferences have been added to the objection review process where there is an ongoing disagreement about a valuation. This process has been informally implemented while the dispute resolution process is being designed. Additional conferences have been offered to several landholders this year where further verbal explanation may benefit the landholder's understanding of how values and decisions have been made.

Improved customer service

Where objections are lodged that do not raise valid reasons for objection, or where the objection is outside the period for lodgement and does not contain the required supporting information for late lodgement, a phone call is made to the landholder to discuss their concerns and assist them to provide the information that is required to ensure their land value is reviewed.

The following key initiatives are in the process of being implemented for 2014:

Coordinator role for each objection

A customer service officer will be assigned as a coordinator for each objection. This will in effect be a “case manager” who is responsible for keeping the landholder informed of progress, ensuring all their concerns are addressed and acting as a contact point for the landholder throughout the process.

The coordinator is responsible for following up on timeliness of responses. This is expected to be fully implemented by 30 April 2014.

Preliminary objection report to landholder - pilot project

A pilot project has been established to determine the impact of the Committee’s recommendation 11 on stakeholders. This is in line with the government’s response. A preliminary objection report will be provided to landholders to allow additional time to make further submissions before the decision is final. This is being piloted in three Local Government Areas (LGAs) across the state. The three LGAs are the City of Sydney, Lake Macquarie and Berrigan. These LGAs have been selected based on criteria relevant to location, types of properties considered, land tax and rating liability and current resourcing to effectively implement the required changes. The pilot proposes a 14 day timeframe for landholders to request a further review. Rating and Taxing Authorities will be advised that objection decisions in these districts will be delayed by a minimum of 18 days. This is expected to be fully implemented by 30 April 2014.

Dispute resolution process

A consultant has been engaged by the Valuer General to design and assist in the implementation of a dispute resolution process as recommended by the Committee. The Customer Engagement and Issues Management project commenced in February 2014. The consultation and analysis stage involved focus groups and surveys of key stakeholders including landholders, Rating and Taxing Authorities, staff and contractors as well as key industry and community groups. The analysis will form the design stage of the project that will be completed during April 2014. It is proposed that the system will be refined and skills assessment completed during May 2014 and training of staff and contractors will be completed in June 2014.

The new process will align with the Committee’s recommendation 14. Procedural guidelines will be published in line with the Committee’s recommendation 2.

Rural sales reports

To address issues highlighted during the review of land values in the Mid-Western Regional Local Government Area (LGA) a new rural sales report is currently being trialled in the Walcha and Mid-Western Regional LGAs. The reports are intended to assist rural landholders to better understand the sales information used to determine rural land values in their area. The reports feature a narrative and commentary on how sales apply to land values in the area. It is too early to say whether there has been positive results from this trial, however early feedback is positive. Copies of the full reports have been published on the Valuer General’s website.

Following feedback from landholders, a new factsheet is currently being drafted on the valuation of rural land for publication in the second half of 2014.

Complaint handling policy

A new complaint handling policy was introduced in the Office of the Valuer General in December 2013 to:

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

The policy is published on the Valuer General website.

Just Terms

In addressing concerns raised by the Committee in regards to the Valuer General's role in the Land Acquisition (Just Terms Compensation) valuation process, a number of process improvements have commenced.

The Just Terms process was reviewed in 2013 by LPI. The review identified a number of improvement initiatives which led to the formation of the Just Terms Project Board. The Board includes a representative of the Valuer General. The Board is considering the identified improvements and how best to address the Committee's recommendations.

Valuation reports are required to be full speaking reports. It is now a requirement that reports prepared for Just Terms valuations clearly address:

- the landholders claim for compensation
- any information landholders may have provided
- valuation rationale and methodology
- comparison of market evidence to the subject property.

A new Valuation Manager – Compensation commenced work in January 2014. This role has been tasked with implementing the improvements to the Just Terms process and ensuring that the ongoing management of the Just Terms process is carried out effectively.

A new Just Terms brochure has been drafted for provision to dispossessed landholders. The Valuer General has commenced consultation with Acquiring Authorities about the provision of the brochure to dispossessed landholders.

The Valuer General has examined various options for the provision of the valuation report to dispossessed landholders. Legal advice received by the Valuer General stated that current legislation does not provide the legal authority for him to provide the report directly to the landholder. However the Valuer General is currently liaising with Acquiring Authorities to ensure that they provide a copy of the valuation report to the landholder at the same time as the determination of compensation is issued.

The Certificate of Determination is being enhanced to provide the contact details for the Valuation Manager – Compensation. This will improve landholders' ability to access further information about the determination of compensation by the Valuer General.

Courts, tribunals and appeals

Attorney General's review of Land and Environment Court Class 3 land valuation matters

The Chief Judge had advised the Valuer General, in relation to the first element of the Committee's recommendation 17, that he does not consider that there would be any legal, procedural or administrative barriers that would prevent the Court being vested with jurisdiction to deal with administrative errors or to grant administrative remedies. This can be achieved by amendment to the *Land and Environment Court Act 1979*.

With respect to the second element of the recommendation, whether there are any further changes to the Land and Environment Court's jurisdiction that would result in additional legal efficiencies in Class 3 land valuation matters, the Chief Judge has advised that he will consider the issue further and make recommendations if legislative action is proposed to implement the Committee's recommendations.

Governance framework

Valuation Commission

It is understood that the new framework proposed by the Committee is still under consideration by Government.

Public reporting/access to information

The Valuer General's annual report 2013/14

To emphasise the Valuer General's independence from the NSW government and improve transparency and accountability, the Valuer General will publish his own annual report in 2014. New content will include details on:

- stakeholder satisfaction and engagement
- the consistency and accuracy of land valuations across NSW
- outcomes of land valuation objections, particularly outcomes that result in changes to land value
- activity based costing to improve transparency on the management of valuation system resources.

The first separate annual report will address the Committee's recommendations 25 and 27, and partially address recommendation 26.

Recommendation 26 will be fully addressed as part of a program of work currently underway. Funding for the necessary IT enhancements will be sought as part of the 2014/15 budget rounds.

New website launched

A new Valuer General website, www.valuergeneral.nsw.gov.au, independent of the Land and Property Information website was launched in December 2013. The new site is designed to be more user-focussed and reinforces the independence of the Valuer General.

The website has a new landholder enquiry feature, providing a further channel for landholders to make enquiries and to receive information on land valuation and the land value review process.

The valuation guidelines will be published on the website in August 2014.

Valuation customer service benchmark survey

The Valuer General has commissioned Roy Morgan Research, in February 2014, to measure the quality of service provided by the outsourced valuation customer service centre and subsequent follow up action provided by LPI.

Performance will be analysed against the results achieved in the previous survey conducted in 2010 to allow the Valuer General to measure and compare progress.

Customer satisfaction levels will be measured and provide the basis for future improvements.

The project will be completed by 30 June 2014.

Key outcomes of the research will be included in the Valuer General's annual report and published on the Valuer General's website.

Increased council liaison

The current process where an LPI District Valuer, Senior LPI Land Data staff and the Rating and Taxing contractor attend meetings with Councillors and Council staff to explain the valuation process, the property market and the change in land values has been expanded to account for most council areas receiving new land values.

This enables the public representatives to have a better understanding of the valuation system and fosters a strong relationship between LPI and local government. Any issues that arise with the delivery and use of the land values can be dealt with immediately (in most cases) and therefore more efficiently.

In March 2014 the Valuer General undertook a survey of all councils in NSW on the quality of information provided to them by the Office of the Valuer General:

- 97% of respondents said the information provided meets their needs
- 95% of respondents said the information provided was either good or very good
- no respondents found it difficult to access the information they needed about land valuation
- all respondents were satisfied with the Valuer General's efforts to keep them informed about land valuation.

Just Terms research

In 2014 an independent market researcher will be engaged to conduct face to face interviews with a sample of landholders who have received a determination of compensation under Just Terms. The aim of the research is to evaluate the quality of the information and service provided by LPI during the process.

Improved financial reporting

Land and Property Information's (LPI) improved reporting capability for the Valuer General has two components:

- an automated reporting system to prepare activity reports in the same format as the yearly reports that were previously provided to the Committee

- an activity based reporting system for the Valuer General, including overheads and revenue.

The first report was completed in August 2013. The 2012/13 report for the Committee was prepared using the new system and delivered in line with the normal reporting deadlines.

The second system was built to a draft stage in August 2013. The overhead methodology is not yet finalised as LPI required key inputs from the outcome of the Expenditure Review Committee's (ERC) review and IPART's pricing determination of valuation services.

With the completion of the ERC review and the provision of financial information, including overheads to IPART, the automated activity based reporting system can now be completed. It is expected to be completed by 30 June 2014.

Technology and systems development

Valuation System Improvement Program

To address the Committee's recommendation 29 and to better meet the information needs of the Valuer General, for the governance and continuous improvement of the valuation system, more data is to be captured and analysed.

In July 2014 LPI is commencing a three year capital funded program to improve the valuation systems. The program will allow LPI to better capture and report on valuation and customer satisfaction data and enable use of the information for quality assurance purposes and better decision making. The program will also provide improved services for landholders. Some of the initiatives have already commenced. This program will be a significant investment in improving the valuation system and will have benefits for rating and taxing valuations and compulsory acquisition valuations in line with the Committee's recommendations.

Projects under the Program will focus on:

- increasing the availability of valuation data and property information by enhancing the capture of data such as valuer's worksheets, detailed sales analysis, Just Terms and objection reports so that the data collected can be centrally stored, searched and analysed
- improving the access to and delivery of valuation information by further leveraging LPI's spatial technology and electronic systems
- reporting and monitoring customer satisfaction
- improved recording and reporting on quality assurance activities
- improved services to customers
- improved contractor management systems
- development of improved systems to record, monitor and report on performance.

Reascertainment Register

In December 2013 a Reascertainment Register was finalised to centrally record and access information about why land values are changed and to manage the approval process in line with delegations.

The new register allows for streamlined processing, better communication with landholders as to why their land value has been changed as well as recording valuable quality assurance data regarding triggers for reascertainments and why changes to the Register of Land Values have occurred.

Issues and Audit Registers

A project has commenced to centralise valuation audit and issues registers. These registers will be interconnected, multi-user and have automated and customised reporting functionality. The audit register captures all relevant information around each completed LPI quality assurance audit, with many of the previous paper based forms moved online. The issues register provides an environment for the recording and tracking of all valuation issues to ensure that all staff and managers are aware of relevant issues. Once implemented, the linked Issues and Audit Registers will allow a unified approach to the quality assurance program and issues tracking, storing all relevant information, including contractor responses, in a single repository. The register will provide more accurate audit and issue reporting, tracking and management information about how matters are resolved.

The project commenced in February 2014 and is expected to be completed by July 2014.

Integration of Valnet and the Digital Plan Processing System

To ensure the accuracy and currency of the Register of Land Values property information is integrated from a range of property databases, imagery repositories and hard copy documents. Currently, data from survey plans is reviewed and entered manually to create and update property records. An automated workflow process to reduce the time required to deliver supplementary valuations to clients following the creation of new lots has been developed. This process will improve the efficiency and accuracy in the creation of new property records within Valnet by automatically populating a range of plan data such as dimensions, area and property addresses from the Digital Plan Processing System and Comprehensive Property Addressing System databases when they are fully operational.

The availability of plan data is reliant on industry take-up of new plan supply processes currently being tested by LPI and a number of survey firms. Integrity checks are in place to check that all required data is present before completion of the workflow. The first stage of the system for integration has been built ready for the receipt of data as the other systems become available over the coming year.

**18. When did the process of filling out conflict of interest declaration forms by the tender evaluation committee come into place? Was this a process that has been in place since you have been the Valuer General?
(page 4)**

The process of filling out conflict of interest declaration forms, for tender evaluation committee members for the provision of land valuation services, was introduced in 2000. This was in line with policy introduced by the then NSW Department of Public Works and Services (DPWS), acting as the administrative arm of the State Contracts Control Board. The specific DPWS tender was 005/7138 which was issued on 25 October 2000. This tender covered land valuation services for Government taxing and rating for the areas of Sydney East, Burwood, Parramatta, Campbelltown, Wollondilly, Albury, Bega, Coffs Harbour, New England and Dubbo.

This process has been in place for the whole of the period that I have been the Valuer General.

**19. Could the Committee be provided with a copy of a blank confidentiality and conflicts of interest undertaking used by the tender evaluation committee? Can you advise the Committee when that document came into place?
(page 7)**

A copy of a blank Conflicts of Interests, Confidentiality and Code of Conduct Declaration form used by the tender evaluation committee is attached (**TAB QoN19**).

As advised in the response to question 18, the process of filling out conflicts of interest declaration forms for tender evaluation committee members for the provision of land valuation services was introduced in 2000. This was in line with policy introduced by the then NSW Department of Public Works and Services (DPWS), acting as the administrative arm of the State Contracts Control Board.

The attached version of the document was implemented for the 2008 tender evaluation committee, for contracts commencing 1 March 2009



Land and Property Information Conflict of Interests, Confidentiality and Code of Conduct Declaration

I declare that I have read and understood the Agency's' Code of Conduct.

I disclose that I do not have any conflict of interests with regard to Tender number LPI <number> Provision of Land Valuation Services for Government Rating and Taxing for the Land and Property Information.

I do not foresee any potential conflict of interest arising with the project and will inform the General Manager, Land and Property Information, in writing immediately should any such conflict or potential conflict arise.

I declare that I will treat all information relating to this request and subsequent evaluation as commercial-in-confidence. I will keep such information secure and will not disclose it to any other respondent or third party, or to any person in the Public Sector who has no official interest in the particular matter. I will not communicate with any respondent on matters related to the evaluation without the prior approval of the designated process administrator. The requirement for confidentiality will not cease with award of the contract.

Name:

Position:

Signature:

Date:

25. What processes are in place to ensure that the tender evaluation committee complies with the following point: ‘Ensure potential bidders/service providers are aware of the organisation’s policy on conflicts of interest. Potential suppliers should be required to submit a statement saying they will disclose any potential or actual conflict of interest when they become aware of the conflict and that they will not attempt to unduly influence public officials through the offer of gifts or benefits.’? (page 10)

Declarations requesting compliance are required from each potential bidder/service provider. This instruction is covered in the Request for Tender (RFT) document under Part A, clause 24 (page 10). A sample RFT is attached (**TAB1 QoN25**).

Each potential bidder/service provider is requested to disclose any potential or actual conflict of interest and their proposed approach for avoiding conflicts of interest in their response to the tender. This is outlined in the attached document (**TAB2 QoN25**) under clauses 15, 18 and 19 (pages 5 and 6).

The tender evaluation methodology requires the Tender Evaluation Committee (TEC) to examine respondents’ compliance with these clauses and policy requirements as part of the evaluation criteria. If declarations presented disclose conflict, the TEC deliberates on its implications on the tender process and makes a decision on acceptability.

Potential bidders/service providers are provided with two attachments with the RFT documents which outline that they will not attempt to unduly influence public officials through the offer of gifts or benefits:

- DFS Business Ethics (**TAB3 QoN25**), page 2 under “What DFS asks of commercial partners and suppliers” and page 3 under “Incentives, gifts, benefits and hospitality”.

A link to this web page is also provided in tender evaluation committee document (**TAB1 QoN25**) on page 9 section 16.

- DFS Code of Conduct (**TAB4 QoN25**), page 9 under section 2.3 “Identify and manage conflicts of interest” and page 10 section 2.4 “Decline or disclose gifts, benefits and hospitality”.