

**REPORT OF PROCEEDINGS BEFORE**

**COMMITTEE ON THE OFFICE OF THE VALUER GENERAL**

**SECOND GENERAL MEETING WITH THE VALUER GENERAL**

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**At Sydney on Thursday 19 May 2005**

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**The Committee met at 10.00 a.m.**

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**PRESENT**

Ms K. F. Griffin (Chair)

**Legislative Council**

The Hon. D. T. Harwin

**Legislative Assembly**

Mr S. B. S. Pringle

Mr A. F. Shearan

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

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

**Mr WESTERN:** Yes, it is.

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

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

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

**CHAIR:** Would you like to make an opening statement?

**Mr WESTERN:** No.

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

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

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

**Mr WESTERN:** If I can refer Committee members to the update that I have given them and first go to page two, which talks about the reform program update. I will go through and endeavour to highlight some of the main issues in here for you in regard to No. 1, which is the Service Level Agreement between the Office of State Revenue (OSR) and Land and Property Information [LPI]. To give you some background, you will recall that this has not been reviewed for a

number of years. In my view there are a number of key areas that needed to be considered, particularly in terms of timeliness and quality of service provided to OSR. Land and Property Information have, over the past nine months, been closely involved with OSR in cementing down this Service Level Agreement. I am pleased to report that that has now occurred. Both groups are having regular monthly meetings, the first of which they had last month and that is proving extremely beneficial in relation to that agreement.

Some of the key indicators in there from my perspective, while there are a lot of other services that Land and Property Information provide, are around the delivery of valuations and the key ones are that, effectively, the Office of State Revenue needs to have draft valuations supplied to them by 15 November of each year for all properties in New South Wales. They also require, obviously, the timely update of information being supplied even in terms of supplementary valuations or in terms of objections. The other important aspect is that in terms of finalised values that I sign off, they require those to be with them by 31 December of each year so that they can commence the implementation of land tax assessments early in January.

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

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

The other key indicator is re-ascertainments. For the benefit of the Committee, re-ascertainments are those properties where we find there is an error in the valuation outside of the normal objection process, which is open to

landholders. My target there was to have re-ascertainments less than 0.25 per cent of the number of valuations issued in a particular year. Currently that is sitting around 0.12 percent. For the benefit of the Committee I expect that percentage to increase slightly. There have been a number of errors we have picked up in recent times in some smaller localities. We currently undertake, or Land and Property Information on my behalf is undertaking some work on that and we are expecting to reissue some values in those areas over the next two to three weeks. In one case they number around a little over 200 properties and in another case there are up to about 900 properties involved.

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

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

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

We consolidated the contract term down to three years. We also increased the provision for the electronic transfer of information rather than having a paper-based system. We also looked to improve the valuation

standards. That has gone extremely well and been well received by all the tenderers and the contractors who are currently in place. I am currently undertaking at the moment a further review, but that review effectively at this stage will only be looking at the tender process for this year, talking to members of the valuation panel and seeing what improvements we can make to the tender process and whether there is any fine-tuning required in terms of the contract.

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

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

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

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

**Mr WESTERN:** They will be able to go by a number of criteria. But, specifically, they will actually be able to come down to individual property valuations. That is why we have taken five at this stage—to let them have a look around the general vicinity of their particular property, what is happening

next door and so on, to get a comparison. Further down the track we are looking to be able to have the facility to look at it on a wider basis. But clearly one of the issues is that because this would be a real-time system, effectively, how much load would be on the system in terms of drawing down data and doing extract reports? So we are endeavouring to use these to gauge the amount of interest and the number of hits we might get on the site and from that we will be able to gauge how much pressure we can put on the system in terms of being able to extract other information that people might desire.

**Mr ALLAN SHEARAN:** Good idea. Thank you.

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

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

I guess one of the issues aligned with that is that the more information you put out there you need to be careful that you do not end up confusing people. So it is trying to find a balance between being transparent and openly communicative with people but not providing so much information that they become overwhelmed. So we are looking to try to find that balance over the next 12 months.

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

**Mr WESTERN:** Exactly. In the example I have given there is one which is an unimproved value—that is the top one—and the others are all improved

values. That is right, it is a question of being able to show them how the contractors analysed that sale to arrive at the resulting value. That is also part of the Ombudsman's investigation in terms of how transparent we have been as far as providing general information to the public. We are hoping to look to address that through some of these things we are implementing over the next 12 months.

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

**Mr WESTERN:** No, there will not be.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**Mr WESTERN:** I would certainly support that. At item 4.1.2 I have talked about the call centre which was instigated this year. One of the major issues is that there has been a lack of consistency of information going out to people who are making inquiries. We wanted to ensure that we got some continuity in terms of responses to individuals, but also what was happening was that the district offices throughout New South Wales that were handling these inquiries. While they were handling these inquiries, they were not actually out there doing any field work, for example, in processing objections or undertaking valuations. This year we instigated a call centre which has been extremely successful.

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

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

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

**Mr ALLAN SHEARAN:** There is a web address.

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

**Mr STEVEN PRINGLE:** That is the 1 800 number.

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

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

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

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

**Mr WESTERN:** No.

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

**Mr WESTERN:** Yes. As we have also said, the number of people who ring up for general valuation information is about 26 per cent related to that and postal inquiries. With some of those land tax inquiries, there will be a cross between the two. Some people will have rung up about their general valuation, but they will also be talking, in their own minds, about land tax assessments, wanting to know if they are going to get one. Probably there is some occurring in both of those. In terms of actual land tax inquiries, if you actually asked each individual what they were ringing up about, it would be in excess of 16 per cent, but it obviously would not be any higher than the 26 per cent that is sitting there for the overall valuation inquiries.

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

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

**Mr ALLAN SHEARAN:** It is split.

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

**CHAIR:** As part of that process, the ones who have rung up because they have received a land tax assessment, is there some confusion out there about whether or not they should be speaking to the Valuer General about it, have

they really been looking at contacting the Valuer General in order to find out about objecting to the valuation?

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

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

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

The next issue here is the Water Management Act. Once again, for the background information of Committee members, the Water Management Act requires the separation of the water right or the value of the water right which is currently incorporated into land valuations under the *Valuation of Land Act*. There has been ongoing debate about this for over 18 months as to how that would be put in place. In terms of the valuation perspective, one reason is to get continuity and equity as far as both councils and the public are concerned. But the other aspect is obviously related to local government and how they would look to balance their revenue incomes with the potential loss

of rating revenue from the valuations because, in general, the valuations will go down in those areas where there is a water right attached to the land value.

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

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

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

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

**Mr WESTERN:** Correct.

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

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

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

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

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

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

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

see what other information we need to include in terms of making things clearer. But generally there have been very few complaints about the objection form itself.

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

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

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

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

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

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

**Mr WESTERN:** It must be borne in mind that we are valuing the land as vacant and that we are operating in a mass appraisal environment; we are not inspecting every single property every time we prepare the valuation each year. It might be a situation where some buildings have been erected on the property or properties adjoining, which has now obstructed the view that was

there before. That would obviously diminish the land value of the particular property, so we have a look at that. It might be a situation where drains have been put in, which impact upon the ability to build on the site or something like that. It tends to be physical aspects associated with the property. There might have been some contour changes undertaken, which once again could impact on the available building site or sites.

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

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

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

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

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

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

valuer with regard to understanding what is happening with the market, and understanding what they are doing regarding their methodology and how they are arriving at the valuations.

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

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

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

Commissioner Nott produced a substantive decision, amounting to some 114 pages. In that decision he reduced the Valuer General's valuation from \$1.95 million, which he had reduced from \$2 million at the previous hearing, down to \$1.89 million. So the valuation was reduced from \$2 million to \$1.89 million. The objector was contending \$1.3 million. So it was only a small adjustment on the Valuer General's valuation but, more importantly, it was the principles involved. Commissioner Nott said there was no scarcity



factor involved in the objection, and he also admitted the evidence in relation to the improvements increment which was submitted by the objector.

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

**Mr ALLAN SHEARAN:** A costly exercise.

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

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

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

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

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

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

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

**The Hon. DON HARWIN:** It is not finished.

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

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

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

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

**Mr WESTERN:** My understanding is that it will be looking to appeal on points of law rather than the valuation itself in this case. So the reference will be more back to the commissioner and his decision as opposed to the actual valuation itself. Item 10 refers to the Land Value Advisory Group. The only point of significance here is in 10.4, where I have asked the Land Value

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

On Item 10.5, the Chair of this Committee addressed the Land Value Advisory Group on a number of issues but particularly the role of the Parliamentary Committee, and the feedback from that has been extremely good in terms of the points that you raised, which have been duly noted. Item 11 deals with the reforms that we have started to implement. The first one I have just talked about briefly, roles and responsibilities. I will not go through this in detail but what I will say is that there has been, in the past, no clear definition of the various roles and responsibilities of both Land and Property Information contract managers and the valuation service providers. So clearly there have been accountability issues with nothing clearly defined between the two. That was the original idea of implementing this. At the same time as that, we have held a number of workshops with valuation service contractors and other stakeholders in relation to the overall valuation process. We are now looking at that on a wider basis so it will include not only the roles and responsibilities; it will also include things such as looking at the actual reporting being in a electronic format. I have talked about one of the other aspects we are looking to implement that will provide a huge benefits in terms of quality to the valuation. It is the introduction of a package called Valmap. That will allow us to drill down graphically on a particular valuation for a particular area, looking at a raft of information available through Land and Property Information at different levels. So we will be able to look at things like topography, grading of values between properties, relationship across property boundaries and a whole lot of things that before would have had to be undertaken on a manual basis. They will now be able to be undertaken graphically. Many of the issues that have been occurring in the past—as an example the Minnie Waters and Diggers Camp situation—would have been picked up through the use of a package such as Valmap. So I can see huge benefits. It is going to become an integral tool for moving the valuation system forward over the next 12 months and as we develop it further into the future.

The second aspect is defining the roles and responsibilities. In 11.7, I talk about some of the things we are going to implement in the 2005

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

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

**Mr WESTERN:** In relationship to what?

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

**Mr WESTERN:** In regard to these proposals here, they are all in relationship to the work that the contractor prepares or the way in which the contract manager actually interprets that data. So the consultation in regard to this was amongst the contract valuers and we held a workshop with them to try to find out what improvements we could make to the system, how we could make it easier for them, but at the same time ensuring that we are actually improving the quality of the bottom-line valuations.

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

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

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

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

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

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

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

Obviously, there are a number of different scenarios. You could advise every landowner in New South Wales every year of what their valuation is. You could allow them all to have an objection right, so you are issuing 2.4 million valuations every year; everyone has an objection right. You can imagine the large number of objections which would come into that and the cost

associated, not just in terms of the issuing of the valuations but processing objections. One of the other ways that you might be able to do it is to issue an interim valuation, in other words, if it was outside of the local government cycle, you would issue an interim valuation, where other people in New South Wales would be advised of their land value. They would not have a right to object but once they were issued with their land tax assessment valuation, which would have that valuation on it, then they would have the right to object, so that would cut down the number of objections or possibilities as far as objections are concerned.

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

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

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

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

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

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

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

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

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

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

That is only an approximate number simply because we do not know precisely the number of land tax assessments that have been issued by the Office of State Revenue. The only number we know is the number of Notices of Valuation that we issued. In Item 2.2 just over 1,000 objections have been

proposed to date. Independent valuers are undertaking the contract work in that regard. Item 3 refers to the Minnie Water-Diggers Camp reascertainment. For the benefit of members, these are two isolated communities on the northern coast of New South Wales. They have very limited services and amenities there. Properties generally tend to be closely held, so there is limited sales evidence available.

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

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

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

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

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

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

**Mr WESTERN:** Correct.

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

**Mr WESTERN:** That is correct.

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

**Mr WESTERN:** Correct.

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



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

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

**Mr WESTERN:** Yes.

**The Hon. DON HARWIN:** In Minnie Water?

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

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

**Mr WESTERN:** Correct.

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

**The Hon. DON HARWIN:** There are 71.

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

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

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

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

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

**Mr WESTERN:** That is correct, yes.

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

**Mr WESTERN:** Yes. For the benefit of the Committee, in Item 3.5 I have outlined the errors made by the contract valuer. The Committee may recall that the valuation for the first one was undertaken on the basis of component groups. Some of the components in that location had not been reviewed recently, resulting in the circumstance that I talked about before where, in some cases, properties that had water views and were in that component now

do not have water views because of other buildings that have gone up. That has resulted in a situation where their values should have been at a lower level and they should have been grouped in a different component to what they were.

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

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

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

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

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

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

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

**Mr WESTERN:** All I have done is to provide a broad terms of reference to Land and Property Information and I have asked them to have a look at it. LPI has developed the fine detail. I cannot comment precisely on what are the details or what was requested from the contract managers. That has been left with the Chief Valuer to have a look at. But I am expecting a report back in relation to that by the middle of next week. As a result of that I will look to see whether a more detailed review is required.

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

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

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

**Mr WESTERN:** Yes, I will.

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

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

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

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

in place for two years, once again, with a right of review for one plus one following that upon satisfactory performance.

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

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

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

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

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

**Mr WESTERN:** I had provided in the past a copy to the Committee and I am certainly happy to do that. I guess, once again, my only concern would be

that if you look at all the key performance indicators, once again, they may have very little relevance or meaning for the public. But, certainly, I agree that some of them, particularly in terms of statutory turnaround times and those sorts of things, would be of interest.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr WESTERN:** Certainly not.

**CHAIR:** We need to go on to our questions on notice. Thank you for a very comprehensive report in relation to all those issues that have been mentioned today. I know that some of the questions on notice that we have had for you would have been covered in your report, and perhaps we could go through them. Perhaps you might like to fill in the gaps or give us a bit more information about some of those specific questions.

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

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

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

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

As far as consultation goes with this pricing model, I am looking at a range of stakeholders that will include the Department of Local Government,

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

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

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

Item 6 was in relation to the Water Management Act 2000. The first question was: Are there going to be some additional costs associated with dealing with this? The expectation is, yes, there will be in terms of the implementation phase. Our estimated cost at this stage is in the region of \$2 million, which works out at around about \$150 a valuation, remembering that there is actually quite a bit of work involved as far as the separation of the water right from the current land value and analysing the data as to what portions of the property the water right is applicable to and then apportioning that out. Once that initial implementation cost has occurred I do not anticipate that there will be any ongoing additional costs in relation to



servicing this. The other question was whether or not we have sufficient expertise to be able to cover that. The answer is yes. Existing contractors have expertise in this regard and quite often value properties that are either suitable for irrigation or do have irrigation undertaken on them. Therefore, they will be undertaking that work on my behalf.

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

The other question asked here was in relation to new taxpayers. I have to apologise because it is very difficult to separate out who are new taxpayers and what they have objected to. I spoke with the Office of State Revenue and they tell me that, to date, they have had 894 objections in regard to the 2005 land tax assessments. That is all the information they can provide to me in regard to that. As I said, from our point of view, as to the objections that come in, we do not try to separate out which are land tax objections and which are general valuations objections simply because there are usually mixed messages coming through with the objections so it is very difficult to differentiate between the two.

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

In regard to Item 11, which is the roles and responsibilities of the contractor, the questions there revolved around the 2006 enhancements et cetera, particularly in terms of what penalties are in place currently as far as the performance or non-performance of contracting valuers. My answer is provided there. There are currently step-in rights available to the Valuer General. That would be a last resort. It would be a situation where there has been total malice by the contractor or we can see that quite simply the targets

will not be met in relation to putting the valuations out within specified time frames. There is the ability of the Valuer General there to be able to get someone else in to undertake the work. There is a performance and fidelity bond in place, which is equivalent to 15 per cent of the annual fee for service that we hold as a bond.

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

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

One of the other aspects of the roles and responsibilities the working group is to look at whether it is possible to impose physical or monetary penalties in relation to non-performance. One of the difficulties with that is it has to be specific in terms of, as a result of that error, what were the financial implications in regard to local government, for example, as far as rating revenue or in relation to the Office of State Revenue as another example in relation to land tax? It can be quite difficult to quantify. I understand from talking with some contract experts from the legal profession that it is an extremely difficult concept, one, to put in place as far as a contract is concerned; and, two, to endeavour to try to enforce. So it may not be an appropriate measure to put into this particular contract.

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

valuations and looking to improve upon the existing document that is available there.

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

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

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

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

**(The witness withdrew)**

**(The Committee adjourned at 12.15 p.m.)**