

REPORT ON PROCEEDINGS BEFORE

JOINT STANDING COMMITTEE ON THE OFFICE OF THE

VALUER GENERAL

TWELFTH GENERAL MEETING WITH THE VALUER GENERAL

At Macquarie Room, Parliament House, Sydney on Friday, 21 September 2018

The Committee met at 9:30 am

PRESENT

Mr Geoff Provest (Chair)

Mr Stephen Kamper
The Hon. Natalie Ward
The Hon. Ernest Wong

The CHAIR: Thank you for attending the public hearing of the Joint Committee on the Office of the Valuer General. The public hearing today is examining and will take evidence based on the Valuer General's Annual Report 2016-17, as well as other developments which have occurred since the Committee's previous examination last year. This will enable the Committee to remain apprised of the valuable work done by the Valuer General and ensure that New South Wales' valuation system provides consistent outcomes in a transparent, efficient and equitable manner for all stakeholders, including landholders. I ask everyone to switch off their mobile phones as they can interfere with Hansard's recording equipment. I now declare the hearing open and welcome the New South Wales Valuer General Mr Simon Gilkes, Deputy Valuer General Mr Michael Parker and representatives of Valuation Services, Property NSW.

SIMON JOHN GILKES, Valuer General, affirmed and examined

MICHAEL JAMES PARKER, Deputy Valuer General, affirmed and examined

DENNIS RICHARD SZABO, Executive Director, Valuation Services, Property NSW, affirmed and examined

PAUL DAVID JOHN CHUDLEIGH, Valuation Manager, Rating and Taxing, Valuation Services, Property NSW, affirmed and examined

NEVILLE PAUL GOLDSMITH, Acting Director, Compensation Program, Valuation Services, Property NSW, affirmed and examined

The CHAIR: Thank you for appearing before the Committee today to give evidence. Before we proceed, do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing procedures? Would anyone like to make a brief opening statement before the commencement of questions?

Mr GILKES: Thank you for this opportunity to make an opening statement. As Valuer General I am responsible for providing independent and impartial valuations for use by councils and the State Government for levying rates and taxes, and determining compensation for landowners when their land is compulsorily acquired. I am committed to delivering a world-class valuation system that inspires public confidence and trust. To achieve this, the New South Wales valuation system must be open and fair, have the highest professional standards and be focussed on meeting the needs of our customers. These objectives are consistent with the guidance provided by the Committee through its reports and recommendations. Our ongoing program of implementing the Committee's recommendations throughout the 2016-17 reporting period, and in the time since, has seen great improvements for landholders in terms of transparency, procedural fairness and customer service.

This year, following the publication of my 2016-17 annual report as a standalone report, I was pleased to provide a report to the Committee finalising the recommendations within the Valuer General's responsibility from the Committee's 2013 Inquiry into the Land Valuation System. The annual report reinforced the independence of the Valuer General, increased transparency and accountability, and implemented an important recommendation of this Committee. The publication of the Valuer General's annual report will now continue each year. Transparency has also been increased by providing open access to more information about our processes and the evidence that supports our valuations.

A range of new information is available through the Valuer General's website. Seven additional policies providing guidance to valuers have been published since 2016, along with a new factsheet on how domestic waterfront occupancies are valued. Tables detailing the added values of improvements used by contract valuers in analysing property sales have been published for the first time this year. These tables build on the interactive land value summaries for all local government areas and 14 regions, first introduced for the 1 July 2016 valuation program and now updated annually.

We have also improved procedural fairness in land value objections and determinations of compensation. Landholders receive preliminary valuation reports for their consideration before the finalisation of matters and our consultation processes have been extended, providing customers with more opportunities to ask questions and have concerns addressed. We undertake a range of surveys to monitor and inform improvements to our service. My office directly surveys all landholders following a facilitated conference, and former land owners following the determination of compensation. Facilitated conferences generally concern the outcome of an objection.

Valuation Services now undertakes surveys that monitor customer service across a range of services, including the call centre, and the provision of technical advice to customers about land values. Valuation Services is also working with Service NSW to design and develop improved customer services. Service NSW has completed user research, based on interviews and group sessions, to gain insights from customers and users. Focus workshops have been undertaken, grouping common themes and mapped feedback to identify problems. Customer and user journeys have been documented detailing problems to be solved, feedback and sentiment received from interviews and group sessions.

My office has worked with Multicultural NSW to better address the needs of landholders from non-English speaking backgrounds. Information about land values, the valuation and objection process and compulsory acquisition is now available in 10 community languages on the Valuer General's website. Significant efforts are being made to improve our engagement with local government. We have surveyed councils and gained feedback on the information we provide to landholders, the service provided to councils by Valuation Services and Valuation Services' council information sessions. Feedback is also being sought through various avenues from the NSW Revenue Professionals, the group representing rates officers in councils. Insights from these surveys

and interactions are now being used to inform service improvements. We are also working with industry, government and the research community to find new opportunities to improve.

The Valuer General continues to develop collaborative research efforts on a whole-of-Government basis with relevant stakeholders. We are currently working with FrontierSI, formerly the Cooperative Research Centre for Spatial Information, the University of New South Wales and other partners on a potential application of rapid spatial analytics and visualisation technology to valuation and property analysis. In addition, Valuation Services is working with Treasury NSW to provide data on recent market movements for use in their annual land tax revenue budget forecasting. The project is expected to improve the accuracy of estimated land tax revenue. We are also working with our industry partners through the Land Valuation Advisory Group to find more productive ways to leverage these relationships to better serve the stakeholders they represent.

Our operations are built on a strong professional ethic. We apply best practice methods and monitor our performance against recognised industry standards to ensure our staff and contractors are accountable for the quality of their work. Our performance in delivering fair and accurate valuations continues to be world class. Statistical measures of valuation quality have remained well within the target bands, while objections to land values and referrals to the court continue to be at low levels. This was supported in a recent review of statistical outcomes where adjunct Professor John Macfarlane of Western Sydney University noted:

I believe the statutory land values produced in NSW meet and exceed international standards and there are very few jurisdictions which produce statutory valuation outcomes of a comparable high quality".

Finally, I take this opportunity to publicly thank the staff of the Office of the Valuer General, Valuation Services and our contract valuers for their continuing efforts in the development and improvement of the New South Wales valuation system.

The CHAIR: Thank you. I refer to the issuing of the 1 July 2017 land values and subsequent media coverage, including commentary by relevant academics on the rise in land values, an example is an article published in the *Sydney Morning Herald* on 13 and 14 January 2018. Do you have any formal arrangements with the media to promote your work as part of your public education remit? Are academics involved as stakeholders in the activities of the Office of the Valuer General? Is there scope for formal partnerships with academics in public education campaigns you undertake in relation to land value systems?

The Hon. ERNEST WONG: Do you focus on ethnic media as well?

Mr GILKES: I may have to come back to you to remind me of a couple of elements of that question. I will start with the media approach. Each year we have a planned media campaign, as you would expect, to go with the release of new valuations. I work with the Department of Finance, Services and Innovation media team to develop the program in the lead-up to the issuing of the valuations. It is timed to match with the point at which valuations are first released for land tax purposes early in January.

There is a suite of communication activities that happen as part of that. For example, last year I produced a series of brief videos that were distributed to media outlets around the State. Some of those ultimately went to television. In addition to that, naturally enough, we have media releases. We also publish through my website a series of interactive summaries of land values for each local government area, and also rolled up to 14 regions. The reason for that roll-up was driven by the media and its demand for coverage of a broader area than each individual local government area.

There has been quite a strong focus on ensuring we are meeting the needs of the media. The media group within the Department of Finance, Services and Innovation consults directly with the media outlets as we are providing them with information and making sure that if they have further follow-up questions or issues that we are addressing them. As I said, we have crafted the program to try to meet a combination of the needs of our stakeholders in industry, individual landholders—who are most interested in their immediate surrounds—and also media outlets that might cover a number of local government areas from one point.

We do not directly use academics as part of the media process, although sometimes where there have been reports or the like from academics who produce commentary on the valuation system, we have included quotes from them from time to time. But we do work quite closely with a number of areas of academia. As I mentioned in my opening statement, we have been working with the University of New South Wales on the rapid spatial analytics program. Part of that focus is about developing a prototype community spatial-based information system to try to provide a user-friendly interface for the provision of property and valuation information.

For many years, my office has had a relationship with the University of Western Sydney. Professor John Macfarlane, whom I quoted in my opening statement, has undertaken numerous reviews over many years. He has been a recognised expert in rating and taxing valuation for as long as I can remember, which is going back a fair

way. He was recognised as one of the pioneers of mass valuation in academia. Therefore, his insights have been very useful in the development of the system.

At the moment, I have an academic who is on sabbatical spending time in my office. Associate Professor Vince Mangioni from the University of Technology is, once again, recognised around the world as an expert in rating and taxing valuations and in land-based taxation systems. He is particularly interested in the communication of valuation and taxation information to the community and finding simple and clear ways to make what is often complex information more accessible to non-professional landholders. I have been happy to have him come to my office and we are providing him with some resources and a raft of data and that sort of thing. We are also supporting him in some surveys he is undertaking of stakeholders to look at that issue and possibly to design some future research around that.

I am sorry, Mr Wong, I missed your piece about the ethnic media. The media releases we put out are distributed quite broadly. We do not specifically target ethnic media in terms of specific releases or the like. However, a range of ethnic media outlets are within the scope of the distribution of the releases we issue. Did I answer all the elements of the question?

The CHAIR: I think you have covered everything.

Mr STEPHEN KAMPER: It is great that you have someone like Mr Mangioni, given the state of the property market when there will be potentially some large falls and taxpayers will be screaming about valuations. It is great that you have looked ahead to try to communicate more effectively.

Mr GILKES: Thank you.

Mr STEPHEN KAMPER: I get a lot of inquiries in my electorate office about land tax. I think that will be a big challenge in the next year or two.

Mr GILKES: I am sure it will be. I have been around the valuation system long enough to remember times when the market has fallen. There are many people in the industry who have never seen that. It certainly is a driver of significant inquiry and it tends to put pressure on more objections and that kind of thing. There is a particular challenge when the market is turning to be able to pick exactly the point at which the market does genuinely start to fall. Quite often we see a period of strong growth followed by a period where the market flattens for some time, but it does not necessarily fall. However, the media coverage tends to become negative fairly quickly once the auction clearance rate drops and those kinds of things. It gets a lot of media and that tends to build quite a strong expectation in the community that values will fall. The challenge for us is matching that to what the evidence is actually telling us is happening to the values.

Mr STEPHEN KAMPER: It is not always reflected in their land tax bills.

Mr GILKES: It does not always reflect in the land values.

The CHAIR: In February 2018 the Australian Government announced restrictions on the sale of agricultural land to overseas buyers. To what extent do policy issues at a national level affect land valuations at State level. Does the Valuer General monitor the wider policy environment and market factors which could impact on land values?

Mr GILKES: Certainly the answer to the second part of the question is yes. Obviously we pay attention to what is happening in the whole property world. The real task of a valuer is to place yourself in the position of an actor in the market. The Valuation of Land Act requires that land values be market values. That requires a very broad understanding of all the factors that impact on the market value of property. I guess this goes back, somewhat, to Mr Kamper's question a moment ago. There are a range of things that can occur. A few obvious examples include, firstly, the one you raised but also changes in the ways of bank financing at the moment and those kinds of things, which you would expect to have an impact on the market. But our task is not so much to project what that will be as to monitor the market closely and determine how the market views those changes.

It is not for valuers to make assessments of how policy changes should logically affect the market; it is the valuers' job to look at what transactions are actually occurring in the market and then interpret those into land values to make sure that they reflect the true market value. Quite often, particularly in residential real estate, this is not just a financial decision; there is a substantial emotional element to it. Perceptions in the market are exceedingly important in driving the market value, sometimes simply through things such as consumer confidence, where there may not have been any real change in the real economy but confidence has on the effect on the market. It can go either way.

The Hon. NATALIE WARD: Thank you for coming along today. Any of you are welcome to answer my question, but perhaps I might start with you, Mr Gilkes. Speaking of stakeholders, and stakeholder

dissatisfaction, the Committee is aware of dissatisfaction and adverse publicity regarding the compulsory acquisitions of properties in Randwick by NSW Health Infrastructure, and in Waterloo by the Sydney Metro. A Forced Acquisitions Residents Group was formed in Randwick following notification of compulsory acquisitions in the expansion of the Prince of Wales Hospital, of which I am sure you are all aware.

Mr GILKES: Absolutely.

The Hon. NATALIE WARD: The group complained that insufficient and unsatisfactory notice was given to homeowners, and criticised the fairness of the compensation awards compared to independent valuations. Residents asserted that they should have received 10 per cent compensation for compulsorily acquiring their homes, as is available in Victoria, unlike the \$75,000 lump sum hardship entitlement paid in New South Wales. Legal advice was sought and I am advised that the Minister for Health met with residents. I will get to the question in a moment. I am sorry; this is just a little bit of background.

Mr GILKES: That is okay. I am following okay so far.

The Hon. NATALIE WARD: In Waterloo, where stage 2 of the Sydney Metro rail line is being constructed, property owners expressed concern that offers were at least \$100,000 below fair market value. I am sure this is not the first time that you have heard these assessors. Around a dozen landowners have engaged legal representation. They claim that unnecessary pressure has been exerted by Sydney Metro, and that the threat of withdrawing the offer is not in the spirit of the Land Acquisition (Just Terms Compensation) Act, which states that owners are entitled to fair market value.

Since 2016 the Government has implemented changes to compensation and customer service processes to improve procedural fairness. I think there has been a fair bit of media around that. In addition, I understand that you have reviewed standards and policies to ensure independence and transparency of decision-making, and improved consultation with property owners before compensation decisions are finalised. My question to you is this: Why do you think property owners continue to express concerns about the procedural fairness, notwithstanding the procedural changes which have been implemented by the Government and by you? Do you think that further changes should be made to the compensation process?

Mr GILKES: That is a very wide-ranging question.

The Hon. NATALIE WARD: I am happy to break it down if you like.

Mr GILKES: No, that is okay. I will start and then I will probably refer you to Mr Goldsmith, who manages the compensation area.

The Hon. NATALIE WARD: Thank you.

Mr GILKES: Firstly, though, I would like to make a piece of context very clear, about how the compulsory acquisition process works. The Valuer General actually has a quite confined and narrow role, I guess, in the overall process. The bulk of the process actually occurs between the acquiring authority and the landholder. In the vast majority of cases—in the order of 85 per cent of cases—acquisitions are made by agreement between those two parties. In those cases the Valuer General has no role. It is only in circumstances where the acquiring authority and the landholder have not been able to reach agreement that the Valuer General gets involved through the compulsory acquisition process, and that commences with the issue of a proposed acquisition notice.

Part of the Government reforms were that before that proposed acquisition notice could be issued, there was a compulsory period of six months of negotiation between the acquiring authority and the landholders. So, as I said, in the vast bulk of cases they actually agree to a purchase during that part of the process or after the issue of a proposed acquisition notice. The proposed acquisition notice is, if you like, our signal to start, although many acquisitions are actually settled in the period between then and the issue of the acquisition notice in the *Government Gazette*. There is typically a period of 90 days there.

One of the reforms that the Government put in place was a guarantee that if we commenced work at that point that the acquiring authority would meet the costs that we incur, even if we ultimately do not have to issue a determination of compensation. At that point we make, through the compensation group in Property NSW, direct contact with the landholders and put in place a coordinator for their particular case. Depending on the complexity of the matter they may engage various experts at that stage to try to be ready to go if the compulsory acquisition does actually go ahead.

If we assume that the compulsory acquisition goes ahead, and is public in the *Government Gazette*, that is really where my formal role comes into being, in that I then have to determine compensation. That is an independent process. I act for neither the acquiring authority nor the landholder, although the Government policy is that the acquiring authority will meet the costs of my office to be able to determine compensation. That matter

of independence is absolutely critical from our perspective. We are very protective of that. Indeed, we go to great lengths to act independently and to be seen to be acting independently. That includes such things as after the acquisition has been gazetted the information that we hold that has been provided by either party we exchange with both parties so that everything is on the table. When we are getting to the point of making a determination of compensation, before we issue that determination of compensation we issue a preliminary valuation to the landholders and to the acquiring authorities at the same time, and they have 15 days in which to respond to that.

The Hon. NATALIE WARD: Mr Gilkes, can I just interrupt you there: Does the landowner have the opportunity then to provide their own independent valuation to you?

Mr GILKES: Absolutely.

The Hon. NATALIE WARD: Does that usually happen?

Mr GILKES: Yes, from the first interaction we absolutely encourage them to provide any information they have and to get that sort of professional advice.

The Hon. NATALIE WARD: On that independence, do disputes arise from the question of independence or is it generally the dollar amount of compensation? You have a very clear line of independence—is that in dispute, in your experience?

Mr GILKES: We have done some surveys in the past—going back a few years—that showed that landholders were not necessarily clear on who they were dealing with. A whole string of people come through at a time that I recognise is an incredibly stressful period for landholders.

The Hon. NATALIE WARD: They are dealing with different people in your office?

Mr GILKES: They are dealing with, first of all, the acquiring authority, and then the Valuer General. Some people were saying that they were not clear on where that boundary was. We have gone to quite some length to try to make that much clearer.

The Hon. NATALIE WARD: So clarity around the process—"This is the process that you can expect."

Mr GILKES: Yes, exactly—that separation. We are very conscious that it is an incredibly stressful period for landholders. One of the most serious things a government can do is take back people's property rights. I do not think the independence of the Valuer General is the particular problem. Quite often there is—

The Hon. NATALIE WARD: In your experience, are the bulk of disputes over the dollar amount?

Mr GILKES: Yes, quite often it does come down to the dollar amount. The other point is that for acquisitions where the Valuer General does become involved, there has already been quite a lengthy process. By that stage there are quite often some set views around a whole range of issues, so it is difficult to bring that together. Certainly we make every effort—and I am sure Mr Goldsmith will back me up—and I am very consistent in saying to the people representing me in this process that procedural fairness is absolutely the core thing. It is about the public being able to trust us in this process. Mr Goldsmith, would you like to add anything to that?

Mr GOLDSMITH: I will back him up on that point.

The CHAIR: That is a good start.

Mr GOLDSMITH: With procedural fairness, there has been a cultural shift over the last few years. It has become a big thing that we emphasise in our group. We have a team of 13 that manage the acquisition process on behalf of the Valuer General. We have run some education sessions with our contract valuers and we discuss it a lot amongst ourselves. Our main focus is on fairness and procedural fairness. In answer to your question about whether we get independent valuations from landowners, absolutely we do. We encourage them to submit them and get that information. We go to great lengths to make sure we have got all the information from landowners so we can listen and consider all their concerns.

The CHAIR: Who pays for that?

Mr GOLDSMITH: The acquiring authority. It pays for our services and for the landowner's. When they engage the valuers and legal representatives, all the costs are covered by the acquiring authority. Valuations are just one part of the evidence they submit; often there is also legal advice or town planning advice. In fact, at Randwick, there are some town planning issues. There is always legal advice. Lawyers love making legal submissions.

The Hon. NATALIE WARD: There is nothing wrong with that—as a recovering lawyer myself.

Mr GOLDSMITH: We make sure that we get as much evidence as possible and we go to particular lengths to document that evidence and exchange that evidence between all the parties. In fact, we now have systems in place where we record the dates and times we exchanged information. We try to be as open as possible. Another big shift is our valuers actually documenting the concerns of landowners—sitting down and listening to them and talking to them. We document that in our reports and try to address each and every point they raise. We also go through their professional reports and try to talk about the points of difference in our report. These days our reporting is quite extensive. We go to great lengths there.

The Hon. NATALIE WARD: My second question on that is: Do you think further changes should be made to the compensation process?

Mr GOLDSMITH: Personally, I think we have done some really good things in the past. Focusing on fairness is an absolutely fantastic thing. The preliminary report process is working. It certainly drags things out in terms of timelines but it really gets all of the issues on the table. Landowners have 15 days to respond and we often meet with landowners and their representatives during that period to thrash out issues. We try to that during the process as well. In my mind, fairness is the number one priority and procedural fairness is absolutely included. Can things be better? Of course they can be better. But I certainly think that the steps we have made so far are very good ones.

Mr GILKES: I will add two things there. One other thing I should have pointed out is that I publish a policy on compulsory acquisition to guide valuers operating on my behalf. That policy specifically states that when there are areas of doubt, they should be resolved in favour of the landholder. As to whether there are further reforms that should be required, I think that the framework that has been established is really appropriate and is a good step towards addressing those concerns. The difficulty will always be that it is such an emotionally fraught area. It is probably unrealistic to expect that we will ever get to a point where all landholders who are having their properties acquired will be happy about the process.

The CHAIR: Just on that, what is the recourse for that landowner? Can he object to it through the Land and Environment Court?

Mr GILKES: Yes, that is right. There is a three-tiered process here. There is the initial negotiations between the acquiring authority and the landholder, and there is a six-month period where that has to go on and they have to be genuine negotiations. If they cannot reach an agreement at that point there is then the determination of compensation and Mr Goldsmith has spoken about the efforts that are taken there to try to resolve whatever differences there are. Then, once the determination of compensation is issued and the acquiring authority issues the compensation notice, which has to be based on that determination of compensation, landholders have a right to refer it to the Land and Environment Court as the next step if they still are not satisfied.

The CHAIR: And the success rate of that?

Mr GILKES: The best answer I can give you is that I do not know because the Valuer General is not a party to those cases. The Valuer General's role goes only from when there is a compulsory acquisition published in the *Government Gazette* to the point when I determine compensation. That is the end of my role unless one of the other parties chooses to join me to a case. But that is comparatively rare. Quite often, the valuation supporting the determination of compensation is used in court as evidence, but it is very rare for the Valuer General to be a party to a case.

The CHAIR: That is all done in 90 days? Then they can take it to the Land and Environment Court?

Mr GILKES: There are 90 days from the proposed acquisition notice to the publication of the acquisition in the *Government Gazette* and then there is a 45-day period in which the acquiring authority is supposed to issue the compensation notice. Naturally enough, we have to determine compensation before they can do that. I will admit that there are some problems around timeliness in that and that is partly due to the focus on procedural fairness. I have made a conscious decision—and I have told the people in Property NSW this—that we should not be closing off communications with the landholders just so that we can issue a determination of compensation on time. We need to consult with both parties if we are going to delay, but it is more important that there be an opportunity for full and open discussions and to make every effort to resolve whatever differences there are before determining compensation than it is to simply say "time's up" and issue the determination.

The Hon. ERNEST WONG: I will ask a few questions with regard to the new annual reporting system. I refer to the Department of Finance, Services and Innovation Annual Report 2016-17. The department's annual report includes a map on page 7 which shows that the Office of the Valuer General is one of three independent statutory agencies within the cluster. On page 8, the report lists the Office of the Valuer General among the entities that produce their own annual reports and provides a link to each. Information about the activities of the Valuer General is therefore contained in a standalone report, as well as in the department's annual report. My question is:

what provision has been made on the website of the Valuer General to notify landholders that information about the office is provided in two separate documents?

Mr GILKES: I am sorry, I cannot recall exactly what we say on the website about this—but, yes, you are correct. There are two documents. That is because the Valuer General is not actually an annual reporting entity as such under the Public Finance and Audit Act, I think it is.

The Hon. ERNEST WONG: Finance, Services and Innovation, whatever you call it, yes.

Mr GILKES: Yes. The financial details are published as part of the Department of Finance, Services and Innovation [DFSI] annual report. However, following the recommendation of this Committee in the 2013 examination of the valuation system, I have published a stand-alone annual report, which deals with the real operation of the valuation system in a far greater level of detail than could ever be done in a departmental annual report. We also have finances in my annual report broken down on an activity basis. That report is based on a report requested by this Committee back in 2013, or thereabouts. We do make clear—as I said, I cannot remember the exact form in which we do this—that there is other information apart from the Valuer General's annual report. There is a section within the Department of Finance, Services and Innovation report that is particularly to do with finances.

The Hon. ERNEST WONG: Do you think that the relationship between the two annual reports is sufficiently clear to the public? How do you try to convey that to the public?

Mr GILKES: It is a difficult question to answer. I am not aware of any inquiries to my office suggesting there is any confusion about that. As I said, we make efforts to make it clear that there are two reports that cover the entire story around the Valuer General. But, in reality, for the public I think the information that is in the Valuer General's annual report is what is going to be most useful to get an understanding of the valuation system. The DFSI report needs to meet certain legal requirements around annual reporting and finances and so on and so forth, but a lot of that information is rolled up to a level that it does not specifically deal with the valuation system whereas the Valuer General's annual report pulls that information out and puts it in the context specifically of the valuation system.

The Hon. ERNEST WONG: Okay. The DFSI annual report outlines on page nine the main achievements for the customer as a whole during 2016-17, noting in particular two years of rapid and substantial reform. Does the Value General have any comments regarding any organisational and cultural changes following its move into the larger corporate environment?

Mr GILKES: There are a couple of things I would say. Firstly, the Office of the Valuer General probably has not changed significantly by being moved into the Department of Finance, Services and Innovation. My office is quite a small office; there is a total of eight of us. Our role is to set the direction and standards for the valuation system and to monitor adherence to those standards, if you like. That role is the same as it was previously: when it was in the Department of Lands, when it was in the Department of Information, Technology and Management's and has been the same for a long period of time.

Previously Valuation Services, who actually operate the valuation system on my behalf, were part of Land and Property Information [LPI] before that was broken up a couple of years ago, but Land and Property Information also was part of the Department of Finance, Services and Innovation and its predecessors. The transfer of Valuation Services to Property NSW certainly has led to some changes. There is a different organisational culture and those kinds of things, but in the broad, the situation of the valuation system in a broader department is as it has been for many years. The valuation system continues to operate largely in the same direction that it has for some period. Perhaps Mr Szabo would like to say something further about Valuation Services within Property NSW?

Mr SZABO: Yes, sure. I am a new member of the executive. I joined Valuation Services as at 1 July 2018. Previously I was the executive director of commercial transactions in New South Wales. I think there are many benefits for having Valuation Services as part of the Property NSW umbrella and group. We pride ourselves on a customer-centric culture supporting staff. I cannot talk to what the support network was within LPI, but certainly within Property NSW and the wider property advisory group umbrella, which includes Public Works, the executive has a strong focus on the culture and the people strategy particularly, and the customer focus of the organisation. I think there are quite huge benefits of having Valuation Services within the Property NSW umbrella.

Mr GILKES: I could add one thing. Mr Szabo mentioned Land and Property Information. One of the things I should make very clear is that one of the reasons that Land and Property Information was put together in the first place was to bring together the three large property databases of the Land Titles Office, the valuation system and the spatial database. Naturally enough, during the time that Land and Property Information existed there was a lot of work done in improving data matching and sharing data. With the breakup of Land and Property

Information, the major part of that separation project was to make sure that those arrangements continued and that access to information was not damaged, if you like, by the separation.

It is certainly the case that for valuation purposes we still have the same access to titling information as we had previously; likewise, we still rely heavily on spatial systems that come from spatial services. Those arrangements are in place to support all the operations of the valuation system that need to be there.

The Hon. ERNEST WONG: Given that acquisition information is published biannually on a separate website of the Property Acquisition Standards [PAS] group, the first report is for the period 1 January 2017 to 30 June 2017. The Valuer General advised that he has provided his first report to the PAS group, which included data for determination of compensation issues. A preliminary report issued and conferences undertaken are listed on page 33. How can landholders be sure that they have all relevant information, given that it is dispersed across different websites? Note that the Committee secretariat was not able to locate the PAS biannual report on the website.

Mr GILKES: Yes. I am sorry, this is a little bit outside my area, but I will do my best to answer this. The Property Acquisition Standards group was formed going back two or three years; I am not sure exactly of the date. I am not aware that they actually produced the reports that were scheduled to be produced, and that group has since been disbanded, I think. The oversight of the compulsory acquisition system has been taken into the office of the Secretary of DFSI. But the reporting roles that the Property Acquisition Standards group were to undertake have been taken to—

Mr GOLDSMITH: The Centre for Property Acquisition.

Mr GILKES: Yes, the Centre for Property Acquisition which is within the Transport cluster and it is there to be best practice group to guide the acquisition process. As to how people can be sure that they are getting all the information, some of this is outside my remit, as I said. The reason that it is not the Valuer General reporting this is, as I said before, the Valuer General's role is quite narrow and only deals with a very small subset of compulsory acquisitions and so we do not have that full suite of data. But there is, as I think you would know, a whole-of-government compulsory acquisition website where information is available. We also publish in my annual report information about compulsory acquisitions. I am sorry, I cannot really answer the question better than that.

Mr STEPHEN KAMPER: My question is in relation to management of a conflict of interest. On page 16 of the annual report it refers to a particular breach which occurred with a valuation contractor during the year. Can the Valuer General explain how the contractor failed to observe the conflict of interest procedures, given that there is regular liaison with contract valuers, including briefings, information sessions and formal monitoring of performance as described on page 84 of the 2015-16 annual report and discussed at the eleventh general meeting?

Mr GILKES: Can I explain how it occurred?

Mr STEPHEN KAMPER: We need to go into it.

Mr GILKES: That is a pretty difficult question to answer. If you think about the valuation system, there are many hundreds of people working in it and we cannot control all they do at all times. I guess the key point here is that there is a conflict of interest management process in place and where that occurred that triggered, I guess, the processes around dealing with conflicts of interest that have occurred. That particular contractor was, I understand, counselled about that matter. Certainly these are issues that are made clear in the tender processes. There is documentation around it. I think it is inevitable that in any system involving a distributed network of providers that from time to time there will be rules that will not be followed; it is as simple as that. The best you can do in those circumstances is to make sure you have processes in place to identify that that has occurred and to put remedial action in place by drawing that to people's attention that it has occurred, reminding others and, as I said, counselling the particular individual involved.

Mr STEPHEN KAMPER: How many contractors perform valuation services?

Mr GILKES: I am sorry, I do not know the actual number of people on the ground.

Mr STEPHEN KAMPER: Corporations, I mean.

Mr GILKES: For the rating and taxing valuation contracts, which are the main contracts to make the new valuations each year, I think there are currently 19 firms.

Mr CHUDLEIGH: Nineteen valuation firms and 41 contracts.

Mr STEPHEN KAMPER: They are fairly valuable contracts for these contractors in terms of the volume of work?

Mr GILKES: Yes. I might ask Mr Chudleigh to answer that as he is more directly involved in the individual contracts.

Mr CHUDLEIGH: The total cost of contracts for the State is around \$20 million. There is a fairly substantial body of contract costs involved in the process.

Mr STEPHEN KAMPER: I am looking at it from the eyes of a contractor. It is a fairly valuable contract to have. You would think you would be really careful about a conflict of interest.

Mr GILKES: Yes. I was disappointed it had occurred, obviously. As I said, you cannot control the action of all individuals that work in the system.

The Hon. NATALIE WARD: You mentioned remedial action and we spoke earlier about the importance of independence and the perception of independence. What remedial action was taken in those circumstances? I accept that you cannot control everyone but what you can control is what happens in those circumstances.

Mr GILKES: Absolutely. My understanding is that the particular individual was counselled about their breach and that was also drawn to the attention of the director of the firm and they were asked to put in place processes to make sure that it did not recur.

The Hon. NATALIE WARD: Have you followed up on those processes being put in place? Were there any penalties?

Mr GILKES: I do not believe there were any penalties levied. There are not, under the terms of the contract, financial penalties provided for that kind of thing. The actual follow-up, I am not sure, but I can take that question on notice, if you would like.

The Hon. NATALIE WARD: Yes, if you do not mind. I think it is important because there is not only a perception of independence but if there is an event such as this—and I accept that you cannot control every contractor and the actions of every individual but I think it is important, being on notice, that you would not only seem to follow through but actually do follow through.

Mr GILKES: No, I am happy to take that on notice.

Mr STEPHEN KAMPER: Maybe we should be looking at including penalties in the case of a contractual breach—

The Hon. NATALIE WARD: Potentially. It is valuable contract, one would have thought.

Mr STEPHEN KAMPER: As an effective deterrent.

Mr CHUDLEIGH: We have developed a new contracting scorecard this year which looks at and measures—it is a trial this year and it will be rolled out into the new contracts which will commence from 1 March next year. So we are just ensuring this year through the trial process that it is working appropriately. Any failures of the contractors to meet their contractual requirements are scored and reductions in score occur across the board. The intent there is that each of the contractors can be banded across to be able to measure their performance against one another. Looking forward next year to introducing that, it will allow a much better process comparing one contractor to another. Ultimately that is a significant consideration through subsequent procurement processes et cetera.

The Hon. NATALIE WARD: Indeed, I would have thought was quite "obvious", which is not the polite word. I would have thought that we have the opportunity to put something in place to be able to follow through. I would be interested in further information about that.

Mr STEPHEN KAMPER: My question is in relation to working with Service NSW. At the eleventh general meeting some information was presented by Valuation Services concerning possible customer service initiatives involving Service NSW. Will the Valuer General update the Committee about any new developments with proposed projects involving Service NSW?

Mr GILKES: Yes, I will start and perhaps some of the people from Property NSW may want to add something. I actually met with Service NSW and the Director of Customer Services from Valuation Services last week to talk about the project that they have underway. They have had a project going for some few months now around looking at opportunities to improve the interaction with the community and customer service. That has involved firstly an information-gathering piece with interviews and that kind of thing with customers. From that they have developed a series of customer insights and, indeed, a starting point is a list of eight points that they have found around areas where there can be improvements.

Now Service NSW is working with Valuation Services to put together a program of works which will be staged over the period from now until 2020 to deliver a range of service enhancements which will include such things as the electronic delivery of notices of valuation—that is one of the things that is on the agenda—but also leveraging the presence of Service NSW around the State to provide access to information about valuations and those kinds of things at a local level. Yes, I guess to summarise, that project is actively underway. The roadmap, if you like, from this point forward is expected to be developed over the coming couple of months, I think, ready for an implementation plan spread over a couple of years.

The CHAIR: Do you have enough staff to perform your office's role?

Mr GILKES: That is an interesting question.

The Hon. ERNEST WONG: Never enough.

The Hon. NATALIE WARD: That is a loaded question.

The CHAIR: I do not know whether that will be the answer.

Mr GILKES: You can always find good uses for more staff—that is a natural question. I am also conscious that that is an overhead on the system in the end. The short answer is I think that the structure of my office is about right. As I said, certainly we could use some additional people at times, but in the broad it is adequately resourced to carry out the role that we have, which is essentially the oversight of valuation services, operation of the system and the setting of standards. Quite often we are very busy but that comes with the territory.

The CHAIR: Do you come in on budget?

Mr GILKES: Yes. We have been performing within our budget. Naturally enough the bulk of the budget sits with Property NSW because they have the bulk of the staff, contractors and so on.

The CHAIR: On page 51 of the annual report there is reference to advice which was sought from the Crown Solicitor about "the use of surnames in property sales information and valuations under the provisions of the Rookwood Necropolis Act 1901" and "in relation to heritage restricted determination powers and valuation of land". Can the Valuer General inform the Committee about the implications of this advice for the valuation system?

Mr GILKES: I will start with the surnames in property sales information. For many years the Valuer General has made property sales information available through a range of channels. The way this comes about is that property sales information is captured through notice of sale at the time that properties transact. The Valuer General has the right to that information under the Act and to make that information available. Historically that was done just by providing books on the counters with lists of all the sales, the two parties to the transaction and that kind of thing. Naturally enough in these days the issue of privacy is taken more seriously than it was previously.

The Committee is probably aware that we have provided sales information as an open data supply. In that open data supply we have removed the names of the parties to remove that privacy issue. There is, however, a range of industry participants for which there is a public benefit business case, if you like, to have access to that information in that, for example, valuers use the names of parties to transactions as a quick method to identify sales that are unlikely to be market transactions—they are sold within a family and those kinds of things. So the advice was about understanding what kind of controls we should put in place around providing access to that information. Indeed what we do is we have the open data feed which meets the vast majority of needs. For a limited subset of customers we provided through information brokers a feed of sales information that includes just the family names of the parties to allow that kind of quick filter. The valuations under provisions of the Rookwood Necropolis Act—I am not particularly familiar with that advice. Do you know that one, Mr Parker?

Mr PARKER: Sorry.

Mr GILKES: No.

Mr GOLDSMITH: We do a rental evaluation. Is that what that is referring to? We do a land valuation and off that land value they charge a rental. That is a private operator. Is that what that refers to?

Mr GILKES: I am sorry, I cannot recall what that one was about. If you would like, I will take that on notice and provide you with some further information about it.

The CHAIR: Yes.

Mr GILKES: And the section 62 of the Land Acquisition (Just Terms Compensation) Act 1991 is to do with tunnels, is it not?

Mr PARKER: Yes, it is substratum.

Mr GILKES: Section 62 of the lands acquisition Act is about the acquisition of substratum. Many years ago there was advice from the Crown Solicitor that the Valuer General was not required to determine compensation where the acquisition was just of substratum. That is because the lands acquisition Act provides that there is no compensation payable unless the surface of the land is disturbed or its support is injuriously affected. Naturally enough the acquisition of substratum land is a significant topic at the moment. The advice was around that question of whether that is appropriate that the Valuer General not provide a determination of compensation and in fact the advice we received was that we should. So in those cases now the Valuer General actually provides a determination of compensation for substratum acquisitions as a result of that advice.

Mr GOLDSMITH: I might go back to that Rookwood question, if you like. I can confirm every year we do a valuation of the Rookwood crematorium—the land, that is. Often the Valuer General is written into lease agreements whereby they have to do a valuation for rental purposes. So every year we value Rookwood crematorium land and off that a rental is then determined.

The Hon. NATALIE WARD: That is very interesting. I am going straight from here to an inquiry into cemeteries. It must be in the air today.

Mr GILKES: I am sorry we were not as helpful as we could have been on that one.

The Hon. NATALIE WARD: I am sure I can ask them.

(Short adjournment)

The Hon. NATALIE WARD: My questions relate to privacy, which was mentioned earlier. Your annual report states at page 37 that the register of land values is a public register in regard to the New South Wales Privacy and Personal Information Protection Act 1998. Can you explain the overall significance of the Privacy and Personal Information Protection Act to the work of your office and of Valuation Services, and can you outline the privacy and data management protocols governing the work that you do as Valuer General?

Mr GILKES: Yes. The first thing I would say is that the bulk of the Register of Land Values is not personal information; it is property information. However, there is one piece of important personal information in particular, and that is we hold the address for service of notices for all landholders so that we can issue them notices of valuation. That is the most important piece of personal information. In general, we do not distribute that to anyone, although in some cases where there is a clear public benefit we provide ad hoc supplies to people, such as rural fire services and those kinds of organisations, where they need to get in contact with people about particular incidents or planning or whatever they are dealing with.

Other than that, the rest of the information that the register holds is not really personal information as such; it is to do with the property itself. We hold the owners' names against each property and there is a process in place where people who have a reason can have their name suppressed from the record. That happens in conjunction with the Registrar General where people make an application to the Registrar General to have their name suppressed on the titles register and then we do the same within the Register of Land Values and also—

The Hon. NATALIE WARD: Is that a straight request? There is no analysis of why or no need to provide a reason such as, for example, the electoral roll?

Mr GILKES: Naturally enough, there has to be a sound reason for the suppression of the name. Typically, they would be people who work in contentious professions, perhaps, or where there might be apprehended violence orders—those kinds of things.

The Hon. NATALIE WARD: I am interested in that because I have been approached by private investigators who have conveyed some concerns about being able to contact witnesses in proceedings, for example, and not being able to obtain information about addresses for service or contact with witnesses. I know this is not in your purview, but would that be one of the reasons you would consider not to disclose that information, or can you be contacted by them?

Mr GILKES: I am not aware of ever having received a request like that. My first reaction would be that we would not provide the information in that case. As I said, the only times where we provide addresses for service of notices is where there is some clear public benefit around that.

The Hon. NATALIE WARD: Or unless you were compelled?

Mr GILKES: Naturally enough, if I am compelled, and that happens from time to time, from Commonwealth agencies particularly.

The Hon. NATALIE WARD: I think that is their concern, that agencies can compel that information but individual investigators cannot.

Mr GILKES: Yes. Sorry, that is well outside my realm to make those kinds of decisions.

The Hon. NATALIE WARD: Your report at page 34 cites a complaint about personal information. While it was a complaint it was not found to be a privacy breach. I am not going to ask about the individual circumstances of that matter, but more generally, recently how many complaints about privacy concerns have been received by your office?

Mr GILKES: I do not know the precise number. We do from time to time get complaints about that, although the numbers are not large, and usually it is to do with cases. This is not backed by statistics, by the way; this is backed by my feel for the things that I see. Usually, it is about people wishing to have purchase prices suppressed, which we do not do. I see it as part of the role of the Valuer General to encourage an open and transparent property market, and in that sense purchase prices are not personal information as such; they are information about property and transactions and so on.

The Hon. NATALIE WARD: In addition to open data, that information is readily available, is it not, by doing a land title search and looking up the transfer?

Mr GILKES: Yes. There are other ways to get the information anyway, that is right.

The Hon. NATALIE WARD: Even if it is suppressed by you, it can be obtained by other means?

Mr GILKES: Yes, it could still be obtained, that is right.

The Hon. NATALIE WARD: The Committee notes that on the Department of Finance, Services and Innovation website some parts of the department have their own separate privacy management plans. Have you considered the need for a discrete privacy management plan?

Mr GILKES: Firstly, I do not have one, is the starting point. I do not really believe that is necessary. From time to time we will take advice from the privacy staff within DFSI as to the appropriate way to deal with things. There is a DFSI policy on privacy, which we follow as a matter of course, and that seems to be adequate for the purposes.

The Hon. NATALIE WARD: Would you consider addressing privacy as a regular part of your annual report—privacy protection as a discrete area for comment?

Mr GILKES: Yes, that is certainly something worth considering. We are currently drafting this year's annual report, as you would imagine at this time of the year. I am not sure that we have put anything in there specifically about that this year, but certainly it is something we will consider.

The Hon. NATALIE WARD: What training do your staff receive regarding management of data and privacy protection in regard to your specific area of DFSI?

Mr GILKES: There is some standard privacy training that happens within DFSI, and my office as well as Valuation Services falls within that. There is online training about privacy. I cannot remember what the cycle is for redoing that. Do you, Mr Szabo?

Mr SZABO: I think it is annual, but I would have to check that. Certainly the conflict of interest—

The Hon. NATALIE WARD: You might expect it as part of an induction program but is it an ongoing program?

Mr GILKES: Yes. There is an ongoing—

Mr SZABO: Declaration.

Mr GILKES: —declaration and process around it.

The Hon. ERNEST WONG: The annual report states on page 20 that the council amalgamations working group, which was set up at the time of amalgamations in May 2016, has been ongoing to ensure the effective delivery of valuation information to councils. During the amalgamations there would have been a lot of challenges trying to value land across the various council areas that had been amalgamated. Have there been any specific council amalgamation matters of concern during or since the period under review, and would you be able to give some background or briefing regarding the challenges that you faced at the time with land valuations?

Mr GILKES: As you are aware, a number of councils were amalgamated, some of which were whole councils and some more complex amalgamations involved boundaries being moved and pieces went in different directions. The Register of Land Values is built around a concept of valuation districts, which are local government areas. We hold that information and we use it in the issue of valuations and those kinds of things. Council boundaries are quite important in the register. The guiding principle in presenting those changes was to work with councils to meet their needs. We had a staged approach to updating the register and establishing the new council areas. That was driven by when the councils were advising us they would require the valuations in their new consolidated areas. Indeed, there are some still in their old areas or parts of their old areas because their systems have not been ready to take it or their planning is not at that stage.

The key point is that we had a process whereby we could amalgamate valuation districts or local government areas, but we allowed councils to drive the timing of that from their end on what would suit them best. In the end, it does not make any difference to the valuation itself. It is there more as an administrative tool for us and we are able to work around it either way.

The Hon. ERNEST WONG: Have you noticed if there has been any difference between the valuations of the new amalgamated areas compared to the market value before amalgamation? It is a concern about amalgamation that has been raised by residents.

Mr GILKES: It is not an issue that has been raised with me as having stood out in the market analysis. I think what you are getting at is whether the name of the council area is a significant driver for the value of the land.

The Hon. ERNEST WONG: Yes.

Mr GILKES: It is not something that we have particularly noticed. The drivers of value tend to be more locational and service-related. They may be suburb related rather than local government related. We are all aware

of cases where certain suburb names are seen as being very desirable. However, I am not aware of any impact from local government area boundaries. Mr Chudleigh might be able to provide more information.

Mr CHUDLEIGH: There is nothing that I am aware of in terms of the merging of councils impacting on the level of land values within those council areas. The exception would be properties that were on the border of two council areas—that is, part was in either one—so they were valued separately previously under the Valuation of Land Act, but they are now one parcel in the new council area. There were changes where those properties were required to be valued as one parcel in the new area. There has been no impact in terms of general valuation trends that I am aware of from the property market.

The Hon. ERNEST WONG: Can you recall if there have been any complaints about new valuations of land after amalgamations?

Mr CHUDLEIGH: I am not aware of any complaints about the valuations specifically relating to the fact that the council has been amalgamated.

The Hon. ERNEST WONG: The annual report refers on page 22 to a symposium of the International Property Tax Institute [IPTI] held in Sydney in May 2017. The symposium focused on innovation, adaptation and best practice. The Valuer-General presented a paper addressing challenges and opportunities in building trust in a mass valuation environment. Did the IPTI symposium provide any new insights about how to achieve best practice in the valuation system? If so, what are examples of this?

Mr GILKES: The mass valuation symposium had speakers from around the world. The International Property Tax Institute covers jurisdictions all over the place and it has many members. There was quite a range of different speakers. I cannot remember the entire agenda, but there were some very interesting presentations. One of the key trends we saw in the presentations related to spatial analytics and artificial intelligence processes in valuations. In particular, there was a presentation by one of the delegates from Hong Kong about the way they are using spatial information to remotely assess a great number of property attributes. They have systems that allow them to work out the view lines from individual apartments and so on. It is a highly sophisticated process. There were also presentations on the application of a range of different spatial information systems to mass valuation.

Some of the other presentations were about more public interactions and administrative processes. The talk I gave was about the experience we have had in New South Wales with the opening up of the valuation system to the community by providing more information. What we have seen as a result of that in terms of the levels of inquiry and objections to valuations is that each time we have provided more information the level of inquiry and objection falls off. In my view, that is a measure of public trust in the system.

The Hon. ERNEST WONG: What do you consider to be the most vital factors in gaining the trust of the community with regard to the mass valuation system?

Mr GILKES: The most important things are transparency and fairness. They are the two things that people most want to see. The concern that comes up most frequently is where someone thinks their value is inconsistent with someone else's value. That is one of the things about publishing all this information we publish. People can see that much more readily now, so we get inquiries about it. It is then important to have good processes in place to deal with those inquiries and to make whatever changes need to be made. That goes to the fairness aspect.

Once again, as I said, there must be transparency. The fact that we make so much more information available now builds confidence that we are not trying to hide anything. The way we deal with any inquiries or complaints is also really important. Landholders should genuinely believe we are interested in getting the right answer and not in defending something because that is what we have done. If they have information that demonstrates something is wrong, we should fix it. It is really important that they see that process exists and that we are open to it.

The Hon. ERNEST WONG: Are you satisfied that you have sufficient mechanisms in the whole system?

Mr GILKES: Yes. We can always get better at this. We have an ongoing process of finding new opportunities to provide more information to the public. There is a strong ethic within the system of making information available and of providing opportunities for landholders to raise concerns with us and then for us to deal with them.

I guess I could cite a couple of examples. This year, as I mentioned in my opening address, we have published, for the first time, the tables that show the added value of improvements that contract valuers use when they are analysing sales, so that people can better understand how we got from the sale price of a house in the

market to the land value. We have provided that information for the first time this year, and that will be ongoing. Another key area is that we provide lots of opportunities for landholders to raise questions with us and to speak to someone appropriate who can answer that question, through telephone calls, face-to-face meetings or, if it goes that way, through formal conferences.

Mr CHUDLEIGH: May I just add to that, that the publication of data is also assisted by our valuation contractors knowing that the information that they are providing to us is available publicly. It goes that extra step to ensure that the transparency in what they are doing and the information they are providing to us is as absolutely correct and honest as it can be.

The Hon. ERNEST WONG: In regard to international relations, for the period under review the Valuer General hosted and briefed a delegation from the Office of the Valuer General of South Africa. That is on page 22. Do you receive delegations or requests for information regularly from equivalent bodies responsible for land valuations in other jurisdictions? Do you think these kinds of meetings are useful in providing best practice reference points for valuation practices and management of the valuation system?

Mr GILKES: Certainly we are linked into many international agencies. We do not get a lot of delegations. It costs a lot of money to travel to Australia. However, over the years, every couple of years we have had a delegation come. We provide explanations around what we do in the valuation system and talk to them about how they operate. I am involved with the International Property Tax Institute, so I have connections around the world through that. I am also a member of the International Association of Assessing Officers, which is largely US based but also has members in positions such as mine around the world. The Australian Property Institute and the other Valuers General around Australia and New Zealand have an annual conference where we get together for a few days to talk about what challenges we face and what lessons we can learn from each other. We do what we can to tap into a range of information sources about best-practice from around the world.

One of the other things that is quite useful is that the International Property Tax Institute periodically has two benchmarking surveys that they do on roughly five-yearly cycles. They do not match up; they are 2½ years apart, or thereabouts. One of them is a very broad benchmarking survey and I think the results of the last one of those was reported possibly the year before this annual report. New South Wales performed quite well in that, by the way. That was a general benchmarking of the operation and valuation system as a whole, but they also have a separate benchmarking survey on transparency in the valuation system. I think there is one of those that is due to publish its results within the next few months.

We talked earlier about our links with academia. I mentioned that Vince Mangioni, who is working in my office. He is going to Hong Kong, I think, at the end of this week and travelling to a few jurisdictions around Asia looking at what they are doing in terms of this issue he is looking at in terms of trying to find good ways to make information available to the community to understand valuation systems.

The Hon. ERNEST WONG: Terrific. There is a follow-on question I would like to ask. How many overseas trips of that kind have been conducted from your office over the last financial year, or the last few years? What were the guidelines to determine if that is a worthwhile trip?

Mr GILKES: The answer is one. It was not me. Mr Parker went to the Australasian Council of Valuers General, which this year happened to be held in New Zealand. It rotates around the Australian jurisdictions and New Zealand, and Michael happened to score the year that it was held in New Zealand. Generally speaking we do not do international travel. We tend to do phone hook-ups and those kinds of things. We share information over the internet. It is not as critical as it once was to go places, but I guess it would depend on whether there is a burning issue to warrant that.

We tend to have more people come and visit us here. As I said in my opening address, I believe that New South Wales is an absolute world-class valuation system. That is borne out by the fact that people want to come here and look at what we are doing, particularly around information sharing. That is one of the points that they are very interested in. There are two areas that delegations or representatives from our jurisdictions are interested in. One is the openness with which we provide information. The other is the way we treat objections in New South Wales, which is quite unusual by world standards, where we have a rule that the person reviewing an objection cannot have been involved in making the original valuation. In most places when there is an objection it goes back to the person who made the valuation in the first place. So they are often very interested in that whole process and the independence around that.

Mr STEPHEN KAMPER: Mr Parker is not a Kiwi, is he?

Mr PARKER: No, I am not.

Mr STEPHEN KAMPER: I just wanted to clear that up! My question is about the proposed acquisition notices [PANs]. The annual report explains at page 32 that "the Valuer General can commence work on the determination of compensation following the issue of the proposed acquisition notices prior to compulsory acquisition". During the year under review, the Valuer General had commenced work on 390 PANs where a determination of compensation was ultimately not issued as the property owners settled with the acquiring authorities. Can work on determinations of compensation at the earliest possible stage of negotiation be justified in terms of efficiency considering that the determination may ultimately not be required? Also, how much staff, time and resources are unnecessarily expended on this activity—in this case on 390 PANs? You are doing all that work and we wonder whether you really need to go through that.

Mr GILKES: Yes. That is a bit of a vexed question, I guess. The challenge is that once a compulsory acquisition is gazetted, the Act provides for 45 days for the acquiring authority to issue a determination of compensation. The Act also requires that we provide a preliminary report and allow 15 days for that to be reviewed. The simple reality is that unless we start early in the process there is no way to get the valuations done in time. Indeed, even with the early start, we do not always achieve that, anyway. It is not, though, a one-size-fits-all kind of process. Naturally, there are degrees of complexity in valuations. So the amount of effort that goes in before an acquisition is gazetted would vary depending on the nature of the property. Mr Goldsmith might like to add some comments.

Mr GOLDSMITH: Another key issue with this is that we simply do not know which matters are going to settle—it is very difficult to predict. We effectively have to start on every single job. During the course of that period it becomes apparent which matters are going to settle and we do stop work. But at the point when the period starts we just do not know.

Mr STEPHEN KAMPER: Is there potentially a process you could put in place where you look to evaluate that? Whenever there has been compulsory acquisitions there have been certain groups that are generally quite happy and it has gone pretty smoothly and there have been other groups where there have been high levels of conflict. I am just wondering because it is an enormous amount of work that essentially goes to waste.

Mr GOLDSMITH: I guess you can look at it that way but, like Mr Gilkes said, these matters are becoming more and more complex. We need as much time as possible to get started on these. We are not only engaging valuers, but we are also engaging other experts and they need time to prepare their reports and be ready if negotiations fail and it does proceed to compulsory acquisition. We certainly have close contact with acquiring authorities and if we have knowledge that matters are going to settle we will stop work. The last thing we want to do is waste public money. We do try. We meet regularly with the key acquiring authorities—Transport for NSW and Roads and Maritime Services [RMS]—and when we do have knowledge that matters are going to settle we will stop work to try to save the public purse.

Mr STEPHEN KAMPER: So there is a bit of dialogue happening between you to try to establish that?

Mr GOLDSMITH: Absolutely. I met with RMS yesterday. We meet once a month and we have regular meetings with RMS and Transport for NSW. They are the major acquiring authorities and we are in close contact with them. We do stop work when we think matters are going to settle and we do give priority to matters that are not. Matters are so complicated these days and they do become quite drawn out. Timeliness is a challenge for us.

Mr GILKES: If I could add to that, an important point about the timeliness is that it is a balancing act between trying to get the valuations done within the statutory timeframe and trying to provide adequate opportunities for landholders to raise whatever concerns they have and to have those addressed. Also, at the other end, the acquiring authorities often have contracts in place that are built around the acquisition process that have provisions about having access to the land on certain dates. There is a range of sites within that and for some it will be critical that they get on access on the day that they have worked out it should be available through the process and for others they will have more flexibility in terms of the timeframe. All those things are factors that Mr Goldsmith and his team take into account when working out how much work to put into something in the early stages.

The Hon. NATALIE WARD: I would like to bring you back to customer service. I appreciate the reforms you have put in place and I want to explore that a bit more with regard to written inquiries. We referred to Service NSW and some of the changes that have been made there. It is quite a radical turnaround to be customer-centric and to start with the customer experience. If any of you have been to Service NSW, it is quite a different experience from what it was years ago. It is a priority to try to build that in other areas of government.

On that, on page 42 of your annual report you state that you received 8,074 written inquiries during 2016-17. I am happy for you to take this on notice if you need to, but can you provide a breakdown of how many of those inquiries were sent by post—the old fashioned snail mail written letter—and how many were received

by email and whether the proportion is changing over time? The reason I am interested is that I suspect it is changing over time and I am interested in the customer-focused outcomes of dealing with that. Can you comment on that first?

Mr GILKES: First, yes, I will have to take the question on notice and I am not entirely sure whether we will be able to answer it—

The Hon. NATALIE WARD: But I presume it was not 8,000 letters?

Mr GILKES: No, I am sure it was not. Yes, you are right. The trend is that email correspondence is increasing; exactly to what extent I am not sure. When that is the preferred method of communication by landholders, for example, that is how we will communicate with them. We do not get an email from someone and then start sending them things through snail mail. If they want to deal through email that is fine and that is what we do. We try, to the greatest extent we can, to tailor the channel to what the landholder wants to have. For that reason, we have a range of ways to make contact with us. We have a telephone contact—naturally enough—all the way through to face-to-face meetings depending on what the landholder is looking for.

The Hon. NATALIE WARD: Good. I turn to the responsiveness to those inquiries. Are you satisfied with the performance achieved for your responsiveness and your response times to the inquiries?

Mr GILKES: For the vast bulk of cases I think the responsiveness is good. We have some that drag on longer than I would prefer. Part of what we try to do in those cases is make sure that the landholder is engaged throughout the process and that they are kept up to date. If there are reasons why matters are dragging on, we want to ensure that they are aware. Quite often it is because there are ongoing discussions between the two parties.

Mr SZABO: In terms of the earlier question around changes in the profile of future customer interactions, I am looking at my notes from the Service NSW ideation sessions and we are taking quite a bit of lead from Service NSW and its experience in providing services across government and its learning and experiences in changes in the way that people access information these days. It is becoming more digital-centric. Certainly when I look at some of the things we have come up with in collaboration with Service NSW and representatives from Valuation Services and the Office of the Valuer General, we are looking at a mobile app-based solution that would allow notices to be issued and, if required, would allow people to access information and data on their suburbs and streets digitally. They are the types of things we are thinking about in terms of the 20:20 vision. We absolutely see the link between how people interact with us today and how that might change going forward and the benefits of improving services and reducing costs to the people of New South Wales, who bear the cost.

The Hon. NATALIE WARD: Yes, and ensuring that the customer experience is one that is optimal.

Mr SZABO: Yes, absolutely.

The Hon. NATALIE WARD: If an app is appropriate for them then that is one option—

Mr SZABO: That is one idea, yes.

The Hon. NATALIE WARD: But a telephone call with someone at the end of the phone might be appropriate. I am pleased that you mentioned that because one of the beauties of Service NSW is that you can go online, go and see a real person who may actually smile at you and help you, or pick up the phone. I phoned recently and was amazed to have a real person answer the call. It is important to get the balance there and I recognise that you are doing that. My last question is about the challenges of maintaining responsiveness, given that I am sure you will have an increase in inquiries over time and of capturing useful and open data on those inquiries.

Mr GILKES: Yes, obviously responsiveness is critical to the quality of the customer service, and not only from a convenience point of view. When someone contacts us it is a great opportunity to convince them that we are doing a good job. That goes to the core of what I think is the most important thing, which is building public trust. How we handle these inquiries is critical to that. I have a very strong view that one anecdote trumps thousands of statistics any day.

The Hon. NATALIE WARD: Always.

Mr GILKES: A person's real experience is what they are going to remember and what they are going to tell people about. It is critical that we have that responsiveness right. We do track those things about—

The Hon. NATALIE WARD: So you capture that data?

Mr GILKES: Yes, we capture data on how long it takes us to answer calls and those kinds of call centre statistics. We also track data on how quickly we respond to queries and questions and so forth.

The Hon. NATALIE WARD: Presumably, the type of inquiry?

Mr GILKES: Yes. There is a range of information that we capture through that so that analysis can be carried out on that. We also survey our customers through a number of different surveys. When someone rings up, at the end of the call there is a quick survey. There is a survey undertaken of people who had then gone on to the next level and had like a technical telephone conversation. There are surveys of people who have been through the objection process, surveys of people who have had a formal conference with us, and surveys of people who have been through the compulsory acquisition process. We are very conscious of the need to understand the way our customers are seeing the service.

The Hon. NATALIE WARD: Would you care to comment on what your challenges might be in that, if you are brave?

Mr GILKES: I think I would say that probably the biggest challenge is trying to make the translation between the technical to the layman speak. That is always a challenge.

The Hon. NATALIE WARD: And, presumably, the emotional.

Mr GILKES: Yes; particularly, for example, objections and compensation matters. They are emotional matters. But getting the language right is really important in explaining about valuations and being conscious of not using jargon and those kinds of things so that landholders can understand what we are saying. Indeed, part of one of the processes we have is the ability for landholders to have a formal conference. That is mediated by someone who is not a valuer. Part of their role is, if the conversation is getting too technical, to try and remind the valuer to come back to a more plain English kind of explanation.

The Hon. NATALIE WARD: I am sorry. That was my last question but, if I may, with your indulgence, ask one more. I want to follow up on the question asked earlier by the Hon. Ernest Wong about ethnic media. Do you have interpreter services?

Mr GILKES: Yes. We have two things. As I mentioned in my opening address, we publish information in 10 community languages on our website, but we also, in all our publications, have links to the telephone interpreter service.

The Hon. NATALIE WARD: If someone gets an early acquisition notice, they will need some explanation about what that is. I take it that is plain to them?

Mr GILKES: Yes. There is a telephone interpreter service that is there to support them.

The Hon. ERNEST WONG: This is not a question but rather a comment. If it is possible, could you think about whether you would be able to have a bit more ethnic media coverage to make sure that people with different languages are able to understand their rights and will be able then to search the internet by using the language that would suit them? That is very much a suggestion or a comment.

Mr GILKES: Thank you for the suggestion. Indeed that is something that we will make sure we talk to the media people about to just make sure that we are making those connections.

The CHAIR: Valuer General, the annual report of the Independent Pricing and Regulatory Tribunal [IPART] at page 20 refers to the Valuer General's submission to IPART's review of the local government rating system, including particular recommendations relating to the valuation system. The report was with the New South Wales Government at the time of the Valuer General's annual report. Can the Valuer General comment broadly on the significance of IPART's review for the future valuation system?

Mr GILKES: I understand the report is still with the Government.

The CHAIR: Well, that rather sums it up.

Mr GILKES: The decisions on the recommendations that IPART made have not been made yet—that I am aware of at any rate. I guess there were a couple of issues that were of great significance to the valuation system. Probably the greatest was one of IPART's recommendations was that council should have the option to levy rates based on capital improved values. As I am sure all members of the Committee are aware, in New South Wales we make land values, which are essentially the value of the site assuming that the buildings do not exist. Capital improved values are used in many jurisdictions around the world. Indeed, that is probably the way the tide is flowing. But in New South Wales we do not have a database of the built environment like that. The cost of implementing that would be very substantial. Indeed, that was one of the points I made in my submission to IPART.

If capital improved values were to become the rating base, obviously that would involve a significant amount of effort in actually building that database of the built environment. Parts of it exist probably in different

forms around a range of organisations. Some councils have information through their building approvals process; but, equally, I am aware that a number of councils have destroyed older records of buildings and that sort of thing. There are real estate analytic organisations, such as CoreLogic and Domain, that would have elements of that database, but there is no single source of truth to tap into. That would be the single biggest issue, I think—how we go about doing that.

The CHAIR: In relation to liaison with councils, the annual report advises that formal information sessions have been held with 75 councils during the period under review. The report also notes that only 14 metropolitan councils participated. Can the Valuer General update the Committee about any further measures taken to encourage the engagement of metropolitan councils and to increase overall participation of local government in the Valuer General's public education sessions?

Mr GILKES: Yes. Thank you. My recollection is that we might have discussed this at the last hearing. Indeed, the question around why we would have such a greater take-up from councils in regional areas versus councils in metropolitan areas—I think some of our survey results bear this out—many of the metropolitan councils, simply because of scale, have greater capacity in analytics and those kinds of things. When they get new valuations, they are entirely capable of analysing them and working out what is going on relatively quickly. Naturally, some of the smaller regional councils have less of that capacity, so there is a greater need for support in that area when we issue new valuations. It is also possibly a reflection of the way business tends to be done between regional areas and metropolitan areas. Regional areas rely much more on face to face. But, certainly, there is a commitment to try to build that take-up. One of the key things we have done is that we undertook a substantial survey of local councils across the State. Indeed, I think I wrote to you earlier this week with a copy of those results.

The CHAIR: Yes.

Mr GILKES: We are trying to better understand exactly what it is that the councils feel they need to know, and what information would be useful for them so that we can better tailor those sessions to meet their needs. In terms of working with the councils to try to jointly, if you like, provide better public information, that is something that has been raised in discussions with revenue professionals. Also, that was part of the survey about some possible ways of doing that as well.

The CHAIR: In your annual report at page 49, which refers to future projects, can you update the Committee on KPMG's review of Valuation Services? I think that commenced in June 2017.

Mr GILKES: Yes, we can. KPMG was engaged to undertake a substantial review of Valuation Services and the way it operates, and provided a report earlier this year, I think. I might refer the question to Mr Szabo because it is really more directly in his territory.

Mr SZABO: Thank you very much for that question. KPMG was appointed in June 2017 to assist in Valuation Services to identify opportunities for improvement in productivity, process, knowledge capture and sharing and service delivery. The report period was 1 July 2016 to 30 June 2017 and the report was completed in September 2017. Opportunities were identified to let the culture capability technology reduce manual effort to provide better outcomes for customers. Opportunities covered, as you would expect were process system and people across the business streams that we operate in—the activities and key programs of Valuation Services.

There were seven key things identified by KPMG. They were succession planning and talent management, culture of innovation, digital capability, key performance metrics, system and IT strategy, embedded operational excellence and a rating and taxing manual and regulatory obligations. Extensive consultation was done both with ourselves, Valuation Services, the Office of the Valuer General and industry experts and other government stakeholders. This included information sessions which then were run to go through the final report at which both the Valuer General and the chief executive officer of Property NSW were in attendance. One of the recommendations of KPMG was identified in relation to the service and system gaps in the rating and taxing and quality assurance process. A subsequent rating and taxing quality assurance process review was undertaken by KPMG and those recommendations were implemented.

The Hon. NATALIE WARD: You helpfully have a table at page 31 of the annual report about determinations of compensation. You state that the total number of determinations of compensation issued has decreased in comparison to the two previous reporting years, which is good to know. However, the complexity of the determinations has increased. Why is that? It seems to have spiked and then it has come back down again. Is that decrease likely to continue?

Mr GILKES: I will give you a broad view and I am sure Mr Goldsmith will be able to give you as much detail as you would like. Broadly what we have seen is the nature of the properties being acquired has changed. Going back a few years—I guess if we go back prior to the start of the major infrastructure works that have

happened around the metropolitan area—lots of acquisitions tended to be things like rural road widening, for example, so they were relatively simple. It was then—and I guess particularly WestConnex was the start—that a large number of residential properties were acquired. More recently we have moved into the development of the metro which has gone straight through the city. Naturally enough the properties that that is impacting are vastly more complex and naturally expensive to value than residential or those other kinds of properties.

Mr GOLDSMITH: That is exactly right. It has changed over time and some of these statistics are purely driven by the fact that in those early WestConnex days there was a significant number of residential homes and strata units acquired and then we moved into the metro project which went right through the city. We were determining compensation on big central business district office buildings. I think one determination was \$200 million alone on an office building. That really underpins that statement about the complexity increasing. Even now to this day Sydney is changing, is it not? Everyone thinks they can build apartments on their properties no matter what the zoning. There are a lot of development sites being acquired, for example, at Rozelle land that was zoned for ports purposes but had underlying potential for significant residential development. That again underpins that comment about complexity.

The Hon. NATALIE WARD: Do you see that trend continuing?

Mr GOLDSMITH: Yes, I think so. There is a lot more acquisition work around the airport, for example, that is coming up. That is high value property around an airport for a start. I imagine they will be very complex. There will be contamination issues and whatnot there. It is dictated by acquiring authorities acquisition programs. so whatever they acquire we have to deal with that. But I think it will increase, yes.

The CHAIR: Page 14 of the annual report provides an outline for governance structure for valuation systems. Have there been any significant changes in the membership or the structure of the five governance branches since the last general meeting?

Mr GILKES: No. Basically the governance structure, as it shows there, is pretty much as it operates today. Obviously we are always looking at this and looking for opportunities to make it work better and that sort of thing. But in the broad, yes, that is still there.

The CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing. The replies to those questions will form part of your evidence and be made public. Are you happy to provide a written reply to any further questions within 14 days of receipt?

Mr GILKES: Certainly, yes.

The CHAIR: On behalf of the Committee I thank you for your time and the good work that your department does for the good people of New South Wales. You do an outstanding job. I wish you success in the future.

Mr GILKES: Thank you for your kind words. It is greatly appreciated.

(The witnesses withdrew)

(The Committee adjourned at 11:45)