

REPORT ON PROCEEDINGS BEFORE

JOINT STANDING COMMITTEE ON THE OFFICE OF THE

VALUER GENERAL

ELEVENTH GENERAL MEETING WITH THE VALUER GENERAL

At Macquarie Room, Parliament House, Sydney, on Monday 16 October 2017

The Committee met at 9:30

PRESENT

Mr G. Provest (Chair)
Mr K. Humphries (Deputy Chair)
Mr S. Kamper
The Hon. G. Pearce
The Hon. E. Wong

SIMON GILKES, Valuer General, Office of the Valuer General, affirmed and examined

MICHAEL JAMES PARKER, Deputy Valuer General, Office of the Valuer General, affirmed and examined

ANNA WELANYK, Executive Director, Valuation Services, Property NSW, sworn and examined

GEOFFREY PETER THOMPSON, Director Compensation Program, Valuation Services, Property NSW, sworn and examined

The CHAIR: Thank you for attending this 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 of 2015-16 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 being done by the Valuer General to ensure that the New South Wales valuation system provides consistent outcomes in a transparent, efficient and equitable manner for all stakeholders, including landholders.

I now declare the hearing open and welcome the New South Wales Valuer General, Mr Simon Gilkes, the Deputy Valuer General, Mr Michael Parker, and Ms Welanyk and Mr Thompson from Valuation Services, Property NSW. 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 process. There being no questions, would you like to give a short opening statement before the commencement of questions?

Mr GILKES: Yes, I would. Thank you for the opportunity to make an opening statement to the Committee on the New South Wales valuation system. I would like to share my objectives for the valuation system, provide an update on progress in implementing the Committee's recommendations and highlight some of the key achievements during the 2015-16 reporting period and in the year since. As Valuer General, I am responsible for setting the standards and policies for the valuation system, together with overseeing the operation of the valuation system, which is currently undertaken by the Valuation Services group in Property NSW, part of the Department of Finance, Services and Innovation.

During the 2015-16 financial year, the valuation system was operated by Valuation Services within Land and Property Information [LPI]. With the separation of LPI, the Valuation Services group was transferred to Property NSW where it continues to deliver the services previously provided by LPI. Today I am accompanied by Ms Anna Welanyk, the Executive Director of Valuation Services—and I should point out that Anna took on that role with the transfer of Valuation Services to Property NSW; Mr Geoffrey Thompson, the Director Compensation Program within Valuation Services; and Mr Michael Parker, the Deputy Valuer General from my office.

In my opening address to the public hearing for the Committee's Tenth General Meeting I outlined my commitment to delivering a world-class valuation system that inspires public confidence and trust by building a system that is open and fair and has the highest professional standards. These objectives continue to direct our actions. Building and maintaining confidence in the valuation system requires land values to be accurate and consistent, the system to be transparent with clear information about valuations and how they are made, and processes to be fair, open and involve landholders. We actively engage with our customers and stakeholders and have implemented a program of customer surveys to measure our service and identify areas for improvement.

Similarly, our implementation of the Committee's recommendations continues to strengthen the valuation system. I am pleased to advise the Committee that the final recommendation under my responsibility from the report of the inquiry into the land valuation system will be completed with the tabling of my annual report for 2016-17. Its publication as a standalone report reinforces the independence of the valuation system and increases transparency and accountability. The majority of the recommendations on the report of the Tenth General Meeting have also been completed; new policies have been published or are undergoing consultation with stakeholders; improved information is available for rural landholders; and information about translation and interpreter services has been expanded. We also continue to build our customer feedback channels and to work with Multicultural NSW in improving our public communications.

During the 2015-16 reporting year and in the year since, we have implemented a number of improvement initiatives across the valuation system. The pilot program of new objection processes which commenced in 2014 was expanded in 2015-16. Customer experiences with key elements of the program, the introduction of preliminary objection reports prior to finalising the objections, and the use of short format reports for less complex property types were measured to inform our actions. Customer feedback demonstrated it was important to receive a preliminary objection report and have the opportunity to ask questions about it, and

the short form report did not reduce customer satisfaction. While successful, the pilot program highlighted the challenge of providing greater landholder engagement opportunities as part of a timely service.

During 2016-17, the objection process has been redesigned to provide preliminary objection reports to owners in a timely manner. Landholders also have the opportunity to provide feedback and discuss issues before the objection is finalised. This reform addresses recommendation 11 of the Committee's inquiry into the land valuation system. The parallel introduction of short format reports for less complex land classes has also improved timeliness and cost-effectiveness. Improved access to information about the valuation process and valuation data continues to help landholders to understand their land values. Additional policies describe the valuation process, interactive land value summaries and contract valuer reports provide more information about the valuations in local areas, and land values and property sales are freely available on the Valuer General's website.

As Valuer General, I am also responsible for ensuring landowners are fairly compensated when their land is compulsorily acquired. The Committee's report on the Inquiry into the Land Valuation System in 2013 made recommendations concerning the compulsory acquisition of land. Since then there have been two independent reports to government on the land acquisition framework and the Land Acquisition (Just Terms Compensation) Act 1991. As a result of these reports significant across government reforms to land acquisition processes have been made. Substantial efforts have been made to improve the determination of compensation process since the Committee's inquiry and all recommendations and reforms within the range of my responsibility have been implemented. These reforms have focused on improving fairness and transparency by better explaining the Valuer General's role and processes as well as through the open exchange of information, the provision of preliminary valuation reports and offering multiple opportunities for consultation during the process.

Engagement with landholders has been strengthened by providing more opportunities to ask questions, raise concerns and make submissions in both the land value objection and determination of compensation processes. The introduction of conferences, as recommended by the Committee, has improved fairness and access to information by providing a forum to ask questions and resolve issues before decisions are finalised. Conferences range from simple one-on-one telephone discussions between landholders and valuers to clarify information and issues to more formal, independently facilitated dispute resolution conferences. Conferences are structured to meet the circumstances of each case and landholder feedback is sought to ensure the conference process meets their needs.

A number of system enhancements have also been implemented over the past two years to improve public access to information, better leverage the intelligence within our data and streamline our processes. While I am pleased with the significant progress it has made across my area's responsibility since my appointment as Valuer General in October 2015, there is still work to be done. We will continue to engage with the community and our stakeholders to better understand their needs and to look for ways to improve our services. At the same time, our ongoing investments in information technology and the capabilities of our staff will enable us to meet the challenges and build on the opportunities of the future to maintain a world-class valuation system.

The CHAIR: Thank you. Does anyone from your team wish to make an opening statement?

Ms WELANYK: No, thank you.

The CHAIR: Page 19 of your presentation states that 75 councils met with Valuation Services staff and contractors to be briefed on the 2016 land valuations. What measures did the Valuer General take to follow up councils that did not accept invitations for the briefing and are there opportunities to conduct targeted public education activities about land value partnerships with local government?

Mr GILKES: I just want to clarify which document you are referring to there. Was that from the informal hearing?

The CHAIR: Yes. Local government is a key stakeholder and 75 councils met with you. There are 140-odd or 150-odd councils yet there was an attendance rate of only 50 per cent. Are you following that up?

Mr GILKES: This is part of a longstanding process we have had that when we issue new valuations to councils, we offer them the opportunity to meet with the council in a public meeting, or however the council would like to do it, to explain those valuations and what the impacts of them may be. The take-up rate at around 50 per cent, as that was, has been reasonably consistent over some period of time. Typically we see that regional councils are much more likely to take up these opportunities. The metropolitan councils consider that they have possibly greater capacity within the council to undertake that analysis themselves so they are less inclined to take those opportunities.

As to the way the process worked, councils are written to and invited to one of these sessions. If they choose not to, that is the council's prerogative but we do leave that door open and there have been at least a couple of cases this year where subsequent to the first round of meetings there have been meetings held with particular councils over sometimes specific issues a little bit down the track. As to whether we follow up with reminders or that kind of thing, sorry, I am not across exactly what the process is there.

Ms WELANYK: We make more than one attempt to contact councils to ensure they understand that these meetings are going to take place. Previously we had arranged to meet with councils in their locations one on one. What we are trying to do now is actually push a number of those together and have a consolidated meeting so the people have an opportunity—

Mr STEPHEN KAMPER: They have been pushed together anyway with the mergers?

Ms WELANYK: That is true.

Mr KEVIN HUMPHRIES: Do the private contractors meet with you and the councils as well—and I suspect the joint organisations will get a run—and part of the reason for doing that is so people can meet strategically with senior bureaucrats like yourselves. I think that is going to happen. Contracts have been given out across the State. Are they meeting with councils or are you filtering that?

Mr GILKES: Those information sessions, the contract valuers attend with the local manager from Valuation Services who has responsibility for that area so that they are getting very much the local story about what actually happened in the valuation process and can get that detail about where things have changed or where they have not changed, that kind of thing.

Mr KEVIN HUMPHRIES: Given that I suspect rate pegging is going to get a bit of a run in the next couple of years, will you be meeting with councils about their applications to the Independent Pricing and Regulatory Tribunal [IPART] and giving them some background advice on that?

Mr GILKES: No, we do not generally get involved in those issues. My role is designed to be independent from the actual rating process, naturally enough. Of course, if councils were to ask us for information about the valuations and how they are structured or how they sit across their local government area, we would be very happy to provide that information and talk to them about that but as to advising them how they might make a submission to IPART, I do not really believe that is part of my role.

Mr KEVIN HUMPHRIES: But they can refer to you though?

Mr GILKES: Absolutely. There are these invitations to these one-off sessions but there is a very close relationship between Valuation Services and all of the councils and they have an ongoing dialogue on a day-to-day basis about what is changing in local government areas and those kinds of issues. We welcome inquiries from local councils at any time and indeed throughout the course of the year we will receive many inquiries from councils about particular issues or whatever and, as I said, we do whatever we can to resolve those issues.

The CHAIR: Your customer service page on the website directs landholders to the Ombudsman if they are not satisfied with the final outcome of their complaint. Do you monitor and record the complaints that go to the Ombudsman? What type of matters have been reviewed by the Ombudsman?

Mr GILKES: I would like to take that on notice to provide more information. The first thing I would say is that the amount of complaints we receive via the Ombudsman is very low. Typically they are about customer service matters, but the numbers are very low. Where they occur we address those complaints either back through the Ombudsman or directly to the landholder, depending on what the Ombudsman requests us to do. The incidence of them is low.

The Hon. GREG PEARCE: The Land and Property Information transaction was very significant for the government. It was partially driven by the asset recycling program, but as the then Minister who initiated the original scoping study for LPI I can assure you it was driven principally by service delivery and the need for investment in information technology and management, particularly of IT. How has the transaction gone from your point of view and whether there are any changes that occurred, what the outlook is?

Mr GILKES: To a significant extent the separation process was of the valuation system from LPI. For the benefit of Committee members who may not be aware, Land and Property Information comprised three core divisions: the land titles office, valuation services and spatial services. It was only the land titles office that was put to the market. When the Government announced that would occur there was a separation program started and that occurred during the 2015-16 financial year.

Mr KEVIN HUMPHRIES: Just after you started.

Mr GILKES: Yes. The separation occurred from 1 July 2016. Land and Property Information was broken into four separate pieces and there was the Office of the Valuer General which already sat separate from LPI. Valuation services was lifted from Land and Property Information and moved to Property NSW. To a large extent the impact on the valuation system was not really much, to be honest. It was a case of carrying on the business that had been transacted while it was within LPI from within another larger organisation. Ms Welanyk joined Valuation Services as the executive director as part of that separation process. Ms Welanyk took control of valuation services from 1 July. There have been over the course of the year since, a number of administrative changes within Valuation Services about taking on various corporate processes as they exist within Property NSW as opposed to the ones previously used in LPI. In a practical sense with regards to the making of valuations and the quality of those valuations and the like, it has been business as usual throughout that period.

The Hon. GREG PEARCE: To the extent that valuation was part of LPI, the scare campaign that was run at the end has no validity?

Mr GILKES: I think that the statistics that we have from the valuation round since demonstrate that the valuation process continued as it was previously. Yes, there has been some work in shuffling systems around and some changes to corporate processes, as I said. In the practical business of running a valuation business, no, there has not been a change.

The Hon. ERNEST WONG: I have a follow on question: In your presentation to the Committee on 4 August, on page 30, you say, "The final stages of separation are expected to be complete in September 2017". Can you elaborate on how this stage has been progressed, has that been completed?

Mr GILKES: The final stage of separation referred to there—essentially the separation was complete, apart from one system, by the end of June this year. The finance system, which was running in a SAP system that was managed by the Land and Property Information information technology group, was not able to be transitioned in that stage. That is the piece that this is referring to. I will ask Ms Welanyk to expand further.

Ms WELANYK: There has been much more clarity since the separation has taken place around the costs of running the business. Having been pulled apart from LPI it is operating as a separate business unit within Property NSW. We are transitioning to a new version of SAP to run the accounts. That will be completed by the end of this year. The reason it has not happened until now is that it is part of a larger program across Property NSW. The whole of Property NSW is shifting across to the SAP connect system by the end of this year.

The Hon. ERNEST WONG: Has this changed the role, responsibility or accountability of the Valuer General in any way?

Mr GILKES: No.

The Hon. ERNEST WONG: You have said it is integrated into it, it is a separate unit to look at the cause rather than the whole operation, is that the case?

Mr GILKES: In terms of my role as Valuer General that is absolutely unchanged in that the Valuer General's role was always separate and the Office of the Valuer General was always separate to LPI as well. That situation has stayed exactly the same. It is the operational business of valuation services who runs the valuation system on my behalf under the terms of the service level agreement, that is the piece that has been moved to Property NSW. That service level agreement has been carried across with the business. In terms of the requirements of what valuation services has to deliver on my behalf, that is unchanged. Naturally enough there is an ongoing process of reviewing that agreement over time and making changes where that needs to occur. That is not about the separation of valuation services from LPI, that is part of the normal business of running the valuation system.

The Hon. ERNEST WONG: The Land and Property Information is going to be operated by a private entity, as the Valuer General do you have any role in monitoring the integrity of the LPI?

Mr GILKES: No.

The Hon. ERNEST WONG: None whatsoever?

Mr GILKES: None whatsoever.

The Hon. ERNEST WONG: Is there any system in place to monitor the integrity of the LPI?

Mr GILKES: The Office of the Registrar General is there for that purpose. The piece of LPI that was put to the market was the Land Titles Office. As the Valuer General I never had oversight of that when it was in LPI or since. That part of the business of LPI was providing services for the Registrar General. The change that

has occurred there is that the office of the Registrar General, whereas the Registrar General sat within LPI, has been separated from the operations to act in a purely regulatory role.

Mr STEPHEN KAMPER: At the 4 August presentation you indicated the policy on airport land was being developed. When will that be completed and published? Are there any outstanding complex land valuations awaiting the development of policy on valuation of airport land?

Mr GILKES: We have included airport lands on this year's program. Each year we have a program called "The complex land value improvement program" where we select certain classes of property that we identify where there are potential issues that we need to satisfy ourselves about the valuations. This year we put the airport lands on that program. Part of that program is the development of new policies as we work through the process. That happens within the financial year. We have not set the timing for the publication of that policy yet, but it will be during the course of this financial year.

Mr STEPHEN KAMPER: Do you currently have any outstanding complex land valuations?

Mr GILKES: For some time all of the airport lands have been valued each year. Technically, where the lands are on Commonwealth land I do not have jurisdiction over that area. The requirement on airport operators is to pay rate and tax equivalents but that comes under the terms of their agreement with the Commonwealth. While there have been land values on the register for many years, which are being used for that purpose, in a technical sense I do not have jurisdiction over that and it requires an agreement between the councils and the airport operators about how that operates. It is not covered by the State's rating and taxing legislation nor by the Valuation of Land Act. However, in the case of the Sydney Airport, I have written to the airport and the councils offering to continue to maintain those valuations that they can use as a base for levying those rate equivalents and proposing a mechanism for dispute resolution in those cases.

Mr STEPHEN KAMPER: Historically, what has happened with airport land? In my experience, the value of airport lands have been below par. What process are you undertaking to get those values to a more realistic level? I have noticed in my electorate that the land values that the rate equivalent payments are based on are well below commercial rates in surrounding suburbs.

Mr GILKES: I think we discussed this at the last formal hearing of the committee. I recognise that in the case of Sydney Airport, the rate per square metre on those valuations is generally lower than the rate per square metre on valuations outside the airport area. A significant part of the explanation for that is the use to which the land can be put. Over the past few years, there has been substantial growth in the values outside the airport because those lands are actually zoned for mixed use, which enables not only the development of commercial use, but residential over the top of it. The way that the Sydney real estate market has been working over the past few years, it is the residential part of those valuations that has driven the increase in those values rather than the commercial values. That does not apply to the airport lands where the uses are more constrained, like in the terminal sites, to just the commercial use. They do not have the residential capacity over the top, which has driven most of the increase in the other values.

The CHAIR: Does that apply to other government land such as Garden Island?

Mr GILKES: Yes, it is a constitutional thing that Commonwealth land is not subject to State law. Sorry, I do not want to speak like a lawyer because I am not one and my understanding is imperfect, I am sure. In my layman's explanation, Commonwealth land is not subject to State law so it does not fall within the requirements of the Valuation of Land Act.

The CHAIR: At the Tenth General Meeting with the Valuer-General it was suggested there could be more local services that could be provided in conjunction with Service NSW. Has there been any constructive consultation with Service NSW to explore possibilities in the interim and, if so, what has been the result?

Ms WELANYK: Since I joined in July 2016, we have actively been in conversation with Service NSW. We are of the opinion that there are a number of services it could potentially assist us with. Where it helps landholders is to think about some of the new Service NSW hubs that have been created in regional and metro central business district locations to see whether we can utilise some of those locations to provide services where, for instance, a valuer could go along, Service NSW can arrange to make a series of appointments on a given day. Valuers can attend in person and people can walk in, much as they would to renew a drivers licence, and have access to somebody who is there in person. We have a call centre where people can dial in at the moment and we are also discussing possibilities to utilise the services from Service NSW to augment or potentially incorporate our call centre into the facility.

The CHAIR: When do you think you will reach a conclusion on that?

Ms WELANYK: We are making reasonable progress. We have had an extremely busy year this year, as I am sure you will appreciate, with some of the activity relating to other government directives. We anticipate making significant progress by the end of the first quarter of next year. There are a series of meetings that have been arranged. I met with the acting chief executive officer of Service NSW last week to discuss with him how we could move those conversations forward.

The Hon. ERNEST WONG: I want to refer to the presentation in August on page 5, which recommends a new customer feedback service for landholders who lodge objections. This is to capture the rural landholders' property type. Does your call centre similarly capture information about the type of property and its location which is the subject of the inquiry? Also, do you regularly undertake reviews to identify the improvement in the collections and analysis of customer service data and have any of these satisfaction surveys been conducted recently to gauge the public confidence in the quality of the valuation?

Mr GILKES: I might have to come back to you so you can remind me of a couple of those questions. I will start with the question of rural landholders and how we deal with them. When people contact our call centre, in most cases they will provide us with the details of their property because they usually have reasonably specific questions. If someone wants to contact the call centre anonymously and obtain general information, that is fine, but whenever someone provides us with the details of their property, we know where it is, what kind of property it is, and those kinds of things. Those conversations are recorded in our database against the particular property, so we build up a history of discussions about individual properties. From that, we can also identify where the bulk of those inquiries are occurring and those kinds of things by querying the database. It has been a long-running process that people have been able to contact us like that.

Over the past year, we have been concentrating on developing some more specific customer satisfaction surveys for people who deal with this in a range of ways, from those who contact us through the call centre to—following the issue of a valuation, there is a continuum of interactions we may have with landholders. There are those who just make inquiries to the call centre and around 90 per cent of those actually are resolved at the first contact. There is a survey opportunity there. There is also, as they go further through the process, they may meet with us and have a conference about particular issues they are concerned about with their valuation. Once again, people who attend a conference are provided with a survey to get their opinion of how that process has gone and likewise there are surveys about those who have been through the objection process. With the work we have been doing over the course of this calendar year so far has been in establishing those processes and getting the data capture processes in place and the next phase, now that we are starting to build up a reasonable volume of data, is to then undertake the analysis around what that is actually telling us.

A couple of other relevant things, particularly in the context of rural and regional landholders is, as we talked about earlier, there are those sessions we hold with councils and in some cases that includes public meetings and the like and they generally involve rural or regional councils rather than metropolitan. So there is contact with rural and regional landholders there. From last year we commenced publishing the interactive valuation summaries on the web site which are for each local government area and a series of regions around the State which describe how the valuations were made and the evidence and typical valuations within various classes of land in all those areas and, naturally enough, rural is one of those classes. On websites there is an overview of how the rural valuations in the area will be made.

The Hon. ERNEST WONG: You said earlier that you are in the stage of collecting data. The next phase will be to analyse and also review that data, is that right?

Mr GILKES: Yes, that is right, to that greater level of detail. For example, if I can refer to my notes for the moment, during the course of this year there have been more than 1,000 customers who have engaged in surveys around phone calls. The initial analysis we would have from that is that in 81 per cent of cases they agreed that that was done in a timely way in terms of their call being answered and almost 90 per cent agreed that the customer service officer was helpful and respectful, which is the kinds of things we would be looking for. They spoke to someone who was knowledgeable and was able to assist them with their inquiry. One of the measures that is used in these kinds of surveys is what is called a net promoter measure, which is, basically those people who would refer your service to one of their friends as a good service, I guess. Fifty per cent of participants actually fell within that net promoter band which is quite a strong result for a call centre.

The CHAIR: Mr Deputy Valuer General, will you outline your role and responsibilities? Does your position have a statutory or administration basis?

Mr PARKER: Basically I am Mr Gilkes' senior technical adviser. My responsibilities are to support the role of the Valuer General and his statutory functions. I have no statutory role in itself. I am generally the primary delegate of his authority. I have authority to amend valuations and to provide direction in technical situations, and things like that. Generally my role is about supporting the Office of the Valuer General in dealing

with ministerial inquiries, public inquiries, media inquiries and supporting our staff behind us in their roles in dealing with the public. I also have a governance role in that we monitor Property New South Wales' performance in different areas as part of the governance structure. I am heavily involved in looking at the work they do and the outcomes they achieve and providing feedback to Anna Welanyk and her team on various things.

I also provide, when the opportunity arises, an independent audit role where I will step in and actually identify a specific area of concern. There may have been an issue with land values in a particular location, and I will provide my own analysis on the quality of the land values and the quality of the supporting evidence that has been used in that situation. That is in the broad text, basically, of what I do. It is administration role; it is not statutory.

The CHAIR: When you monitor those complaints or issues, what is the most common one?

Mr PARKER: I think the quality of the valuations is generally good but errors do occur from time to time. We will sometimes get complaints from a council that there seems to be a problem with the values.

The CHAIR: Is it because they are too low?

Mr PARKER: It can be either direction. Often landholders will go to a council with a concern, perhaps sometimes rather than come to us. Once it is in the domain of council they may write to us and say "It appears you have left off the heritage allowances in this particular area" or "we have seen a large increase in the irrigation land values in this particular area". I may undertake a review of that situation and identify whether there is an actual problem, why the situation occurred, whether there are any improvements we can do. Obviously trying to channel that into the policies and direction that our officer supplies to make sure that that kind of error does not occur again. My primary objective is to ensure that these sort of situations do not continue to arise.

The CHAIR: Can you change the valuation under authority?

Mr PARKER: Yes, the Valuer General obviously has the ultimate delegation but he can delegate the authority to various staff. There is a delegation in the service level agreement to myself and Anna Welanyk's supporting staff.

Mr KEVIN HUMPHRIES: I congratulate you on separating water from land. That caused potential difficulties in a lot of my area and the rural sector and it could have been quite messy for a lot of people, including councils. You did a very good job on working your way through that.

Mr GILKES: Thank you. I was not the Valuer General at the time but I was involved in a former role.

Mr KEVIN HUMPHRIES: I believe you would have picked up on the end of it?

Mr GILKES: Yes.

The Hon. GREG PEARCE: I refer to compulsory acquisitions. I know prior your time Mr Gilkes when we came into government in 2011 there was a high degree of dissatisfaction, distrust and misunderstanding about the role of the Valuer General in compulsory acquisitions. This Government has undertaken a massive infrastructure program which inevitably means that there is quite a bit of compulsory acquisition going on. In the media there appears to be considerable disputation. What are the types of things that the Office of Valuer General has now done to improve that process and make sure that it is a valid process?

Mr GILKES: Yes. I might answer this question in two stages, if I could. I will speak at a higher level but I will pass to Geoff Thompson who is the manager of the compensation program who will be able to give you the best of the fine detail. Over the past few years we have concentrated very hard on the area of compulsory acquisition. We absolutely recognise that it is a very difficult circumstance for the landholders involved. In my view it is not so much a evaluation issue as it is a customer service and dispute resolution process. My role as Valuer General in the acquisition process is fairly confined. I have no role in the vast majority of acquisitions because they are negotiated by the acquiring authority and settled by agreement—I think the figures are in excess of 85 per cent resolved on that basis. Those that actually come to me in my statutory role are where agreement has not been able to be reached so it goes through a compulsory process. Even at the start of that process it is a difficult circumstance because there is a disagreement by that stage.

What we have done is to focus very hard on making the process work as well as it possibly can for those landholders; absolutely being very conscious of our independent role. We do not in those matters act for the acquiring authority. My role is a statutory independent role to determine compensation. The way we do that is that we engage early with the landholders, explain the process that we are going to go through with them, and offer them the opportunity to contact us and discuss issues with us at any time. We make sure that all the information on which we base the determination of compensation is provided to landholders before that is

finalised. As part of that we also provide them with a preliminary copy of the valuation report before the determination of compensation is finalised. Importantly, we then provide time after that so that they can read and understand that valuation and come back to us with any issues they might like to raise.

The objective is very much one of a pursuit of no surprises and to try and resolve whatever issues can be resolved prior to the determination of compensation being issued. At this point I will hand over to Mr Thompson to talk the Committee through the detail of how that works on a day-to-day basis.

Mr THOMPSON: Mr Gilkes has pretty well covered the high end of the operation side. Quite simply, the new government reforms of the past 12 months were kicked off highlighting that there were some people who were dissatisfied with their treatment under the compulsory acquisition processes. We do the work under delegation from Mr Gilkes. Mr Gilkes has made it clear through not only the compulsory acquisition side of this business but also the rating and taxing side of it that there is a very strong focus on the customer. That is very much the case in the compulsory acquisition space. We talk to the owners very early in the process. They have come through a process of negotiation with the acquiring authorities by the time they have come to us, so that may be a good or bad experience. Our efforts are very much geared to capturing their issues and concerns and making sure that we address those.

As Mr Gilkes has said, that is often a case of no surprises. The sorts of things that we find ourselves in dispute over, to use that term, are things like town planning. We are doing a lot of work in the city at the moment where there have been a lot of rezonings and a lot of properties have a use higher than the current use on them, so we spend a lot of time with town planners. The owner will have a town planner who will say a certain thing and the acquiring authority will have a town planner saying something. We will often get independent advice to try and ensure that we are not favouring one or the other. The emphasis is very much on ensuring that the owners issues are addressed before we issue a final determination.

It has been a great change. We have captured issues and concerns in the past—or thought we might have, if I can put it that way. The issuing of a preliminary report, which we do now under some of the reform changes, certainly does give an owner a very clear picture of what is about to be issued to them as a final determination. It gives them a last chance to say, "We do not agree with your town planning or the sales you have used." That has proved to be very beneficial as part of the reforms. Document exchange is very strong in our processes. If an acquiring authority has an evaluation report, a town planning report and they give it to the Valuer General and an owner gives us some information, we will exchange all of the information with both parties so by the time we get the preliminary report stage everyone has been exposed to the documents that the Valuer General will consider in making a determination. In running that side of the business I am quite happy that over time we have essentially adopted where the Government landed in the reform process.

We have always had a very strong focus on ensuring that owners are fairly treated in this process. Benefit of the doubt is a philosophy that runs through the work we do. If there is a market value range on a particular property we will always go to the top end of that market range. In all our considerations of the various heads of compensation that an owner may be entitled to, erring is always on the side of dispossessed owner. That runs through all of our processes.

The Hon. GREG PEARCE: That is a significant improvement.

Mr GILKES: Thank you.

The Hon. ERNEST WONG: Mr Gilkes, my question relates to the press release of September outlining some of these new policies. One of those is a policy as to conflict of interest. Can you elaborate how that policy defines "conflict of interest" or any of the examples that have been given? Can you also outline the mechanism to protect the conflict of interest issue between the Valuer General and the other office?

Mr GILKES: The particular policy you are referring to is one designed to deal with a quite specific set of circumstances. With Valuation Services being transferred to Property NSW, other divisions of Property NSW are landholding agencies and it is conceivable that there will be cases where there may be a valuation issue that affects the property of Property NSW. The policy is to deal with how those matters should be resolved. In essence, my office takes a much more hands-on role in those matters through the Deputy Valuer General. The normal delegations are essentially withdrawn, if you like, from Valuation Services in those cases whilst they may organise the contract valuers we would use and so forth. The final sign-off in those matters, rather than resting with Valuation Services, comes to Mr Parker as the Deputy Valuer General. There is a clear separation between the divisions of Property NSW that could be involved. Ms Welanyk has just reminded me, that is actually written in the service level agreement [SLA] as well to clearly define that.

Mr STEPHEN KAMPER: In relation to information sharing in compulsory acquisition cases, I quote from page 14 of the presentation:

The Valuer General is now issuing the final valuation report and determination for compensating landowners at the same time as the acquiring agency.

In what way has this improved the determination of compensations process to what was happening before?

Mr THOMPSON: That in itself probably has not helped the determination of compensation process as much as the introduction of a preliminary report. In the fore situation, we were doing a determination, we were issuing it to the acquiring authority and it was up to the acquiring authority to issue it to a landholder. So there was a period of time in which the landholder did not know what our decision was but the acquiring authority did. There was scope for an acquiring authority to come back to the Valuer General and say, "These things do not add up." Let us say that we issued a report—which we never do, for the record—that did not add up properly, they could come back to us and question that. The owner was not on a level playing field with the acquiring authority in the issuing of the final report; in the issuing of the final report to both parties they both at the same time are aware of the decision.

As I say, the benefit of that has been voided a little bit by the fact that an owner is aware of what we are thinking potentially 15 days before we issue a final report because we have issued them with a preliminary report. We also issue that preliminary report to the acquiring authority as well. So both parties are exposed in advance of finalisation to the thinking of the Valuer General.

Mr STEPHEN KAMPER: So the owner does not feel as vulnerable.

Mr THOMPSON: Exactly. And to the other part of your question, there were cases where we were being contacted by owners after we had issued a determination to an acquiring authority, saying, "We haven't seen anything". We would follow that up with a council or an energy agency to ensure that that report went. If it did not we would supply it directly to an owner irrespective of the requirement for the acquiring authority to.

(Short adjournment)

The CHAIR: All of you have mentioned the acquiring agencies. Are they up to speed with the system as a whole or are there any particular issues? I know various agencies would probably acquire more than other agencies. It seems to me you people are doing a lot of good work in customer relations and so on, but at the end of the day often the Government is judged by the initial approach from the acquiring agencies. Would you like to comment on that?

Mr GILKES: I would. I think the vast bulk of acquisitions in New South Wales, particularly at the moment, happen through the transport sector, naturally enough—there is a whole range of infrastructure developments going on, as we all know. Overall, I would say that they are doing a good job. I think the key measure there is that 85 per cent of acquisitions, or a bit more, are actually settled by agreement. If you think about the context in which that happens, this is a very difficult negotiation for anyone to have. I think to be able to get to that level of agreement is a significant effort. That they do not manage to negotiate agreements in all cases I would say is completely unsurprising.

So yes, naturally enough, when we become involved some of the people we deal with are unhappy at that stage. I think this is one of the most difficult things that governments can do. People hold their property rights very dearly and to compulsorily acquire those as a government is a very serious matter. So I think, overall, that acquiring authorities achieve the levels of agreement they do is a good indicator.

The CHAIR: Is it always about money?

Mr GILKES: No, often it is about all sort of other things other than money when it comes down to it. It may be reflected in a discussion about money, but very often when you talk to landholders whose property is being acquired, it is more about that very real sense of their property rights that is the issue they are most concerned about.

Mr STEPHEN KAMPER: Of the 15 per cent you say are problematic, would you say that a lot of them are business owners, business operators—landowners that run businesses from the land, and that is where it can get a lot more complicated?

Mr GILKES: Mr Thompson is probably in a better position to talk to you about the real balance there. It varies from time to time depending on the particular projects that are in flight at the time. For example, with WestConnex, much of that was about residential lands, whereas, for example, currently with the Sydney Metro it is going through the city of Sydney so, naturally enough, they are commercial. Do you want to add anything to that, Geoff?

Mr THOMPSON: No, that is probably right. The Pacific Highway upgrades of past years has seen a lot of work coming our way that was rural. Through Coffs Harbour it was blueberry farms and the like. So it is a matter of where the works are. I think that 85 per cent is not really dependent upon business versus residential versus rural; it typically comes through all of them. I was quite surprised this year the amount of businesses that were acquired out the door here for the Sydney Metro area. I had expectations that we would have a lot of business determinations forming our 15 per cent this year, but there were a lot of successful negotiations with barristers and all sorts of people out here. So it is probably similar across the board, whether it is rural, residential or business.

Mr STEPHEN KAMPER: Barristers have got no good will to sell, with all due respect to the legal profession.

The Hon. ERNEST WONG: The presentation that is on page 3 in August where there is mention of reviews into valuation methodologies on mines, quarries and cemeteries, I just wanted to know how these are progressing and is there any intention of these reports being published? Can you give just a bit of an update in regards to where those reports are and some of those new policies and fact sheets, which ones have been updated and how many of them will be updated?

Mr GILKES: I will start from the bottom and work up. Cemeteries and crematoria, we worked through a process with—sorry, the name of the organisations escapes me at the moment.

Mr PARKER: Cemeteries and Crematoria NSW.

Mr GILKES: During the course of the past year, the policy around that has been drafted, has been through consultation, sent not just internally but to stakeholders, and that is to be published in the very near future—it is essentially finalised, it just needs to have the last couple of pieces cleaned up on it. Quarries—once again, the same process was the valuations of quarries across the State were looked at and worked through with key stakeholders in that area and the policy has been drafted on that as well, ready to issue. Mines is broader in that the first stage of that was looking at metalliferous mines, and all of that was resolved during the course of

the last financial year. We are currently working through looking at the coalmines and that will be ongoing over the next few months.

The Hon. ERNEST WONG: Do you have a time frame or a time line where those reports will be published or presented to the Committee, something like a schedule?

Mr GILKES: Not at the moment. A lot of the time frame is really driven by the stakeholder consultation and that basically goes for as long as it needs to go for, is the key point. Once we get to the end of that, then we publish the new policy at that point.

Mr KEVIN HUMPHRIES: Returning to mines, how do you make provision for the fluctuation in metal prices and coal prices? They can be extremely valuable over a 10-year period, then bust for 10 years, which causes a bit of chaos, as you probably know. How do you, as Valuer General, make provision for the jump in prices and what they can generate?

Mr GILKES: The question of the best way to value mines was considered by the Supreme Court in the matter of *Perilya Broken Hill Limited v Valuer-General*, which was a very long running. In the end the Supreme Court arrived at a methodology or process essentially that looked at the royalty income stream that was derived from the mine over basically a weighted three-year average, would be a reasonable way to describe it, where the current year is given twice the weight of the other years, so essentially three years worth of royalty figures but you count four numbers, being the current year twice to recognise what changes are occurring. Then the valuation approach from that is to consider how likely that royalty income stream is to continue into the future and essentially the valuation is based around the capitalisation of that income stream. These are commonly recognised valuation approaches and the use of the weighting of those returns helps to recognise the way that the market is heading at the current point in time.

Mr KEVIN HUMPHRIES: Did the mining-related councils have much input into that outcome? I know it went to the Supreme Court.

Mr GILKES: No, not really. Once it goes into the court the matter basically goes through the court process and the court makes a determination.

Mr KEVIN HUMPHRIES: Do you think some of the councils affected understand that methodology?

Mr GILKES: I am not entirely sure to what extent they do or do not. Certainly with Broken Hill council, where the mine was, there was regular contact with Broken Hill council as the process went through, but I think it is fair to say these are amongst the most complex valuations we have on the register—

Mr KEVIN HUMPHRIES: That was a complex case?

Mr GILKES: and it is not a simple thing to explain is what it comes down to.

Mr KEVIN HUMPHRIES: But there is general acceptance that that is the methodology that is being applied now?

Mr GILKES: In the case of metalliferous mines valuations have been sitting there on the register for some time and there has not been any blow back, if you like, on that.

The CHAIR: Your presentation on page 12 states that the Valuer General will publish a standalone annual report in 2017. What information will this report contain as opposed to the information in the Department of Finance, Services and Innovation [DFSI] annual report? What will be the format of the new report and how will it be promoted?

Mr GILKES: I will start at the end and work backwards. The report will be tabled in Parliament. It will take the form of basically an annual report, as other agencies produce annual reports. However, we do have some additional detail in a number of areas. Firstly, the finances will be reported. I should make clear that the Valuer General is not a reporting entity under the Annual Reports Act so it is not a statutory annual report as such. The finances will be reported along the activity-based costing line that has been in the DFSI report for some years, so that is essentially rolling up all of the costs of the valuation system and reporting those by activity stream, if you like. There is also a comparison, following discussions with this Committee, of those finances from the current year compared to the previous year.

There is a table of performance measures which we have been publishing for quite some years and that is carried on. The main difference is that there is much narrative around what has occurred in the valuation system over the course of that year. The report previously was around 10 or 15 pages. This report will go into greater detail and I think extends to 40-odd pages or a bit more. There is simply more information.

The CHAIR: Will it contain legislative changes or amendments?

Mr GILKES: Yes, there is reference to where there have been those sort of changes. There is also more detail around contractor and consultant costs and, as I said generally, there is more space for us to report what has happened in the way of the valuation program itself.

The CHAIR: On page 12 you say that statutory reporting will continue to be contained in the Department of Finance, Services and Innovation annual report. Will the two reports cross reference so the public is able to access all the relevant information?

Mr GILKES: Yes, in my annual report there are specific references to the Department of Finance, Services and Innovation report to do with finances. The content in the DFSI report will be less than it has been in previous years because we have been including some of that narrative in that report. That is taken out. What we have tried to do, to the greatest extent possible, is to avoid duplication and to point to where you need to look in the other one.

The CHAIR: The 2015-16 Valuation Systems finance report highlights in its footnotes a number of variations in the data between 2015 and 2016, would the Valuer General like to bring any particular matters to the Committee's attention? That is in the footnotes on pages 87-88.

Mr GILKES: Firstly, the overall bottom line is reasonably consistent with the trend over time. There has been some reallocation of particular cost items between various of the work streams. For example, at note one you will notice that it refers to where there have been changes in the distribution of staff between various functions. Some of that is, for example, we refer to a decrease in land management costs but an increase in communication costs, as it refers to there, attributed to the conferencing process. That reflects the shifting nature of the business towards providing more opportunities for direct engagement with landholders.

Naturally enough, as technology improves over time and data improves the effort involved in maintaining the register declines and it frees up some capacity for us to do more of that work in directly engaging with landholders. That reflects that shift. Also, an increase in salaries and on-costs for just terms work, that is the compensation matters, not surprising given the volume of compensation activity that has been going on. Postage and phones increased a reasonable amount and that is because of the change in the Australia Post charges.

The CHAIR: I think we are all aware of that.

Mr GILKES: The biggest increase in valuation contracts, once again, was to do with the compensation matters. An important point to make there is that does not put a load on the finances for rating and taxing valuations. Just terms, or compensation matters, are funded separately. The way that works is that the acquiring authority is required to meet the reasonable costs of the Valuer General in determining compensation. If we need to employ additional contractors or staff to do that work because there is greater activity those costs are ultimately met by the acquiring authorities.

Mr STEPHEN KAMPER: If you have to get a blueberry expert?

Mr GILKES: If we had to get a blueberry expert that becomes part of the fees for the acquiring authority for that matter. At note number five the change in corporate overheads, which was partly about getting ready for the separation of Land and Property Information and the changes in the ownership structures there. At this point Valuation Services was still part of LPI but the financial structure of that business was changing. Land and Property Information previously had owned two of the buildings, the building here at Queens Square and the building in Bathurst. They were transferred to Property NSW. There were costs associated with that and that reflected in the corporate distribution across the organisation and that included Valuation Services.

The CHAIR: The Committee notes that according to the disadvantage guidelines published on the website the term "solatium" is to be replaced by the word "disadvantaged" subject to the consideration of this parliamentary committee. The Committee was not aware of that change. Is this change covered in the 2016-17 annual report?

Mr GILKES: I cannot remember about that specific change. I know there is reference in that report to the changes in the Lands Acquisition Act. I am not sure whether we have specifically referred to that change in terminology. Essentially what that was, not surprisingly, is very few people understood what "solatium" meant. It was changed to be a plain English description of "the disadvantage due to relocation".

The CHAIR: The 2016 amendments to the land acquisition process included an increased payment of up to \$75,000 for disadvantage resulting from relocation. Why was not that new maximum specifically cited in the published guidelines? When did the increase to the maximum amount of solatium begin to be implemented?

Was it backdated? Was there any impact on it? Is the amount assessed on a case by case basis? Have there been any objections and how many disputes have been resolved?

Mr GILKES: We will take that on notice. The amount for, previously solatium, compensation for disadvantage associated with relocation has been reviewed every year over a long period of time. The new rate is published each year in the *Government Gazette* and from the time it takes effect it is reflected in determinations of compensation. In that particular case the change in the amount to \$75,000, which was a significant change, was back dated but that did not involve my office. That was essentially dealt with through a process whereby the Office of State Revenue found those people who had previously been compensated for that and their compensation was updated. One of your other questions was, is it considered on a case by case basis.

The CHAIR: Yes. And have there been objections to the amounts?

Mr GILKES: I am not aware if there have been any objections to the amounts. One of the ways the compensation legislation works, is once I determine compensation my role in the process is complete and if there are any disputes from that point they are between the acquiring authority and the landholder. The acquiring authority is bound by the Act to offer the compensation I determine, but if there is a matter that goes before the court that is a matter between the acquiring authority and the landholder. We do not necessarily get advised of those. I am not aware whether there have been any cases over that payment. Yes, they are considered on a case by case basis but in general there would need to be a strong reason not to determine compensation at the amount set. The idea of the compensation is compensation for nonfinancial losses. It is a judgement on how seriously acquisition affects an individual. It is hard to suggest that different people are affected in different ways.

The CHAIR: Following on those lines, expansion of timeframes for determining just terms compensation claims: In your presentation on page 10 to the legislative amendment, which extends the time frame for determining compensation from 30 to 45 days, is your office feeling the benefit of having the additional time to determine compensation? Does this have any adverse effects for other stakeholders?

Mr GILKES: There are two things. The difference in time is taken up by the time that is added in by provision of preliminary reports and allowing time for landowners to respond. In a practical sense, the time that we have to determine compensation is effectively unchanged. Does that have an adverse effect on other stakeholders? I think the primary stakeholder who is affected by any delay is the landholder who is waiting to be compensated. To a significant extent, that time frame is in their hands once we issue them the preliminary report. I will get Mr Thompson to speak to this a bit more because he will be able to tell you how they manage that process. The short answer is the 15 days really is the recognition of the extra time in which to provide preliminary reports.

Mr THOMPSON: Preceding the 45 days, what we try to do and what came through some of the reforms is that when a proposed acquisition notice issues 90 days before that 45 days, we want to start work at that point in time to be able to achieve the delivery of a determination within that 45 days, inclusive of the preliminary report. That is important to note. There are two typical reasons for why matters are not completed in those 45 days. First, the landowner wants to give us more information and if a landowner comes to us on the forty-fourth day and says, "We are waiting on a valuation report. It is really important to our claim", our approach would be to accept that on the proviso that the acquiring authority does not have a contractor with significant penalty clauses sitting at the door to commence work.

The CHAIR: Does that happen often?

Mr THOMPSON: It has happened in one instance whereby we had regard to some significant penalty clauses involved if determinations were not issued in the old 30-day period. However, we were well aware of that 90 days out and we managed that work with landowners to deliver within that 30-day period. We get flagged high priority items if the acquiring authorities have entered into contractual arrangements to start a body of work on a certain day and that factors into our consideration. Our experience is that if a landowner comes to us and says, "We want more time. Please give us more time", our response would be to go to the acquiring authority and say, "Are there any contractual penalties that will be imposed if we overstep this 45 days?" There is usually enough buffer for them to say, "No, there is not." Therefore, we will afford the owners the opportunity to provide the information to us that they acquire.

Mr GILKES: Picking up on what Mr Thompson said, that direction has come from me in that I have made a conscious decision that we will prioritise ensuring landowners receive full procedural fairness over meeting the statutory time frame. I realise that is not a great choice to make, but faced with that dilemma my view is that the most important thing is to ensure that there is full procedural fairness.

Mr STEPHEN KAMPER: Going to page 90 of the performance report, in particular, objections, in 2015-16 there was a big jump in the amount of objections. What is of concern is the proceedings of objections to

land values completed in 90 days. In 2014-15 it was 60 per cent. In 2015-16, it is 50 per cent. Objections in 120 days is 73 per cent. The previous year it was 92 per cent. Can you provide us with an explanation as to why those numbers are down and why the number of objections are up?

Mr GILKES: The answer to the first part of your question is really the second part of your question. A significant factor in time frames blowing out is dealing with greater volume. During 2015-16, we were running a pilot program on the provision of preliminary reports in the objection process. Once again, to try to ensure that landowners understood what the decision would be before the decision was made. The way the process was implemented in that pilot extended the time frames reasonably significantly on those matters, so that is part of what is reflected in those figures. I should point out that in following that pilot and analysing what came out of that, valuation services have redesigned the entire objection process to be able to issue those preliminary reports in a much more timely fashion. The way the pilot worked, it went through the normal process and instead of issuing a final report that it was all over, they issued that report as a preliminary report and the consultation time was essentially tacked on the end.

The process has since been redesigned so that the preliminary reports are issued much earlier in the process to manage that time frame. A large part of it is also the increase in the volume of objections, and the obvious next question is why did the volume of objections increase? It is not entirely possible to answer that question. I can point to correlation with a number of things. It is always much more difficult to prove causation. In some cases, those objections would have been the end of the objections to valuations at 1 July 2014 and also objections to land values at 1 July 2015. If you think of the Sydney property market at that time, that was the first exposure that most landholders would have had through receiving a notice of valuation to that large spike that occurred in the value of residential property in Sydney. I do not have any doubt that a significant part of that increase in volume is because of the shock factor, if you like, of opening the envelope and the valuation has gone up substantially.

Mr STEPHEN KAMPER: People who pay land tax.

Mr GILKES: That is often a driver, but even for people who are not subject to land tax—their principal place of residence. The previous valuation they had for a council rating was three years old. If you think of what happened in that three years between 2011-12 and 2014-15, there were many properties where values might have gone up 60 per cent or more. That shock factor often inspires people to object. The other thing that needs to be read in context with that is in this annual report we added a new measure, which was the percentage of objections where we have changed the land value. At 30 per cent that is a reasonably low percentage of changes. That is a recognition that at least some of those objections were about the shock factor, but when it was investigated, the valuation was supported by the evidence.

Mr STEPHEN KAMPER: It is 0.37, 30 per cent where it has changed.

Mr GILKES: No, 30 per cent, which is the last figure in the column, is the percentage of objections that led to a change in land value and that is a new measure we added that in. The figure of 0.37 per cent is the percentage of objections received as a proportion of the valuations that were issued for rating and taxing. It is not 30 per cent of valuations were changed. I would probably be shot if that happened, to be honest. It is 30 per cent of 0.37 per cent, so we are getting to quite small numbers here. That is something not to lose sight of, that something well over 1.5 million valuations that year were actually issued for rating and taxing, and there was only 7,000 of those actually resulting in objection, so that is very small as a proportion. In fact, that is low by world standards. Anything 1 per cent or below is considered to be very good by world standards.

The Hon. GREG PEARCE: One of the Government's key objectives in the LPI process was to ensure that people continue to have free access to the data. You mentioned in your opening statement that that has been achieved. What is your vision? What do you see happening with this very valuable data? What are you doing in terms of data management and future IT?

Mr GILKES: The future IT piece, I might pass to Anna Welanyk because that is more directly in her space and if I could talk about the broad direction. My objective for the data is to make as much of it available in consumable forms as possible. This has been an ongoing process over a few years. It started with, we first of all made land values available for all properties via the NSW Globe, which was useful for people. It was a view though and people could not really do much with it apart from look at it. Since that time the next step that there were sales information on the globe, along with the land values.

We then developed a process where the actual raw sales data can be downloaded and, consistent with the Government's open data policy, that data has been provided open and for no charge. Likewise land values are available through that same process now so that people who want to use that data can download files and they can take that data into their own systems for analysis and the like. I think that is a really important use of

the data. The creation of this data has already been paid for in making the valuations in the first place. This is, I believe, the best way to leverage that investment the Government has already made in generating activity through other businesses who might want to take that on and be able to develop new products and the like with that.

The Hon. GREG PEARCE: And really the data belongs to the people who own and are involved in the transactions at the end of the day. If there are applications that can be developed to help commerce and people's decisions that is a good outcome.

Mr GILKES: Absolutely. Not so long ago I received a letter from the head of the Real Estate Institute of New South Wales, John Cunningham, basically thanking us for the efforts we had made in making this kind of information available and saying how valuable a tool they are finding it in their day-to-day business and increasingly they are finding that. In discussions I have had with he and Malcolm Gunning, who is a Real Estate Institute representative on my Land Value Advisory Group, one of the things Malcolm has said to me is that increasingly they are seeing that landholders are coming to them with a much better idea of what their property is worth. They are much more informed at the time that they come to an agent to start the sales process, and that is, I would suggest, a really positive thing.

The Hon. GREG PEARCE: A good public outcome. And the IT future?

Mr GILKES: The IT future is a great challenge for us, I guess, but it is also a great opportunity. Information technology, as we all know, is developing very rapidly. Over the past year or 18 months, we have been working with the Cooperative Research Centre and Spatial Information and the University of New South Wales on a project as part of their rapid spatial analytics program. I am actually the Chair of the Program Board for that program. There is a particular project that we have been working with the University of New South Wales on which is about a rapid spatial analytics program. The particular case study it is based around is looking at the value uplift that is generated by new transport developments. In particular, the case study is looking at railway stations. The idea is that it is to develop a tool that will allow transport planners to work out various options and, in real time, to move those options around and see what the impact that would have on valuations or property values in the area. There is an automated valuation model built into the tool and that will help with scenario planning and the like.

My particular interest though is less about that scenario planning and more about the automated valuation model aspect of it. Naturally enough, an important part of my objectives for the valuation system is always to find new and better ways to do this. I am very conscious that in the end the valuation system is there to be a distribution mechanism for rates and taxes and so it behoves us to try to produce those valuations, ensuring that they are accurate and consistent and meet all those tests, but we need to be trying to produce those at the absolute minimum amount of cost because that is just an overhead on the system in the end. The idea of investigating automated valuation models is very attractive to me on that basis. I think it has huge challenges in getting to a point where you can produce valuations that are both accurate and reliable enough to be able to use—bearing in mind that landholders get real financial obligations that come out of our work—but equally I cannot help but imagine there is a point somewhere in the future where that will actually be the way that this will happen.

If you look at the way the information technology is advancing so rapidly, we are bound to be able to solve those problems somewhere in the not too distant future and this is a way that we can get involved in that game. At that point I will hand over to Anna Welanyk to talk probably in the more immediate future about how the systems will be managed and operated.

Ms WELANYK: We are working closely in partnership with Simon Gilkes on that project. We have people from our teams internally who look after what we affectionately call Valnet in our group, which is the backbone of our system and the information is all stored in that system. That system is constantly being enhanced. We have a Valnet steering committee and we look at how we can actually redesign the processes, put new fields into it, use the system so that it is actually generating more information about performance metrics, so it can track, measure and report information. I am happy to say that we have a number of enhancements that are currently going through presently, in excess of 20, I think, and that is a continuing sort of rolling process.

In terms of what we do in a wider area of involvement, we are working with Simon and the Data Analytics Team that was previously up until recently a part of the Department of Finance, Services and Innovation and has now transferred across into Treasury. We are working with Ian Oppermann, who is the leader of that group, and his team to have a look at how we can utilise some of the information that is stored in Valnet that has not been utilised before now to inform programs around various different things that government is interested in. We are integrated together with that team into that process. I am hopeful that certain benefits will

come for government from utilising the information that is locked into the Valnet system and pushing it out into a wider environment where it can be used to apply and inform other decision-making in government.

The Hon. GREG PEARCE: Better planning and better utilisation of assets?

Ms WELANYK: Yes, and I think better collaboration. I think that is an important part of what we are here to do. It is primarily to deliver the valuations but the next question has to be how do we collaborate with other parts of the government to provide information to allow them to be better informed in their decision-making process?

The Hon. ERNEST WONG: Mr Gilkes, can you update the Committee as to the efficiency and effectiveness of the objection management system and how that is perceived in retaining public confidence? Also, is there any ongoing monitoring measure to keep track of the objection management system and customer satisfaction?

Mr GILKES: The changes put in place around objection management have largely been around, as we have talked about quite a bit this morning, the greater consultation and engagement with landholders, the provision of preliminary evaluation reports, providing time for landholders to consider those and to come back to us, to raise any concerns that they may have. The objective there is to try and resolve any issues before the determination of the objection actually occurs. A related but less effective, if you like, solution is one of the policies I published in the 2016-17 financial year—a way to go about amending an objection once it has been determined. Once upon a time the answer would have been, "The objection has been done. You have a right to go to court."

In my view that is not a very appropriate solution, particularly in the case of single residential properties where if the landholder is really only subject to rates, there is absolutely no cost-benefit in them going to the court to fight out one of those matters. That is inherently not good enough, I guess, is what it comes down to. So I introduced a policy that puts in place a bunch of hurdles, naturally enough, but if we have determined an objection and new information comes to light or something that proves that was unsound, we will withdraw it and fix it rather than force it through to the next stage. That is a bit of a bandaid fix but the work that has been going on in the redesign of the objection process has been about moving all that work before the determination of the objection. When landowners get their preliminary reports they can see what the decision has been made on and if there are factual errors they are able to bring that to attention. If there is something that they are concerned about, there are then opportunities for them to speak to a valuer and have a conference.

As I mentioned in my opening address, those conferences range from as simple as a phone call with a valuer where the valuer might explain the evidence used and those kinds of things in making the valuation. At the other end of the scale, if there has been some period for those kinds of discussions and still a sticking point, there have been cases where we have actually engaged an external mediator to chair a conference between Valuation Services and the landowner to try to resolve any questions. We try to resolve matters before they get to the Land and Environment Court, rather than relying on the court to fix matters that can reasonably be resolved outside. The end result is that we have seen the number of matters that have been referred to the court decline, which is a really important measure; in the vast majority of cases those that do go as far as the court are withdrawn by the applicant prior to the hearing; and in those that have gone to the court in the past year or two the court has almost invariably dismissed the appeal.

I guess the message out of all that is that if we have made a mistake in the evaluation process then we are putting our hand up and resolving it at the earliest possible stage, rather than forcing people through a difficult and expensive court process.

The Hon. ERNEST WONG: As Valuer General you are not party to court appeals against compensation decisions, are you?

Mr GILKES: That is correct.

The Hon. ERNEST WONG: Can you clarify what steps are being taken to overcome the information gap?

Mr GILKES: Do you mean in terms of what happens in the court in compensation matters?

The Hon. ERNEST WONG: Yes. The presentation mentions a centre called the Property Acquisition Standards Group.

Mr GILKES: The Property Acquisitions Standards Group is not within my area of responsibility. The Lands Acquisition Act is administered by the Minister for Finance, Services and Property. The Property Acquisition Standards Group is a group within the Department of Finance, Services and Innovation, which has

responsibility for those central standards, if you like, around the whole end-to-end acquisition process. That is the point at which that information is being aggregated, which is a combination of information that comes from acquiring authorities and also my office or Valuation Services. We only have information on those matters that actually go to compulsory acquisition and only for that part of the chain that is between the proposed acquisition notice and the actual determination of compensation.

The Hon. ERNEST WONG: That is why I am asking about the steps to overcome information gaps. Ms Welanyk mentioned earlier collaboration between governments. Is there some way in which you are able to work with the Property Acquisition Standards Group in regard to information collection? The Committee would be interested in having that sort of information included in your annual report such as court appeals relating to compulsory acquisitions?

Mr GILKES: Naturally enough, I have significant contact with the Property Acquisition Standards Group. I am not actually part of that group, but we are all working in the same space and collaborate. I am very conscious though that my role in the acquisition process is an independent role. I am very conscious of not doing anything that could be seen to impinge upon that because I think one of the absolute critical pieces in the way that compulsory acquisition is structured in New South Wales is the independence of the Valuer General. That needs to be so not only in reality but also it needs to be believable for landholders. Landowners need to be able to see that there is a genuine separation there—if they have been in negotiation with an acquiring authority for some period of time and they cannot reach agreement, then the Valuer General becomes involved. I am very reluctant to get too tightly embedded in those sorts of other processes with acquiring authorities and the like. We consult and we keep each other informed on the progress of matters, and work together to try and make the system work smoothly as it can, but there is the point at which it is important to maintain that separation.

The Hon. ERNEST WONG: Do you think that information is significant in helping you to be an independent Valuer General in the compulsory acquisition process?

Mr GILKES: At the end of the determination of compensation process we survey those landholders we have been dealing with to ask them particularly about the piece of the process that we are involved in—the determination of compensation process. I certainly think that we will get valuable insights from the information that the Property Acquisition Standards Group consolidates and analyses. That has not happened yet. I think the group is due to publish its first report shortly and I expect the statistics there will tell us some useful things. As I say, that has not happened yet.

Mr KEVIN HUMPHRIES: I suspect that the Auditor-General would have access to some sort of review somewhere into the future anyway, if that were raised.

Mr GILKES: Presumably, yes.

Mr KEVIN HUMPHRIES: Which any member can push for. Just on that, I think where you guys are at the moment is an important step because you have sort of disaggregated and you have sort of pushed some of those services off to the side. Would I be fair in saying that you have got more independence now under the current structure than what you would have had in 2015?

Mr GILKES: Not really in that that part of the process was always separate to the Office of the Valuer General; it is just that I think the benefit we will gain now is that there is a central area of government that is consolidating that information. So we will be able to have access to that information, whereas before, once a determination of compensation was done, that was the end of the story, effectively, for the Valuer General and we may or may not have heard about what came downstream. Naturally enough, if there was a court matter where there was some significant decision, that became known, but for the majority of lesser matters that carried on from that point, we did not necessarily find out much about them. We are more likely to have better intelligence than that in the future. Did you want to add anything on this, Mr Thompson?

Mr THOMPSON: No, other than to say the Property Acquisitions Standards group has been together for about a year and we have worked with them very closely on setting things up. The data capture across the Land and Environment Court, the Valuer General, the acquiring authorities I think will be terrific moving forward and I think we will address some of that shortfall in information available at the moment.

Mr PARKER: I think they are filling a bit of a vacuum that was there. Their role is going to benefit the wider process, I think.

The CHAIR: Just on the same vein there, online objections and inquiry capability, have you evaluated your current online facility on the website and, if so, how many inquiries do you get and are they a request for information or valuations?

Mr GILKES: I will say something and then I will hand to Ms Welanyk for some of the greater detail. There is a range of elements in this whole online objection process; one is simply we have made much more information available about the making of the valuations and the valuation process and how that works and the evidence on which valuations are based. We have tried to use those tools to better inform landholders. One of the ways you can lodge objection is by lodging it online, and there has been some significant work done in improving the useability of that process. I will let Ms Welanyk speak to that a bit more.

Ms WELANYK: A couple of things we do and we are progressing in terms of online services, recognising that not every landholder wishes to use that avenue, but, nevertheless, we recognise that it is available and taken up very actively by the community, so we are working on that. One of the things that we have done was recognise that many of the calls coming into the call centre were about people wishing to change their address. It sounds like a fairly basic thing but, amazingly, we had not had a facility to enable people to do that online, so we introduced that. That has cut back a significant amount of calls into the call centre, enabling us to spend more time in having meaningful conversations with people about their issues as it relates to the valuations. So that is a significant advancement.

We are also looking at, to Mr Gilkes' point, making online objections easier. Previously you would have to lodge a separate objection for every year that you wish to object to your valuation, and some people would come to us with objections for a number of consecutive years in terms of the valuation objection, and now we have enabled people—we are working on the process of bundling that together, so one submission for a number of consecutive years. Previously, if people wanted to make one submission for a number of consecutive years they had to write us a letter. I think we are now in the twenty-first century and we are moving actively towards providing additional facilities to enable people to have quick and easy access to finding information, lodging inquiries and providing us with further information to update our systems.

Mr KEVIN HUMPHRIES: Ms Welanyk, given that the Government has now outsourced to a number of private companies in terms of valuation services to government, but they are also touting for dispute resolution and they will take on some of their clients who want to raise issues about valuations with the Valuer General, has that created any conflict that you are aware of? Some of those private companies are acting on our behalf but they are also representing groups that are making claims back against us.

Ms WELANYK: We are aware that obviously there has to be a separation between the contractor who does the original valuation and the contractor who deals with an objection; they need to be two separate parties. We also have a very well-managed process around conflicts of interest with our contractors so they are required to declare in writing if they have any actual or perceived conflicts of interest, and that is managed very closely by a contractor and procurement management group.

Mr KEVIN HUMPHRIES: That is very clear, is it, that somebody who has got a government contract—there are five or six, I think, around New South Wales—cannot act as a representative for a client that is disputing a valuation?

Mr GILKES: I think the way it works is that the State is divided into a series of territories, if you like, and for the making of the valuations originally a firm has exclusive contract for a territory and they cannot deal with any objection-related matters within that territory. They may be able to provide other services outside, and in some cases that would be objection review services for valuation services; it could be, yes, representing landholders elsewhere in assisting them to lodge objections.

Mr KEVIN HUMPHRIES: So they cannot double dip within the same territory?

Mr GILKES: They cannot double dip within their territory. There is a very clear separation on that.

The CHAIR: The presentation highlights on page 17 the success of the new contract management policy, which was signed as a single contractor for objection services across 105 or 152 local government areas. What is the significance of this approach and the number of LGAs in which contractors are now operating and are you using larger firms and fewer contractors in this space?

Ms WELANYK: This has happened since I joined in July 2016. We have looked at how we make the process more efficient in terms of dealing with contractors. We used to have a process whereby as we received objections we would allocate them separately to contractors. We recognise that for the purposes of cost efficiency and consistency it would be beneficial to look at a single contractor rather than actually batching them, which is how we used to refer to it, and distributing them in an ad hoc fashion. The purpose of doing that is to achieve better outcomes for a reduced cost. We are happy to say that we have tracked some metrics around whether or not that has delivered according to our expectations, and we can definitely say that not only are we achieving better outcomes but we are doing it in a faster time frame; turnaround times are faster, the cost is approximately 10 per cent cheaper and we will be able to provide better and more consistent outcomes.

The CHAIR: Ms Welanyk, what are the mean determinants of positive contractor performance and what will be the most significant improvements in process to ensure rigorous management and excellence in contractor performance, thereby safeguarding the validity of valuations?

Ms WELANYK: I will deal with the first part of the question. As to their performance, we have strict criteria, which is known to contractors. We have a procedures manual that advises them on what they are required to deliver and the time frames within which they have to deliver. They are also well aware that we have a quality assurance process that we are very strongly focused on internally, which means we will audit a certain percentage of those valuations that come in right down into the absolute detail. There is an audit process that runs across the top of everything as well. We meet with contractors regularly—at least quarterly and sometimes more frequently.

If issues regarding any valuations with contractors are identified, we have an issues register. We have to receive information back from the contractor in accordance with our request and we will manage out any issues that have been identified. We have a process internally whereby if there is a consistent problem in identifying issues with a particular contractor we have options to terminate contracts and/or put them on notice so that it is very strictly adhered to by our contract management team. We have also introduced a new position into our organisation recently, which is director of contract management and procurement. That has been upgraded from a lower level position, reflecting our focus and intention to improve the contract management and performance of our external contractors.

The CHAIR: Is there a shortage of valuers?

Ms WELANYK: No.

The CHAIR: Or is there new blood?

Ms WELANYK: There is no shortage of valuers that is impacting us at all. What you will see in the industry, typical of many industries I think, is consolidation—so smaller valuation firms have consolidated together into some of the large groups. As to the second part of your question: Do we use the larger firm? Yes, we do. That has definitely helped with us actually being able to achieve consistency, which is one of the Valuer General's objectives in ensuring that we have quality valuations to a certain standard that is consistent across the whole State.

Mr GILKES: I will just pick up on a couple of points. What Ms Welanyk has said is exactly right and it is a recognition of what is happening in the industry. Across the valuation industry over the last four or five years particularly there has been this ongoing process of consolidation of small firms either into franchise kinds of arrangements or into larger firms as such. When the outsourcing process for valuations commenced back in 1996 the valuation industry at that stage really was like a cottage industry in many cases. There were very many small providers, with one, two or three people operating together. Those businesses do not really exist very much anymore. The vast majority now are in some way aligned; if they are not actually part of a large firm they are part of a group of firms or something like that, so the change in that contract management structure of looking to have single providers for a larger area, for example, is really just a recognition of the way that the industry is working now.

The other point I really wanted to make around that quality assurance mechanism in the objection process is that I think the fact of providing preliminary reports to landowners is a great step forward in that quality assurance because it means essentially 100 per cent of objection reports are reviewed carefully by someone who really cares about the contents of them and they are invited to provide feedback whereas previously they would have got an objection report but not until the process was finished. I can imagine someone might have read the report, not be entirely satisfied that the matter is over so they would be somewhat dissatisfied and stop at that point whereas now they are provided with the report and invited to come back if they have any concerns. I think that will really help in improving the quality of that stuff over time.

The CHAIR: As to staffing, page 13 of the presentation document stated that two director roles have been added to contract management and customer service. Has there been progress with these appointments and how will these staff support the organisation? I think we have covered some of this. Can you outline how many staff are now directly employed in the Office of the Valuer General and how do the staffing levels compare with previous staffing arrangements? Is the staffing establishment adequate to meet the challenges of the increasing volume of compensation matters and the more complex customer service communications process?

Mr GILKES: There are many parts to your question but there are two parts to the answer in that there are actually two separate organisations involved here. One is the Office of the Valuer General and the Office of the Valuer General has me plus six staff. That is the way the office has been structured for many years so that essentially has not changed. Whilst it is not legally structured that way, in essence what my office does is it is a

regulatory role but the operations of the valuation system where the vast bulk of the work occurs happens in Valuation Services and those two positions you referred to are actually within Valuation Services so I will pass to Ms Welanyk to answer the detail of the question.

Ms WELANYK: I just mentioned one of those positions, which is the director of contract management and procurement. Those roles were approved a few months ago by the Secretary of the Department of Finance, Services and Innovation. We have just confirmed and installed a new director of contract management and procurement and he has actually been working in the business for a year already. He has now been confirmed in that position so that role is recruited to. The other role is director of customer experience so that is a position that reflects our focus on ensuring that customer experience is improved, monitored, managed and reported across the group. There is somebody acting in that role at present due to its new creation and then we will proceed with recruitment to that role in the very near future.

Mr KEVIN HUMPHRIES: I remember when split up came and the titles office and Spatial Services went in certain directions, country surveyors, particularly those in Bathurst, raised issues at the time about getting access to continuity of information. Has anything happened on that front or has nothing changed and it is business as usual?

Mr GILKES: Maybe I can answer this, given I was involved throughout that chain. As to access of information for the valuation system, there has not really been any change. We continue to get access to all the titling information that we require to carry out the business. We also get access to the spatial information we need to carry out the business. The particular issue you talked about with country surveyors, I am not aware of that. That was never within the valuation system purview, if you like, so I am not entirely sure what that is about.

Mr KEVIN HUMPHRIES: There was a bit of white noise, I suppose, at the time.

Mr GILKES: I am aware there were concerns expressed by some surveyors about the idea of the separation of LPI at the time but certainly in the experience from the valuation perspective those concerns were addressed and it was recognised by government that some of that information was critical to allow existing businesses and processes to carry on and that has been catered for.

Mr KEVIN HUMPHRIES: Largely because they were smaller operators. I think there has been consolidation on that point since. It was more the one-person or two-people operators, not the bigger firms.

Mr STEPHEN KAMPER: Ms Welanyk, the single contractor objection services, does that contractor also provide valuation services as well?

Ms WELANYK: Yes, they do.

Mr STEPHEN KAMPER: Is there a problem in terms of conflict?

Ms WELANYK: No, the separation is retained. It is part of the fundamental way we operate in that we do not have anybody managing objections that has done the original valuations.

Mr STEPHEN KAMPER: If the same organisation contractor is handling all the objections it is essentially the same organisation. You are saying you are segregating?

Ms WELANYK: The same organisation, not the same valuer.

Mr GILKES: To clarify, the name of the single contractor contract is somewhat misleading in that it is a single contractor for a territory. It is not a single contractor across New South Wales. That might be where the confusion is coming from.

Mr STEPHEN KAMPER: Yes.

Mr GILKES: For example, a firm may have the contract to provide the original rating and taxing valuations in the eastern suburbs, that same firm might hold a contract to undertake objection reviews in the inner west. They would not hold those two contracts overlapping. Does that clear it up?

Mr STEPHEN KAMPER: Yes.

The CHAIR: In the 2015-16 annual report, page 76: Early in 2016 a number of steering and oversight committees were incorporated into one governance board with the responsibility for ensuring proper management of the valuation system. What has been the impact of this merger?

Mr GILKES: The way that the process was originally set up there had been for some time a steering committee that oversaw the quality assurance part of the rating and taxing valuations. However, if you look at the activity based costing sheet there are a number of streams to the business and there had not previously been

direct oversight of those other streams. The first step to improve governance was to put in place a similar committee to the one overseeing the quality assurance process for those other business processes such as objections and appeals, land data management and the like. Then we had five committees essentially doing the same thing on different work streams. Naturally enough a lot of the same people needed to be involved.

The obvious next step, once we had that process in place, was to bring them together to make that work more efficiently. The way it works now is three times a year we have a meeting of a committee that oversees the performance of all of those work streams in one go. It is essentially to make Government a bit more streamlined and to make sure the other advantage is that each of the streams is there for the whole process so where there are issues that cut across or where there are opportunities between different work streams that is more able to be picked up.

The CHAIR: In addition to the governance board, the annual report refers to three other bodies which provide for stakeholder representation, strategic direction and improvement in land value integrity. What role do these play in relation to the primary governance board? How often do they meet? How does the new governance structure improve overall governance?

Mr GILKES: The next stage in the maturity of this, is that the valuation joint governance board, which was a small board that involved me meeting with the deputy secretary, with Ms Welanyk and Mr Parker, is that the deputy secretary is now an invitee to that other steering committee. We do all that in one place. It makes that work better. The Land Valuation Advisory Group is my principal external advisory body. It has representatives from the Australian Property Institute, the Real Estate Institute, the Royal Institute of Chartered Surveyors, the Australian Valuers Institute, Local Government NSW, the Office of State Revenue, the Office of Local Government, the Property Council and the Shopping Centre Council of Australia. That group typically meets three times a year, sometimes twice depending on issues. That is a chance for those external industry parties to provide input to the valuation system and feedback from members as to how they are seeing the valuation system work.

I mentioned earlier comments that I received from the Real Estate Institute, that came about from that body. They undertake an oversight role in the valuation system. For example, each year that group sponsors a set of parallel valuations. They choose a group of properties where they think there are particular complexities that need to be addressed or where there is the potential for emerging issues not to be recognised in the valuation. Then there is independent valuations undertaken of those properties compared back to the valuations made through the normal processes and where there are any variances they are rationalised and reviewed. In some cases that has resulted in changes to valuations in a area because that is picked up. That is one of the functions that body fulfils.

The Land Value Improvement Group is somewhat more internal. It is chaired by Mr Parker. We look at various processes with regard to the quality assurance of rating and taxing valuations and that mass valuation process to look to better ways to understand the quality of those valuations. For many years Associate Professor John Macfarlane from the Western Sydney University sat on that group. He had an ongoing role for many years independently reviewing the quality of the valuations each year through statistical processes and the like. That was a forum where that was managed and discussed.

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 which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions within 21 days of receipt?

Mr GILKES: Yes, that will be fine.

The CHAIR: On behalf of the Committee and Parliament, I thank you for attending today's public hearing. It has been informative and the members are impressed with the high level of work you do. This concludes the public hearing.

(The witnesses withdrew)

The Committee adjourned at 12:07.