

REPORT ON PROCEEDINGS BEFORE

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

SIXTEENTH GENERAL MEETING WITH THE VALUER GENERAL

At Macquarie Room, Parliament House, Sydney, on Monday 18 March 2024

The Committee met at 9:35.

PRESENT

Adj. Prof. Tamara Smith (Chair)

Legislative Council
The Hon. Mark Buttigieg
The Hon. Scott Farlow

Legislative Assembly
Dr Hugh McDermott (Deputy Chair)
Mr David Mehan

The CHAIR: Good morning, everyone, and welcome to today's public hearing of the Joint Standing Committee on the Valuer General. Today's hearing is our sixteenth meeting with the Valuer General. The hearing is being broadcast to the public via the Parliament's website. Before we commence, I acknowledge the Gadigal people of the Eora nation, and pay my respects to Elders past, present and emerging. Today we will hear from witnesses representing the Office of the Valuer General and Valuation NSW. I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. I declare the hearing open.

Ms SALLY DALE, Valuer General, Office of the Valuer General NSW, affirmed and examined

Mr STEWART McLACHLAN, Chief Executive Officer, Valuation NSW, sworn and examined

The CHAIR: Thank you for appearing before the Committee today. Can you please each confirm that you've been issued with the Committee's terms of reference and information about the standing orders relating to the examination of witnesses?

SALLY DALE: I have.

STEWART McLACHLAN: I have.

The CHAIR: Thank you. Would either of you like to make a brief opening statement before the commencement of questions?

SALLY DALE: We both would like to and I will go first. Thank you, Chair, for the opportunity to address everyone here today. As Valuer General of New South Wales, I'm honoured to be speaking with you. I'd like to extend my gratitude to my predecessor, Mr Josh Etherington, whose dedicated efforts over nine months have laid a strong foundation for my work, as well as the wider Valuation NSW, who supports the delivery of my functions on a daily basis and without whom the valuation system would be unable to function in the form that it does.

The New South Wales valuation system plays a crucial role in underpinning the generation of around 14 per cent of the State's revenue. In 2023 we issued approximately 2.65 million notices of valuation to landholders. To this point, it's important to note that despite significant market movements over the preceding three years and a record number of objections lodged by landholders, only a low proportion resulted in changed values. This change has represented less than 0.1 per cent to date when compared to the total number of notices issued and serves as a testament to the accuracy of our land values.

On the theme of delivery and enhanced outcomes, in 2023 the average time for delivering compulsory acquisitions, from gazetting to finalisation, was 77.7 days. This marks a significant improvement from previous years, being 17 per cent faster than in 2022 and a remarkable 44 per cent faster than 2021. In the face of significant media attention and parliamentary reviews, I'm proud of the work we're doing in this space to deliver faster determinations. This year we've issued new licence agreements for the provision of property sales information to data resellers, which brings us in line with other States. As part of this crucial regulatory reform, Valuation NSW has established a privacy and data team, who will be commencing this month, dedicated to safeguarding privacy and maintaining robust data protections.

Our delivery model is becoming more balanced with more valuations being handled internally, reducing reliance on contractors and enhancing the capability and capacity of the New South Wales public service. An in-house team has been stood up within Valuation NSW, and I'm pleased to share the pilot programs are showing reduced time frames and increased consistency in delivering valuations as well as a more sustainable cost model. To enhance the precision of land valuations for rating and taxing purposes, Valuation NSW has developed a comprehensive quality assurance plan for 2024. This plan includes updated QA processes that rely on automated data analysis checks to ensure the system is reliable and appropriately functioning, identifying any potential abnormalities early and allowing time for our expert internal valuers to further analyse these areas and remedy them where required.

In addition, our road map identifies specific quality assurance projects based on data insights that are designed to uphold the highest standards in land valuation practices. These projects have been derived from collaboration with Valuation NSW as the agency that supports me. To this end and looking forward, I'm excited to continue the efforts that align with our vision of delivering a valuation system that inspires public confidence and trust. Effective communication is key to achieving our vision. I have developed a strategy focused on educating and engaging the public to understand the purpose, process and benefits of our valuation system. Key components of this approach include providing information that is people first, accessible and relevant, increasing transparency and engaging with stakeholders across the community, industry and government to improve our service delivery, communication channels and platforms. All this work is putting the customer first in everything we do.

The anticipated launch of our new valuation platform is another significant project that aligns to our vision. Val IQ will enhance the user experience, improving the way customers interact with the valuation system. Beyond this, and in discussion with the chief executive officer of Valuation NSW, I'm continuing to look for opportunities to improve the valuation system, including the service delivery model, so we, collectively, can better meet the needs of our customers.

I'd like to thank the Department of Planning, Housing and Infrastructure, Valuation NSW and our corporate support partners for their support and contribution in overseeing and implementing the New South Wales valuation system. I'm excited to keep working together to achieve our collective goals. As we move forward, I'm genuinely excited about the possibilities that lie ahead to continue to lead and improve what is a world-class, award-winning valuation system. I look forward to engaging with you further this morning and taking any questions or comments you may have.

STEWART McLACHLAN: Thank you, Chair, for the opportunity to address everyone here today. I would like to thank everyone at Valuation NSW, the Valuer General, the former Valuer General Mr Josh Etherington, and the Department of Planning, Housing and Infrastructure for their unwavering dedication and support in implementing the New South Wales valuation system. In the last 12 to 24 months, it's been a significant period for Valuation NSW of change and also delivery. Ms Dale probably touched quite heavily on some of the key achievements of delivery, but briefly one thing I really wanted to highlight from a delivery sense is our ability to improve and enhance what we've been doing.

Specifically, in compulsory acquisitions the Committee would be aware that there has been an inquiry into acquisitions in 2022. That inquiry looked at the functions of the Office of the Valuer General specifically with some recommendations around time frames. Ms Dale has highlighted some of those time frames, but what I'm pleased to say in addition to that is where we're undertaking those acquisitions—and about 80 percent of those are now undertaken internally—we're achieving around 60 days. That's down from 200 days over two years ago, and it is a remarkable difference in something that I think is quite important not just for acquiring authorities in terms of maintaining critical path for infrastructure projects but also people being acquired so that we can alleviate the concerns and bring a process to fruition or totality.

What I really wanted to highlight, though, in my opening address is the significant progress we've made as an agency in terms of people and making Valuation NSW now an employer of choice for valuers but also people that support valuers, which internally almost half the organisation are enabling functions. We've made Valuation NSW over the last 24 months a place that is not only known for delivery but a place where you can have a real impact and also enjoy yourself, importantly, while you're doing that impact. To this end, in the last 24 months we've implemented significant cultural improvement programs collectively. Some of those things that we've done are a complete review of the organisation and a complete change management process to align structures to where we need resources most. It is also to enable a balanced delivery model, as Ms Dale said, and to enable a more agile delivery model to the valuation cycle we may find ourselves in depending on whether that be rating and taxing focused or compulsory acquisitions or otherwise.

We've got valuers back to valuing. Internally we now take on about 30 per cent of valuations ourselves depending on which area of valuation we're talking about, and that's really shown significant improvements not only in timeliness but overall staff engagement. We're not just a quality assurance agency anymore: We are a delivery agency. We've empowered staff in consultation with Ms Dale but also Mr Josh Etherington, the former Valuer General, by putting delegations to the appropriate levels and taking a risk-based approach to decision-making and streamlining processes in doing so.

Most importantly, and something I am really proud of, is we've actioned staff feedback through the People Matter Employment Survey, which is a survey that the Public Service Commission runs every year of all public servants. We've put in tangible and real-time actions to that feedback. We've developed an EVP, something that staff wanted. We've got an employee value proposition for not only valuers to join the organisation but also non-valuers. We have significant enabling functions that enable valuers each and every day.

We've designed and implemented a graduate program. I'm pleased to announce that today we've gone live with the second iteration of that program, bringing in what is a resource-constrained industry trying to start from the ground up again and giving them the opportunities to work in what I believe is one of the most complex but rewarding parts of the valuation system or sector in New South Wales. We've also implemented succession planning at a granular level. We have clear career paths in Valuation NSW where, if you start with us, you can have your whole entire career with us. No matter what type of valuation or valuing sector you want to be in, we've got it in Valuation NSW and we've got the enabling pathways as well.

We've implemented, in consultation with the Valuer General, a VNSW-wide training plan that achieves CPD for all of our valuers who are CPV, certified practising valuers, the highest standard in New South Wales. We do that internally because we've got industry professionals we've been able to attract and employ to undertake that training. In addition, we also rely heavily on external agencies to implement training on the softer skills of valuation. So our three pillars of training are valuation, customers and communication. We've implemented courses from the NSW Ombudsman to better respond to complaints and better respond in a transparent—and putting people in touch with the information that they actually need. And to this end, I wanted to say that these

types of initiatives that we've implemented collectively with Ms Dale but also all the staff in Valuation NSW, or as I like to call them, the value adders—

Dr HUGH McDERMOTT: Was that the joke?

STEWART McLACHLAN: No. It is a hashtag, though. It's probably trending. If you wanted to jump on socials, it could be there.

The CHAIR: I'm not sure you're going to get much take-up.

STEWART McLACHLAN: I can say that has a similar response in the staff as well, but I'm still pushing and I think eventually it's going to get some traction. This could be the day, you never know.

Mr DAVID MEHAN: We look forward to it.

STEWART McLACHLAN: It does have that reaction a lot actually, but it's good. That reaction is what we want to see. People are engaged. People are happy. To this end, I want to say, I've touched on the People Matter Employment Survey but it's something I'm really proud of. Valuation NSW achieved a 100 per cent engagement rate. That means everyone responded. That means people want to actually have their say and they believe that their say will be heard and there will be actions taken.

In addition, Valuation NSW in the last People Matter Employment Survey improved in every single question. That is something that hasn't been achieved in our department. Valuation NSW as well saw 30 percentage points bumps in senior leaders, in communication and in change. These are things that do not happen every year, and I really wanted to highlight the improvements we've made as a workforce. I believe those improvements lead to the delivery that Ms Dale talked about.

We are now one of the largest employers of valuers in not only New South Wales but in Australia. We've got more than 100 valuers internally and we have significant expertise to implement a better and enhanced and ongoing continuously improved valuation system. We're able to attract talent to the organisation but, more importantly with these initiatives, we're able to retain talent. Our turnover rate is well below the public sector average from a turnover rate that was well above the public sector average. We've got an incredible in-house expert valuation team, and Ms Dale and I hope to be able to touch on some of the achievements of those later today.

I'm incredibly proud, as you can tell, and passionate about the work we've achieved as an agency to truly transform not only our delivery model but the workplace itself. We're kicking goals that defy—and I enjoy and hope to continue to kick those goals. There are always going to be things, and I'm sure we'll talk about those today, that are improvements that we can make. I look forward to finding those improvements with Ms Dale, and I look forward to implementing them and making them business as usual into the future. I'm excited about the possibilities of further enhancing the valuation system and making it stronger with Ms Dale. I'm eager to continue our discussions today, and I look forward to working collaboratively with the Committee, the Office of the Valuer General and Ms Dale and the wider department to enhance the valuation system into the future. Thank you.

The CHAIR: Thank you very much. Also I forgot to welcome the people who are in the gallery and anyone that's watching at home. That was very informative. We're going to move to questions from Committee members. I just want to flag that we're not trying to trip you up or have gotcha moments. If there are matters that you want to take on notice and get back to us, please feel free to say that. We will now move into questions.

Dr HUGH McDERMOTT: Thank you for those opening statements. That was excellent and covered a lot of the areas which we were going to ask questions about and explore further. I have a handful of questions starting with the beginning of business updates, letting us know exactly where you're up to with the restructure. You've basically talked about how you put in a new structure and a change management plan. I wanted to see how that's going, what are the benefits and what have been the challenges. I'm happy to have either of you answer that question and just give us a further update to the opening statement.

SALLY DALE: We have gone through a restructure plan which was initiated at the end of 2022. What I'll do is I'll pass to Stewart as he has been involved. I've only been in this role since June last year and the majority of that restructure had already been put into place. Before I pass to him, from what I've seen from my time since June, I see a workforce that is engaged. I'm often in the office working with them. The team has expanded significantly. Everyone's engaged, working on projects, working towards improving and making it the best valuation system internationally. We have been voted that back in 2019, so we're working towards achieving that goal again. From my perspective, the place is amazing. Everyone is so engaged and the culture is very positive, but I'll pass onto Stew to talk about the challenges and how the restructure has gone.

STEWART McLACHLAN: Thank you for the question. As Ms Dale said, the change process was implemented at the back end of 2022. They do take a while to implement. I'm pleased to say that we completed that at the end of December 2022, if my memory serves me correctly, but from then it's about that sort of "storming, forming and then implementing" stage. I think what I talked about in the opening statement about both what Ms Dale talked about in terms of delivery but also the people outcomes are evidence that the process has worked. The foundational pillars of that change was all about moving resources to where we needed them but also having the ability in our structures internally in the department to flex those resources in and out of areas of valuation.

At the moment, general valuation years come every three years where we publish or send out the now almost 2.7 million notices to landholders. As you can appreciate, when you're doing that, there's a lot of work in the rating and taxing and Valuation of Land Act space but, dissimilar from other years, there's probably more work or more priorities potentially for compulsory acquisitions, depending on the cycle of government and where infrastructure may be delivered or not.

So the change management process was focused on putting in place structures that are agile. All of our valuers are on similar role descriptions and have to achieve similar levels of accreditation so it can flex people throughout but also provide them, as I said, those real opportunities to diversify their career and not just be stuck in one area of our valuation system or one area of Valuation NSW. That was a founding principle; getting valuers back to being valuers as opposed to just quality assurance. It's something that I know Mr Josh Etherington and Ms Sally Dale support and something that has really paid dividends in our PMES results. In addition, it was about resourcing our enabling functions. So behind every good valuer, I like to say, is another value adder. They may not be an accredited valuer.

The Hon. SCOTT FARLOW: Hashtag.

STEWART McLACHLAN: I can see it's getting traction on one side of the table.

The Hon. SCOTT FARLOW: We'll get there.

STEWART McLACHLAN: Yes, it's a wave. Not just in Valuation NSW are there valuers; there are enablers. We've got ICT systems, obviously, and we hope to talk about Val IQ later and the significant delivery steps we've taken and where we're up to there. But we've got customer service or call centre staff, and we've got people that maintain the Register of Land Values, which obviously underpins a significant part of State revenue. To that end, in customer service, we've seen record volumes. In 2019 the previous record was around 32,000 calls. In the last 12 months, for the general valuation year in 2022, we received over 40,000 calls. We need to have people trained appropriately, but we also need to resource those structures, and that's what that change process did.

Dr HUGH McDERMOTT: How many people in this structure have you recruited, how many have been made redundant, and what have you done with the workforce?

STEWART McLACHLAN: Predominantly the workforce has grown. In 2022 we were around 90 FTE, give or take. We are now over 205 FTE, noting that there could be some vacancies here and there that we're recruiting for.

Dr HUGH McDERMOTT: They're all full-time staff?

STEWART McLACHLAN: Full-time equivalent staff, yes, noting some people may take up part-time or other arrangements based on their family needs at the time, all those types of things. But we have more than 100 valuers internally and similar numbers in enablers.

Dr HUGH McDERMOTT: You were saying how calls that you've had increased by 8,000 over the last 12 months. Have you increased call staff as well, or how do you deal with that? Do you have more valuers, or what are you doing to address it?

STEWART McLACHLAN: It truly depends. We have, I would say, definitely increased staff in customer service from how many were there previously. So when a call comes in, as you can appreciate, we've got two delivery models for that call. Tier 1—the simpler calls are resourced through Service NSW, which is pretty similar across government, being the first call centre of government. Then from there, complex calls, which ends up being about 8,000 a year, end up with our call team. But they're supported by valuers, so there are a lot of calls handled by valuers or, depending on the nature of inquiry, valuers pick up that slack as well, yes.

Dr HUGH McDERMOTT: How many more people across the board and how much has the budget increased because of that?

STEWART McLACHLAN: I'm pleased to say our budget hasn't increased. We've been finding ways to deliver things more efficiently. We'll talk about that balanced delivery model and doing valuations internally, but by doing it internally, we're actually generally saving money, on average, in terms of our valuation. What we've seen in the market is that there is a significant undersupply of valuers, and that's why I've talked about the graduate program. It is an industry where people do those sorts of degrees but then they can choose a lot of different sectors, and the reality is not many people are going towards the valuation sector. So it is a constrained area, and with that constraint comes increased costs in the external market because there's a demand for services and not enough people there.

Mr DAVID MEHAN: You said your employees went from 90 FTE to about 200, and you're saying your budget hasn't gone up much.

STEWART McLACHLAN: Hasn't gone up at all, only escalations. What we're doing is we're reducing our operational expenditure and balancing that operational expenditure with equal or lesser labour expenditure internally.

The CHAIR: Is that because you used to contract before?

STEWART McLACHLAN: That's right. We would say, before, it was about 95 to 100 per cent contract workforce, and then we would quality assure internally. What we're finding now is a balanced delivery model produces better financial outcomes, which is great but not the incentive for the valuation system. It produces a more timely outcome and, I would say, a stronger valuation outcome. Particularly in the compulsory acquisition space, whilst I've talked about those averages and Ms Dale did, those averages are being brought down by the staff internally delivering those valuations.

Where we are using contractors—which there is still a role for contractors and we routinely do contract out in all areas—those valuations are undertaken, on average, at about 170-odd days. That goes to lots of things, from the complexity that they might be dealing with, but also the sort of service delivery model. As you can appreciate, if you're doing a valuation internally for Valuation NSW, if you want to be called a "value adder", we want to see those time frames come down. But there is a greater motivation to deliver it there than there is if you're contracting it out to someone in the market and they've got competing priorities.

Dr HUGH McDERMOTT: Is this the new, more fluid approach you're talking about?

STEWART McLACHLAN: It is, yes.

Dr HUGH McDERMOTT: One last question, more for the Valuer General: I see that you came on board, you mentioned it before, on 1 June, into that role for 12 months?

SALLY DALE: Yes.

Dr HUGH McDERMOTT: I'm just wondering where are you up to and if you can provide an update on the recruitment process for the statutory appointment of the Valuer General.

STEWART McLACHLAN: I should probably take that. I would say the recruitment process is underway. We went live in about January. Interviews have been held and obviously that would be a matter for government as the matter moves forward, but we would hope to, in the next four to eight weeks, have something solidified.

Dr HUGH McDERMOTT: Have you applied for this role?

SALLY DALE: Yes, I've applied for the role.

Mr DAVID MEHAN: Thanks, Ms Dale and Mr McLachlan, for your presentation. I understand you did some work with the University of New South Wales on an automated valuation model and that stopped in 2022, and then you've done some work with commercial providers since then. Can you give us a feel for where that's up to? Do you use that work that you've engaged in the past to help you do your work now, or is it a bit of a dead end?

SALLY DALE: Good question. We have run three proof of concepts with three different providers. One was the University of New South Wales and the other two were commercial providers. Those proof of concepts were done with previous Valuers General. I will say from my experience—and you're referring to automated valuation models—in the industry, the largest use of these tools is generally in the banking and finance sector. That sector has spent millions of dollars over the last couple of decades developing these tools, and from my research and my involvement with those tools, having worked in the private sector, I feel that they've reached their optimal level.

For the proof of concepts we ran, we got varying results. Those results in areas where there's homogenous properties, similar parcels of land, the topography may be fairly similar, the accuracy of the results is reasonable to good. In areas where there is variance and often in inner-city areas or areas on the coast where there's waterfronts, views, different topographies to consider we found the accuracy was not optimal and we felt that is a significant risk to the reputation of the valuation system if we moved to an automated valuation model. That being said, there are advances now with AVMs in conjunction with artificial intelligence and we're monitoring those to see the opportunities in the future.

The Hon. MARK BUTTIGIEG: I was going to say, with these things it's quite a steep improvement curve. Do you see a point in time where it could get to that stage where you're allowing for those nuances like waterfront—because, at the end of the day, it's an input, and once you teach the machine how to do it, it does it.

SALLY DALE: That's correct. As I said, we're just monitoring it. I work with the other Valuer Generals around Australia and we're often exchanging research papers and we are all monitoring very carefully what has happening with AI. I do think there will be an opportunity in the future.

The Hon. MARK BUTTIGIEG: Is there a jurisdiction that's almost there?

SALLY DALE: There are some jurisdictions overseas, I think, in North America that are building the AI models and we're watching closely. We work with the International Property Tax Institute and are in touch with them. I can't comment as to the level of accuracy at this stage, but I know there is some foundational work being done in other jurisdictions.

Mr DAVID MEHAN: Do you use the automated system for any even smaller parts of your overall State valuation to assist you in house?

SALLY DALE: We've actually got in our current system an automated valuation model that we use for quality assurance. So we'll use that in the annual values program, and our system in itself is an automated valuation model because we are actually valuing benchmarked properties and then, the percentage that they move up or down, we'll apply that to a whole component or a group of properties. So, in a way, the system that we use now is a rudimentary AVM, but we definitely haven't discounted AVMs. I think initially, though, it would be looking at them as part of our quality assurance program. We're in the throes now of building Val IQ, and that is one of our considerations, building an AVM as part of Val IQ initially for quality assurance.

Mr DAVID MEHAN: The stuff you did with the university, are you using that work or is that just parked in the corner?

SALLY DALE: We're not using that work. We use that as part of our research—not just the university, but other providers as well.

The CHAIR: To characterise it, the model that they were looking at was completely automated, whereas what I'm hearing is that there are multiple parts of the process of mass valuation that are automated.

SALLY DALE: We ran, with the University of New South Wales, a program in which we hand-selected certain areas in the Sydney metropolitan area. The initial program was that we picked areas that were and weren't homogenous, and we ran tests of those. There was no initial plan to use an automated valuation model across the State. I think it was really just a proof of concept to see the accuracy and where we may go in the future. Again, we're definitely not discounting the use of AVMs, but I think there is reputational risk if we use them across the board, especially in regional areas where there's not much sales evidence. So I think the advancement of AI is definitely going to improve those AVM models and will work hand in hand with those.

The Hon. SCOTT FARLOW: Has UNSW published a paper looking at those outcomes?

SALLY DALE: We received a presentation from them when we worked with them. As for a paper, I'd have to come back to you and take that on notice.

The Hon. MARK BUTTIGIEG: This is a much broader issue for government and we've got an upper House inquiry into it now. At a point in time, we're going to get to the stage where the technology is sufficiently sophisticated to allow us to do a lot of work. In terms of displacement of jobs, has there been any forward planning? Because the desire would be that we don't lose any jobs out of it. I just wondered whether or not there was any forward thinking about how the department might handle those sorts of issues, because it's probably going to happen sooner than people think, I would imagine.

SALLY DALE: I can't comment on that because I don't think we're at the point where AI—as I said, AVMs I think have reached an optimal point and they've been used in the banking and finance industry as a risk tool for a couple of decades. As for AI, there's talk, but I think it's still a way off. I can't comment on when that will come into play. That being said, I think for our staff in government—as Stew touched on, we're actually

growing teams and bringing valuers in house, and we've really seen benefits of that from a cost perspective and time efficiencies. So I think there are going to be a lot of opportunities in the future for roles to change and different roles.

STEWART McLACHLAN: If I could, just to build on Ms Dale's answer, those sorts of studies that we've done—and particularly the back end with commercial providers—we see it as a tool that, at some point, will be at a level that we can hopefully integrate into Val IQ. But it will be a check and balance tool rather than a takeover valuation tool just to flag areas, particularly in our quality assurance process, where grading may be out, or flag areas where properties are moving faster than others, and is there a reason for that, yes or no. Those types of things. They're the sorts of roles we see AVMs playing, probably, in the near future. So I don't think that would impact the valuation staff or non-valuation staff, is the answer.

The CHAIR: The thing is, down the track, even with more automation, all of those appeals will still require a valuer to go back and go through all the processes. You're basically saying that it's a risk tool at the moment, but I guess in the future that could change.

STEWART McLACHLAN: I think the other point is, though, that's only one side of Ms Dale's functions, or the functions we support delivering with the Valuer General. The other part is in terms of compulsory acquisitions. I don't see a world in the very near or long-term future where AVMs or AI is doing a compulsory acquisition determination, just because of its bespoke nature. You include, generally, town planning advice; you have, potentially, hydrological advice; those types of things. That's not something that's going to be a statistical analysis tool. That's a bespoke valuation.

The CHAIR: It would be interesting to see.

The Hon. SCOTT FARLOW: Let me just say from the outset it's nice to see both the Valuer General and the department pushing in the same direction. I note Mr Walker in the gallery, and it's a little different to the last hearing we held in this Committee where I think he was coming to correct the record. It's good to see, in many ways, that pretty much all of the issues have been resolved within the Office of the Valuer General and Valuation NSW. So commendation to you and all of your team in that regard.

Just picking up from that line of questioning of Mr Mehan, with respect to the work being done on automation and some other work that could potentially be done or looked at—and we've had this discussion over many years—there is the difference between unimproved land value and capital improved value. I will note that, in budget estimates, the Minister for Local Government did outline some consideration in terms of looking at the systems. Is there any work that the Valuer General is doing at looking at the two different systems?

SALLY DALE: Yes, and that's a really good question. I'd firstly like to start with saying that, as the Valuer General, I have no preference for land values or capital improved values. As for other jurisdictions around Australia, some will use land values, some use a mixture of capital improved land values, some even use rental value. There are pros and cons to all of these systems. The main constraint we see in New South Wales is cost. At the moment, there is no central register of the improvements on the properties in New South Wales. Those improvements are held with each local government, what has actually been approved. So that will be the biggest constraint for us on cost.

We've recently commissioned a paper on capital improved values which looks at the pros and cons and the potential cost to the State should it be decided to move to capital improved values. That cost is just short of \$500 million, so half a billion dollars. Again, I've got no preference whether we're land value or capital improved value. I would say, though, that if the State is looking towards going to capital improved value, then I would recommend that a cost-benefit analysis is carried out.

The Hon. SCOTT FARLOW: In terms of, as we were discussing before, the staffing that you have, would it be more intensive in terms of being able to assess capital improved value in comparison to unimproved land value?

SALLY DALE: Initially, it would be, because we'd have to look at—there are opportunities to, if we did move to capital improved value, do a portion of the State based on a desktop. But that would need to be carried out by a valuer. There are platforms out there where you can do desktop valuations, but they are only suitable in areas where there's a large number of comparable sales that the valuer can use and adequate data to be able to visualise the property, know the number of bedrooms, the number of bathrooms, and what the property's constructed in. So there would be a portion of those properties that we could value from the desk, but a large proportion would need to be individually inspected by valuers out in the field, especially in regional areas where there is limited data. So, yes, it would initially definitely place extra labour expense and time to deliver capital improved values, and it would need to be rolled out over a period of time.

The Hon. SCOTT FARLOW: I just pick up in terms of some of the issues that are coming out in the system at the moment—and this is something that, over many years, I guess we've dealt with—where people will find their property is being rezoned but they can't necessarily move on that. For instance, out in Orchard Hills and Luddenham at the moment you've got people who have properties that have been rezoned, but in terms of the development pathways that exist at the moment they can't actually move on it, so they've seen that their land values have increased and they've seen that, if they're paying land tax, that that's increased, or their rates have increased over that period. What can be done in that regard?

SALLY DALE: That's a good question. We have been speaking with the community commissioner on this. As the Valuer General, I'm the independent officer and I need to operate under the legislation, which is the Valuation of Land Act. We do need to consider the market value of land and that has been precedented in court. In these instances, those areas are in the process of being rezoned. As valuers, we need to look at the market evidence. Often there is speculation in those areas and buyers will purchase properties at a premium or at a higher price in consideration of the future zoning.

The Hon. SCOTT FARLOW: Is that the key input that's going into it, then, in terms of that speculative buying? Or is it on the merits of the rezoning themselves, the change of land use and the potential for sale?

SALLY DALE: The buyers are looking at the opportunity, in the future, of the rezoning and that represents market value. There's sales evidence there.

The Hon. SCOTT FARLOW: I understand. Is it the sales evidence which then leads that or is it the rezoning itself? For instance, an area's rezoned. What activity does the Valuer General undertake in that instance?

SALLY DALE: We will monitor sales evidence.

The Hon. SCOTT FARLOW: So it's only on the basis of sales evidence.

SALLY DALE: That's correct.

The Hon. SCOTT FARLOW: Thank you for that clarification. You were talking about the legal precedent. We previously discussed that AMP Capital, I think, had the case with Macquarie Centre, I think, in terms of residential apartments. Where's that settled now in terms of highest and best use and what's actually achievable on sites?

SALLY DALE: The case has closed. We are now just working through the determinations post the one matter that was heard in that hearing.

The Hon. SCOTT FARLOW: Is there an upshot in terms of how you assess and evaluate things now?

SALLY DALE: In regards to that case, a large portion of that was around the highest and best use and looking at the redevelopment potential of the site. A lot of it came down to planning experts and what they considered could be built in regards to residential apartments. It was a complex issue. Again, as valuers, we will look at the highest and best use. If we need to get planning advice, we will, but we always look at the highest and best use. Things like the Macquarie shopping centre are difficult because different planners will have different opinions on what the highest and best use is.

Mr DAVID MEHAN: So when you value the land—this is the thing that my constituents and I have trouble getting our head around—you're really valuing the highest and best use of that land rather than the intrinsic value of the land compared to other bits.

SALLY DALE: Yes. The methodology we'll use will be the hypothetical development method. We will imagine what the highest and best use of that site is, whether it's a shopping centre with numerous residential towers. Then what we will deduct from that gross improved value is the cost to develop, which will leave us with the land value.

The CHAIR: We're going to move on to the cultural loss review in both your reports. Would you mind taking us through briefly the process for making determinations of cultural loss? Then I want to ask you about how there were no findings in the 2023 financial year but that you're anticipating some.

SALLY DALE: In regards to cultural loss, firstly, I'd like to thank my predecessors Josh Etherington and Dr David Parker. They both carried out significant work. In particular, Dr Parker produced a paper on cultural loss which was, I think, groundbreaking. Following that, he also developed a policy. That has been a great asset to the department and something I really appreciate. When I came into the role in June, there were a number of cultural loss matters that had been issued as preliminary reports but hadn't been finalised. So it was a real focus of mine to get those cultural loss reports completed. I think, as of January this year, five of those determinations have been delivered. From running that as a process, we've now documented a way forward. Previously, all the

cultural loss valuations were carried out by the Valuer General. There have been delegations put in place. There are a number of these matters that still need to be processed.

The CHAIR: How do they typically get triggered? How does that come to you in the first place?

SALLY DALE: The native title owners will come through the Just Terms Compensation Act and put a claim through. We've put a process in place and we've now documented that process and we've got an internal committee which is part of the decision-making process. Five matters have been finalised, and there are a number of matters now from which a number of preliminary reports will soon be issued. I think the good news is that they are now starting to be processed, because some of those matters have been sitting with the Office of the Valuer General for a number of years.

The CHAIR: You're saying that Dr Parker's paper on this is guiding your policy—procedure, rather?

SALLY DALE: He wrote a paper and it went out for feedback and public consultation and then, following the review of that feedback, he created a policy which is published on our website for the public to view.

The CHAIR: Was that informed by Aboriginal people?

SALLY DALE: It was informed by consultation with Aboriginal people. He also looked around other jurisdictions internationally to see how they had approached cultural loss. There was feedback from the public. So there was a long consultation process.

The CHAIR: Down the track, I'd really like to probe more into that. It would be interesting to have a case study to see the life of one of those claims and how it was managed from the perspective of the proponent.

SALLY DALE: Definitely.

The CHAIR: Then the other thing was you said that there are no findings on cultural loss during the 2022 to 2023 financial year. I'm wondering why you said that there were none.

SALLY DALE: The reports were still in the process of being finalised, of which five have now been finalised.

STEWART McLACHLAN: There are around 40 remaining.

SALLY DALE: Yes, 40 remaining.

The CHAIR: Which part of the workforce undertakes that?

SALLY DALE: We've got a team in our just terms compulsory acquisition that are looking after those 40.

STEWART McLACHLAN: In addition, obviously, we rely on experts to support those determinations. Whether they be in cultural heritage, environmental impacts and those types of things, to unpack—in the policy there's lots of indicators that determine cultural loss, progressive impairment, trauma, significance of sites, those types of things. So we rely on experts to support our valuers as well.

The CHAIR: So there's a just terms team. Is that correct?

STEWART McLACHLAN: Yes, it's called the valuation practice area. They look after both the compulsory acquisitions as well as objections.

The CHAIR: They've got a big workload. Coming back to staffing and change of culture, what training do they get specifically in terms of Aboriginal and First Nations people, working in that space?

STEWART McLACHLAN: Sure. There are both valuation and non-valuation courses. Internally, it should importantly be noted that we're supported by the wider department, so there are cultural courses that all departmental employees undertake. Then we also internally undertake different valuation-specific courses on compulsory acquisitions, which include those cultural loss components. Importantly, regarding what I said before about being able to attract and retain talent, we have special advisers both in the Valuation of Land Act—who, fortunately enough, is the former Valuer General Mr Josh Etherington, so he knows a fair bit about the Act, which is great. Then similarly in the compulsory acquisitions, we also have a special adviser who is, in my mind, someone that's well respected in the industry for administering that Act and how it should occur: Mr Greg Jones.

Those two special advisers, and why I'm calling it out, is they're generally responsible for, in addition to our senior managing valuers, the training that valuers undertake. It's important that I point out that the courses that we do in acquisitions or in rating and taxing, we run across the organisation. That again goes to trying to skill the

entire workforce so that we can flex in and out where we need to. So it's not just that team that's trained on acquisitions.

The CHAIR: I guess there's opportunity there for positive discrimination for Aboriginal and Torres Strait Islander people. The other thing was, on your full-time equivalent staff, how many women?

STEWART McLACHLAN: I'd need to take that on notice but I would say that we've got a very balanced model, which is very interesting considering the sector is male dominated.

Dr HUGH McDERMOTT: Is that reflected in the pay levels of scales as well?

STEWART McLACHLAN: In the public service, if you're an award staff, no matter your gender base or indifference—

Dr HUGH McDERMOTT: I understand how the public sector works. I'm asking about your agency.

STEWART McLACHLAN: We're the same. We're on clerk awards and those awards are paid at the relevant scale no matter what that is. In terms of our—I'm assuming this could be the next question—executive workforce—

Dr HUGH McDERMOTT: Yes, that's our next question.

STEWART McLACHLAN: Obviously, the leader of the valuation system is female, but our balanced executive is about, give or take, I think 60-40, which is 60 per cent male, 40 per cent female.

The CHAIR: That'd be great if you could get us just a broadbrush overview of senior management positions and across the board.

Dr HUGH McDERMOTT: One step further on that, you were saying there was a lot of competition for valuers in the market because there's not enough of them. Does that mean that you're also having to offer to valuers, to bring them in, a higher rate? Why I'm asking is because I've dealt with an agency before where, when people came in, they were much higher, and they were predominantly male.

STEWART McLACHLAN: No, that's not a thing for us. Sal and I have lots of conversations, but my view is, a lot of the fees that we incur with contractors or contract firms, they generally don't result to paid employees. So we find that our salaries are quite competitive in the valuation sector, so the clerk award translates really well. Where they're probably less competitive is at the entry-level position and hence why we're trying to grow a graduate program so we can have more entry-level opportunities.

Mr DAVID MEHAN: Your valuers are linked to a level in the clerk award. What are they?

STEWART McLACHLAN: A valuer is the clerk 5/6. A senior valuer's a clerk 7/8. A managing valuer's a clerk 9/10 and a senior managing valuer's a clerk 11/12.

Dr HUGH McDERMOTT: Getting back to cultural loss, excuse my limited knowledge, but obviously it appears that all the claims and all the discussion about this has been with Indigenous claims or cultural loss of Indigenous communities. Has it ever been expanded beyond that, or have you considered expanding beyond just Indigenous cultural loss?

STEWART McLACHLAN: In terms of claims, we're guided by the Just Terms Compensation Act and that's what dictates Ms Dale's role and the role of Valuation NSW.

SALLY DALE: Section 55 of the Act specifies the heads of compensation. There are heads there for relocation but not specifically cultural loss.

STEWART McLACHLAN: There are heads around special value and whether or not you meet the terms of special value, but they're very discrete. We're guided by what is in the Act is what I would say to that question.

Mr DAVID MEHAN: While we're talking about compulsory acquisition, I have a bunch of constituents who had their properties acquisitioned over their heads for many years because of a road widening situation. Have you got any observations about how that process works out? I appreciate you're not the agency delivering the road, but in terms of your role in valuing their loss if the compulsory acquisition turns into a dispute, have you got any observations or suggestions of how that process might be improved for people or how to speed it up for people?

SALLY DALE: Interesting that you ask that. There is actually a review going on by the department now: the land acquisition review. That has gone internally to acquiring authorities, myself and Valuation NSW and we have provided a response. I think, as of last week, that review is going out to the general public. We have been involved. That being said, the review isn't being run by the Office of the Valuer General or Valuation NSW.

Mr DAVID MEHAN: You might be able to help me with this: During the last meeting I had with Transport staff about this particular road, I queried why the route chosen impacted a whole bunch of residences as opposed to a different route which might have impacted businesses. The Transport staff were telling me it was just terribly complicated—more complicated to route a road through a place where businesses are occupying. I got the sense that it is easier for them to compensate people who lose their homes rather than people who are losing a business enterprise. Can you help me with that?

SALLY DALE: I can't comment on that because that comes down to the acquiring authority. Obviously, they do an analysis before they will commence the acquisition process. We don't come in until the end where it can't be agreed upon.

STEWART McLACHLAN: Just to build on Ms Dale's answer, we undertake business valuations for just terms compensation each and every day and we undertake residential valuations, so I'm not sure there's a distinction with Valuation NSW.

Mr DAVID MEHAN: For a business, is it loss of goodwill? Does that get factored in?

STEWART McLACHLAN: It truly depends on what the claim is. Under the Act, the relevant business would need to make a claim, and they may be claiming lost profits, they may be claiming relocation costs. It's bespoke and unique to every acquisition.

The CHAIR: My experience, David, with the Pacific Highway upgrade when I first got elected—my first four years was everything to do with compulsory acquisitions. It was the management of the on the ground and the communication with people that was the horror story. The actual values was way down the track, but that's another tale. That was RMS. I thought we might get an inquiry into RMS and then it became Transport for NSW, so that also happens. I notice we've got website refresh and public education awareness. Does anyone have any questions there?

Dr HUGH McDERMOTT: I do, to do with public education. My question is about multicultural communities. Obviously, as a member from Western Sydney, multicultural communities are quite significant. I was interested in your report on what education programs you've got for people from non-English-speaking backgrounds. The question I've got for you is the 2021-22 report referenced work to improve Valuation NSW outreach to communities from non-English-speaking backgrounds. Can you please explain the nature of this work and how you're ensuring that everyone can access this information and resources that they need?

SALLY DALE: Currently, on our website we've got 10 languages where we actually have documented the most commonly asked questions and the most commonly looked-at topics. We also promote, through our customer experience team, the translation services. That being said, I'm just in the throes of finalising an education strategy, and that's looking at reforming our documentation that we have now, looking at different ways that we can promote and explain what we do. We've all recently released some animations and they're on our website explaining the role of the Valuer General and mass valuation. Then we are also looking at promoting—going out to local governments and people in the community. So a big part of that will be also looking at translation services and how we can better communicate with non-English-speaking backgrounds.

Dr HUGH McDERMOTT: You're going to engage with local councils, which is great. Have you been engaging with Multicultural NSW or any other agencies along these lines?

SALLY DALE: We're, as I said, in the throes of finalising that strategy, so I'm definitely happy to take that on board and engage with Multicultural NSW.

Dr HUGH McDERMOTT: When will that strategy be ready to go?

SALLY DALE: It's going to be finalised at the end of March. So we're just putting it together now and then we'll be looking at a number of projects to commence shortly after, in the next couple of months.

Dr HUGH McDERMOTT: Will that also be reflected on your website?

SALLY DALE: Yes, we're looking at renewing our website. We're actually in the middle of the planning phase. We've done an audit of all the documentation that's on our website now. We've recently, as of last week, reviewed all of our policies. We're also looking at different ways of providing fact sheets to the public and also different ways of producing our annual report to make things easier, simpler and more interactive for the public.

Dr HUGH McDERMOTT: What's the costing of this? Do you need increased funding to be able to do this? Where are you at with it as far as budget goes?

STEWART McLACHLAN: The Valuer General's functions are funded through IPART. The IPART determination runs until June next year. We're currently working with Ms Dale on the next determination. We've

also met with IPART around it flagging initial indications of what we need to submit. I think, though, it should be on the record that costs are increasing. I talked before about how we didn't increase costs by bringing some of those services internally. Where we have tendered, and only in the last two years, to contract areas, costs have gone up between 50 to 70 per cent for the same service. That's in the external market. So costs are increasing, as you can appreciate, across all areas of supply chains, including the valuation sector, believe it or not.

In terms of the cost for the website, we've just made the decision last week with Ms Dale and the department that we're moving the website's platform to what's called OneCX, which is housed and managed through the Department of Customer Service. It's taken an approach of trying to move all government websites into the same platform to find efficiencies and savings, but also better communicate things. The costing around that is pretty much on par with costs that we would have otherwise incurred on the older platform. So we're not asking for greater funding than we would have otherwise incurred.

Dr HUGH McDERMOTT: I understand that, but, obviously, especially in Western Sydney, we have a significant increase in housing—thousands of new homes over the next so many years. So I want to make sure that there's funding there to be able to cover people from non-English-speaking backgrounds who'll be needing this service and who have a real challenge getting used to the Australian property market and way of building up, especially subcontinental people, but many others as well: Middle-Eastern, et cetera, young first home buyers from those communities who are often young professionals who come in from overseas. I really would like to know what money's needed to make sure this happens. That's something I'll put on notice, but certainly in the deliberations for the budget, and us lobbying the Treasurer for these things, I think it is quite important.

SALLY DALE: We appreciate that feedback. It's actually really good timing with the strategy that we're just finalising now, so we're happy to provide that detail.

Mr DAVID MEHAN: Just in relation to your website upgrade, I noticed that you received, I think, 102 negative feedback records in relation your objection portal. Are you going to be concentrating on that bit of your website?

SALLY DALE: Definitely. The good news is we've got funding for Val IQ, which is a build of our new valuation platform. We've already commenced work on that as of, I think, March last year. Phase 1A and 1B include a new portal for clients to be able to log in, object, monitor the properties that they own. We had a demonstration on that last week, and I think that will be released in July.

STEWART McLACHLAN: There are different stages of Val IQ and we probably look forward to talking to the Committee further in the future. What we've been able to deliver at the moment is the tech stack. I'm not an IT guy but essentially the bulk of the work is to try and underpin the platform that we're building. In July, as Sal said, we'll roll out the OneCX platform, which is about customers being able to log in, interact with the agency, see where their objection may be up to, those types of things, but the true objection functionality is coming around November this year. So there will be a new portal to log your objection.

We're aware of the issues with the current portal. The problem is it's a 25-year-old system and that's why we're upgrading the system or redesigning and re-implementing a new one. We're aware of the issues but the thing I would say is, for both Ms Dale and the public, in terms of supporting her functions, we have a team there where if you can't log in, you can't lodge your objections, give us a call. We lodge it on plenty of people's behalf, and we do do that.

Mr DAVID MEHAN: You do that as well?

STEWART McLACHLAN: We do. I guess the message is it's hard for us to get that out there when you're talking to 2.7 million landholders. We're doing our best, but there are people there that can lodge it for you.

The Hon. SCOTT FARLOW: In terms of public education, while not on a website, or the like, is there any sort of outreach that the Valuer General does in terms of actually going out there in person to communities, and particularly impacted communities? We've talked about Luddenham and Orchard Hills before. Is there any sort of willingness to have public-facing interactions with those communities as well?

SALLY DALE: Definitely willingness. And I will say I have had a lot of interaction with the property sector. I know that's not the community directly, but often people in the property sector—whether it's the Property Council or the Australian Property Institute—the valuers and the professionals there are dealing with the general public. So I have been initially engaging, as part of my education strategy, with those professionals. But also the plan is to engage with public and communities, government, property professionals and obviously internal staff. They're the four main areas that the strategy is focused on. So, yes, definitely, in the future there will be plans to engage with the community.

The Hon. SCOTT FARLOW: That'll be yourself as the Valuer General, or Valuation NSW?

SALLY DALE: Both myself and relevant representatives from Valuation NSW. We've got staff all over the State, so obviously whoever is the most cost and time effective.

The Hon. SCOTT FARLOW: As you were talking before about trends and the like, there are certain areas where you will get issues that arise that could be beneficial in terms of yourself as the Valuer General or a team from Valuation NSW going out and meeting with community and nutting out some of the challenges that they might have and explaining the system, potentially.

STEWART McLACHLAN: A comment I would make is that it's twofold here, so it's not just Ms Dale here or Valuation NSW communicating the system. There are a lot of issues that we see in terms of inquiries that generally stem from local government. As Ms Dale mentioned, one of the pillars is around educating local government and trying to provide the information in their hands because every council is different.

But that's a really big or powerful tool that we're looking to use as well to educate landholders, because most of the inquiries are generally rates related rather than actually how the land valuation has occurred. Generally, most of the inquiries we've got are around when they receive the initial notice. It's double the value, so they immediately think "double the rates" when, in actual fact, it can be less rates, or it could be double the rates if the council's applied for an exemption to double their rates through IPART. But it actually isn't underpinned by the doubling of the land value. That's not the driver for the double the rates, if that makes sense, particularly where their properties have increased less than the rest of the surrounding LGA. They could actually pay less with double the land value.

It's about trying to get those messages out and also demystify the rating and taxing system through local government, noting that every council does it differently or can do it differently, so that's also a challenge for us. But I think, in consultation with Ms Dale and Mr Etherington, the former Valuer General, we've delivered now some really useful 30-second interactive videos about how rates and land valuations are determined that we're aiming to push out through this strategy as well.

SALLY DALE: They're already on our website now. I think that's important to note. Our customer experience team are using those to help educate people so they can understand how land values impact rates and land tax.

The CHAIR: That's great because your focus is on property developers and the property industry, but community perspective is very different to that. In the Northern Rivers, as we've discussed before, after the floods, it coincided with a valuation year. We've had that much correspondence from people just gobsmacked that the house has pretty much fallen down in a landslide and their value has gone up some ridiculous amount and they're like, "I don't even have a house on there," or, "My house went underwater." So I think that the more that you can do, as we unfortunately are likely to see more natural disasters—and I know you've looked at that before specifically. I think that's something that we're going to need. I don't think you can overcommunicate to community members about these processes, particularly on the back of natural disasters and how confusing that can be.

SALLY DALE: No, we agree. Definitely.

The Hon. SCOTT FARLOW: I have one follow-on question for Mr McLachlan, in terms of what you were saying about council rate objections and the like, and we're getting the largest flow-on effect. Interestingly, in the last annual report, from 2020-21, in terms of objections council rates were 43 per cent and land tax was 57 per cent. Then it went to council rates at 6.88 per cent and land tax at 93.12 per cent of objections. What was the reason for that in 2021-22?

STEWART McLACHLAN: That's the valuation cycles that I talked about earlier around the general valuation year. Under the Act, we on behalf of Sally—or Ms Dale have to provide councils land values to underpin rates every three years. A decision was made, before both of our time, to do that every three years, on a three-year cycle. But previously it was annually or it was split across a third, a third, a third. I think it's fair to say that's why those stats are—

The Hon. SCOTT FARLOW: That's the spike?

SALLY DALE: Yes.

STEWART McLACHLAN: I think in the next annual report you'll find they're very similar to what they were in the first one you referenced, around 50/50.

SALLY DALE: Talking about last year, property values over a three-year period had increased overall by 55 per cent and that's probably unprecedented, so we were expecting the high number of objections that we received last year.

The Hon. SCOTT FARLOW: Just on that point as well—you've prompted me—over the past five years there has been quite significant growth in residential sector house prices but not as significant growth in apartment prices, and in terms of unimproved land value it is the same, largely, just across a different base. Are you seeing more objections coming forward from apartment owners who are disputing the land value and their assessment when they're not seeing necessarily the same capital growth?

SALLY DALE: I'd have to take that on notice.

Mr DAVID MEHAN: Our local council, during the last rate increase, put out some information trying to explain that "Everybody's property price went up X. If yours was higher than this, you'll probably be paying higher rates. If it was lower, you might actually see a rate cut." Are you actively engaging with councils to help them do that sort of communication?

SALLY DALE: Initially, as we said, we've got a really good animation on that exact topic—how your land value impacts your rates. We do engage with local councils. We have an annual event—I think it's called the Revenue Professionals—and we present there with the local government representatives. But the plan is to definitely increase that engagement, to actually assist local governments by providing them fact sheets or some sort of media which can provide links, so if someone comes into the council on the front desk they've got that collateral that they can provide to the customers.

STEWART McLACHLAN: The other point, to build on Ms Dale's answer, is that we also offer to meet with every council in New South Wales upon the delivery of each annual valuation cycle, so every 12 months, and depending on where we are in that valuation cycle. So if it's a general valuation year where every council is going to use them for rates, I would say we receive a higher response rate from councils wanting to meet with us and understand land values, and in those non-years we're probably a lot lower. But we do offer that. Not everyone—yes, but we definitely offer that annually. I think this year probably about 40 per cent of councils took up that offer, and some councils actually want us to meet with them in their council open forum meetings as well. We can do that, not just with staff but also with the elected officials.

The CHAIR: That's a good segue. I think we're going to move on to appeals data for valuations. Does anyone want to ask any questions there?

The Hon. SCOTT FARLOW: I guess that was part of what was I asking previously, but I am happy for somebody else to flow on, in a sense.

The CHAIR: I wanted to ask, in successful appeals—because we have directed a lot of people to you—what are the learnings, generally? What are some of the broad-brush learnings that you get from appeals? In terms of quality control, what's—

SALLY DALE: Are you talking about appeals as in objections to land values?

The CHAIR: Yes, appeals data. For example, in your 2022-23 annual report we learned about the Sydney Fish Market case—

The Hon. SCOTT FARLOW: I take it these are the appeals to the Land and Environment Court?

The CHAIR: Yes.

SALLY DALE: Okay.

The CHAIR: Sorry. Appeals data for valuations, yes.

SALLY DALE: Sure. Last year 31 appeals were lodged to the Land and Environment Court and that represented about 0.03 per cent of objection decisions. The good news is that is compared to a 0.5 appeal rate in 2022, the previous year, so there has been an improvement there. Does that answer your question?

The CHAIR: Yes, I guess.

STEWART McLACHLAN: Just to build on that answer, in terms of learning, generally—appeals, I would say, based on the data that we have seen is we reach agreement during mediation. As part of that appeal process, it is generally directed to a mediation with the two parties. The values, we obviously analyse what occurred. If we do settle a case or an objection, there is generally something in the procedures or systems that hasn't worked well—maybe the checks and balances that we did weren't appropriate in that area or it's a true outlier. But we do undertake that investigative work and, as I said before, we've got a special adviser in the Valuation of Land Act. We've also got a senior managing valuer that manages appeals. So where those things occur, there are learnings fed back into the business, whether it be on the objection cycle or on the actual mass valuation to either grade or undertake supplementary valuations. But we do look at the learnings.

SALLY DALE: I think an important point to touch on there, and I did have that in my opening speech, this year we are actually taking a little bit of a different approach in regard to quality assurance. We've had a real data analytics, data-based approach, where we're looking at the number of objections in specific areas, looking at some of the feedback we have been getting from our customers and we're running a number of projects this year based on that data and based on the learnings from last year, which was a big year in regards to objections.

The CHAIR: Excellent. We'll look forward to that.

The Hon. SCOTT FARLOW: Just with respect to the appeals, for somebody to get the appeal to the Land and Environment Court, how many other hurdles do they have to get over before they get to that point? So they lodge an objection to begin with and then—

SALLY DALE: They lodge an objection. They've got 60 days to lodge an objection once they receive their notice of valuation. Then, as part of the process, we will engage with an independent valuer to either review that valuation or go out on site and do a physical inspection. That being said, if the owner requests a physical inspection, they can request that and we will send a valuer out. They are then issued with a preliminary valuation report. They get to meet the valuer onsite or speak with the valuer that's reviewing their case. They will then be issued with a preliminary report and at that stage they have the opportunity to have a conference with the team or with the valuer who carried out that valuation.

Then, following that, their issues that they have brought up will be addressed in the valuation report—the issues that the owner has documented as part of the process—and then a final valuation report will be issued. After the final report has been issued, the owner has the opportunity to lodge an appeal with the Land and Environment Court if they are unhappy, but the majority of cases are prior to the matter being heard at court. They've also got the opportunity to have a conference, and a large percentage of these matters are resolved during these conferences.

Mr DAVID MEHAN: I have quite a few people come to me with an objection when they receive their rate notice, which is more than 60 days since the valuation. Do you keep records on the number of people who might come to you outside of the 60-day period?

SALLY DALE: Yes, we've got a CRM, so we do keep records when people have come. There are instances, as an example, hardship, where we will look at an objection after 60 days, but it is prescribed in the Act that they've got 60 days to object. That being said, I think it's probably part of my education strategy, again, to help people understand the process and the number of days they have to be able to object. We've got a team there that are very experienced and will assist people in objecting. We provide them with an information kit, sales analysis and benchmark component reports. We will help them fill in the form. We are very open to assisting people with the objection process.

Dr HUGH McDERMOTT: I have a question to do with conflict of interest reporting. Can you talk us through examples of some of the mitigation strategies you have in place to manage conflict of interest notifications?

SALLY DALE: Sure. We've got a number of programs in play. Every year all the team members of Valuation NSW—and myself included—have to fill in a conflict of interest declaration. That is one department-run conflict of interest. We also have mandatory training on conflicts of interest and, I think, as of last year, the executive team also carried out some corruption training. We are very focused on training. We also have a risk management module for all of our valuers, which we run in conjunction with the Australian Property Institute. Last year the main focus was on conflict of interest. There is significant training, not just for valuers but for our departmental staff. For our contractors, there is a disclosure. The properties that they or their families own need to be disclosed. We actually run statistical checks against the benchmark and the properties that they have declared. I think we are looking at doing that internally as well.

STEWART McLACHLAN: Yes, similar provisions exist for internal staff doing those valuations.

SALLY DALE: We are in the build of Val IQ stage two, looking at building in protocols and conflicts of interest that are automated in the system—so automated stops. They will be built into our new valuation platform.

Dr HUGH McDERMOTT: What are the penalties if a contractor or a valuer has a conflict of interest that is not declared? What happens to them if they are caught not disclosing?

STEWART McLACHLAN: I'm not aware of any examples, but what I would say—

Dr HUGH McDERMOTT: That was my next question. Go on.

STEWART McLACHLAN: What I would say is that it would be managed in accordance with if they are Valuation NSW staff or contractors. For staff it would be managed in accordance with departmental procedures and obviously on a case-by-case basis, depending on what has actually occurred and what referrals or not referrals need to be made. For contractors, obviously, there are provisions under our contract in terms of termination clauses and those types of things, depending on what has occurred. But, again, I am not aware of any conflicts. The last thing I would say is that all valuers are accredited through the Australian Property Institute. Managing conflicts or not valuing where a conflict exists is part of that accreditation. I am sure there would be also avenues there for the valuation accreditation.

Dr HUGH McDERMOTT: Are there penalties? Apart from termination of a contract of a contractor, are there penalties? I know what you are saying about the training and everything else but, if someone just ignores it and then they are eventually caught and there is a conflict of interest and perhaps they are then benefiting through the valuation process or something, what happens to them?

STEWART McLACHLAN: I think we would have to look at what that is. I think we are dealing in hypotheticals.

Dr HUGH McDERMOTT: We are.

STEWART McLACHLAN: Depending on what the situation is would depend on the response either from the department or contractually or from another government agency, depending on how significant that conflict or error or err has occurred. It's just purely hypothetical, but there would be a response. Whatever that response would be, would be dependent on the scenario that has occurred.

Dr HUGH McDERMOTT: That hasn't been a problem at all? There has been nobody in court that has—

The CHAIR: It's not hypothetical. There were two cases reported in the 2022 financial year.

Mr DAVID MEHAN: It would affect their score, wouldn't it?

SALLY DALE: I think the two cases refer to compulsory acquisitions where a contractor was engaged and right up-front on the onset they called out that this is a conflict of interest and then that instruction—

The CHAIR: No, it said that your office found contractors breached their disclosure requirements in two cases.

SALLY DALE: Is this in—

The CHAIR: In 2022.

SALLY DALE: I'll have to take that on notice.

STEWART McLACHLAN: Yes, we'll take that on notice and come back to you.

The CHAIR: If you self-disclose as a contractor, what is the oversight of that? I can see the consequence if there is a conflict that you redo the valuation or whatever but to me it's the greater potential for corruption that they will never know what propriety interest they might have.

Dr HUGH McDERMOTT: I would like to know what the penalty is. I'd like you to come back about that. It's all good and fine to expose it if they are caught out, but if there is no penalty to it and they just think, "I didn't quite get away with it this time," that is not a response. If it has been dealt with before, I'd like to know what happened. If the penalty wasn't good enough or doesn't meet the standard that the community would expect, then we need to review that and put something into place.

STEWART McLACHLAN: Sure. We will come back to you. We will take it on notice.

The Hon. SCOTT FARLOW: I might actually take the invitation you gave us when we had budget estimates a couple of weeks ago, in terms of some of the disclosure of information questions. This is potentially to the Valuer General. This is looking at the New South Wales arrangements compared to other States and the information that is actually provided when it comes to personal information from New South Wales. Is there any assessment being done on that continuing in this State?

SALLY DALE: First of all, I'd like to give a background on the data resellers topic that you are referring to. In New South Wales the Valuer General has been providing data to data resellers for a number of years. In fact, I have been a valuer for over 30 years and from ever since I can remember data has been provided through these operations. The data that is provided is generally the sale date, the sale price and the owner's surname. Queensland and Western Australia are similar to New South Wales and then other States will provide data at varying levels. I think in Victoria they provide the sale date and sale price and, in some instances, to valuers and

real estate professionals there is read-only or a barrier. I would have to take the exact specifics on notice, but they do provide data to the industry in a slightly different format to New South Wales and then the other States generally don't provide the surnames.

The Hon. SCOTT FARLOW: Why do we provide the surname?

SALLY DALE: It's for the industry. As I said, it has been provided for 30 years. I think Mr McLachlan has touched on it. The valuation industry as a start relies on the ownership records to track and monitor whether a transaction is arms-length. They will look at either the surname or often if it is transferred between company names. It assists them to determine if it's an arms-length transaction and if the sale price is actually a market price. Not only that, industry as a whole—I would say the banking and finance industry also will rely on that information. In a mortgage application, they may use that just as an initial check to see who the owner of the property is and the real estate industry as a whole would use that data.

The Hon. SCOTT FARLOW: You say that applies in Queensland and Western Australia and you have outlined the case in Victoria. What happens in South Australia, Tasmania and the like?

SALLY DALE: I think in South Australia—again, I would need to confirm this—they do provide sale date and sale price and they advise whether it is a private sale or a company sale. I can't comment on Tasmania or the Northern Territory.

The Hon. SCOTT FARLOW: It seems like the banks are able to operate under that system, though.

SALLY DALE: I think it's important to note that this data and this information isn't just available through the data that the Valuer General provides to the resellers. It's also available through title searching operations. So there are a number of—through the LRS and private companies that provide title search details and you can obtain ownership details through those avenues as well.

The Hon. MARK BUTTIGIEG: On that third-part retailing, what are the regulatory requirements on a bank or someone who is in receipt of that information then giving it on?

SALLY DALE: We've recently reviewed—a lot of the data that we've been providing was being provided on expired licence agreements. But Valuation NSW have done a review and we have recently initiated and got new licence agreements with much stricter provisions in place that have now been signed and agreed with the data providers. Specific provisions are in there that they can't onsell data, that their customers must comply with the Privacy Act.

STEWART McLACHLAN: I'm happy to list out some of the provisions of the new contracts. But it's important to point out—which I think I went to this in budget estimates—that the concerns that were raised through a former iteration of this Committee and passed to the Privacy Commissioner, as I understand it, have been addressed and the Privacy Commissioner can confirm that we have addressed privacy-related concerns in terms of legislative obligations in implementing both the new contracts but also the team to monitor and enforce those contracts.

The Hon. SCOTT FARLOW: Does that team sit within Valuation NSW?

STEWART McLACHLAN: It does, yes. I'm pleased to say that I think three of the four roles will be on board by the end of this month.

SALLY DALE: Yes.

STEWART McLACHLAN: With the last one still being recruited. The agreements that we have prohibit customers using data for direct marketing or with the intention of interfering with the privacy of an individual; require customers to comply with the requirements of the PPIP Act and Privacy Act; prohibit customers from onselling, sub-licensing, disclosing or otherwise providing property sales information to any other person; prohibit customers from altering the format, meaning or substance of the data; require customers to notify the client and Valuation NSW of any privacy complaints and act in accordance with the reasonable directions of Valuation NSW, including requiring immediate compliance with any suppression notices we may issue that could be based on court-related outcomes or those types of things. We can also, as part of our contracts—upon request, the relevant clients must provide us with their relevant customer policies, procedures and any other documentation that provides reasonable evidence that the customer is complying with the PPIP Act and Privacy Act. And, obviously, we're establishing a team to monitor and enforce those contracts or privacy-related conditions.

The CHAIR: How much do you make—and you may need to get back to us, but of your annual revenue, how much comes from onselling list?

SALLY DALE: Up until recently the data was provided to the resellers free of charge. Interestingly, we had a team of people providing that data. The new licence agreements—there is a fee or a cost in place. We did a review of other jurisdictions around Australia to gauge what those fees would be. So it's \$750,000 per annum to receive the data—as in the sale price, sale date and ownership—and then we do have a smaller fee to provide just the basic sale date and sale price. We also provide, on our website, free of charge to any member of the public, just general sales data, and that includes the sale date and the sale price.

The CHAIR: But not the surname?

SALLY DALE: That's correct.

The Hon. MARK BUTTIGIEG: What do they get for their \$750,000?

SALLY DALE: That I will get—the data will be fed to them, I think, is it weekly?

STEWART McLACHLAN: I would need to check.

SALLY DALE: Yes, we'll need to—

The CHAIR: Price, data and surname.

The Hon. MARK BUTTIGIEG: That's all data.

SALLY DALE: It's just the surname, the sale date, the sale price and, obviously, the property that it relates to.

The Hon. MARK BUTTIGIEG: So every organisations that wants that regular update on an annual basis pays \$750,000?

SALLY DALE: That's correct.

The Hon. SCOTT FARLOW: How many people do you have?

SALLY DALE: I think we had four.

STEWART McLACHLAN: We have three on the larger licence agreement and two on the smaller licence agreement. That is down from previously where the expired agreements had nine companies.

The Hon. SCOTT FARLOW: The larger licence agreements—that's the 750? Is that correct?

STEWART McLACHLAN: Yes.

The Hon. SCOTT FARLOW: And the smaller licence agreement?

STEWART McLACHLAN: Is \$100,000 per annum.

The Hon. MARK BUTTIGIEG: On that previous line of questioning with regards to what happens beyond, in terms of the information, because it was a little ambiguous there. There seems to be a fairly strict prohibition on reselling, but what about if you have an employee of one of these institutions that goes, "I might just pass this bit of information on to a mate of mine who wants to know what sort of capital gain Mr X has made?" What is the sanction on that?

SALLY DALE: I can't answer that because people can get this information not just from us. It is available through, as I mentioned, other providers. You can—even now they still go on digitally and type someone's name and suburb in the White Pages and you can get that information. I guess, we're putting the team in place and they're going to be starting in March.

The CHAIR: To clarify with the White Pages, you don't get the value of their property.

SALLY DALE: But I'm talking about ownership. I'm not talking about the value of their resale but I'm talking about open data—being a surname and address. With title searches, you can obtain someone's ownership, name and title.

The Hon. MARK BUTTIGIEG: Sure, you can pay for it. There is a bit of disincentive because there's a fee. But I'm talking about the opportunistic incentive for someone to say, "I've got the data. I can pass it on." It seems to me that is pretty big.

STEWART McLACHLAN: Again, there are always going to be people who try to exploit things no matter what area or facet of life we're in. With these new contracts, though, it gives Valuation NSW the ability to audit compliance with contracts, audit their policies, audit their systems and procedures. That would include, if they've got a system, the way their data is being fed into repackage and provide a different type of product. We can request those type of records to see how the data is being used. I would say, in addition to that, these types of

companies would obviously have their own checks and balances of their own system. But it gives us the ability to do those checks.

The Hon. MARK BUTTIGIEG: I'm just thinking in terms of the sanction or recourse, is there a legislative impediment? For example, do the privacy laws preclude those people from doing what I just described?

STEWART McLACHLAN: As in—yes. I'm not the expert in the PPIP Act, that would be the Privacy Commissioner. But my understanding is that if you're trying to interfere with someone's privacy, then that would be a breach of the Act, at a broad sense, yes.

Mr DAVID MEHAN: Is there provision in working rules to allow academic institutions to access that data without paying a fee?

STEWART McLACHLAN: In the current model, or the three-year trial, there are two licences, whether you are of an academic institution or not, yes.

The CHAIR: A maximum of two licences?

STEWART McLACHLAN: There are two types of licences.

The CHAIR: Can I just clarify, so you're saying that for 30 years or however long—it wouldn't be 30 years, but for quite some time—the data has been available free to CoreLogic and others?

SALLY DALE: That's correct.

The CHAIR: When did you start charging a fee?

SALLY DALE: As of I think—

STEWART McLACHLAN: January this year.

SALLY DALE: Yes, the beginning of January this year.

The CHAIR: Because it wasn't in the—obviously, it's part of the 2024 financial year report, but could you take a question on notice to follow up? Can the Committee have the figures of revenue from outsourcing data?

STEWART McLACHLAN: Yes, I can give you the figures. It is about \$2.45 million annually, but obviously there is expenditure associated with that revenue. Establishing a team and providing that data does—

The CHAIR: I would love to know the expenditure as well.

STEWART McLACHLAN: I can give you now as well, approximately. It's approximately about \$900,000 expenditure.

The CHAIR: We may revisit this, but that is enough from my perspective.

The Hon. SCOTT FARLOW: What was Valnet III is now Land iQ?

SALLY DALE: Val IQ.

The Hon. SCOTT FARLOW: Is that still on track to be delivered by March?

SALLY DALE: The program started in March last year, and it's a three-year program over three phases. Phase one is due to be completed around July this year. We've also commenced work on phase two which, as Mr McLachlan mentioned, includes the objection work flow and also just terms. We're looking at releasing that late this year. Phase three will be the rating and taxing module, which we will commence work on later this year. That will be finalised—we're looking at the end of 2025. I know there have been a couple of reviews, and Mr McLachlan can probably talk to this, but at this stage the program is on track and we have been given a high confidence rating in regards to—

STEWART McLACHLAN: Yes. As part of DRF-funded projects or the Department of Customer Service, they run gate reviews and they've got different numbers of gates for which review you'll go into or what part of your ICT project. It's really important to call out that our project in the last gate review, which was gate three and four around inception and first delivery sort of stages, we received a medium-high confidence rating for delivery. That's the highest confidence rating of delivery that has been handed out across government to all the ICT projects, so we are equal first in New South Wales for our project in terms of independent assurance and that delivery aspect. We're currently going through the next gate review at the moment and that should be finalised in the next week. But I expect to receive a similar rated outcome based on the expertise we hold internally and the project team that we've got engaged.

The Hon. SCOTT FARLOW: And the budget for that? There was a \$20 million allocation. I think it was in 2022. Is that sufficient for all of the stages?

STEWART McLACHLAN: It's broadly on track for expenditure for that budget. I think it's fair to say there'll probably be marginal give or take of the project. The current assurance is that we are on track for budget spend and it will be within that spend. But as we implement, particularly the rating and taxing space, my view is, particularly with some AVM integration or more spatial interaction, there could be some extra costs. But that would be something that we would be looking to find, hopefully, internally within the wider Valuer General.

The Hon. SCOTT FARLOW: Rather than an additional budget bid or the like?

STEWART McLACHLAN: That's right.

The Hon. SCOTT FARLOW: In terms of the public and the consumer interface, what are they going to notice from Val IQ?

SALLY DALE: They're going to be able to log into a customer portal, which will actually list their properties. They can add properties. They'll be able to track, if they've objected, the status of their objection. The same will go for compulsory acquisition. They'll be able to log in and track and see where their matter is up to. We're also looking at actually having links to information that's simple and easy for them to understand as part of the portal. For example, they may want to object. There'll be a whole series of opportunities for them to look at animations to explain—as they're filling in a form—what they're filling in and why that's required. It's a whole portal for interaction. They'll also be able to get their notice of valuation through the portal. Currently we still mail a lot of them out and on email, but they'll be able to log in and instantly see their property. If they own more than one property, they'll be able to see those listed there and track the status, if they are going through objections or compulsory acquisition.

The Hon. SCOTT FARLOW: To Dr McDermott's earlier line of questioning, will that be considering multicultural communities as well and potentially different language models?

SALLY DALE: Yes, it will.

Mr DAVID MEHAN: Do you have any role to play in the revocation or modification of development consents by councils under the Environment and Planning Act.

SALLY DALE: No, we don't.

Mr DAVID MEHAN: Where a DA's granted and then revoked, do you get involved?

SALLY DALE: No, we don't.

The CHAIR: Do any Committee members have any further questions?

Mr DAVID MEHAN: No.

The CHAIR: Thank you. That brings us to the end of the hearing. Thank you for appearing before the Committee today. The Committee will follow up with some questions that you took on notice. Your reply to those questions will form part of your evidence and may be made public. Are you happy to do that?

SALLY DALE: Yes.

The CHAIR: That concludes our public hearing for today. I'd like to thank all the witnesses who appeared before the Committee: Ms Sally Dale, Valuer General; and also Mr Stewart McLachlan, CEO. I thank Committee members very much for coming today and our very hardworking Committee staff. We've got Cam on AV, and Amy and Jaymie from Hansard. Thank you very much for your assistance. Thank you very much to everyone who has watched and everyone in the gallery. Have a lovely day.

(The witnesses withdrew.)

The Committee adjourned at 11:25.