

REPORT ON PROCEEDINGS BEFORE

JOINT STANDING COMMITTEE ON THE OFFICE OF THE

VALUER GENERAL

SEVENTEENTH GENERAL MEETING WITH THE VALUER

GENERAL

At Macquarie Room, Parliament House, Sydney, on Monday 5 May 2025

The Committee met at 10:30.

PRESENT

Ms Tamara Smith (Chair)

Dr Hugh McDermott (Deputy Chair)
The Hon. Scott Farlow

PRESENT VIA VIDEOCONFERENCE

The Hon. Mark Buttigieg

The CHAIR: Welcome to today's public hearing of the Joint Standing Committee on the Office of the Valuer General. Today's meeting is our seventeenth meeting with the Valuer General. I am Tamara Smith, MP, member for Ballina and Chair of the Committee. With me today are my fellow Committee members Dr Hugh McDermott, Deputy Chair and member for Prospect; the Hon. Mark Buttigieg, MLC, who is joining us online; and the Hon. Scott Farlow, MLC, who is in the room. Mr David Mehan, MP, member for The Entrance, is an apology for the hearing, but he may come later. He is at a funeral today. 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, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders, past and present, and recognise that Aboriginal and Torres Strait Islander people are engaging with us today across the State. I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. I declare the meeting open.

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

Mr STEWART MCLACHLAN, Chief Executive Officer, Value NSW, sworn and examined

The CHAIR: Can you each confirm that you have been issued with the Committee's terms of reference and information about the standing orders relating to the examination of witnesses?

SALLY DALE: Yes, I have.

STEWART MCLACHLAN: Yes.

The CHAIR: We might turn now to whether you would like to make a brief opening statement. If you would, the Committee would love it if you could—if it is appropriate—address the last-minute information we have received about the restructuring of the approach to evaluations every three years, or we can come back to it.

SALLY DALE: Sure.

The CHAIR: I know we will have lots of questions about that because it is new information. We might start with you, Ms Dale.

SALLY DALE: Thank you, Chair, for the opportunity to address the Committee today and for your continued interest and support in the New South Wales valuations space. Firstly, I would like to thank the staff at Value NSW, who continue to work tirelessly delivering a valuations system that is world class and provides independent and transparent outcomes. I'd also like to thank Mr Leon Walker, Deputy Secretary of Property, Development and Valuation; Ms Kiersten Fishburn, Secretary of the Department of Planning, Housing and Infrastructure; and the Hon. Stephen Kamper, Minister for Lands and Property, for their continued support of me and the agency. I was very pleased to provide the Committee with a copy of the Valuer General's annual insights report for 2023-2024. The past year has been a period of transformation, where we have continued to focus on ensuring that work undertaken addresses the evolving needs of our customers, providing services that are accessible and aligned with public expectations, while continuously driving improvements.

Last year I launched the Valuer General's education road map, which aims to enhance public understanding of the valuation system. We have already achieved so much through this program, including updated and condensed policies and fact sheets so they are more user-friendly; an educational animated video series on how the valuation system works, with more videos to come; improved local government engagement, with positive feedback received from councils on changes to our annual information sessions; and updated standard letters and information to ensure information is easy to read and consistent.

Most importantly, a key focus of the road map is the work we've been undertaking in partnership with Multicultural NSW to improve access to our information. Through our new website, members of the public are now able to translate across 65 languages, when previously we only provided a handful of information pages translated across 10 languages. The education road map is a four-year plan, and I look forward to providing more information on further work being undertaken in the next report.

This last year also marked a major achievement, with Value NSW's transition to a hybrid service delivery model in March 2024. I will let Mr Mclachlan provide further information about that shortly, but I want to acknowledge him and Mr Josh Etherington for their efforts in the achievements they have made in making this a reality. The benefits and outcomes being achieved are quite extraordinary, and over the future years we will continue to refine this model to strike the right balance for continued long-term success.

On the topic of success, in the just terms compulsory acquisition space, a 43 per cent reduction in processing times for compensation determinations was seen, down from 76 to 44 days. In addition, New South Wales's first cultural loss determinations were finalised through the support of the cultural loss policy and a newly documented procedure. This is something the VNSW team should be immensely proud of and is proof of the continual efforts being made to ensure that efficiency and consistency are at the front of mind in everything we do.

Over the last year Mr Mclachlan and I have also focused on governance opportunities and improvements. I'm pleased to advise the Committee that we have revised and signed a new service level agreement, ensuring proactive oversight of requirements under the two Acts. This agreement aligns with the new instrument of delegation, implemented in June 2024, and empowers staff in making local decisions to streamline business operations, which has led to better delivery outcomes across the board.

Looking back, I'm really proud of the agency and what we have been able to achieve together, and I am excited for the next 12 months, which will focus on continued improvement in the customer experience space; the launch of our new valuation system, Val IQ; further refinement of the in-house valuation model; and continuation

of our graduate valuer program, creating the next generation of property valuers. It was a great honour to be appointed Valuer General last year for a four-year term, and I look forward to working closely with you all over the next few years.

Finally, I have to thank Mr McLachlan, whose efforts over the last 12 months have ensured that, once again, we are able to provide you with more good news stories about #valueadders and what we have achieved for New South Wales. Together I know we will continue to deliver a world-class valuation system that is always striving for our mission of inspiring public confidence and trust. I'm really proud of the progress we've made together and am excited about the opportunities that lie ahead. Thank you. Now, I think if I can pass to Stewart—and then I'm happy to talk about the new delivery model after that.

The CHAIR: Perfect, thank you.

STEWART MCLACHLAN: Thank you, Chair, for the opportunity to address the Committee. Firstly, thank you to Valuer General Sally Dale on another successful year. As she outlined in her opening statement, there has been a lot of great work achieved and, throughout the course of the year, she has continued to be my and Value NSW's biggest supporter. I'd also like to acknowledge and thank Mr Leon Walker, Deputy Secretary, Property, Development and Valuation, as well as Ms Kiersten Fishburn, Secretary of the Department of Planning, Housing and Infrastructure, and the Hon. Steve Kamper, Minister for Lands and Property, for their continued support of us.

As outlined in the annual report, the Valuer General and Value NSW have had some significant milestones over the last 12 months, and these continue to be observed in the coming period. Over the past few years, both timeliness and cost of service delivery have been key focuses of the Valuer General, government and various inquiries and audits. Following an internal analysis and various in-house valuation pilots, in March last year Value NSW transitioned to a hybrid service delivery model, bringing in some valuation work back in house for a number of contract areas. After a successful first six months, we expanded the model, transitioning approximately 50 per cent of total valuations in house.

The move to the hybrid delivery model has created a lot of benefits for New South Wales. It's enabled better service delivery and aligns to the New South Wales Government's express positioning on reducing reliance on contractors and improving the capability and capacity of the New South Wales public service or—as I call them, or we collectively call them in Value NSW—value adders. A key few benefits to date include, in the first full year, delivering 800,000 land valuations internally and saving \$1.7 million in the process, with more expected over the forward years. Regarding quality, the valuations we've delivered have been completed internally and outperformed the external market when statistically measured for fairness, accuracy and quality. Value NSW has achieved 100 per cent compliance rate against those measures versus a 98.6 per cent compliance rate when delivered externally. For the 20,000 to 30,000 supplementary valuations, we've delivered them in house on average two days faster than the external market can deliver them.

In the long term, the hybrid model is expected to mitigate market capacity constraints—some we're already observing, noting that the most recent area we put to tender increased by 51.3 per cent in cost. Specifically, while costs fluctuate year on year, the forecast shows that, with the model now expanding and Value NSW responsible for about 1.5 million valuations annually, we expect to save a further \$28 million over the forward years to 30 June 2031 that would otherwise be required to be expended in an external model. Whilst this is a forecast only and costs in the external market will fluctuate, we're confident it's solid, with more than 4,500 tender data points observed, most in the last year, that form part of that analysis.

This year on 27 January we also commenced balancing our objection valuation delivery model, providing greater opportunity to again stabilise an escalating cost base for government, the Valuer General and Value NSW, and have the ability to intervene even in areas we would usually contract out, where the market pricing is outside usual or expected parameters. By way of a recent example, we tendered five objection valuations in the Far West area of New South Wales only in the last three weeks. We obtained quotes for those five objection valuations competitively and those quotes totalled almost \$40,000.

Obviously, this is an area we would usually contract out. We intervened in the market because we have capability and capacity internally. We're going to be delivering those valuations under \$9,000, including staff time and travel to the regions. This is obviously avoiding for government, the Valuer General and Value NSW almost \$28,000 that would otherwise be expended without a hybrid delivery model. With work being undertaken in house, that's translated to an increase in staffing numbers and a lot more value adders joining Value NSW. In comparison to last year Value NSW now has almost 200 valuers and we are now the largest valuation employer in New South Wales.

I'm pleased to let the Committee know that, dissimilar to a few years ago, when we struggled to attract and keep staff within the agency, Value NSW has gone from strength to strength and last year broke the department's recruitment records for the most applicants for a single role in both the executive and non-executive for recruitment. We're seen as an employer of choice. We also saw a massive uptake in our Value NSW graduate program, with over 200 applicants wanting to join Value NSW. Our graduate program was a finalist in the Innovation In Property Award at the Australian Property Institute's national awards—a great acknowledgement for a successful program which has transitioned almost 30 valuers into Value NSW, supporting the next generation of valuers that Sally just talked about.

As the Committee would be aware, we, like other agencies, annually survey our staff through the government-wide or sector-wide People Matter Employee Survey. After another successful year, I'm pleased to advise the Committee that, once again, Value NSW's head indicators in the survey are up. In an agency that only three years ago was well below the public sector averages, we're now an agency that is well above public sector averages on every single indicator—something that, collectively, we're proud of as an agency, and something that wouldn't have been possible without the help of Sal, Leon, Kiersten, obviously the Minister and, most importantly, the value-adders who sit behind me. In regard to privacy and data, I'm pleased to let the Committee know that last year we completed our first audit of the property sales information licences. The audit confirmed that all licence holders were compliant with the relevant privacy provisions and protections.

This has also been a big year for us, with IPART about to make its determination on pricing for the Valuer General and how much the Valuer General can charge councils for the next period. The Valuer General made a submission, supported by Value NSW, and we both attended a public hearing only a couple of weeks ago. We look forward to receiving a positive final determination later this month. Coming soon is our new valuation platform, known as Val IQ. We've been working tirelessly to ensure the system will be ready. Go live is expected later this month, albeit marginally pushed out. As the Committee can appreciate, when you're building an IT platform to support the public, it's important that we get it right. It's important that the checks and balances are put in place, and it's important that those things occur before we press the go live button. We look forward to updating the Committee today and in future periods about the success of that platform as it does come online.

Overall it has been a very action-packed year for Value NSW and the Valuer General, and it wouldn't be possible without the team of value-adders who continue to deliver great outcomes for the people of New South Wales every single day. Lastly, I want to express my thanks and gratitude to my executive team—in particular, the former Valuer General and now executive director of in-house valuations, Mr Josh Etherington, who has been the driving force behind the success of the in-house valuation model, something that I hope we can expand on today—and Ms Deirdre O'Donnell, our executive director of customer and business operations, who is working tirelessly to ensure that Val IQ is brought online, is successful and does what we need it to do.

The CHAIR: On behalf of Committee members, I congratulate both of you and the team on a very successful year—we can see that. It's so wonderful, Sally, as the substantive Valuer General, that we can see you are really setting a very high standard. We will now turn to questions. We'll dig in. Our first area that we want to explore, I think, is the website. I might ask my Deputy Chair if he has any questions that he'd like to ask.

Dr HUGH McDERMOTT: Thank you for coming here today. I echo the comments of the Chair. Well done this year. It has been really good. When we first met you 18 months ago or whenever it was, after the Government was elected, we talked about a lot of different issues, and one of them was the website, so I want to discuss that. Obviously I'm a Western Sydney MP, and throughout New South Wales it's a very multicultural community. You mentioned the amount of languages and your education program, which you've embraced. That was wonderful, because that was one of the key things that I talked about for my electorate but also for many others in Western Sydney. It's very important. Obviously we've also done a lot of engagement with Multicultural NSW, and you have as well in what you're doing. I wonder how that relationship went. I wonder what type of advice you got, whether it was from them, other areas of the Government or other outside entities, to build up this website, to build up these languages, and if there are any more future things that you plan on doing?

SALLY DALE: Shortly after we had the previous Joint Standing Committee hearing, we met with Multicultural NSW. I think we met with Joe La Posta and his team. I was in the meeting, and so was Mr McLachlan and also our communication team, and we've been working with them over this 12 months. Probably, the prime work that we've been looking at—on our website we had a lot of information, a lot of PDFs, and a lot of the information goes into quite technical valuation language. So we've worked with them, and where we could and where we felt that information wasn't relevant, we removed that from the website. We've had a real focus on our fact sheets, where we saw that people were going and visiting, and actually rewriting them in a more simplified language because I think, historically, as I said, a lot of our information was quite complex. What that's done is

made it a lot easier for those fact sheets and that information to be translated into those 65 languages, whereas, as I said before, there were only 10 languages.

What we're doing now, though, is continuing that work with Multicultural NSW. We're looking at demographics in particular local government areas. What we want to do is further enhance those fact sheets. But where we see there may be a need for further information, we will create some new fact sheets that will help with those different languages in those particular local government areas. We're also working with local government as part of our education plan, and I've got a meeting next month where we're going to look at different ways that we can engage with councils and be able to work with them and work in their websites and provide links to our animated videos but also create some different information. So again, we'll be looking at being able to do that across different languages.

Dr HUGH McDERMOTT: Have you discussed these issues with any other organisation, any ethnic councils or anything like that? Or have you just focused mostly with Multicultural NSW?

SALLY DALE: At this stage just Multicultural NSW.

Dr HUGH McDERMOTT: I've noticed Multicultural NSW has done a lot more roadshows, if you want to call it that. There are a lot more festivals. They've really got out there to the different communities. Have you thought about doing that as well or perhaps doing it with them?

SALLY DALE: We haven't, but now that you've brought that up, we would be very open to going to those roadshows.

Dr HUGH McDERMOTT: It sounds like it's working very well. That might be something you may wish to talk to Mr La Posta about, because I've seen a real uptake in that throughout the communities and certainly in western Sydney but also New South Wales. That may also be something worth considering if you have the resources to do it.

SALLY DALE: Definitely. Thank you for that suggestion.

The CHAIR: It's always about the user to me, and it's often the part we forget. I know that there'll be the back end and you can look at engagements and so on. But, in terms of the actual experience of users of the 65 languages, how do you do that?

SALLY DALE: With Multicultural NSW—

STEWART MCLACHLAN: There's a couple of things. We do, obviously, monitor pages in the website for use/time spent on pages. Importantly, some of the pages we put a lot of effort into previously—

SALLY DALE: I think we found only 400 people had clicked—

STEWART MCLACHLAN: Yes, 400 had clicked it and maybe they'd spent one second on it, so it probably wasn't worth the investment of reforming those pages. We do look at analytics. In addition, the other thing we do in terms of wider engagement or reform is—we've got a customer service survey that we do for different touchpoints. If you lodge an objection, you go through the relevant process of preliminary reports, final reports. And, at the end of that, you're sent a survey to complete. We obviously monitor that sort of feedback. Importantly, one of the things that is in Sally's education strategy is reforming those surveys to gain better analytics about how the customer experience is occurring.

We obviously do handle a lot of engagement and send, on average, a million letters a year externally. Also, around up to 50,000 calls come directly through our call centre as opposed to other parts of government. So it's about getting those better insights. So over the four years we'll have a lot more to say about that as we reform those surveys that we send out for when you interact with us on the phone or when you receive an objection report. You get those sort of questions about, "How was this experience? Was information accessible? Was it disseminated appropriately?" They're the questions you're asked. We also want to just not only have the questions better suited to inform Sally and Value NSW about how we could make meaningful changes but, importantly, we want to try and drive engagement with those surveys because, as you can appreciate, people get sent a lot of surveys now. I don't know the response rate off the top of my head, but it is quite low in terms of people engaging with it.

The CHAIR: With the new approach, which you're going to take us through a bit more about clusters of local government areas each year, so doing 900,000 a year instead of the quantum every two years, I'm not telling you how to do your job, but it might be an opportunity to identify when it is a high—like, a lot of community languages, LGAs, if that makes sense, and then to have peak orgs. I agree with the deputy chair about Multicultural NSW, but I also think that key orgs in areas are the ones that are going to tell you whether—unless

those surveys are in 65 languages, my experience is that everything is great from your end, but is someone who speaks Farsi actually engaging and getting it? I think that that's quite a challenge.

STEWART MCLACHLAN: Yes, I think it's important.

SALLY DALE: I think it's important. I think that ties in with us looking at the demographics in different local government areas. So we're more than willing to take that on and report on that back to the Committee.

The Hon. SCOTT FARLOW: Thank you very much for your attendance here and for all your value adding as well—catching on, as always, Mr McLachlan. Just picking up on one of the points that you mentioned briefly, which was with respect to the IPART determination, at the moment there's quite a huge void between what was submitted as a draft submission of the Valuer General compared with the draft determination of IPART at this stage. What are the current discussions with IPART, and where do you see this going at the moment?

SALLY DALE: We're coming towards the end of the IPART review, and I think the decision will be determined—

STEWART MCLACHLAN: End of this month.

SALLY DALE: Yes, end of this month. We had our hearing on 15 April, so I can talk to what we discussed there. Yes, there is a gap, and our proposal was to increase the current determination by around 34.8 per cent. Those increases were related to corporate overheads, mass valuation contracts, workflows in the customer experience space and technology increases, so a lot of those costs were outside of our control. I guess it was disappointing, the IPART review. We've worked with them very closely, and there are probably four key areas where we felt—and we discussed these in the hearing and in our submission, the first being the baseline average.

The baseline average that IPART took is actually nearly or around \$5 million less than our current funding proposal, and that was really disappointing. As I mentioned in the hearing, when they took the averaging, there were two or three years there where we had a lot of challenges around recruitment. Those have actually been built into that baseline, which is disappointing for us, because for us to be able to deliver our valuation system, we need to have staff not just around—it's not just about efficiency. There are legislative requirements, and we've also got staff and culture. We need to have the right number of staff to be able to deliver to the people of New South Wales.

The IPART report was also disappointing in regard to their commentary around inefficiency of the in-house valuation model, which, in my opinion, was not backed by any data points. I want to make the point that, prior to coming to government, I worked in the private sector, and I have a very good understanding of financial management of valuation firms, including tendering and costing, and it's all about efficiency in that industry. When I came into this role, I saw an opportunity to actually improve the efficiency, not just around cost but also around timeliness. The valuation industry in New South Wales is challenged; there are not enough valuers out there. I felt as, being the government valuer, we were actually being disadvantaged by those challenges that the industry has faced. Bringing valuations in house has allowed us to be able to have better control over costs but also over timeliness, and I think that's really important.

It's not just about cost. We've got legislative requirements, and we've got to meet them. It's also about delivering to the customer so if we don't have enough staff and if we don't have the right funding—if someone objects, they're not going to get their objection back in 90 days if we don't have the right number of staff. It's been disappointing because the report talks to in-house not being efficient, and we've got some really good examples of that. I'd like to pass over to you, Mr McLachlan, because I know you've got some more detail on those efficiencies.

STEWART MCLACHLAN: As I outlined in my opening statement, the reality is in-house valuations, when compared to current costings for the 12 months that have just concluded—so our contract periods run from 1 March to 28 February—unless it's a leap year, then 29 February, but till the end of February. Over that 12-month period on current contract costs that we would have otherwise incurred had we extended those contractors in those areas that we took in-house, we have saved \$1.7 million. I think you can have the best model in the world or the best economists but, at the end of the day, the reality is that's what occurred in-house and obviously we're modelling those things over the forward period.

In addition, and as I outlined, to that one objection example that occurred in the last four weeks, we also provided IPART another example of just 20 valuations in the first quarter where we've balanced the objection delivery model that we put out. In those 20 valuations, we were able to deliver them for a third of the price that would have otherwise been charged externally. That translated to savings anywhere between \$44,000 and \$66,000. The reason there's a range is just because we competitively tender prices, it doesn't mean that we choose the

cheapest price. We look at capability, capacity, where the contractor may be located, is it appropriate for them to do that objection valuation and what are their skill sets. It doesn't mean that we choose the cheapest price because, again, we have legislative obligations under the Act to actually deliver the valuation in line with the Act, so it's not just about the lowest dollar. Had we chosen the lowest quote for those 20 valuations, it would have been a \$44,000 saving. Had we chosen the highest quotes received, it would have been a \$66,000 saving. So there are efficiencies occurring by having the capability and capacity in-house to intervene in the market.

In addition, I would say the other main concern that we had, just to reinforce Sally's point, is the baselining argument. Generally, economists look at your six-year period and go, "What is your average expenditure? That's where we'll start your baseline from." The problem with doing that in this instance for our specific agency, or combined collective delivery, is that in the first three years just in staff vacancies alone—the Committee would be aware of challenges that occurred between 2019 and 2022—out of the 130 FTE we were meant to have, at worst, we had in one year 60 vacancies. As you can appreciate, if you average the baseline expenditure over your actual expenditure, you're baking in almost 50 per cent of the agency not being there to service. As the Committee would appreciate in former reports, some of the examples were our objection time frames were significantly challenged, with average days to deliver them sitting around 180, give or take, as opposed to within the 90-day legislated time frame. In addition, we had problems with qualities of valuations and servicing things like basic customer service requests.

Our argument, collectively, has been that you cannot take an average baseline of the six years and think it is reflective of what the agency would otherwise incur to deliver standards that are required by this Committee and government under the Act. That would be not correct. What you should do is normalise that. Across the public sector, it's assumed, or general principles are, that you would have a 5 per cent vacancy at all times because people come in and out of roles, they move agencies, but it is not expected that an agency would have a 50 per cent vacancy for three years.

SALLY DALE: Yes. Just two more quick points also in regards to the IPART determination. They were critical of our in-house model, as I touched on. As part of that, they have not included the corporate costs for an additional 135 staff, which comes to about \$3.6 million per annum. Also, they only applied a 5 per cent increase to mass valuation contracts from the 2019 determination. Business costs from 2019 to now, to say that they've only gone up 5 per cent, we think, is unreasonable. We provided them with numerous data points to show that contract costs had gone up between 40 to 50 per cent in that time frame, and looking at other jurisdictions, there'd been significant cost increases. I think there's probably four things we've touched on there where we feel that the IPART determination hasn't looked at the information we've provided them and taken our feedback on board.

The Hon. SCOTT FARLOW: If you extrapolate the revenue differential, it's about \$80 million over the forward estimates between the draft determination and what the Valuer General has put forward. In terms of that, what would be a contingency plan for the Valuer General if the IPART draft determination were implemented?

SALLY DALE: We're waiting for the determination, and we're hopeful. We put in a submission just on Friday going through what we've just gone through with you. The point now is we actually do have a hybrid model, so we can flex that if we need to. We've now actually got that opportunity and control to be able to not just be reliant on the market; we've also got our in-house team. We will be looking at options there, subject to what the determination is.

The Hon. SCOTT FARLOW: With respect to that determination, you said the IPART determination has effectively abandoned the regional cost model and just gone with a blanket cost across New South Wales. I understand some of your customers may see advantage in that and some of them might be paying more, so to speak. I think it's an increased cost in metropolitan areas but may be a reduced cost in regional areas. Is that something you considered in terms of your own submission to IPART?

SALLY DALE: Yes. The model we put forward retained the previous pricing model where there was a difference for metro, coastal, regional and Sydney CBD. Our review and our model kept it as per the previous IPART determination. The draft determination this time around is based on IPART's research and review, and it was their decision to have a single price point across the whole of the State.

The Hon. SCOTT FARLOW: What was the rationale for that? Was there any offer to you?

STEWART MCLACHLAN: I think that would be a matter for IPART to address.

The Hon. SCOTT FARLOW: You outlined that other States have also increased their model. Your submission asked for, on average, a 32 per cent increase in terms of the cost to your customers. What sort of increase have we seen in other States across similar periods that they've been looking at?

SALLY DALE: Every State has a different model, and they approach things a different way. Different States had seen increases of around 17—

STEWART MCLACHLAN: From 17 to 30 per cent.

SALLY DALE: —to 30 per cent. But, again, it wasn't over a six-year or a four-year determination period. IPART looked through their private contractor that they used to put the report together. They looked at different States and maybe just some tenders that had gone out recently in specific local government areas.

The Hon. SCOTT FARLOW: When do you anticipate you'll hear from IPART in terms of the final determination?

SALLY DALE: End of May.

The CHAIR: Mr Buttigieg, do you want to ask any questions about the IPART section?

The Hon. MARK BUTTIGIEG: No, that's fine.

The CHAIR: I will dispense with the last names, if that's all right. I'm just going to call everyone by their first name. I want to ask a couple of things about that. Is that all right?

STEWART MCLACHLAN: Yes, sure.

The CHAIR: What I'm really curious about is that your data really does show greater efficiency all around, financially and in terms of wait times, in having in-house. Personally, I think the in-house is working really well. But why? Is that because they looked over six years and this is a transition? I don't understand why.

STEWART MCLACHLAN: The main criticism of in-house is based on the escalation of 5 per cent in the market. We do not think that there has been a 5 per cent escalation since 2019, nor do our—we run objection tenders every day for objection valuations. As I pointed to some examples, we're seeing pretty wild pricing in some of those that are competitively tendered. But, similarly, we also observed a 51 per cent increase in two tenders that were in 2022. From 2019, we re-tendered those areas in 2022 for argument's sake, or at a broad level, and they went up 51 per cent. The reason for in-house is obviously significant advantages, but one of the main advantages we probably haven't touched on is that it stabilises the cost base. We know exactly what it costs us now to do half the State because we've got the resourcing set up.

There is no escalation outside of whatever government sector wages may move by 2 per cent or whatever is determined independently. But, other than that, that is the resource base. Whereas if you're in the external market, there's obviously a lot of other pressures that occur. But the other thing I would say, just to build on why New South Wales we don't believe is something that should be compared to other States, is, obviously, Sally touched on different models. But in addition, federally New South Wales is the only area that's listed to have a supply shortage of valuers that is federally listed. No other State has that labour shortage, hence why we've brought in the graduate program to try to bring on people who would otherwise may have not chosen a career in valuation.

The CHAIR: That's a very good point.

SALLY DALE: I think it's important to note that our employee base is based on the same number of valuers that the contractors had to supply. In our contract it stipulates how many valuers at what level. When we've brought it in-house, we've used the exact same numbers.

The CHAIR: I guess the time that it takes to do the tenders, even, to externals would—no-one's factoring it.

STEWART MCLACHLAN: It's a nine-month process, give or take.

The CHAIR: Exactly. No-one's factoring that in. I will move to the Hon. Mark Buttigieg to ask questions of anything that we have there. You can go to any suggested questions that you like. Are you there, Mark? That's okay. Instead, we will go to the Deputy Chair. Where would you like to go next?

Dr HUGH McDERMOTT: What I'd like to do—what I wanted to focus on—was the correspondence that I sent to the Chair, Professor Smith, in regards to industrial land valuations. Do you have a copy of that letter? If you haven't, we'll give you a copy.

SALLY DALE: I have seen it. Thank you for providing it.

Dr HUGH McDERMOTT: I know you've seen it. I know you're aware enough to talk about it, so I wanted to have a chat to you about it and talk to you about it in a bit more detail.

SALLY DALE: Sure.

Dr HUGH McDERMOTT: For the record, I will read parts of the letter in:

I have been approached by a number of large manufacturing and industrial business in Western Sydney, with concerns regarding the rising costs associated with the land valuations of their industrial properties by the Valuer General. I am aware that this issue is affecting local businesses ... [in] Western Sydney, the Hunter and Wollongong, as well as farmland and agricultural businesses across New South Wales.

A recent example is a large Western Sydney manufacturing site, where land value has increased from \$11,900,000 in 2022, to \$18,900,000 in 2023, to \$20,400,000 in 2024. This has resulted in an annual increased Land Tax Assessment cost for that local business from \$170,000 in 2022, to \$230,000 in 2023, to \$298,000 in 2024.

These significant increases in land value adversely impact the continued operation of local businesses and will result in a loss of ... manufacturing capability and employment. The key issue is the formula used by the Valuer General to calculate the industrial land value.

I then go on to suggest that a parliamentary inquiry be convened to discuss this and investigate what measures need to be taken to adopt a better methodology for calculating land values. As you would know, Valuer General and Mr McLachlan, the State Government wishes to build a manufacturing base in New South Wales. We have an asserted policy and focus on that. We wish to support our businesses in any way we can to build that employment base but also that value base of an economic powerhouse in New South Wales, particularly in Western Sydney but also in the regional areas.

I'm very concerned, and a number of other MPs who have spoken to me across parties are concerned, that when it comes to expenses on our manufacturing base and what they have to deal with every year—things like energy, for example, they can mitigate that. They can move to solar. They can change that around in other areas. What they're finding is, because their land valuations are going up every year by such a significant amount, a number have spoken to me about closing down altogether, moving their operations offshore and just using the land value to sell off or turn it into property or apartments, or things like that. So there's real concern we're going to lose those manufacturing bases. Whether it's fair or not, they're blaming you for it, because it keeps on going up. I've seen correspondence which they've written to you in regards to this. They've had their objections. You've come back and slightly changed the figure. It hasn't helped. It hasn't impacted in a way that helped. That's the challenge I see, and it's my real concern. It's the concern of a number of members of Parliament and, obviously, our business community. I'd just like to see your response to that and your comments. You have written to me, but I'd like to put it on record and see where we go with it.

SALLY DALE: I think the most important thing is we're there to analyse the market, look at the sales evidence and determine the land value. We're not in control of the sale prices and what's actually happening out there in the market. Using Western Sydney or industrial land as an example, not just in New South Wales but across the board in Australia, it's well documented that industrial land has gone up significantly. In 2021-22, in New South Wales alone it went up around 50 per cent. That's just a change in business and e-commerce. Industrial used to be the poor cousin out of all the different property types, but a lot of investors are now interested in industrial just with the change in how business is done. Yes, industrial did see a 50 per cent increase in that first year you've touched on in your letter, and then in proceeding years it's moved 9.6 per cent and 6 per cent.

In particular, Western Sydney has seen probably higher increases in regard to industrial. With the new airport coming on board, obviously investment in that area has been significant. It's a sought-after location in consideration of the new airport. Going back to what I said at the start, we're not making these values up. We actually analyse sales. We've got a proper methodology on how we approach land values and, in particular, industrial land values. We've got a policy or a guideline on our website.

The first thing we do is look at comparable sales, which will take into account the market and what's happening there—supply and demand, location and things like accessibility. That's important. Where there aren't comparable sales available, we've got a secondary approach—the hypothetical development approach—where we'll imagine the highest and best use constructed on that land and then we'll deduct those improvements off to come back to a land value. I understand that it is difficult for landowners with significant increases, but they are market based. If they aren't happy with their land value and they've got evidence to support that their property is not worth the value that we've applied, then they've got the objection process available to them.

Dr HUGH McDERMOTT: But the objection process doesn't really help. That's what I said before. It decreases it maybe a little bit. It changes it a bit, but looking at the figures which I've seen and the paperwork I've seen, it doesn't really do much. The question is: Is there a problem with your methodology and the formulas you're putting together and the values? The impact it's then having and the money they're now having to pay every couple of years is a significant problem. Do you think that's an issue which you can fix? Do you think it should be, or do you think it's all fine as it is?

SALLY DALE: I can't control the market. If the sales evidence is showing that the market has gone up, it's our role under legislation to apply the market. As valuers, we are there to look at the evidence in front of us

and be transparent with that evidence. If the market's gone up, we have to put it up. There are years where things have come back, but the last few years has seen a significant increase in land values, especially in regard to industrial. That is the market.

Dr HUGH McDERMOTT: That's the market's fault? You don't believe it's the Valuer General's formula or methodology?

SALLY DALE: No, it is the market. It's what the sales evidence is showing us.

Dr HUGH McDERMOTT: Obviously you've had this letter for a while and you've written back to me. Do you see any solution or way which the Government or yourselves—or probably the Government policy or anything else—could maybe assist these companies in a way that would help change this? I know you keep on saying it's the market.

SALLY DALE: Yes.

Dr HUGH McDERMOTT: That's fine. I'm not disagreeing with that. There are certain market forces out there. We're trying to create a situation where manufacturing is supported in this State. They're looking at the Valuer General and these land prices as being something which is detrimental.

SALLY DALE: My role is to manage the valuation system in New South Wales. That is covered under the Valuation of Land Act. It's primarily what we're talking about here. I probably can't comment on better ways to do that. That doesn't sit in my remit.

Dr HUGH McDERMOTT: Mr McLachlan, do you have anything to say?

STEWART MCLACHLAN: No, I think Sally has probably covered it. Under the Valuation of Land Act, that's what we need to take into account—comparable sales or sales evidence in the market or if the sales have moved up 70 per cent or 50 per cent. Particularly in Western Sydney, I know that there has been a supply shortage of industrial land, particularly over the previous periods, and obviously supply demand mechanics drove those increases. But the reality is there are no discounts that Sally could apply under the Act or that Value NSW can apply for industrial land to grow manufacturing and all those types of things. The reality is the Act says that it must be in line with the market. If the market has moved 100 per cent because everyone wants to buy industrial land, then that's where the land values must be moved to.

The CHAIR: There's obviously an opportunity for the Government to intervene if they want to because, to me, it really does seem like it's a policy matter. Mark or Scott, do you want to ask anything about that section—the industrial land values?

The Hon. SCOTT FARLOW: As somewhat of a segue, in terms of the market evidence, you're looking at sales and then trying to unpack out of that the unimproved land value compared to the capital improved value. How do you do that? The challenge that Dr McDermott is raising with some of his constituents and some of his business interests are that you've got, let's say, that stretch of Western Sydney. Amazon is looking at buying a site or something. They are going to be prepared to pay top dollar compared to an operator that has been there for 25 years, maybe operating a small facility. How do you unpack that in terms of the unimproved land value compared to the capital improved value and then come out with what is actually the unimproved land value that the system is predicated on?

SALLY DALE: We've got a number of ways that we approach that, depending on the property type. If we don't have direct comparable sales of vacant land, which, in a lot of locations, we don't—Western Sydney may be a different case, but in a lot of areas in New South Wales we don't have vacant land sales. Vacant land sales are our number one primary source of evidence. But when we don't have them—and this is what the Act and case law has shown—we have to look at the highest and best use of that land. We will then use, for industrial per se, a hypothetical development approach. We'll look at imagining that that land is improved to its highest and best use, and then we will deduct the added value of improvements from that land.

We can do that in a number of ways. We have a paired sales analysis where we'll look at vacant land versus improved land, where the two parcels of land are similar. Then we will determine what the added value of the improvements are. We may also look at depreciated replacement cost depending on the property type. But we've got documented policies and procedures, when there isn't vacant land evidence available, on how we bring improved property back to a land value. For any landholder out there who isn't happy or thinks their land value is too high, they've got access to the objection process where they can obtain a benchmark component report, which will list all the properties that have been analysed in that area. They can look at the land value. They can make comparisons of their property against others. We are very transparent in providing that sales information to the public.

The Hon. SCOTT FARLOW: To continue on in that part of the world, you mentioned the aerotropolis and the like. I think it's an issue I've ventilated before, in terms of the negotiations with landholders there who may have a parcel that is earmarked for future development, or may even have a parcel that's earmarked for no development but have seen significant increased land values, but can't do anything with it. How are your negotiations going there and your process in terms of dealing with some of those impacted landholders?

SALLY DALE: I would say in the last 12 months we haven't had any negotiations. I think most of those properties, in regard to acquired, they've been acquired. In regard to rating and taxing, I'm not sure, Stewart, if any—

STEWART MCLACHLAN: No, I'm not aware of any. But in regard to rating and taxing, if they've got a property that has gone up significantly and they can't do anything with it, there are certain avenues for that person under the Local Government Act to seek rates exemptions or different categorisation of their rates. We're obviously not experts in how that applies, but certainly that would be an avenue for them. Or, if it's land tax, they would need to talk to Revenue NSW about potential options that may exist.

The Hon. SCOTT FARLOW: So you aren't having any of those discussions in terms of that process?

STEWART MCLACHLAN: We would point them to the appropriate agencies where they can seek support or assistance or potentially more information. But ultimately Sally's role—and by inference our role—is to just value the land in accordance with the Act.

The Hon. SCOTT FARLOW: How many objections are you getting from those regions where you've got people who are getting significant—for instance, things that have been raised with me: somebody who has got land that is earmarked for Sydney Water in terms of the water needs in the aerotropolis, but Sydney Water hasn't made any acquisition at the moment. They've had, for instance, large land valuation increases for their land tax. What sort of objections are you getting in those regards from some of those landholders?

STEWART MCLACHLAN: I'm not aware of us—

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

STEWART MCLACHLAN: Yes, we'd take it on notice. But I'm not aware of a significant increase in objections, particularly in Western Sydney in comparison to other areas when we look across the regions. But the other thing I would say is there are certain provisions under the Just Terms Act for those people—provisions that we don't oversee—around hardship applications that they may be able to pursue with wider government.

Dr HUGH McDERMOTT: You keep on talking about how the market guides you. Don't you think you influence the market as well in your valuations, or are you putting it all to the markets?

SALLY DALE: When we value a property—say, a benchmark property, which will have an impact on other properties in that component because we group like-for-like properties and then pick a benchmark—it is purely comparing that property against the sales evidence that has occurred in that location. So if sales evidence is showing that, on a rate per square metre, say, the market has moved up, then we take that into consideration. Again, we're valuers. We're independent. We're there just to read the market and collect the data and then analyse those sales to determine what that benchmark or what those properties have—

Dr HUGH McDERMOTT: So it's just based on the sales.

SALLY DALE: Purely based on sales, which take into account zoning, supply and demand, location.

The CHAIR: And your formula. We really appreciate that because that's something we can now raise directly with the Minister specifically, in terms of manufacturing and how to—

Dr HUGH McDERMOTT: And Government policy.

The CHAIR: Because we did discuss that operational expense. It's a bit like *The Castle*. You've got someone who has had a manufacturing business there for 30 years plus and, because of all the infrastructure that's happening, suddenly they're getting these exorbitant bills. Certainly in my area—I mean, no-one feels sorry for anyone who owns land in Byron Bay—industrial owners there, to be fair, some of them have owned those for a very long time. They're getting bills of \$10 million a year. My final question on that would be is there any mechanism other than someone getting legal advice? For anyone with industrial land and businesses, is there any way that they can forecast so that they can plan in terms of budgeting for their capital expenditure going up, up, up?

SALLY DALE: We always say as valuers—and all of us—if we all had a crystal ball and knew what was happening in the future, we'd all be billionaires. That being said, there is a lot of data out there in the media

that you can follow, reports that come out. Property Council of Australia, they'll often run reports on whether it's industrial land value.

The CHAIR: It's the hidden side, isn't it—the actual landowner of businesses, and then also they've got their tenants, who, often, they have to pass it on to, which is the crisis.

SALLY DALE: That's right, yes.

The CHAIR: I would like to take us, please, to the sale of property data and privacy. I was very thrilled to see, Ms Dale, that you mentioned a new privacy and data team within Value NSW, and that, in terms of compliance with licence terms, there have been no breaches. Also, that figure of \$7.35 million in revenue over three years has to be pleasing, I'm sure. You've talked a little bit about cybersecurity. Obviously that's a major issue for any organisation with this level of sensitive data. I did want to ask—and either of you can come back to the Committee on this—there was a reportable privacy breach mentioned in the annual report on page 41. In terms of the nitty-gritty, and we'll get to this in a little bit when we talk about the conflict of interest, where is the show cause event? Could you tell us a little bit about that, what that looks like and how you're mitigating it?

SALLY DALE: I think it was in April 2024, one of our contract valuation firms had a cybersecurity breach. We were advised of that within the first 24 to 48 hours. We took immediate steps to contain and mitigate that breach. Obviously we shut them down from the system, and looked at password protections and changing all the passwords. Following that, the Digital Information Office, which is part of DPHI, who supports us, carried out an investigation with the actual contractor and a remediation plan was put in place to prevent future breaches. As of January this year, that contractor has now been reinstated based on the investigation and remediation plan. I think it impacted around 140 landholders. They were advised of the breach, as well as the Privacy Commissioner. We advised the Privacy Commissioner back in June last year when this occurred.

STEWART MCLACHLAN: To add to Ms Dale's point, it's important that this wasn't in relation to property sales information. This was in relation to other valuation services that we—what I spoke about before in terms of objection valuations, this was a contractor that undertakes those reports. Essentially their system had been breached. It wasn't to do it with—

The CHAIR: So it wasn't to do with onselling?

STEWART MCLACHLAN: No, it was nothing to do with onselling. I think it's an important distinction.

The CHAIR: Yes, it is.

STEWART MCLACHLAN: The other point is, before they were re-onboarded—obviously we engaged with Cyber Security NSW during that breach through our master department. I'm not familiar with the different levels of reporting, but also they were required to issue us a Service Organisation Control 2 readiness assessment report. Essentially an external party has to verify that their system is now appropriately mitigated from any further breaches or potential issues that occurred.

The CHAIR: Are there any Committee members with questions specifically about data, the sale of property data and privacy? No. I'm going to ask Mr Farlow to take us to the next section.

The Hon. SCOTT FARLOW: I'm interested in terms of Val IQ. It's been a long running implementation of Val IQ over the years. When do we expect to see it fully completed and implemented?

SALLY DALE: The first stage is to be rolled out very soon, in May/June. That is probably the most important phase, which is the customer portal. It's the customer facing side of Val IQ. It's looking at making it easier for customers to look at their landholdings and understand what properties they own. They can look at historical values. It's also a portal that makes it easier for them to be able to object to their land values, to be able to gain that data to be able to object and look at land values. They will be mapped, so they'll be able to look at surrounding land values on that portal. That's going to be released in May/June this year. We're also in the process of building out our contract management and our valuation modules of Val IQ, which we're hoping to have completed late this year or early next year.

The Hon. SCOTT FARLOW: When we say the customer portal are we saying I, as a ratepayer, will be able to have access to that, or are we saying local government or other customers that are paying for your services will get access?

SALLY DALE: You as a ratepayer will be able to go and log in and look at all the properties or the property that you own. You can look at its land value. You'll be able to see surrounding properties and those land values. You'll be able to get reports on the sales evidence and the reports that we've used to determine what your land value is.

The CHAIR: That's great.

STEWART MCLACHLAN: I think the other important thing is that it will give you real-time data of tracking where your applications are up to, particularly for objection valuations. Obviously not minute by minute, but when you're moving—well, it might.

The Hon. SCOTT FARLOW: Moving through the system, yes.

STEWART MCLACHLAN: I think that's a while off. But certainly moving through the system.

The CHAIR: The right to disconnect. Don't forget your team.

STEWART MCLACHLAN: Exactly, yes. But just moving through the key components. What we're trying to do, and certainly something IPART raised in the public committee hearing, is how to potentially reduce objections. We think a lot of the time people object just from a sheer misunderstanding. Obviously, the education road map is a key component of trying to address that issue. But we also think particularly spatial technology will assist some landholders, particularly if they can see their surrounding land values of everyone else in an easy to use portal that may better disseminate that, actually, their land value has moved in line with everyone else's and this is a reasonable representation. It may not, but we do think that information void is causing a lot of the issues.

The Hon. SCOTT FARLOW: With respect to that, what sort of savings do you expect to see from the full implementation of Val IQ? Are there any cost savings you expect?

STEWART MCLACHLAN: There are savings in the business case. I'm not sure whether that's Cabinet in confidence. We would need to take it on notice, but there are certainly savings that occur through Val IQ.

The Hon. SCOTT FARLOW: That would be helpful, thank you. In terms of that self-service portal in particular, how will we be rating the performance and the KPIs? Will you be looking at it in terms of lowering objections, for instance, or how things progress through the system? What are going to be those key performance indicators you'll be looking at in terms of evaluating that program?

SALLY DALE: I think Stewart touched on this earlier. At the moment—we got a presentation just a couple of weeks ago—our customer survey we are totally reviewing and refreshing to actually look at customer outcomes. If they logged in, did they find the portal easier to use? Were our staff able to assist with their inquiry? So the portal will be providing that, but also we're going to have better reporting and data analytics coming from that portal around turnaround times and how long it takes for us to answer a phone call or answer an email. The data that we'll be able to get from the portal will be able to improve in that regard. Stewart, did you have anything?

The CHAIR: Will they have AI, like how you can do the online chat?

STEWART MCLACHLAN: That's certainly not in May/June, but in the next 12 months. We've called it Valerie.

Dr HUGH McDERMOTT: My mother's name.

STEWART MCLACHLAN: We're really trying to play on all the puns we can.

The CHAIR: Do you think a female giving bad advice is good? I'm just kidding—sorry, I mean more palatable female advice.

The Hon. SCOTT FARLOW: Valerie the value-adder.

STEWART MCLACHLAN: We think Valerie is nice. We are open to suggestions. It has gone around the room. To build on Sally's point, a lot of our data is focused about: Are you happy with your objection outcome of the valuation?

The CHAIR: Which no-one really is.

STEWART MCLACHLAN: Unless it goes down a lot and they're happy. But that's obviously an important indicator to understand if people are happy. The more important indicators we're trying to get out are whether this system was easy to use, which at the moment it is not. There is no point asking the question; we know it's not. But was it easy to use? Was the information easy to understand? That goes back to plain English writing. Was your call answered and resolved in the first inquiry? It's some of those more basic customer service things that probably mature agencies might have but, because of our systems and dated technology, we haven't had yet.

SALLY DALE: That being said, we are monitoring the new system. We actually have improved in this significantly over the last couple of years. We are monitoring data and actually looking at our objection numbers from one year to the next, but also breaking it down into different categories. Have we had more objections in a

certain location? Is it based on where we've seen the market increase at a certain level? I think having the new platform there will help us to be able to measure that. And, yes, of course it would be great to see objections come down. But, again, we're there to be open and transparent. If people aren't happy with their land value, then they've got the opportunity to object. It is a free service. They can go onto the portal and lodge an objection and it doesn't cost them.

The CHAIR: Does that more granular detail go to the Minister? I would think that would be very useful.

STEWART MCLACHLAN: In terms of—

The CHAIR: What, Sally, you were just describing about—

SALLY DALE: Objection numbers.

The CHAIR: —delving into objections and where they are. In terms of even what Hugh was raising, it feels like there's maybe a gap between reform, which is not your brief and it's not really our brief—

Dr HUGH McDERMOTT: Yes, it is.

The CHAIR: Yes, I guess it is. In terms of oversight, though, if reform's not in your brief and we're an oversight committee, I just wonder what the mechanism is for the Minister to see trends. Obviously there's the annual report, but that more granular—

STEWART MCLACHLAN: We certainly have routine discussions with the Minister's office about emerging themes or trends or potential issues. We definitely do, but importantly, probably where you're going is around our quality assurance that we undertake and certainly Sally touched on about emerging data. We do around 17 quality assurance projects a year, and that's based on where there may be an area of high objections that occur or where there may be significant media attention, so it's driven on a lot of data points, but just to make sure that land values—obviously we have 20 statistical checks and balances. We have verification programs. But in addition, where we're seeing maybe objective or subjective data points come in—I know one project was around the media attention in a particular area—we're undertaking further checks and balances with that quality assurance team.

The team was out, I think, in the southern region only earlier this year because in that southern region we saw a significant increase in objections. The good news is that most of the recommendations of that is that the land values are okay, but obviously those objections were probably because land values went up significantly because the market did. But, nonetheless, because of those significant objections occurring in the area, we went in and undertook a further quality assurance project with the team to make sure it was appropriate.

The Hon. SCOTT FARLOW: In terms of that May/June launch and that customer portal, will objections be integrated into that portal as well?

STEWART MCLACHLAN: Yes

SALLY DALE: Yes. That's the primary focus I would say.

STEWART MCLACHLAN: Just to build on that, there will be more functionality. There'll be initial objection functionality and then more built out over the course of the year. But certainly from day dot, that's where they'll be.

The CHAIR: I want to depart from our agenda a little bit in the sense that I'd really love if we could have a talk about the new approach to the valuation cycle. On face value, my first reaction was uh-oh, because of course local members get hammered in an evaluation year. But of course, we can see now that it's staggered and that you've got a schedule for local government areas. But if you could just take us through the rationale and when that starts, and then I guess the third piece I'll come back to is around the objection cycle that in some ways you would say is going to be continuous—it's continuous rolling objections—and just how the team is managing that from an operational point of view.

SALLY DALE: As of this year for the 1 July 2024 values, we are actually rolling out the general valuation notices, which are in relation to council rates, so just noting that if you're subject to land tax, you'll get a notice every year. But for council rates, the Act states that you must get a notice of valuation once every three years. Prior to 2017, we actually had a staggered system where around a third, a third, a third of councils every year would get their notice of valuation. But between 2017 and 2024, it was decided to have a process where all councils got their notices once every three years on the same year, and it was to do with the Fire and Emergency Services Levy.

This year we've gone back to that staggered approach—a third, a third, a third—and the intention behind this was really to improve customer response times, because you can imagine once every three years the general

notices of valuation go out, everyone gets them, and then, for example, in the last general valuation year where we were all together in one year, I think we had up to 13,000 objections, and that was off the back of a rising market. We have to have a team in place, and it's quite a complex area so they have to be trained up, understand the valuation system and the process. Once every three years the influx of work is huge. That not only impacts the turnaround times and us getting back to the customers but also the valuation industry.

Obviously there's an influx all of a sudden of valuation, so that affects efficiency around cost and timeliness there as well. We've brought in the new program this year: a third, a third, a third. We went out to councils late last year. We had a whole comms program where we offered them a face-to-face meeting. We had an information pack. I think we sent out letters and phone calls. The transition, I would say, has been smooth. We haven't had any negative feedback. If anything, some councils came to us and asked, "Can we actually be one of the councils to go first?" Those notices have now—I think most of them should have gone out by now.

STEWART MCLACHLAN: Yes, they're complete.

The CHAIR: You've already started this staggered—

STEWART MCLACHLAN: Yes.

SALLY DALE: Yes.

The CHAIR: You're doing what's on that schedule for today.

STEWART MCLACHLAN: Correct.

SALLY DALE: That's correct. As far as I'm aware, there hasn't been any negative feedback or any issues. The notices are going out and the objection process is—yes.

STEWART MCLACHLAN: Just to build on Sally's points, there was a variety of reasons: first and foremost, customer concerns and the ability for Value NSW to meet in a reasonable time frame. But, importantly, as you can imagine, if it's every three years, we have a significant escalating cost profile on every third year and then, in the proceeding years, it's obviously depressed. But it's also about, if we have a fixed workforce in that initial year, we can't service anything in a reasonable time frame. Then, in the proceeding years, obviously, it's a much better customer experience for land tax clients, who are predominantly the only people that were interacting during those proceeding years, because they get an annual notice.

But, importantly, other than mitigating the cost base, we didn't just grab a third of councils and go, "We'll issue those third then those third." We looked at where objections are occurring across each council region to balance the objection model based on—obviously, previous objections doesn't guarantee a proceeding objection but, at best case, we looked across the third to try and balance objections that had previously occurred in those council regions. We didn't just grab the councils that have the highest objection rate in one year, the lowest et cetera, to further balance the workflow. But we also geographically looked at it to try and have a spread across the State to try and mitigate cost profiles for both us and contractors. Because, as you can appreciate, if we put it all in the north of the State, there's only so many valuers in the north of the State. Obviously that would then incur costs from valuers travelling from the southern region up north.

The CHAIR: There's a few things, but one thing that's confusing me—sorry for this. We're in the 2025 financial year, which ends on the 30 June. So according to your schedule—I'm confused. Does that mean there is a lag from the end user, in terms of the ratepayer getting a notice and when you actually do the valuation?

SALLY DALE: Yes.

The CHAIR: Talk me through that.

SALLY DALE: Because we were doing it everyone all in one year, there's been a bit of a transition staggering. So some people may have got a notice after two years. We've had to just transition it and, eventually, once—I don't know what year it is, but then it will be once every three years. But some people will be getting two in three years.

The CHAIR: Got you—so it's like you'll get to your event horizon where it's all flowing along.

SALLY DALE: Yes.

The CHAIR: In terms of the rationale, that made a lot of sense. In terms of cost, are there any savings? It's the same work, but it's just done differently.

STEWART MCLACHLAN: Yes. We would anticipate the savings would be a cost avoidance. Particularly in 2022, which is 2023—but the 1 July 2022 values, where we received almost 13,000 objections, were prior to a hybrid delivery model. As you can appreciate, the cost profile of those objections went up

significantly in the market because we're putting a lot more work into the market. There's still only a finite pool of resourcing but, in addition, so did the time frame. So we were not servicing objections within 90 days, which was evident in that annual report as well.

The CHAIR: Obviously, we'll get more fulsome information in the next financial year report, and we can delve into it. Any questions from my colleagues about the new system?

Dr HUGH McDERMOTT: No, it's straightforward.

The CHAIR: Very good. The Committee would like to know whether this document that was sent—Value NSW and the valuation list 2024 to 2034—is something we can publish, or would you like to come back to us when it's ready?

STEWART MCLACHLAN: The list is definitely on our website already.

The CHAIR: Okay, great.

STEWART MCLACHLAN: That list is definitely on our website and has been communicated to all councils.

The CHAIR: Perfect. Then what about this one, that little—

STEWART MCLACHLAN: From memory, that information should be fine. I just might need to—

The CHAIR: It looks like it's straight from your website.

STEWART MCLACHLAN: I think that's a presentation we may have given councils, from memory. If we could be afforded the opportunity to double-check it outside of this hearing and come back, that would be great. But certainly the list can be published.

The CHAIR: For councils not a lot changes, or does it? I don't quite get what their input would've been.

SALLY DALE: They got their notice. It was once every three years. For maybe some councils, they'll be having to send out the notices. We have to send them out every two years, but otherwise for them, as far as I'm aware, there hasn't been a significant change.

The CHAIR: When IPART was looking at costs—I'm thinking, Mr Farlow, does this make any sense at all? No, it doesn't make any difference to the quantum in terms of how many people get sent rate increases.

SALLY DALE: No. Overall, when you average it out, it ends up being the same.

The CHAIR: Mr Farlow, would you like to take us to a different section?

The Hon. SCOTT FARLOW: Yes, sure. We've talked a bit about the hybrid service delivery model and a little bit about how that can be moved. What's the process that you use internally to determine whether a valuation is done in-house or whether you have it externally assessed?

SALLY DALE: We've got a number of processes. I will pass to Stew, because he's been heavily involved with this, but we look at location obviously and where we've got staff. We also look at the property type. Some property types obviously require a specialist valuer, so we need to determine whether we have got that staff member in-house or do we have to go out to the market. We also look at the valuation type, whether it's a desktop or a full valuation. Stewart, what else do we do?

STEWART MCLACHLAN: It probably depends on the area of valuation that we're undertaking on behalf of Sal. If it's for compulsory acquisitions, our delivery model is almost 100 per cent internal. The reason we've done that is obviously we have the capability and capacity, but, importantly, compulsory acquisitions have been subject to a number of inquiries and Audit Office reports around the time frames. The reality was that in the external market, we were not getting the same response. So by having them internally and staff focused solely on just doing that compulsory acquisition as opposed to mortgage valuations, acquisitions, and rating and taxing valuations, we've been able to better focus the delivery of those acquisitions. So it is predominantly internal. The decision-making is that unless we don't have the capacity or capability, then it's predominantly internal in acquisitions.

Objection valuations, as Sally touched on, they're around where we have staff available. We have offices ranging from Albury, Queanbeyan and Wollongong all the way up to Murwillumbah. If it's within a reasonable travelling distance of that office, we're generally cost competitive, so we would undertake those internally. Then outside of those office boundaries where we have staff, we would probably look to outsource it. But, again, I provided examples to the Committee earlier today of where we have in our procurement and contract management team thresholds of what we would expect an objection valuation to cost. Where it goes outside of

those parameters then it would be escalated to an executive to make a decision on whether we'll do it ourselves. Obviously, if we have the capability and the market is going to charge a significant cost to Value NSW and ultimately the taxpayer then we'll step in, and that's what we do.

SALLY DALE: To that, with objection valuations and mass valuations, we're looking at around the 50 per cent mark for in-house versus contracting. Again, though, we look at the flex. If we need to do something in-house because it's more efficient, we'll bring it in-house.

STEWART MCLACHLAN: Yes. The areas that we're doing in-house and a third area of valuation for rating and taxing were chosen again on points that Sally picked up on: where we've got staff, where we can attract staff, where our office locations are—those types of things—as well as the property types and mix-up in those markets and what the current pricing was.

The Hon. SCOTT FARLOW: What sort of cost saving do you think this model is delivering for the Valuer General at the moment?

SALLY DALE: I can talk to the mass valuation cost savings, because we've already had one year of in-house. Compared to actual contractor costs, we've saved \$1.7 million in that first year. In regards to objections, we've only kicked off the in-house model this year, so it's probably too early to say what those cost savings are. I think Stewart has already talked to a lot of examples where we've been able to bring things in house and have some significant savings there. But, yes, at this stage it's early days. We've already saved \$1.7 million in regards to mass valuations.

The CHAIR: Are those in-house valuers on a salary?

SALLY DALE: Yes.

The CHAIR: So there are all those other benefits in terms of—they have permanent jobs?

SALLY DALE: Yes.

STEWART MCLACHLAN: That's correct.

Dr HUGH McDERMOTT: About those jobs and who you've employed, what is the ratio of men and women and what is the diversity?

SALLY DALE: Yes, I can give you those figures. Overall in Value NSW we've got current staff—52 per cent are women. In the senior executive space, 43 per cent are women. I note that, obviously, valuation has been and is a male-dominated industry. I know when I went to university, I think it was one in 10 were females. In the industry, the senior execs outside of government—it's around 23 per cent women. We're sitting at 43 per cent. We're actually a lot better than the industry average. Then, looking at the number of valuers we have—female valuers in Value NSW—that's 32 per cent and the industry average is 23 per cent.

The CHAIR: I would like us to move to the conflict-of-interest management briefly. In your report you noted that the conflicts of interest are managed as part of the broader Department of Planning, Housing and Infrastructure processes and that Value NSW in-house staff and contractors are responsible for identifying, declaring and managing any conflict of interest that arises during their work. There was reference to a summary document on consequences of breaches of conflict of interest that was going to be available to us. I don't think we have that. So if you could speak to that, then I'll come back to a question around staff.

SALLY DALE: I know, from the last meeting we had and one of the recommendations that came from the Committee, that there was a request that we develop a summary document. We're actually in the process of doing that now in regard to our contractors. That will be finished in June. I think it's important to note that all the valuers, our contractors, are actually required to—they're all members of a professional institute. The majority would be the Australian Property Institute in New South Wales. There are rules of professional conduct and a code of conduct that all valuers every year have to do a risk management module and complete. But there's also the government framework around procurement. All of our contractors have to follow that.

On this topic late last year—and this is something that has been really important to me—we've put together a framework for our internal in-house team and Value NSW across the board with some hard and soft measures around conflict of interest. Every year it's compulsory that everyone in our department or agency has to complete a conflict-of-interest declaration. But, in addition to that, we've also got pathways where, if you move from one team to another, you have to declare any potential conflicts. We're also looking at building into Val IQ some hard measures so, if you move from one area to another or if you're a contractor, you can't move into the system until you've completed those conflict-of-interest declarations. But also every year we audit. I think this year we've audited around 25 per cent of our contractors and our in-house team. Our valuers have to declare the properties they own, theirs and their families. Then what we will do is run an audit against those. How we do that

is we will actually look at the benchmark property in the component that their property may sit within. We will look at the movement of that benchmark and then audit their individual properties against that movement.

The CHAIR: That's outstanding. I think that's a lot more. Compared to our sixteenth meeting, I feel like you've really tightened that up.

SALLY DALE: Yes. It's been a real focus of mine. I think, being a valuer too, just coming from the industry, there has always been a significant focus on conflict of interest. Obviously, being a valuer, you're in the market.

The CHAIR: That sounds like best practice, the audit part, because then you can forensically look at where someone lives, where their declared property is, and then see if their values have anything weird about them.

SALLY DALE: That's right.

The CHAIR: I think that's very reassuring for the community.

SALLY DALE: We're definitely going over and above the industry, and I think we need to in the industry and with the work we're doing.

The CHAIR: On behalf of the Committee, we applaud you for that. I don't think I need any more questions there. We've touched on workforce. Hugh, is there anywhere you want us to go next?

Dr HUGH McDERMOTT: On workforce again—I've just been thinking what the question should be. It's good that you've got such a good balance of diversity of men and women. What about ethnic diversity? Have you considered that at this stage in your workforce and what it is?

STEWART MCLACHLAN: We wouldn't be keeping specific measures.

SALLY DALE: We definitely have ethnic diversity, I would say. But, yes, we haven't got the figures on that.

Dr HUGH McDERMOTT: Can I ask you to look at that and report back?

SALLY DALE: Yes, sure.

Dr HUGH McDERMOTT: In regard to equal pay and conditions, I wonder how that is working. Have there been assessments for that compared to private industry or internally?

SALLY DALE: Equal pay for—

Dr HUGH McDERMOTT: For men and women.

SALLY DALE: We work under the government framework clerk award, so valuers and staff are obviously in a graded role, which is assessed on their capability. It all comes down to the role that you're in. If you're a grade 5/6, you're in the same pay structure whether you're male or female.

Dr HUGH McDERMOTT: That goes up to senior management as well?

STEWART MCLACHLAN: Executive roles are governed by the SE bands, so it would depend on what that role is evaluated at. But, ultimately, whether you're male, female or indifferent, if you're within a certain role, it has a certain banding based on the points or the scoring system from the public sector.

The CHAIR: But when you advertise, you would have that statement.

STEWART MCLACHLAN: We have, yes. It starts from X remuneration, correct.

The CHAIR: But you'd have the statement around diversity as well.

STEWART MCLACHLAN: Yes, that's all included in our ads.

The CHAIR: Scott, can I ask you to put the judicial—

The Hon. SCOTT FARLOW: I was actually just about to ask questions on the judicial decisions. Just in terms of the judicial decisions, I think we discussed one before that may have been in relation to an AMP Capital one last year that centred around Macquarie Centre and, again, the highest and best use. What changes have been made as a result of that decision? I think in the annual report as well there have been at least three significant judicial decisions relating to land valuations. I wonder how that has impacted your work and some of the changes as well.

SALLY DALE: In regard to AMP Capital, that case was largely focused around the highest and best use on the site, so it hasn't impacted our current procedure, because at the time it came down to expert witnesses. In regard to the other cases, interestingly, the cases that we've listed in the 2023-24 annual report, in regard to just terms, a lot of those cases were appealed. The initial decision was overturned and appealed, which meant that we didn't have to change any of our policies and procedures. I will add, though, that in the last 12 months we've had a real focus. We've got a lot better, I think, at following court outcomes.

We've got a process now where, as soon as there's an outcome, a report is delivered and presented to me and the wider valuation team on the outcome. I think it's called "What's that case?" We then will review at the end of that presentation and discuss whether our policies or procedures need to change. There's probably only one case that's occurred more recently, Goldmate, which has been well documented in the media. Again, that was appealed, but we are looking at changing our process by probably adding another step around looking at the legislation that's relevant to the acquiring authority, how that impacts their powers to acquire property and whether we look at the broader public purpose or the narrow public purpose. But otherwise the cases listed in here haven't had a significant impact on the way we're carrying out, whether it's objection valuations or compulsory acquisition.

Dr HUGH McDERMOTT: Moving on with the legislation, with the Valuation of Land Act and any other legislation which you're involved with, are there any reforms or any issues you've got with the legislation at this stage that you think needs to be looked at?

SALLY DALE: In regard to the Valuation of Land Act, we're just going through the process now of amending our regulation, and I think it's more around the way we deliver notices. I think that's due to be amended in September this year. In the just-terms compulsory acquisition space, there has been a land acquisition review program. We've had the opportunity to provide feedback, and I'm not sure of the timing on that, but they are looking at the legislation there with the just terms. Stewart might know more on that.

STEWART MCLACHLAN: Certainly, there's been a project. Sally's been afforded the opportunity, as well as Value NSW, to be involved in that project. I sit on the steering committee, and it's run by the master department, the Department of Planning, Housing and Infrastructure, and I'm aware that they're finalising their relevant reports for consideration by the Government.

Dr HUGH McDERMOTT: We'll talk a bit about cultural loss. Obviously it's been an issue and something we've spoken about a bit over the last 18 months or so. Can you provide an overview of one or more of the 17 determinations issued in 2023-24, including compensation for cultural loss?

SALLY DALE: There were 17 completed in 2023-24. The information and the compensation is confidential, so I am not able to provide any further information. I will say we've completed a further three this year. So 20 all up have been completed, and I don't think there's any more outstanding.

Dr HUGH McDERMOTT: In regard to confidentiality, I don't expect you to go into that for that, but can you make any comments that you want to make about those 20? Is there anything that you see in your processes or what's happened that you think needs to be improved or lessons learnt?

SALLY DALE: A good question because last year was the first year that we actually finalised some of these cultural loss matters. Earlier in this financial year, we've put together a guidance note for staff internally on the process, which includes consultation, how we go about completing the reports. We also get expert advice. We've actually documented, and we've got a guidance note for internal use to ensure that we are learning as we complete them and we're consistent across the board.

Dr HUGH McDERMOTT: You've done 20. How many more do you have in the pipeline that's coming? Do you have any more that you're aware of?

SALLY DALE: No.

STEWART MCLACHLAN: I am not aware—

SALLY DALE: I'm not aware of any more in the pipeline. Some of these matters have been sitting with the Valuer General for a number of years—three or four years, I think. It's a good outcome to have finalised those and now to have a process and a procedure in place.

Dr HUGH McDERMOTT: You've got your guidance note. I know you've just discussed it. Do you think it's sufficient? Do you need to add more to it, do you think?

SALLY DALE: I think the guidance note complements a policy which is on our website, and a previous Valuer General put the policy together. It's a complex area. But the previous Valuer General went to a lot of effort, and it is a really good report. So I think that, coupled with our new process and guidance note document at this

stage, has been sufficient. But, obviously, as more of these matters come up, we've got a process there to make sure that we're learning as they come up.

Dr HUGH McDERMOTT: When you've done the calculations for cultural loss and you've worked out how much you're going to pay or how much money's been involved, what are some of the challenges that valuers have had to deal with regarding that?

STEWART MCLACHLAN: I think they are immense. They are very difficult valuations. We engage or rely upon various third-party experts, particularly in that acquisition space of anthropology, ecology and heritage. It's not an easy area of valuation. I think it has been a very steep learning curve for all involved.

SALLY DALE: Definitely. And we look at different—if you go and look at our policy, it breaks cultural loss into seven different areas, which include trauma, access to the land and—

STEWART MCLACHLAN: Progressive impairment.

SALLY DALE: —progressive impairment and activities. The policy does outline the methodology and how we approach it. But we do also engage with experts, as Stewart said—anthropologists, that are—yes.

STEWART MCLACHLAN: It's a very difficult area of valuation on the basis that our team visits on country with the permission of the relevant native title holders, receives statement of claims or affidavits or whatever the appropriate word may be from the relevant native title groups to investigate that type of evidence, and we rely on anthropology experts as well to support us. I think the important point is that, as Sally said, the former Valuer General, Dr Parker, did a very immense piece of work to consider what a policy could be. There's a framework to implement that policy, and 20 determinations have been delivered with Sally. Ultimately, until one of those determinations is potentially tested in a court or something, then that is the approach that we think is best to determine the cultural loss, and it's based predominantly on the main case that exists, which is Timber Creek. That's the latest, I would say, of how cultural loss should be assessed, and that was a few years ago.

Dr HUGH McDERMOTT: It sounds like quite a complicated assessment process. Obviously a lot of evidence needs to be brought, and experts. How long does it take, on average, to do one of these assessments?

STEWART MCLACHLAN: If you look at our average time frame, six years or seven years. But the important part is for five or six of the seven years we didn't have a policy; we didn't have a procedure. Now that we have a documented way forward of how we go, who we engage, who we rely upon and when we inspect, it will be a lot quicker.

SALLY DALE: It will be, yes.

STEWART MCLACHLAN: Even in the procedural fairness space, we obviously afford native title groups longer to respond to preliminary reports and comment on those things than we would afford a general member of the public. That also delays things as well. Particularly, even arranging on country visits can take us significant time to do that on the basis that they need to organise the relevant members of their groups as well to be there. It's not dissimilar to general acquisitions. It's not a one-size-fits-all approach for a time frame on them.

Dr HUGH McDERMOTT: I'd imagine there are quite a lot of objections also that come to you when you're doing this process. Is there a system set in place that's a bit different? How do you deal with it?

SALLY DALE: It's a compulsory acquisition, just terms space. We follow the just terms Act and the number of days you've got, preliminary acquisition notices. But then again, as Stewart mentioned, we will allow extra time for those time frames that are legislated.

The CHAIR: It's a long time ago, but I'm thinking of Hindmarsh and other historical examples of where you can't put a price. There are multiple layers. For example, there are often conflicting views. There are limits in terms of documented history. Sometimes it will even be that if it's a women's site, in the case of Hindmarsh, that it should only be women engaging with them. I guess the question we have is around how many—like, who are your go-tos in terms of Aboriginal and Torres Strait Islander perspectives in this space? As soon as you go to just terms, it's brutal because that's a metric that doesn't—I think you've written an excellent policy, but I just wonder about the practicality.

SALLY DALE: Going back to the policy, I think it's really important that there was engagement with native title landowners, Aboriginal groups and the Aboriginal Land Council on putting that policy together, and there was a feedback mechanism there. As part of our process, again, we are involving experts in regard to anthropology and ecology—

The CHAIR: As in Aboriginal experts?

STEWART MCLACHLAN: There have been Aboriginal experts involved in the development of the policy and guidelines as well. I think the former Valuer General may have—certainly they have been engaged and has had input into those.

Dr HUGH McDERMOTT: Do you have full-time employees from the Indigenous community that do some of this work?

STEWART MCLACHLAN: No, we would rely on experts to engage, but certainly we can at times. If required, the wider department has a significant team that does certain things, but the requirement for us to be independent is first and foremost. Where we need external expertise, we would engage that.

The CHAIR: So there's 17, but I understand that we can't really get a lot of the detail. I think, as an oversight committee, I feel a little bit nervous that we've got no real lens on, say, for example, that all the experts that were relied on in a particular matter were non-Aboriginal. I guess I'm seeking some reassurance around that. Even if you were to take out the specific details, but give us a bit of a sense of—pick your best news story, if you like, just to see. Because I feel very concerned at what I've seen—and this is just a personal thing—in terms of my own region, where you had an Aboriginal community completely displaced in the floods, for example. Government was engaging with a particular group, but it was extremely problematic what took place. If the institute itself is deciding who to consult with, that's problematic. I just flag that I think this is something we would like to know more about. Did you want to add anything?

Dr HUGH McDERMOTT: No, that's fine.

The CHAIR: I wouldn't mind putting that as a supplementary question. If you can't give us the details, even if you just—a flow chart of consultation around cultural loss. Because you can't put a figure on cultural loss, you really can't. I know you have to, but—

Dr HUGH McDERMOTT: They do. That's the thing: You do. Why don't you go on—sorry, Stewart, you go on, then I'll ask my question.

STEWART MCLACHLAN: I was just going to say that in the Timber Creek case, they do have an established parameter of how a figure should be derived, without at all undermining that statement.

SALLY DALE: I think they do around the freehold value, because obviously—this is talking to cultural loss, but when native title land is acquired, there's the freehold proportion and then the cultural loss proportion. I'm happy to take a proposal from the Committee, if we can do it. It will just depend on—

The CHAIR: To be frank, it's not the money component for me; it's more right back at the beginning.

Dr HUGH McDERMOTT: With that process, isn't it?

The CHAIR: Exactly.

Dr HUGH McDERMOTT: Yes, the process.

The CHAIR: It's how are Aboriginal perspectives being—because institutions, as I say, are not well placed to decide who contributes around, for example, midden remains and the cultural significance of an area. Because that is a huge part of being heard and listened to and having a voice for Aboriginal people. It's that part that I'd be quite interested in.

Dr HUGH McDERMOTT: For those 20 cases—because it's 20 more, so it's 20 cases now—a summary of who was consulted in the process that was gone through for the final determination, is that what you're looking at?

The CHAIR: Yes, or even if it was just a portion of them. What's your process? That's all.

SALLY DALE: Sure.

STEWART MCLACHLAN: Sure, happy to.

Dr HUGH McDERMOTT: Adding to that, it makes me wonder, for future valuations on those properties, how do you deal with that? Is it re-consulting? What do you do, factoring that in when you have to do future valuation regarding cultural loss?

SALLY DALE: On new matters that come up?

Dr HUGH McDERMOTT: No. So you've got a matter; you've done it. You've gone through the process; you've done the cultural loss. But I'd imagine you have to do future valuations as well on those properties, don't you? Please explain.

SALLY DALE: Generally no, because they've been compulsorily acquired by an acquiring authority.

The CHAIR: So it's now part of a highway or something, which definitely has happened.

SALLY DALE: Yes.

The CHAIR: Thank you. We've come to the end, unless there are any general questions? I'm going to ask Mark if there's anything that's keeping him awake at night.

The Hon. MARK BUTTIGIEG: There is something, Chair. I probably should have raised it during the jobs piece. I want to ask, to what extent has the department looked at the potential introduction of artificial intelligence for a range of functions? Is there any sort of investigation into how it could be used and, if so, potential impacts on jobs and how that's being handled? Or is it just one of those things where we're not really looking at it at this stage, or a combination of both? I want to get a feel for where the department's thinking is up to on that.

SALLY DALE: I know the greater department that Value NSW sits in has a number of projects. But in regard to valuation, we're building our new platform and we're looking at having an AI chatbot called Valerie help with customer inquiries. That'll be there and it will be able to answer easy enquiries and improve, obviously, with that AI technology over time. But this is a question I get asked all the time in regard to valuations, and it's something that's talked about in the industry. I speak to my counterparts in other States and also internationally, and I think over time, yes, there will be a role for AI. Where I see it in the short to medium term will largely be around improving efficiency for what valuers do.

I often use this example. We'll look at components or groups of properties that are similar. Say I took properties with a frontage and I wanted to know, in a certain local government area, all the properties with a frontage of 15 metres that could be used for dual occupancy. At the moment we've got valuers and we'll be using spreadsheets and we'll manually collate that data. I think having AI there will make the role of collecting that data simple, and it might just be a push of a button. I want to know all the 15-metre frontages in, say, Ryde local government area and, bang, it'll give us a list and it will map it for us and then we can create new components. I think there's an opportunity there for AI to actually assist valuers to do a lot of that grunt work and legwork that they're doing now. Instead, they'll be able to spend their time actually analysing sales and really thinking about the values rather than doing that manual work. I think there's a real opportunity for AI there to create efficiencies and also for people to be able to see things on a map or ask questions. It's there in real time.

The Hon. MARK BUTTIGIEG: That's an interesting and a positive way to view the potential uptake of AI, which I think is going to surprise all of us in a very short time. To what degree is there consultation with staff on how best to utilise that technology? What you're basically saying is it's not about job displacement; it's about making existing jobs more pleasurable and removing all the tedium of data crunching and outsourcing that to AI. To what extent have the staff been consulted on how best to utilise that?

SALLY DALE: I don't think we're at that stage yet with AI, especially in the property valuation sphere. I speak to counterparts, go to conferences, and there's all this talk of AI, but I haven't seen a model yet where it is actually going to displace valuers. What happens in the medium to long term? I haven't seen a model there yet that can replace that. There are automated valuation models now, but they're only accurate within 10 per cent 70 per cent of the time. I think there's probably an opportunity for AI to work with those valuation models, which are linear regressions. I can't answer that at this stage because we're just not at that point.

The Hon. MARK BUTTIGIEG: That was actually leading into my follow-up question, which was whether there were any jurisdictions where this is being used to displace workers. The answer, I think, is no. Specifically on that original question, are we at the stage of looking at this? Are we at the point yet where we're talking to our staff about how we could best use AI to make their jobs easier and more productive?

SALLY DALE: I'll pass to Stewart on that because I know the Department of Planning, Housing and Infrastructure has been running some pilot programs in regard to AI.

STEWART MCLACHLAN: I think that's right. Just to build on Sally, there are programs across the master department about Microsoft Copilot and how to assist with email writing or those types of documents; saving exercises that are being undertaken. That's occurring and we can probably provide further information on what generalist level is occurring in the department for staff, but through a valuation lens, we're not there yet around how AI could help in the scenario Sally talked about, only because we don't yet have the new platform. Once Val IQ is up and running, that's where we would look to integrate AI with Val IQ, where possible.

The Hon. MARK BUTTIGIEG: My only commentary around this would be that if it's going to be used as a force for positive change—in other words, uplifting productivity without job displacement—then it's essential that the people using it get input into how it's best used. I think that's when you get the win-win of, "This is not about AI taking my job but it's about AI making my job more pleasurable so I can go off and do the value-add

things that quite frankly stimulate me and use my intelligence rather having to do all the grunt work." I think, if and when we get to that stage, it's critical to bring the staff onboard with telling you how best it's used.

SALLY DALE: A hundred per cent and, that being said, once the platform's up and running, I'm definitely not against the use of AI. I am speaking with my counterparts in other States but also internationally keeping my eye on what is being developed out there. But I agree a hundred per cent we would engage the staff, yes.

STEWART MCLACHLAN: Just to reassure the Committee, obviously in the development of Val IQ it's not just, "Here's a contract and business case, and go and build the system." We have a dedicated team internally managing that development with the relevant third-party ICT provider, but also we have SMEs in each part of the business integrated into that development team. So when we're developing land data or the register of land values, or when we're developing the customer portal, the people that are in the customer service team are embedded within the development team. So we're having that sort of staff input about how to best deliver a new system that is actually delivered at the coalface or at the officer level, as opposed to what might be good on a contract.

The Hon. MARK BUTTIGIEG: Great. Thank you very much.

The CHAIR: Can I just add that I saw recently—it's very hard to get the statistics, but it was something like a third of workers are already using ChatGPT off their own initiative, because it is so addictive, as it is so good. I wonder whether there's a prohibition or it's just silent. Because you can bet that some of your valuers are using it, because why wouldn't you? I just wondered.

SALLY DALE: Yes. I see a big opportunity. Obviously in the just terms space or the special vals space where they've got to write full reports—some of them can be 100-plus pages—I think there's going to be some real advantages there for writing those reports.

The CHAIR: I'm sure they'll be using it. Look out for the em dash. If you see a lot of em dashes—

STEWART MCLACHLAN: Yes, the dashes are different. I think the only precaution I would take is we need to just be very careful, because quality should not come at the expense of efficiency of a ChatGPT-type model—

SALLY DALE: That's right.

STEWART MCLACHLAN: —and it does need to have the relevant quality assurance checks when we are using it.

The CHAIR: It does, because it's the inputs. It's all about the inputs.

STEWART MCLACHLAN: And that's something that I would, and do, stress across to the people in my team that I know are using it, but just around that we do need to sense check what is coming out of that system and, obviously, have the appropriate parameters, which our master department is helping us with, to make sure that the platform is safe, whatever we do use as input is in a relevant cloud that is not open to the wider public.

The CHAIR: Further to Mark's comments and questions, it might be great—not telling you what to do, but in your next annual report to maybe give us a little bit more on that.

STEWART MCLACHLAN: Sure.

SALLY DALE: Sure.

The CHAIR: Not just how you're going to use it with Val IQ, but just in terms of the workforce, because I think you'd be surprised how many people are using it. That's my take. Are there any further questions?

Dr HUGH McDERMOTT: No, not from me.

The CHAIR: Excellent. You've got a little bit of an early mark.

SALLY DALE: Thank you.

STEWART MCLACHLAN: Thank you.

The CHAIR: Thank you very much for appearing before the Committee today and handling our robust questions. It's been excellent. The Committee may also send you some further questions in writing. Your reply to those questions will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

SALLY DALE: Yes.

The CHAIR: I think we've got a few. One was about the just terms, the cost savings for Val IQ, Dr McDermott asked about diversity and ethnicity, and then I had the one about the cultural loss.

SALLY DALE: Yes.

The CHAIR: That concludes our public hearing for today. On behalf of the Committee, I thank you both for appearing, and also your senior staff. I'd also like to thank our Committee members, Committee staff—who do an excellent job, as always—and the broadcast team and Hansard for their assistance in the conduct of today's hearing. Thank you very much.

SALLY DALE: Thank you, Chair, and thank you, Committee.

(The witnesses withdrew.)

The Committee adjourned at 12:30.