

REPORT OF PROCEEDINGS BEFORE

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

At Sydney on Monday 6 March 2006

The Committee met at 2.00 p.m.

PRESENT

Chair (The Hon. K. F. Griffin)

Legislative Council
The Hon. C. J. S. Lynn

Legislative Assembly
Mr A. F. Shearan
Mr G. R. Torbay

CHAIR: I declare open the third general meeting and welcome the Valuer General. This is the Committee's third general meeting. Since its second meeting on 19 May 2005, the Committee has also had four deliberative meetings and has conducted an examination of best practice reporting by the Valuer General. The Committee's findings on this issue were released in a report by the Committee in November 2005.

I would like to note at this third general meeting that we have a new member of the Committee and that is the Hon. Charlie Lynn MLC who replaces the Hon. Don Harwin MLC. I take this opportunity also to thank the Hon. Don Harwin for his contribution to the Committee and formally welcome the Hon. Charlie Lynn.

The Committee also welcomes the Valuer General, of course. Mr Western, your appearance today is to report on key issues relating to the Committee's terms of reference and to provide answers to questions on notice. The Committee is pleased to hear your evidence. I am advised that you have been issued with a copy of the Committee's terms of reference and also a copy of the Legislative Assembly's Standing Orders 332, 333 and 334, which relate to the examination of witnesses. Is that correct?

Mr WESTERN: That is correct.

PHILIP JOHN WESTERN, Valuer General of New South Wales, GPO Box 15, Sydney, affirmed and examined:

CHAIR: Mr Western, would you like to make an opening statement, or proceed directly to your report?

Mr WESTERN: May I make an opening statement, please?

CHAIR: Thank you. Please proceed.

Mr WESTERN: It is just over two years now since I have been in the role of Valuer General within New South Wales. I would just like to, I guess, make it known to the Committee that over that time I believe we have made substantial improvements to the valuation system and principally that is what I have been employed to undertake—to get the valuation system into a position where it is open and transparent and, and this is particularly important, where we can, to get consistency in the valuations that are utilised for rating and land tax purposes, remembering of course that this is a mass valuation system where there are 2.4 million valuations produced per year.

Simply, every property is not inspected. Therefore I judge that, in terms of the progress we have made within the bounds of a mass valuation system, I believe now that we are moving towards a valuation system which, as I said, has become more transparent. Certainly we are providing a lot more information to the public. A gauge of that transition is through the amount of correspondence that I get across my desk. The change in the type of correspondence that we are receiving indicates to me that there is a greater understanding about how the valuations are produced. But, more importantly, there is a better understanding by the public both in terms of how those valuations are actually utilised, and how they arrived at.

But that is not the end of the trail. Quite simply, we are on a journey. There is a lot more work to be undertaken. The Ombudsman has obviously highlighted some of the further improvements that can be made, but I believe that we are well on the track to ensuring that the New South Wales valuation system, will be able to be used as a benchmark throughout the western world and will be able to be held up as being one of the better systems available to rate and tax payers.

CHAIR: I also remind members that Mr Western will go through an outline of the report and give some highlights in relation to that. If there are any questions regarding those specific points, perhaps members will ask those questions on the way through, and then there also will be some questions on notice after he has spoken to his report.

Mr WESTERN: I might start off on page 3 of the report, which is headed General Valuation and Reviews. I guess the biggest thing that has happened this year outside of the Ombudsman's investigation, is the release of the 1 July 2005 general revaluation. That was issued in January of 2006 to just over 803,000 land owners. Notices were sent out over a three-week period so by the end of March we will be at the close of the general objection period for that process. As at date when I prepared this report, we had received only 817 objections. Some one and a half weeks later we are up to just on 1,200 objections that have been received.

The Hon. CHARLIE LYNN: I am sorry, how many objections in total?

Mr WESTERN: Objections so far?

The Hon. CHARLIE LYNN: No, 1,200 from?

Mr WESTERN: From 803,000 notices that had gone out. There is a mixture though. There are 803,000 notices that have gone out for rating purposes, but remember also that we provide valuations—all the 2.4 million valuations—that go across to the Office of State Revenue to be utilised for land tax purposes. My role is simply to provide the valuations in that regard, and that is why the whole register of land valuations is provided to the Office of State Revenue and they will assess through due process who is actually liable for land tax in regard to their role.

The objections that we had received by the end of last week, as I said, total 1,200. Compared to previous general valuations we have put out, that is substantially below the number we have received in the past but also remember that normally land tax assessments would be issued around about the same time. There was a slight delay this year in the issuing of land tax assessments, hence most of those assessments have only just started to go out. That process commenced toward the end of February, so I would expect the rate of objection to go up once land owners start receiving those assessments.

Just moving on to the second paragraph in regard to the Water Management Act, most of you will be familiar with the changes that were required through the instigation of the Water Management Act 2000. Effectively what that did was remove from the certificate of title the water right associated with land which meant that, in the context of the valuation, it also had to be removed from the land value for rating and taxation purposes. As I have highlighted in my report, for some councils this has had a major impact from the point of view of reducing the land values associated with particular council areas, but that has been neutralised by what has been put forward by the Department of Local Government in regard to the rating regime and models which they were able to utilise when they used the valuations for rating purposes. There are some 18,000 valuation assessments affected by the removal of water.

We have undertaken a two-stage process. The first was in relation to the 1 July 2005 valuations where we have removed the added value of water for some 15 councils that were having a general valuation released at that time. They have gone out. To date the feedback in regard to objections is that a few have been received, but they were reasonably sparse in number. We undertook a publicity campaign in relation to issuing those valuations. I have included a brochure as Addendum 1 in the report, which we put out entitled "Land Values for Irrigation Properties". Along with the meetings we have held we believe that has resulted in a better understanding of what it means in terms of the removal of water and, importantly, from my point of view, separating the rating issue from the issue of valuations.

The second stage of that process is for the remaining properties. We will issue what we call supplementary valuations, particularly over the next four to six months. They will go out to individual landowners, once again advising them that the water has been removed, and issuing them with a new valuation, which councils will use commencing for the rating year 1 July 2007.

The next point I want to cover is under "Governance", specifically the service level agreement that I have in place in respect of the work that Land and Property Information undertakes for me. For the benefit of members, my role as a statutory officer is to oversee the land valuation system. Land and Property Information, effectively on my behalf and administer the operational side of that throughout the State. It is very important from my perspective that we have a service level

agreement with key performance indicators in there that are targeted specifically at the outcomes we need from the valuation system. This is the first time that I have presented to the Committee what is, I guess, a scorecard of the most important key performance indicators. I have put those in as Addendum 2 in the report.

I will highlight some of the relevant issues associated with that scorecard, particularly those which are below target, remembering that those key performance indicators go over a 12-month period commencing 1 July. At the date this scorecard was prepared was undertaken it was effectively seven months old. Under the second heading "councils" it is noted that the target for the number of general valuations land values that have been issued, I expected that by 30 November 2005 100 per cent would have been issued. In fact, at that stage we had issued only 94 per cent. The reason for that was we delayed the issuing of the water valuations—the land values where we had removed the value of water—until 10 December 2005. That is the reason for the difference between the 100 per cent target and the 94 per cent.

The other key performance indicators are in relation to the third heading, "Office of State Revenue". You will note that the key performance indicators were that the percentage of objections to land tax assessments to be completed within 90 days was targeted at 50 per cent. In fact, to date only 24 per cent has been achieved. In regard to the second area—the percentage objections for land tax to be processed within 180 days—I had a target of 95 per cent, and it was only 69 per cent. The third one was in relation to properties that were in excess of \$1 million at land value, and the target was 95 per cent completed but Land and Property Information achieved only 29 per cent.

Having said that, the actual figures have improved quite markedly from the year before. Most Committee members would be aware that one of the principal reasons for the below target outcomes that there is simply a resourcing issue around trying to process the number of objections we get with the number of resources available to us to assist in doing that. I am pleased to say that the Government has approved additional funding to assist in employing more resource to ensure that we can get these objections processed quicker. That is in regard to the Ombudsman's report and some recommendations in that.

The other important issue for the Committee to note is that one of the principal areas of change that I have implemented is rather than having the bulk of valuation objections processed internally, in other words within Land and Property Information, they have been undertaken independently of the valuer who originally did the valuations. I have now outsourced the majority of that work to the private sector. At this stage we are achieving some big improvements in the number of objections processed. To reiterate: in any one year we normally receive about 8,000 objections, last year we received close to 18,000 objections. Once again, the main reason behind that was the removal of the land tax threshold and a lot more people obviously being assessable for land tax.

Normally it would have taken Land and Property Information some 18 to 24 months to process those objections. I am pleased to say that as at the end of January they had processed close to 16,000 valuations, whereas normally they would have processed only about 8,000. So we have had a marked improvement through process improvement and efficiencies brought in through using contractors and better monitoring their performance against the contract requirements.

The Hon. CHARLIE LYNN: When you receive objections, say those 18,000, do you have a monitoring system to find out whether people are happy with the outcome and the answer you have provided to them for the objections? Or, do you just send a form letter to say "bad luck"? Or do you try to soften the blow? What is your indicator there?

Mr WESTERN: Prior to my taking on the role of Valuer General, the letters that were put out were effectively form letters stating that their objection had been looked at and had been accepted in terms of what value change was proposed, or a different value had been calculated by Land and Property Information, or there is no change to the value. The letters were very succinct and to the point. One area I talked about before that we needed to improve was transparency in terms of decision making associated with that. This Committee has been quite strong in pushing the fact that there needed to be more transparency in the valuation system, and that has been implemented.

Now there is a reasoned thought process that goes with the processing of each objection in terms of responding to the concerns that have been raised by the objector in pointing out how we have arrived at the decision. Obviously in processing 18,000 objections you will still get people who are unhappy either because of the decision made or because they did not think we had properly answered the question. We are endeavouring to continue to improve that. Once again I believe we have made substantive changes in that regard, which have improved the overall process in regard to objections.

The Hon. CHARLIE LYNN: Can you give an indication of how many valuations have been changed as a result of objections?

Mr WESTERN: Yes. This is highlighted in the Ombudsman's report as well. On average there is about a 25 per cent change to valuations as a result of objections. While that may seem like a large number, being a quarter of the total number of valuations, if you put them proportionately across the total system it is not as bad as it sounds. Generally the people who will object will have a genuine reason for objecting. They will believe either that they have looked at their valuation in relation to sales information and their knowledge of the area and say that they think it is out of line, or they will have picked up something that has occurred on the property that our valuers had not picked up. It may be something as simple as a drain put through the property, or it may be that there has been a change to some planning device that we have not become aware of through due process from local government.

As I said, while the 25 per cent sounds quite high, it is quite low when you put into it that the changes are in fact genuine. The New South Wales change of objection figure fares well compared with other States'. I am aware of other jurisdictions where the rate of change is between 35 and 45 per cent of valuation. This shows that we are bringing some credibility into the valuation system and looking to build upon the initial changes we have made for the better.

CHAIR: Is the objection kit assisting people to have a better understanding of the way to object and the issues that are dealt with in an objection? Is it stopping people objecting to a valuation by merely saying that they object to the amount of valuation without giving reasons for it?

Mr WESTERN: I might move on to that now. I have included as addendum 4 a sample of the objection kit that we have issued for the first time this year. This is a result of some of the work that we have undertaken as well as a recommendation in the Ombudsman's report. He believed it was difficult for people to comprehend what they needed to put into an objection and the Ombudsman thought we should look at providing a model of objection and additional information so that people were aware of what was required in submitting an objection. A number of aspects have improved transparency of the objection process. Whilst the objection kit is important, one of the major changes we have made that has helped is the general valuation sales report, which I attached as addendum 6 in your papers. When anyone requests an objection kit we automatically know where their property is located and so we make available to them a general valuation sales report that details the sales in the locality to arrive at their valuation.

This has been a major step forward. Previously it has been an expectation that people would go and find that information for themselves. The information is sitting within our database and we are able to provide it to them in a form which helps them. Both the objection kit and the general valuation sales report have received positive feedback. While it is very early in respect of the issue of the objection kit to say definitively that it has made a big change to the number of people objecting or in terms of their understanding what the valuation process is all about, it appears that it is helping people's understanding.

We are issuing this general valuation sales report with all general correspondence we are getting now and overall there has been very positive feedback to the release of the information. People can quickly see how it relates to their property and the land area. There will obviously be properties that have sold in their vicinity and they can use that information to assess their own valuation. Importantly, when they come back to us with an objection they can relate it back to some sales evidence associated with their localities. There has been a very positive response in regard to that.

CHAIR: Going back to the key performances outcomes as at 31 January—you may have to take this on notice, Mr Western—it would be of assistance to the Committee if we could have a look at the target and actual figures from the previous year as well for comparison purposes.

Mr RICHARD TORBAY: I listened to the good news about more resources being implemented but will those new resources allow us to achieve those KPIs or will we just get better than the current figures? You said that additional resources are going into the department. Will we be able to meet those targets with the new resources?

Mr WESTERN: My expectation would be that we will get very close to achieving those targets. It is difficult to be definitive as it is also very dependent upon the number of objections that we receive. Last year we had 18,000. In a normal year we would have about 8,000. So there is a variation there. The 90-day limit KPI sits within statute currently in that if an objector puts in an objection to a valuation and the Valuer General fails to provide a decision within the 90 days the objector has a right to automatically go to the Land and Environment Court. Very few people take up that opportunity; they would rather wait for the decision to go through. One of the issues we are looking at at the moment—I will just sidestep and go off the subject slightly—is a complete review and overhaul of the Act in regard to some of the parameters that are set around it and some of the interpretive data. One is the 90 days.

My expectation in regard to the Office of State Revenue would be that we should be able to get pretty close to those targets. With land values in excess of \$1 million generally many have other professionals involved in the process—solicitors, valuers or other consultants. Sometimes while we are ready to move on it the other parties are not at a point where they are willing to sit down; they are still doing their work. It does not take long for the 90 days to pass or, in this case, the 120 days. In answer to your question, yes, I think we will be able to get pretty close to those targets and I would expect that we would be able to get there for the move towards those targets for the general public as well, not just the Office of State Revenue.

The Hon. CHARLIE LYNN: Will the additional resources result in increases in staff or an increase in outsourcing to assist you?

Mr WESTERN: All of the resources that are employed will be internal. It will be more around the appropriate use of resource. They will be used for contract management. They will be used for the audit process, which is part of the contract management process. Previously, effectively the audits of the valuations have been undertaken in the last three weeks of the valuation cycle. The plan now is—indeed, we are implementing it—that the audit will take place with these additional resources over the entire year. So at the end of the year rather than having to go through a full audit process, because everyone has been through checkpoints along the way, we will effectively just be able to tick it off and say it is ready to go.

It will result in more appropriate use of resource in terms of adding value where they can best make a difference. It will not result in additional contractors being employed. The valuation profession is only so large and we currently have something in the vicinity of, I think, approximately 45 different firms on our books to help process objections. That is precisely where we are getting some of the efficiency improvements through putting that out. So, yes, I do expect that we will get some efficiencies coming through. Refined processes will result in better outcomes and the more prompt processing of objections. But it will not necessarily result in a huge increase in the number of objections that are processed in a particular year, compared to what has been processed this year.

If I might move on to the valuation service pricing on page 4, to reiterate, previously the prices for valuation services to local government are currently set by an IPART order. The last general review of prices to local government was undertaken in 1996. In late 2004 I instigated a price review for not just local government but also in regard to the Office of State Revenue. We started to proceed down the path of working on that. I reached initial agreement with IPART that, rather than the decision being made at an IPART level, I could effectively negotiate directly with local government and then go to IPART for sign off. Members will recall that in late 2004 the Ombudsman's investigation was instigated.

As a result of that I delayed the examination of pricing on the basis that I believed that there could be substantial changes to valuation processes and it was better to bed those down before we look at the overall pricing for local government. With that in mind we delayed the examination of local government pricing. To update the situation, I am hoping to meet with IPART next week to look at the pricing for local government. It was my intention for this year to put a 2.8 percent increase forward for local government to consider as a price increase. That effectively mirrors the cost of inflation for the last 12 months, remembering that local government have not had a price increase since 1996. But, once again, I do not want to go into a full pricing review until we have bedded down the changes we have made through the Ombudsman's decision and through improvements that I have made to the system.

CHAIR: I am not sure whether we have discussed this in one of our general meetings before but have you had discussions with the Local Government and Shires Associations in relation to this?

Mr WESTERN: Yes, I have.

CHAIR: What were the comments regarding any price increase that may occur or any general comments?

Mr WESTERN: Their general view is that they do not want to see a price increase for any services that they receive. Bearing that in mind, they have also said that they recognise that there has been no increase in pricing since 1996. So an increase in terms of inflation would not be untoward in terms of their accepting that sort of increase for this year but they would not want to see anything in excess of that number.

CHAIR: So if a decision is made about a price increase, did the associations also indicate to you when they would want information about that in terms of councils setting up their management plans and adopting budgets and so on?

Mr WESTERN: Yes. It is obviously critical in regard to the management plans for councils that the latest they could receive advice of that pricing increase would be 31 March. So we are aiming to meet that timeframe. One of the big issues for local government to consider is how price is spread amongst the councils. Currently there is effectively a fee per assessment and that is in regard to non-residential versus residential property. Local government need to look at how they distribute that amongst the councils. So there is a bit more debate to go on around how it is apportioned between individual councils, but I do not see that as a role for the Valuer General to get involved in. Mine is more in terms of saying, "Here is the cost of services to local government. How you distribute it is an issue for you."

Do members have any questions in relation to the Office of State Revenue? I think I have covered that in earlier discussions. Item 4 is the Land Value Advisory Group. As quick background, the group was set up as a result of the Walton inquiry back in 1998-99. It has members of the property professionals on it from the Australian Property Institute, the Property Council, the New South Wales Real Estate Institute, the Office of State Revenue and the Local Government and Shires Associations.

They independently provide me with advice as to issues associated with the valuation system. For me, it is a good sounding board in terms of issues that may be out there. The big thing that the Australian Property Institute and the Real Estate Institute members of the group have undertaken for me this year is in regard to preparing some parallel valuations in conjunction with the 1 July 2005 general valuation.

They independently got valuers to have a look at properties throughout the State, to value them as at 1 July 2005 and then to look at the difference between what they had come up with and what land value the contractors undertaking that work for me, had arrived at. I do not know the specific results of that study yet. I understand that the Land Value Advisory Group members are meeting later this week, and indeed they will be reporting to the Land Value Advisory Group on 17 March as to the outcomes that have been achieved. From my personal point of view, this adds further transparency to the valuation system. It will provide me with an independent check of the valuation outcomes that have been achieved by the contractors, bearing in mind however that the valuation contractors who undertake the work for me are preparing mass valuations, whereas the individual

consultant who is working for the land value advisory group is looking at individual properties. So I would not expect there to be an exact correlation between the two outcomes, but I would expect there to be some relativity between valuations. So we will simply be awaiting the outcome of that on the 17th.

I guess the major point for this Committee is in relationship to item C which is the valuation reform. The first point on that is what I guess has been the major issue over the past 18 months for me in regard to the Ombudsman's investigation. This was an intense investigation undertaken as a result of a complaint received from the Ombudsman back in October-November 2004. The Ombudsman produced a 117-page report in November 2005, and encapsulated within that report were 38 recommendations where the Ombudsman believed that further improvements to the valuation system could be made. Importantly, if you read the report in context, and especially the conclusions drawn by the Ombudsman, the complainant was saying that the valuation system was totally corrupted, the system was in meltdown and the Valuer General had lost total control over the valuation system.

The Ombudsman concluded in his report that those allegations were totally unfounded. He concluded that the Valuer General had made substantive changes and improvements to the valuation system over the past 18 months, but he noted that there were further improvements to be made, and that aligns quite neatly with my regime of continuous improvement. Of the 38 recommendations, the majority relate to process changes and checks and balances in the system but also in relation to scheduling and resourcing of the valuation system, which I alluded to before. One of the other major recommendations that came out of the report was that the Ombudsman concluded that there had not been a full blown review of the valuation system, and particularly in respect to looking at individual land values and data, for some 16 years, and he believed that it was time to have a more intense look at this area.

With that in mind, he made a recommendation that a third of the valuations should be reviewed over a five-year period. My view was that if I was to do that, that would result in effectively a review of the valuation system over a 15-year period, during which time substantial changes to the land values themselves and indeed the data can take place. My proposal was in fact that, rather than doing it over 15 years, we would do it over five years, and indeed that is what I have instigated. I have received support from the Government in that regard, and I have noted that in 1.5 on page 6 where \$1.49 million has been appropriated for this financial year to assist and ongoing funding for 2006-07 of \$5.765 million and then ongoing funding from then of \$5.65 million. The majority of this will be used, as I said, in regard to the land valuation reviews that will be undertaken over the five-year period and also in respect of resourcing and some system development.

My expectation is that the land valuation review will result in more accurate valuations, and it certainly will result in more consistency between individual valuations, which from a mass valuation point of view is extremely important. I have included for the Committee a summary of the recommendations as addendum three. I do not know whether you want me to speak to this. It is more for the benefit of the Committee. To summarise it, of the 38 recommendations, effectively there are 34 which I can implement, if not immediately, then certainly over the short timeframe. There are others which are outside my jurisdiction, and this Committee has been targeted with a number of them, and also there is one in relation to Treasury, looking at some land tax issues.

As I said, the major recommendations are, first, the land value review. The second issue was in regard to the valuation date, which currently is set at 1 July. The Ombudsman's recommendations is that we should look at pushing the valuation date back to 1 March, effectively to give the Valuer General more time to review the valuations. That would obviously mean that there is the opportunity to review the valuations more thoroughly. That together with the expectation that there will be continued audits of the valuation system, which I alluded to earlier, I believe will once again mean that there will be more consistent and accurate valuations coming out of this process.

CHAIR: Unless other Committee members have questions in relation to that, I just mention 6.37, which is the recommendation that the Joint Committee on the Office of the Valuer General review the results and implications of the 2005 check valuations project as part of the general overview of the methodologies employed for the purpose of conducting valuations under the Valuation of Land Act. From the point of view of the Committee, I think it would be appropriate if there was a report on that check valuation process after, as I understand it, 17 March.

Mr WESTERN: It will be tabled on 17 March, that is correct.

CHAIR: I think the Committee would request that there be an update after the tabling of the document on 17 March, but that would be a separate process to anything taken on notice.

Mr WESTERN: Thank you. Item 2 under the valuation reform area on page 7 of the report is the project which I have alluded to before, which has been undertaken by the University of Western Sydney but specifically by Professor John McFarlane, who is well recognised as being I believe Australia's leading expert from a mix of academics perspective and indeed from a practical perspective in the mass valuation process. I have commissioned Professor McFarlane to undertake an initial 12-month project for me looking specifically at valuation components. They are the groups of valuations we put together to prepare the overall valuations at the end of each year and the benchmark properties that are used in regard to that, specifically looking at what is the best makeup of those components areas, what is the ideal number of properties to have in a component area and how many benchmark properties should be representative within those components areas.

He has already made some initial recommendations in regard to the benchmark areas, as to how many properties should be within a component, and we will be utilising that information when we instigate the land value review which will commence from 1 May 2006, and I will speak to that in a minute. Once again the outcomes of this work will certainly provide a vast improvement in the baseline data, as well as the outcomes that are achieved. Item 3 is in regard to the actual land value data review project. Members will recall that I initiated a pilot study approximately 21 months ago in Wingecarribee and Wollondilly, basically targeting more of an individual approach to valuations in an endeavour to get the valuations to be more consistent and accurate.

As a result of that pilot, the Ombudsman recommended in his report that we should migrate that project to the rest of New South Wales and that is part of the five-year review that I mentioned before that we will now undertake. Just in summary to give you an indication of how that will work, we have just tendered out 11 contract areas involving some 44 councils for valuation contracts to commence from 1 May 2006, and the land value review project is incorporated into those contracts. For the balance of contracts, they will require variations to existing contract terms and conditions. At the moment I am in the process of writing to those contractors seeking variations of contract and for contractors to give an indication of what increase, in service fee, if any is likely to be in regard to the cost of valuation services.

As I said, this project will be undertaken over five-year period where effectively 20 per cent of properties will be reviewed each year. That could either involve a full inspection of a property or, where we have adequate data that we can substantiate—for example, there might have been an objection on the property and we have already visited it—then they will be done through what we call a valuation verification process at desktop level.

The next area is in respect of communication, and I will just go over it briefly. We instigated a call centre for 2004 valuations and then we have carried that on again this year. That has been a huge success in two ways. First, it has given the public an initial contact in which they can discuss their valuation issues, remembering that a large number of the issues that are raised by land owners are generic, a lot of them can in fact be resolved through that initial inquiry.

For 2005 we have some 25,500 calls to the call centre of which 83 per cent of those callers' were resolved at the call centre level rather than progressing on to a valuer. The second major point is that it allows the valuer staff to focus on the valuation as opposed to necessarily answering inquiries that could be handled by someone else. Once again, it adds value to the efficiency and the business processes.

Item 2 of "Communication" relates to the objection kit. I have probably covered that so I will skip over that aspect. The other important area where we have made some really good ground as far as communicating with the public is through the Valuer General's newsletter. We published the third newsletter with the notices of valuation, which were issued this year. Once again this has proved a huge success, to the tune that we actually have people ringing us up now wanting to go on to a mailing list for those. They were published for over 803,000 landowners and I have attached a copy for

members at addendum 5. I am looking at putting a third newsletter out for July-August of this year and that will go out once again with the rating notices when the first instalment is issued by councils.

Item 4 is the General Valuation Sales Report, which I have already spoken to. We have also put out a product called "Your Land Value Brochure", which answers a number of questions in relationship to how land values are arrived at. The other major improvement which members will be aware of is the land valuation search facility that is now available on the web. Effectively a landowner can go and see what the current valuation is regardless of whether the landowner is receiving a valuation for rating purposes and therefore might only receive it once every three or four years. They can now go in and pick up interim valuations along the way and see how that relates, in any specific year, to their property. We have also vastly improved the information available on the web site and I have gone into what is provided there.

Item E relates to Contract Management and we have just recently tendered out new contracts for taxing and rating valuation services. These are for a three-year period commencing 1 May 2006 through to 30 April 2009. Members should note that we received a very good response from potential contractors. We had 51 offers for the 11 areas that we tendered out. Admittedly there were multiple tenders from some individuals but 21 tenderers actually applied to gain a contract. The tender evaluation committee is an independent body consisting of a number of stakeholder interests. This year there were some changes to contractors. If you look at item 1.8 on page 12 you will see that a large number of contracts have actually got new valuation service providers coming into the system. One firm, Westlink Consulting from Victoria, which is one of the major providers of mass valuation services in Victoria, has come into New South Wales and also a number of small organisations, particularly in rural areas, which is gratifying from my point of view, are now looking for work in respect of mass valuation contracts with the Valuer General.

The second item there, is in regard to the Valuation Procedures Manual and I will not go into that in detail, but basically we are continuing to improve that. Once again we are getting more outcome rather than process focused. I see that it is the role of the valuation contractors to do that work. The role of the Land and Property Information is to audit those outcomes to ensure that they meet my requirements.

The final item in the list is in regard to legislation. I will give an update on Maurici. There has been no further appeal lodged in regard to that by Maurici in respect to technical issues. They have applied for costs through the Court and we are waiting on the outcome of that as the appeal was set down for hearing on 9 June 2006. I have currently got some legislative change going through in respect of amendments to the Valuation of Land Act required following the instigation of the Water Management Act but it is more of a technical issue in relationship to how local government can actually use the valuations we provide. This will allow them to use supplementary valuations on a prospective basis. So, in a nutshell, this means that we can give them the valuation now and they can use it further ahead whereas currently they can only use it in respect of a past valuation date for rating purposes. That probably covers my report.

CHAIR: Some aspects of the first question may have been covered by your opening statement, but can you just outline how the revision of benchmark property values might impact on the valuations in the short, medium and long term and what is the strategy for communicating the results of this review to the public generally and to landowners specifically?

Mr WESTERN: Basically, the expectation through implementing the land value review project will mean, in the research that we have undertaken so far, that there will not be substantive bulk changes to valuations; rather they are likely to be either individual properties or small groups of properties. In regard to when this might occur, the expectation would be, provided I am able to get the variations of contracts agreed to with individual contractors, that the first bite of the cherry, so to speak, will come through as at 1 July 2007, when approximately 20 per cent of the properties will have been reviewed and then it will be a progressive basis for the next five years.

As to how individuals will be notified, there will effectively be one of two ways in which that will be undertaken, and it is similar to the process we currently use. If there were major variations found in regard to either the land valuation data or to the land values, they would be undertaken generally through what we call a reascertainment process. We would actually go ahead and revalue

that property as at the time the error was found and individuals would be notified. They would obviously have a right of objection as per normal but if there were issues which did not impact upon the valuations per se but could have an impact generally across component areas, they would tend to flow through to the next general valuation process, which effectively would be 12 months down the line. In a nutshell that covers question one.

Mr RICHARD TORBAY: Can you outline any group of valuations that have been undertaken since the last general meeting?

Mr WESTERN: By group valuations we are referring, once again, to reascertainments which might have been undertaken. I am pleased to report at this stage that there have been no major group revaluations undertaken other than in the Leeton local government area where there were, as a result of the Water Management Act, changes to approximately 148 properties. There were errors in valuations released to landowners. This was as a result of incorrect land valuation data being entered onto the land valuation system. It was picked up quite early in the process and, therefore, we were able to advise landowners effectively within about two weeks of receiving their initial notice that there was an error. These have been corrected, councils been advised and I understand at this stage there has been no adverse publicity or inquiry from landowners as a result of those corrections.

CHAIR: In relation to changes in terms of the valuations for water, have there been objections to the individual valuations or have there been issues relating to individual local government areas apart from obviously this one where there was incorrect data?

Mr WESTERN: There has been some inquiry, as you would expect. For a large number of rural properties, some 17,500 it does result in substantial change to the valuations for those properties. My understanding at this stage is, yes, we have had some inquiries and we have had a few objections but they are not disproportionate to the number we would expect regardless of the changes we have made. There has been some publicity associated with the changes that have been made. They, however, have been more in relation to the impact on rates as opposed to necessarily the valuations themselves.

One of the major issues for local government was that they believed that there was not sufficient time to receive the valuations from the Valuer General, implement changes into their rates modelling and then to develop an appropriate rating regime for that local government area. The Government in November-December 2005 made a decision that the implementation of the requirement for rates modelling, through the issuing of supplementary valuations would be effectively delayed by 12 months from 1 July 2006 through to 1 July 2007, so effectively that has given between 12 and 18 months for councils to make those decisions in relation to rates modelling and my understanding at this stage is that the vast majority of councils have been very accepting of that decision and have moved on and started work. We have not issued all the valuations in that regard. Some will be undertaken through the supplementary process and that will effectively occur over the next six weeks. They will be issued both to landowners and to council.

Mr ALLAN SHEARAN: Can you outline what correspondence has been received detailing systemic complaints and concerns about the valuation system as distinct from specific valuation objections?

Mr WESTERN: The majority of correspondence that I get across my desk tends to be personalised to the extent that people are either concerned about the effect, not of the valuation itself but more in regard to their liability for a rating or taxing. I have listed here some typical examples of the sorts of things or questions I get asked or letters, and I will not go into those.

There had been one or two other letters put in to me. One would be, for example, for Mr Singer who has issues in relationship to the appropriateness of the valuation system in relationship particularly to land tax. He put his concerns to the Ombudsman. The Ombudsman initiated that investigation through that process and I have already alluded to the findings of the Ombudsman and the allegations made by Mr Singer about the system and they were found to be totally incorrect.

The other sort of inquiries that we get, one that I can think of is in regard to the Lake Macquarie Ratepayers Association who believe that there is a better way to provide the valuations. It

has some ideas around looking at the sale of individual properties and then relating that back to the valuation system. That is part of obviously what we do in preparing land values currently. They have just got a different view that it should be undertaken on improved capital values, including the building on it; that it should be related to every time that an individual property sells then the rating value should simply be based on that change in value for that particular property. So if the property did not sell you would not have any change to value. Now obviously from a rating and taxation point of view that provides major issues in terms of consistency and the use of it for a fair and transparent rating valuation system.

The important thing that all these inquiries highlight is that we are open to looking at how we can improve the valuation system all the time. Certainly all the correspondence that I put out, the brochures we issue, we are always very keen for the public or groups within the community to talk with us in terms of how we can make further improvements to the system.

Mr ALLAN SHEARAN: Recently there was a lot of publicity in the local papers in the northern part of my electorate around Richmond and the Hawkesbury City Council area in which concerns were expressed that most properties have received an increase in valuation of more than 78 per cent in such a short period of time. Would that be the normal type of correspondence you would receive of increases of that amount in the short time of three years?

Mr WESTERN: Rather than focussing on the valuation itself what it is today and whether it is correct, people tend to relate back to what the valuation was the last time they received it and, as you point out for most people that would be three years ago and so, therefore, try to translate that into what it means for rating. One of the normal questions we get is "My valuation has gone up 78 per cent. It automatically means that my rates are going to go up by 78 per cent" which is obviously an incorrect assumption, and that is part of some of the work we have been trying to do to assist people in understanding that that does not necessarily correspond into any rate increase, depending on whether you are on the average or above the average increase for that particular area.

In regard to the 78 per cent increase, for this year's valuations there have been variations above what people might have perceived as happened over the past 12 months in relationship to the market and so part of the increase is due to market change but part of the change in valuations is also in relationship to the Ombudsman's investigation when he said that the vast majority of valuations are conservative which one would expect in a mass valuation system and he thought that some work could be undertaken there in terms of giving them greater accuracy and consistency in the valuations themselves.

One of the aspects that he talked about was employing a consistent sales methodology right across the State. We implemented this for the 2005 valuations. That has meant that for some areas, because all contractors are using the same valuation methodology now, there is now consistency in terms of the process that is used. So there have been what I would term to be abnormal changes in valuations to implement that process which has meant that they do not necessarily in some areas relate directly to what the change in the market has been. But I emphasise that people should not focus on what the valuation increase is but more on "Here is my valuation that has been provided as of 1 July 2005. How does that sit in relationship to the market evidence that is actually available?" which is what the court looks at. To that end, the publication of the General Valuation Sales report which I talked about earlier has helped markedly in terms of people being able to better understand how that valuation has been arrived at.

Mr ALLAN SHEARAN: People come into my office and I try to explain to them that their rates are not going to increase by that amount but they are still astounded by the dramatic shift in valuation. I have gone through the pamphlet with them to try to explain how it is calculated but it does not seem to hit the mark.

Mr WESTERN: It is very difficult from the point of view that for most people all they say is that it is a taxation base, and it is more about what implications it has got for them in that respect. Some people cannot see the wood for the trees trying to work through the issue so that is what we have really been trying to work on to try to improve that transparency about understanding how we have arrived at the valuations. In the end we are obviously going to have issues because, as I said, it is a taxation base and generally people do not like paying taxes and therefore there will always be an

element, regardless of what we do, the valuation system is always going to come under scrutiny in that regard.

Mr RICHARD TORBAY: What is your response to the Committee's best practise report?

Mr WESTERN: I have highlighted the response from Tony Kelly, Minister for Lands, to the parliamentary committee where he concurred with the committee's recommendations and advised that the Valuer General was going to commence work in respect of looking at how such a report might be implemented. I can now report to the Committee once again that overall I endorse the approach that has been taken. I believe that such a report will allow people to see transparency in the system, but importantly from my point of view, it will actually begin to show the independence of the Valuer-General in relationship to the valuation system itself and importantly that I am there to represent all stakeholders of New South Wales, not just the Government but indeed the landowners and the public as well. My intention is to have the first report published representing data as at 30 June 2006. We are already starting to commence some work in that regard and the work that has already been undertaken by this committee will go a long way to moving this along the right track.

CHAIR: In terms of the recommendations in the best practise report, has there been any comment from the Land Value Advisory Group in relation to that proposal?

Mr WESTERN: No. The Land Value Advisory Group has not met since the publication of that report. Once again on 17 March this issue was going to be raised.

CHAIR: Together with the other issue that the Committee has asked you to provide some information you might also give the committee the views of the Land Value Advisory Group's comment on the best practise reporting process?

Mr WESTERN: Yes.

Mr ALLAN SHEARAN: The committee is seeking local councils' views on the frequency of provision of annual valuations to councils. Will you outline the key impacts for the Office of the Valuer General if variations to the current provision resume of valuations were made?

Mr WESTERN: I will not go into detail in respect of the answers that are provided there but I have a summation of what I have talked about. Currently in any one year for local government purposes we issue approximately 800,000 notices of valuation. One of the proposals that has been put forward to local government is that we issue in any one year up to 2.4 million valuations which is the entire valuations required under the Valuation of Land Register. It will be dependent upon whether or not if we issued every valuation every year, individuals had a right of objection to that valuation.

If that were the case effectively it would mean that there would be each year an additional 1.6 million valuations released, in addition to those currently provided. If we transposed the existing objection rate of 0.8 per cent across to that effectively there would be an increase in the number of objections in the vicinity of about 12,000. If you put that into dollars terms from a postage point of view, as far as putting out the notices, it is not a lot of money—we are probably talking about \$600,000 to \$800,000, but where the real cost comes in is in the potential processing of objections. That, as I have reported here, could mean, based on current numbers, an additional cost of about \$6.4 million a year to administer the objection process through a landowner having a right of objection every year.

Mr ALLAN SHEARAN: That is on the assumption there would be that sort of objection rate. I wonder if you issued them to ratepayers every year, instead of three years—that length of time is probably the stimulus for the objections?

Mr WESTERN: That would be the expectation. From my experience in New Zealand when we moved to the provision of annual valuation notices for a large number of local government areas we found that the objection rate did not alter even though the valuations were being issued annually.

CHAIR: Mr Western, do you have any further comment you want to make?

Mr WESTERN: No.

CHAIR: Would you take the requested information on notice?

Mr WESTERN: Yes.

(The Committee adjourned at 3.25 p.m.)