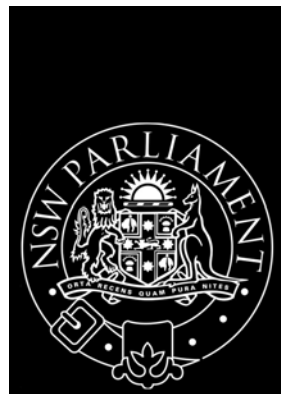


PARLIAMENT OF NEW SOUTH WALES



Joint Committee on the Office of the
Valuer General

REPORT ON THE FIRST GENERAL MEETING
WITH THE VALUER GENERAL

Together with Transcript of Proceedings and Minutes

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**The late Mr McGrane MP, Independent, served as Deputy Chair of the Committee from November 2003 to September 2004. Mr Torbay MP was appointed in place of Mr McGrane MP in October 2004.*

Chair's Foreword

This is the first report from the Committee on the Office of the Valuer General, which was established in December 2003. The report serves three purposes:

- To outline the Committee's role and work program;
- To flag key issues that the Committee will be monitoring in 2005; and
- To provide information on activities of the Office of the Valuer General relevant to the Committee's terms of reference.

Since its establishment the Committee has undertaken a self-education program to understand relevant activities of the Valuer General and develop an appropriate oversight program to effectively monitor these activities.

In 2004 the Committee commissioned a series of information briefings on the general operations of the Office of the Valuer General and on land valuation methodology in particular. The Committee also determined an approach for oversight of the Office in accordance with the Committee's powers and functions under the legislation. This approach was detailed in a public brochure produced by the Committee in August 2004. In October 2004, the Committee held the First General Meeting of the Committee with the Valuer General, which marked the implementation of the Committee's reporting program.

I believe that the steps taken and systems put in place by the Committee in 2004 provide a robust framework for the Committee to meet its statutory obligations.

I am pleased to present this report and thank my fellow committee members and the secretariat for their assistance and support for this new Committee.

I also thank the Valuer General Mr Philip Western for his assistance and co-operative approach. Finally I particularly acknowledge the contribution of my Vice Chair, Mr Anthony McGrane MP, who passed away in September 2004.

Kayee Griffin MLC

Chair

Committee Functions

A Committee on the Office of the Valuer General was established in New South Wales in 2003 as a joint parliamentary committee comprising of five members, including two members of the Legislative Council.

The Committee was established under the *Valuation of Land Amendment (Valuer-General) Act 2003*. Under this Act (s 85), the Committee's main functions are:

- 1) to monitor and to review the exercise of the Valuer General's functions with respect to land valuations under the Valuation of Land Act 1916, Land Tax Management Act 1956, Premium Property Tax Act 1998 and in particular:
 - to monitor the methodologies employed for the purpose of conducting such valuations;
 - to monitor the arrangements under which valuation service contracts are negotiated and entered into;
 - to monitor the standard of valuation services provided under such contract
- 2) to report to both Houses with such comments as it thinks fit, on any matter connected with the exercise of the VG functions referred to in 1)
- 3) to report to both Houses any change that the Committee considers desirable to the Valuer General's functions referred to in 1),
- 4) to inquire into any question in connection with the Committee's functions which is referred to it by both Houses of Parliament and to report to both Houses on that question.

Chapter One - Commentary and Committee Program

INTRODUCTION

- 1.1 This is the first report from the Committee on the Office of the Valuer General, which was established in December 2003. The report serves three purposes:
 - To outline the Committee's role and work program;
 - To flag key issues that the Committee will be monitoring in 2005; and
 - To provide information on activities of the Office of the Valuer General relevant to the Committee's terms of reference.
- 1.2 **Chapter 1** of the report outlines the establishment and operation of the Committee. A summary of key issues and future inquiries is also provided in this Chapter.
- 1.3 **Chapter 2** contains two Reports for the Committee prepared by the Valuer General. These reports are the result of an agreed reporting regime developed by the Committee and Valuer General that will form ongoing reference documents for the Committee's oversight function.
- 1.4 **Chapter 3** contains Questions on Notice and Answers concerning the Valuer General's reports that were considered at the First General Meeting of the Committee on 25 October 2004.
- 1.5 **Chapter 4** contains a full transcript of the proceedings from the First General Meeting of 25 October 2004.

ESTABLISHMENT OF THE COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

- 1.6 The Committee on the Office of the Valuer General was established in New South Wales in 2003 as a joint parliamentary committee under the *Valuation of Land Amendment (Valuer General) Act 2003*.
- 1.7 In his second reading speech of 30 May 2003, Mr Bryce Gaudry MP, on behalf of Minister Knowles, outlined the objective of the Act and purpose of the Committee:

The object of the [Act] is to provide for the establishment and functions of a joint committee of members of this Parliament to oversee the functions of the Office of the Valuer General and to ensure the independence of that office. Honourable members may be aware that in recent years the quality and independence of valuations undertaken at the direction of the Valuer General have been open to speculation from some quarters. To ensure the community's continued confidence in the Office of the Valuer General, the Premier announced the creation of a joint committee of Parliament that will have the power to monitor and review the functions of the Office of the Valuer General... As honourable members will be aware, the land market in Sydney has enjoyed an extended period of growth. More recently, the coastal areas of New South Wales have enjoyed a similar boom. This Government wishes to assure the people of New South Wales that land valuations undertaken by the Valuer General are sound, well informed, quality valuations based on reliable information and expertise. This process will ensure that the functions of the Office of the Valuer General remain open and accountable to the public.
- 1.8 The Committee is constituted to operate until the end of the 53rd session of Parliament in 2007. It has five members: two from the Legislative Council and three from the Legislative Assembly. The initial membership of the Committee was:

The Hon Kayee Griffin, MLC, Chair

The Hon Donald Harwin, MLC

Mr Anthony McGrane, MP, Vice Chair

Ms Gladys Berejiklian, MP

Mr Allan Shearan, MP

- 1.9 In October 2004, the Legislative Assembly appointed Mr Richard Torbay MP to replace Mr Anthony McGrane MP, who passed away in September 2004.
- 1.10 The Committee has power to send for persons, papers and records. All hearings are to be public subject to confidentiality requests. The Committee may report when Parliament is not in session. The Committee must report to the Clerk of the Legislative Assembly and the Committee is guided by the Standing Orders of the Legislative Assembly

FUNCTIONS OF THE COMMITTEE UNDER THE ACT

- 1.11 The Act provides the Committee with the ability to monitor and to review the exercise of the Valuer General's functions with respect to land valuations under the Valuation of Land Act 1916, the Land Tax Management Act 1956 and the Premium Property Tax Act 1998.
- 1.12 In particular, the Committee can monitor valuation methodologies, the arrangements under which valuation contracts are negotiated and entered into, and the standard of valuation services provided under such contracts. Land valuation in New South Wales, as defined by the Valuation of Land Act, is based on the sum that vacant land might be expected to realise if offered for sale on reasonable conditions to a bona fide purchaser.
- 1.13 The Committee does not, however, have the ability to review individual valuations or objections to individual valuations. The processing of these issues will remain the responsibility of the statutory officer, the Valuer General.

Valuation of Land Amendment (Valuer General) Act 2003 No 41

Section 85 Committee Functions

- a) to monitor and to review the exercise of the Valuer General functions with respect to land valuations under the Valuation of Land Act 1916, Land Tax Management Act 1956, Premium Property Tax Act 1998 and in particular:
- i. to monitor the methodologies employed for the purpose of conducting such valuations;
 - ii. to monitor the arrangements under which valuation service contracts are negotiated and entered into; and
 - iii. to monitor the standard of valuation services provided under such contract.
- b) to report to both Houses with such comments as it thinks fit, on any matter connected with the exercise of the Valuer General functions referred to in a) .

- c) to report to both Houses any change that the Committee considers desirable to the Valuer General functions referred to in a)
- d) to inquire into any question in connection with the Committee's functions which is referred to it by both Houses of Parliament and to report to both Houses on that question.

COMMITTEE'S ACTIVITIES IN 2004

1.14 As a new Committee under new legislation, the Committee recognised a need to set in place information systems and reporting processes to administer its obligations. During 2004 the Committee undertook the following:

1. Commissioned a series of **information briefings** on the general operations of the Office of the Valuer General and on land valuation methodology in particular;
2. Determined a program to **oversight** the Office of the Valuer General in accordance with the Committee's powers and functions under the legislation;
3. Released a **public brochure** in August 2004 outlining the Committee's role; and,
4. Conducted the First **General Meeting** of the Committee and the Valuer General in October 2004.

Information briefings

1.15 The Committee invited the Valuer General to present several briefings on the role of the Valuer General. The Valuer General presented a paper which outlined the following:

- The role of the Valuer General in NSW
- The relationships between the Valuer General and other NSW government agencies and local government
- The valuation service contracts
- The Valuer General's risk management strategies
- Recent government inquiries and their impact on the Valuer General
- Land valuation methodology
- Valuation objection processes
- Current issues including valuation objections in legal proceedings
- The current reform program being implemented which included the

1.16 The briefings were held over several meetings. An initial meeting was held on Tuesday 23 March 2004. A second meeting was held on 22 April 2004 where the Valuer General was accompanied by Mr John Miller, Regional Valuer, Quality and Policy Information Sourcing, in Land and Property Information (Department of Lands). A further meeting was held on 7 May 2004 where the Valuer General updated the Committee on the impact of the May 2004 Mini Budget on property valuation processes (see Key Issues for discussion).

The Committee's oversight program

- 1.17 The Committee briefings highlighted the rapid change and reforms affecting the Office of the Valuer General and land valuation regime in NSW over the last decade. The Committee was mindful that several reviews had taken place leading to the Committee's formation including the Nile Report in 1998, the Walton report in May 1999, and the supplementary Walton Report in 2003.
- 1.18 These reviews, and the reforms adopted from them, shape the activities of the Valuer General today. The Committee believes that an effective oversight program must not only meet the Committee's statutory obligations but also capture and monitor the cumulative effectiveness of these reforms.
- 1.19 At its meeting of 31 May 2004 the Committee endorsed a program and reporting framework. The Committee requested that the Valuer General submit regular progress reports. The reports canvass two areas: current reforms would be outlined in the *Reform Program Update*, and ongoing initiatives and issues would be described in *Principal Work in Progress*.
- 1.20 The reports would describe each relevant issue and note key dates for action or deliverables.
- 1.21 The reports form the basis for monitoring by the Committee. The Valuer General agreed to revise the report for submission at each General Meeting of the Committee. The review of the reports at the General Meeting forms the second key element of the Committee's oversight program.

Public brochure

- 1.22 Since its establishment there has been considerable interest from the public about the Committee and activities of the Valuer General. In August 2004 with the assistance of the Valuer General, the Committee published a brochure that explains the Committee's functions and provides information to assist the public in obtaining advice on valuation issues.
- 1.23 The Committee felt that it was important to communicate that the Committee does not function as a legislative appeals body for individual land valuations. The brochure directs the public to the existing avenues for objections and appeals concerning individual valuations.
- 1.24 The brochure was distributed to all NSW Members of Parliament, Federal Members of Parliament (in NSW), relevant peak bodies and all NSW local councils. The brochure is available online from the NSW Parliament website.

General Meeting

- 1.25 The Committee has established a General Meeting process similar to that practiced by other oversight committees in the NSW Parliament. The key purpose of the General Meeting process is a formal dialogue with the Valuer General.
- 1.26 The Committee has not prescribed regular General Meeting dates but has agreed to hold meetings as needed. It is intended that meetings will be aligned with key points in the NSW valuation cycle, such as the issue of valuation notices and collation of valuation revenues.

- 1.27 It is intended that the Valuer General will table the prescribed progress reports for discussion and Questions with Notice and without Notice at each General Meeting.

KEY ISSUES/ CONCERNS RAISED BY THE COMMITTEE

- 1.28 The Committee identified several issues of interest. These issues are reflected in the discussions at the General Meeting.

Management of valuation objections

- 1.29 As a consequence of changes to land tax thresholds and eligibility introduced by the NSW Government in the May 2004 Mini Budget, the Valuer General informed the Committee that the number of new land tax liable properties could rise considerably. The Valuer General suggested approximately 660,000 properties may be subject to land tax¹.
- 1.30 The possible impact of these changes have been recognised by the Valuer general:
Additionally with the land tax threshold being removed and a considerable number of “first time land tax payer”, it is expected that there will be an increase in the number of objections received for the valuations prepared as at 1 July 2004.²
- 1.31 The Committee is concerned that the Valuer General has a robust and responsive system and the resources to manage a potential surge in objections to valuations. The Committee noted that the Valuer General has commissioned a revision of objection management systems that is aimed to ensure prompt and comprehensive responses to complaints.
- 1.32 The Valuer General has undertaken to report to the Committee on compliance with revised performance indicators for objection management. These indicators are set out in service level agreements between the Valuer General and Land and Property Information, who actually process objections, and include such measures as turn around times on complaints and objection trends.
- 1.33 The Committee is also interested in how the Office of State Revenue will be identifying and managing those additional first time land tax payers. The OSR noted in a letter to the Committee in October 2004 that it would be writing to potential clients who were recorded as multiple land owners and seeking a voluntary declaration of tax liability. The Committee is pursuing additional information from OSR on the intended process and penalties that may be issued for non compliance with land tax obligations.

Management of valuation contractors

- 1.34 A key area of the Committee’s terms of reference is the monitoring of valuation service contracts awarded by the Valuer General. Members of the Committee questioned the extent of competition between contractors given the specialisation of unimproved property valuations and the few firms in this market area.
- 1.35 The Committee also sought to understand the rationale for the particular allocation and division contract areas. The Committee is interested in the contestability of the

¹ Transcript of evidence, 25 October 2004, Valuer General

² Reform Program Update, Valuer General Section 8 Management of Objections

valuation provider market and sees this as an important area for ensuring good valuation services.

- 1.36 The Committee will be monitoring the Valuer General's reforms of valuation contract scale and scope. The Committee will utilise the Land Valuation Advisory Group and other forums established through reforms to the Office of the Valuer General to ascertain independent views about the appropriateness of the structure of the contract system.

Pricing of ratings for local councils

- 1.37 The Valuer General provides valuations to local councils for their local rating purposes. Councils are charged a cost per valuation that has historically been set by the Independent Pricing and Regulation Commission (IPART).
- 1.38 The Valuer General noted that these rating prices had not been revised since 1996 with the determination of *Residential* valuations at \$3.60 and *Non Residential* valuations at \$7.90. The Valuer General noted that he would be seeking to remove IPART from this price setting role and to renegotiating prices with councils directly in the near future as part of the broader competitive tendering process for valuation contractors.
- 1.39 In July 2004, the Committee sought information from IPART about the original pricing methodology used to determine prices. In particular the Committee wanted to understand why non residential ratings were almost double the cost of residential ratings.
- 1.40 IPART responded that its role in pricing was derived from identified monopoly elements in the services provided by the Valuer General to local councils. The specific price determinations were based on limited data of historical and projected costs and represented an applied judgement by the Tribunal.
- 1.41 IPART noted that while it supported the Valuer General's proposal to revise the pricing structure in consultation with council stakeholders, it might be premature to revoke IPART's determination powers given there remain monopoly elements in the provision of valuation services. IPART also asserted it would also be advantageous to maintain its powers in the event of disagreement between the parties.
- 1.42 The Valuer General has detailed the consultation process that is underway whereby a member of the Local Government and Shires Associations (LGSA) is represented on the tender evaluation panel which selects the individual contractors. A representative from the individual council may also sit on the tender selection panel.
- 1.43 The Committee, however, is mindful that the power to award tenders remains with the Valuer General. As such, individual councils have limited control over tender selection and the consequent cost of valuations they may be charged. The Committee will be monitoring the Valuer General's pricing negotiations with the LGSA in 2005.

Public information strategies

- 1.44 The Valuer General highlighted a new Communications Strategy being developed which includes: a revised Notice of Valuation brochure, to be dispatched with all Valuation Notices; and a newsletter (and electronic newsletter) provided to NSW councils to be dispatched with their second round rate notices linked to council websites. In addition the Valuer General highlighted enhanced access to information

about NSW land valuation data and methodology explanations, much of which would be provided via the internet and issued on a cost recovery basis.

- 1.45 The Committee agreed that clearer communication and access to information is important, but is mindful of transferring cost burdens and information provision obligations onto local councils. The Committee is keen to ensure that consultation on the Valuer General's communication strategy includes both council officials and elected local councillors.
- 1.46 While the Committee notes that public would be able to access valuation data on any property in the State on a cost recovery basis through the internet, this precludes many land tax and ratepayers who cannot access this technology. The Committee believes that the communication strategy should preserve alternative forms of information access such as phone and front desk services alongside new forms of access.

Future inquiries and other activities

- 1.47 The Committee is able to examine and make reports about matters that concern its terms of reference. On substantial issues, the Committee may hold hearings or seek written submissions from the public.
- 1.48 As part of its background analysis the Committee secretariat identified that the annual report information (excluding financial audit information), provided by the Valuer General over the last five to ten years has varied substantially in content and detail. This variation is partly attributable to the changes in status of the Valuer General in the last decade.
- 1.49 For example in 1997/98 the Valuer General's Department was a separate authority and submitted an independent annual report to Parliament. Following 1998, the Valuer General was subsumed within the Department of Information and Technology and then, most recently, within the Department of Lands. Under these arrangements the Valuer General's report about its program and systems has been reduced to a brief summary within the Department of Land's annual report.
- 1.50 The Committee believes that clear communication about the Office's performance is essential for maintaining public accountability and confidence in the Valuer General's activities.
- 1.51 The Committee has agreed to examine the quality of performance reporting in the annual report entries for the Valuer General. The examination will consider best practice reporting frameworks such as those suggested by the NSW Audit Office in its Better Practice Guide for Reporting Performance. The Committee will also examine Valuer General reporting in other jurisdictions. It should be noted that the Committee is not examining financial reporting requirements or formats.
- 1.52 On 30 November 2004 the Committee became aware that the NSW Ombudsman initiated an investigation into objections management by the Valuer General and the controls employed to ensure the accuracy of component method valuations.
- 1.53 Under the Ombudsman's Act, the investigation is not a public process. The Ombudsman can seek information from relevant parties to assist the investigation and the Committee may contribute if required. The Committee will consider any information released by the Ombudsman on the investigation which is expected to conclude in mid 2005.

Chapter Two - Reports prepared by the Valuer General for the Committee

REPORT 1: REFORM PROGRAM UPDATE

6 SEPTEMBER 2004

In June 2004, a number of key issues/reviews were agreed by the Committee on the Office of the Valuer General as being the principle areas that the Valuer General would focus on.

This report provides a detailed update on progress to 6 September 2004.

1. Service Level Agreement between the Office of State Revenue and Land and Property Information

Background

The previous Service Level Agreement (SLA) had not been reviewed for a number of years. The purpose of this review was to provide focus on the key areas of service and delivery to the Office of State Revenue (OSR).

Considerable input from various levels of both organisations has provided a practical working document with clear objectives and outcomes.

Current situation

This document is in draft form and has not yet been adopted.

2. Service Level Agreement between the Valuer General and Land Property Information

Background

The contents and requirements of the previous SLA did not meet the expectations of the current Valuer General. The previous SLA had not been reviewed for a considerable period of time.

The new SLA is more detailed and focused on key performance areas to ensure that the valuation database and key deliverables continue to contribute to the development of the integrity and quality of the valuation system.

The agreement covers the key areas of valuation services, managing valuation contracts, provision of other valuation services, customer service, external communication and the management of the valuation data and systems.

The new agreement will be reviewed on an annual basis to ensure that it continues to meet the on going requirements of the Valuer General and the primary stakeholders.

Current situation

This document has now been agreed and signed by the Valuer General and the General Manager Land and Property Information. A copy of the agreement is attached as Appendix 1.

3. Tender – contract review

Background

The Valuer General implemented in May 2004, a review of the prevailing tender and contract documentation for rating – taxation valuations.

The need for this review arose, following many years of additions/deletions and ‘bandaiding’ to existing documentation. This resulted in difficulties interpreting issues and requirements amongst both the Office of the Valuer General and Land and Property Information (LPI), as well as existing contractors and prospective tenderers.

The Terms of Reference for this review are attached as Appendix 2.

Current situation

The review was undertaken by the Valuer General in consultation with LPI and expertise (both legal and procurement) from the Department of Commerce. The review was completed in early September 2004. The principle changes made include:

- A refining of the tender documentation wording to provide an ‘easy to understand’ document.
- Advice to prospective tenderers on the various weightings given to individual tender evaluation criteria.
- Reference to what the submitted tender needs to traverse under each of the evaluation criteria.
- Confirmation of delivery milestones.
- Consolidation of the terms of the tendered contracts to 3 years, with a one plus one extension option upon the satisfactory performance of the contractor. (The extension is at the sole discretion of the Valuer General.)
- Increased provision for electronic transfer of material supporting the valuation recommendation, rather than hard copy.
- Improved coordination and facilitation of value levels across local government area (LGA) boundaries.
- Requirement for valuations to be of an equivalent standard each year.
- Review of the amount of public liability and professional indemnity insurance cover required by service providers.
- Requirement for detailed project plans to be provided and approved by contract managers.
- Encouragement of the earlier provision of valuation recommendations.

4. Communications strategy review

Background

The majority of property owners, ratepayers and taxpayers do not understand the valuation system or the manner in which valuations are established.

Previously, the principal communication with property owners has been through the brochure enclosed with each valuation that is posted to property owners at the time of a general valuation.

The other main forms of communication have been through:

- Department of Lands web site
- Enquiries to the Land and Property Information call center
- Valuers and support staff talking directly with property owners.

No information has been provided to property owners with respect to historical property market value movement in the intervening years between general valuations. This often results in property owners being surprised by the change in the value of their property.

Often the limited information available to property owners means that when the valuations are issued that Land and Property Information (LPI) resource is tied up answering simple enquiries.

Current situation

I have adopted an on going strategy of being open and transparent with all stakeholders. This has already borne benefits with positive feedback being received from the Office of State Revenue, Local Government and Shires Association, Department of Local Government, the Association of Mining Related Councils and individual councils.

As part of this on going strategy, I am proposing that we communicate more regularly with other stakeholders, such as property owners.

For property owners, the publication of a regular newsletter will assist in improving communications and understanding.

Benefits would include:

- More information to assist property owners in understanding the valuation process and how their land valuation is determined.
- Latest information on enhancements to the valuation system and how it will assist and benefit property owners.
- How enhancements to the valuation system will improve the integrity and quality of the valuations produced.
- Updated information on when valuations for 1 July 2004 will be released and for which local government areas (LGA's).
- Recent historical market information for individual LGA's to advise property owners what has been occurring in the market.

Local Government and Shires Association (LGSA) are currently surveying councils on my behalf, to establish potential interest.

During meetings with councils over the past few weeks, I have received good support for the implementation of this approach.

The newsletter would be published 2 – 3 times per year. A number of councils have indicated that newsletters would be posted with rate notices and placed on council web sites.

Should councils be in favor of this approach, the first newsletter will be provided to property owners in early November 2004.

5. Valuation services pricing review

Background

Pricing for valuation services (for the provision of rating valuations) provided to local government councils is currently set by the Independent Pricing and Regulatory Tribunal (IPART).

The last review was undertaken in July 1996, when IPART set the following maximum prices for rating valuations.

- Residential \$3.60 per assessment
- Non Residential \$7.90 per assessment

After consultation with the LGSA (as the member councils representative body) and IPART, the Valuer General has put forward an alternative option for the future pricing of valuation services to local government councils.

The proposal is for the Valuer General to review the pricing of valuation services on an annual basis. On reaching agreement with LGSA, then the new pricing levels will be signed off by IPART.

Should agreement on pricing with the LGSA, be unable to be attained, then IPART will decide the pricing structure.

Current situation

The Valuer General will develop by early December 2004, a pricing policy framework for the provision of valuation services to local government councils. The agreement of LGSA and IPART will be sought.

Negotiations on pricing for the 2005 financial year will commence immediately after, with the aim of an agreement being reached prior to March 2005, so that councils can build the pricing into their annual management plans.

6. Fire service levy study

Background

Treasury has over recent months prepared a number of options for discussion on possible alternatives to the current collection insurance based levy regime for sourcing funding for the New South Wales Fire Service.

One of the options is to base the levy on the land value of each individual property in New South Wales. The source of those valuations would be the Register of Land Values.

Current situation

The Public Accounts Committee (PAC) has recommended to the Government not to replace the existing insurance based levy with a property based levy.

The PAC's report has been referred to Cabinet for a decision.

7. Valuation implications from the Water Management Act 2000

Background

The *Water Management Act 2000* (WMA) allows for the separation of water rights from the land title.

Currently water rights are included in valuations prepared under the *Valuation of Land Act 1916*.

With the removal of water rights from the land valuation, there is a major impact for many rural councils in particular where the land value utilized for rating purposes can contain a significant component related to the right to access and use water.

A working group comprised of representatives of the affected organisations (including the Valuer General) developed a discussion paper on the issues and future options for council rating revenue.

The primary implications for the Valuer General center on issues of timing. There is a need to ensure that valuations where the water right is currently included in the land valuation, have the value attributable to the water right removed, to reflect the new legislation.

The principal issue for the Valuer General is that currently there is limited established market evidence for the trading of water rights and approvals to access water under the new Act.

It would therefore be premature to analyse the potential implication of the WMA on land values until the market has established and settled.

Current situation

Schedule 8.29(10) of the WMA allows for the Valuer General to continue valuing water rights in the land value until at least the general valuations established at 1 July 2005.

Government Gazette No. 110 of 2 July 2004 included the proclamation of Schedule 8.29(10).

8. Management of objections

Background

The Valuer General implemented a review of objection management and associated processes in May 2004.

This was required to improve the efficiency of management and processing of objections as well as ensuring the timely completion of objections being actioned.

The following objectives were established for the review:

- To improve the objection process so they are decided in a timely manner, irrespective of the number of objections lodged.
- Maintain the integrity of the objections process.
- Implement more efficient processes for the long term as well as short term.
- Develop innovative solutions for processing objections.
- Increase communication and positive relations with the public, the media and other stakeholders.

Additionally with the land tax threshold being removed and a considerable number of 'first time land tax payers', it is expected that there will be an increase in the number of objections received for the valuations prepared as at 1 July 2004.

It is important for the principal stakeholders, as well as rate and taxpayers that objections are completed as efficiently and as promptly as possible.

In particular it is critical for local government councils and Office of State Revenue (OSR) to have their valuation base as accurate and as stable as possible prior to the commencement of their respective rating and land tax years.

Current situation

The review has been completed and will be provided to the Valuer General in mid September 2004.

The Valuer General expects to be able to recommend the implementation of various aspects of the review by early October 2004.

9. Maurici objection

Background

In February 2003, the High Court handed down its decision in relation to the Maurici objection appeal.

At that time the High Court made certain declarations concerning the issue of scarcity of vacant land and then remitted the case to the Land and Environment Court to consider whether the lower court should consider further evidence in the matter.

A number of hearings were held in the Land and Environment Court between July and August 2004, to hear further evidence. The final hearing was heard on 31 August 2004.

Current situation

The Land and Environment Court anticipates being able to deliver a decision by January 2005.

10. AMP Henderson Global Objections

Background

This objection, submitted by AMP Henderson Global Investors Limited was heard by the NSW Land and Environment Court in early December 2003.

It related to valuations as at 1 July 2001 in the Sydney central business district. It involves the assessed land values for two central business district buildings, namely National Australia Bank House, in George Street and the Colonial Centre in Martin Place. These properties have land values as at 1 July 2001 of \$58,000,000 and \$70,000,000 respectively.

The objectors argued that the land values of both properties should be considerably lower. This Court case had significant implications in respect of both local council rating revenue and Office of State Revenue, if the applicants contended valuations were accepted by the Court.

The Land and Environment Court dismissed the objections.

AMP appealed to the Court of Appeal. The grounds for the appeal were:

- The Commissioner in the Land and Environment Court failed to take into account post valuation date comparable sales.
- The Commissioner wrongly dismissed as irrelevant comparable sales applying the whole percentage depreciation method.

The appeal was allowed on these grounds.

Current situation

The matter has been referred back to the Land and Environment Court for the Commissioner to take into account a broader range of comparable sales.

A hearing date is expected before December 2004.

11. Land Valuation Advisory Group

Background

The Land Value Advisory Group (LVAG) has met on two occasions during 2004.

The primary focus for the group is to provide advice to the Valuer General on the appropriate application of mass land appraisal techniques including the following:

- Investigate and advice on the application of mass appraisal methodologies.
- Establish the means to identify properties unsuited to mass valuation methodologies.
- Examine and review the criteria for component areas.

Principal outcomes from the meetings have been:

- An understanding of the Valuer General's philosophy
- A project to examine the identification factors that should be taken into account in deciding whether properties should be handcrafted.

- Commence discussions with an appropriate University to undertake further work on statistical analysis and improving the quality of valuation outcomes.
- Develop accountability for contractors to assume more of the risk of carrying out the provisions of the compilation of land values.

Current situation

The LVAG continues to meet on a regular basis.

Further input will be requested of the LVAG in determining the specific focus and objectives for a PhD student to be appointed to assist with the above work.

REPORT 2: PRINCIPAL WORK IN PROGRESS

6 SEPTEMBER 2004

1. Valuations as at 1 July 2004

Current situation

Work is currently in progress to complete rating taxation valuations as at 1 July 2004.

This will involve the valuation recommendations being completed for approximately 2.4 million properties.

There will be an estimated 39 local government areas (LGA's) comprising approximately 660,000 properties to be valued for the purposes of local government council rating. A detailed list is attached as Schedule 1.

Valuation service contractors are required to complete valuation recommendations no later than 31 October 2004.

Audits and quality checks will be completed by 12 November 2004.

Valuations will be advised to local government councils and property owners/ratepayers during November and December 2004.

A copy of the Register of Land Values will be provided to Office of State Revenue (OSR) by 15 November 2004.

Once advised of the new valuations, property owners will have 60 days to object to their valuation.

2. Local government amalgamations

Background

There have been a number of amalgamations of local government council areas (LGA's) during 2004. In addition, there have been several new councils created.

The Valuer General is required under section 52 *Valuation of Land Act 1916* to furnish new valuations as soon as practical after the proclamation is complete.

This is to provide a consistent rating base for councils to raise rating revenue.

The Valuer General consults with the affected councils to establish their preferred valuation date to bring all properties in the LGA into alignment regarding the time of valuation. In addition, councils are consulted as to when they would like the new valuation regime to commence.

Current Situation

The Valuer General is up to date in completing this requirement.

3. Tenders for rating/taxation contracts

Background

Tenders for the provision of valuation services for nine rating/taxation contracts commencing 1 May 2005, will be available this year. The name of the contracts and the LGA's included are attached as Schedule 2.

The tenders were advertised on Monday 13 September 2004. This was advised through Department of Commerce web site and the Department of Lands web site. Advertisements were also placed in the following print media:

- Sydney Morning Herald
- The Australian
- The Age
- The Australian Financial Review
- A number of local newspapers in the contract areas
- Australian Property Institute journal publication
- Valuers newsletters for local distribution

Current situation

The tenders will be evaluated by an independent panel comprising:

- Valuer General (Chair)
- Chief Valuer (Land and Property Information)
- Office of State Revenue
- Local Government and Shires Association
- Contract Area – Council representative
- Tender Manager – Department of Commerce

Critical dates for the evaluation of tenders are:

- Tenders advertised 13 September 2004
- Tenders close 11 November 2004
- Evaluation Committee meets 23 – 24 November 2004
- Letter of Intent (preferred supplier) 20 December 2004
- Contracts signed February 2005.

A number of briefing sessions will be held during September for prospective tenderers at locations throughout the State.

The Valuer General has also addressed a number of valuing groups throughout the State in an endeavour to encourage participation in the tender round.

4. Valuation of Land Act 1916 amendments

Background

The Valuer General is regularly reviewing the contents of the *Valuation of Land Act 1916* to ascertain where amendments are required.

The most recent amendment is to section 37.

Previously there was no provision for local government councils to appeal valuations beyond the objection stage. This amendment will now allow councils to appeal to the Land and Environment Court and Higher Courts.

Current situation

A number of further amendments are currently being planned including a requirement for parties submitting objections to utilise a prepared form rather than a letter.

The reason for this is to ensure that parties considering placing an objection or objecting are aware of the specific grounds on which an objection can be made, as contained within the *Valuation of Land Act 1916*. Often objections are received which do not fulfil any of the criteria contained within the Act.

In processing objections, having a set format will also greatly assist Land and Property Information (LPI) staff in quickly ascertaining the reasons for the objection, enhancing the efficiency in which objections are processed and being able to provide timely responses to the affected parties.

Further research– continuous improvement

Background

The Valuer General is continually seeking to enhance the valuation system and associated processes to provide for the efficient utilisation of the State's investment and to provide for the timely provision of services and outcomes to all stakeholders.

The Valuer General, in conjunction with the University of Western Sydney (UWS), is seeking a PhD research student to provide medium term input into improving the valuation system.

The research graduate would be sponsored over a 3 year period with the following focus for research:

- Identification of current and future areas of risk for the application of mass appraisal valuation in the New South Wales residential land property market.
- Development of appropriate tools and methodologies to identify current and future areas of risk in the residential land market for the application of mass appraisal valuation techniques.

- Research, development, testing and implementation of appropriate statistical techniques to assess the accuracy, consistency and quality of valuations of land prepared for the purposes of rating/taxation valuations.
- Identification of appropriate tools and methodologies to assess the appropriateness of the number of component groups, as well the composition of individual component groups.
- Identification of alternative mass appraisal valuation methodologies that would be suitable for establishment of land values in the New South Wales residential market.

The search for an appropriate student will commence in late September 2004. The position will be advertised internationally.

It is anticipated that a person filling the position will commence at the beginning of the 2005 academic year.

Chapter Three - Questions on Notice (with answers)

REPORT 1 – REFORM PROGRAM UPDATE

Question 1

In Section 11 of the Reform Program Update, it is noted that the VG outlined to the meeting with the Land Value Advisory Group the philosophy of the Valuer General. Could this be outlined to the Committee?

The Committee has examined the minutes from the two meetings of the Land Value Advisory Group and requests a copy of the revised Terms of Reference. Could the Valuer General highlight the key points in the revised Terms of Reference for the Committee? Have direct consumer/property owner representatives been considered for inclusion on the advisory group? Can the VG report on and table minutes from the most recent meeting of the Advisory Group?

Answer

After consultation with a range of stakeholders, the Valuer General has developed a vision for the valuation system.

“Customer Focused and Outcome Driven”

The primary objective is to improve stakeholders understanding of the valuation system and their acceptance of valuation outcomes.

To achieve this, we must have a valuation system that:

- Meets the aspirations and needs of both the public and the State Government.
- Delivers quality outcomes to a range of stakeholders.
- Outcomes must be consistent, transparent and provide value for money.

There are a number of key drivers associated with the vision. These include:

- Communication
- Equity
- Clarity
- Standardisation
- Technology driven
- Innovation
- Adding value
- Customer relationships
- Cultural change

Terms of Reference – Land Value Advisory Group (Appendix 1)

The key points in the revised Terms of Reference are:

- The Land Value Advisory Group (LVAG) and membership was established as a result of a recommendation from the Report of Enquiry into the Operation of the Valuation of Land Act 1916. (Often referred to as the Walton Report)
- Membership comprises a cross section of stakeholder groups.

The revised Terms of Reference ensure:

- There is a formalized guide as to the areas of work that the LVAG is to focus upon.
- Protocols for the group are established.
- Forward planning and focus is provided.
- Review mechanisms for the group and the Terms of Reference are available.

The membership of the LVAG is decided by the Government and is subject to an annual review. With the ‘technical’ focus provided within the Terms of Reference, it is considered that the coverage provided by the current membership is appropriate.

Minutes from the last meeting of the LVAG were tabled with the Valuer General’s September 2004 report to the Committee.

It is anticipated that the next meeting of the LVAG will be held in late November 2004.

Question 2

Section 2 of the Reform Program Update notes the new Service Level Agreement (SLA) between the Valuer General and Land and Property Information. Could the Valuer General outline the key improvements of the new SLA in contrast to the previous SLA? In particular, could the Valuer General outline the performance benchmarks for the objections process and what changes have been made? What are the ramifications for these benchmarks given anticipated additional objections?

Answer

The new SLA, which is for the period 1 July 2004 – 30 June 2005, details the services, scope, key performance indicators (KPIs) and targets, which are to be delivered by Land and Property Information (LPI), on behalf of the Valuer General.

The major enhancements to the new SLA in contrast to the previous SLA are:

- Fully identifies the “in scope” responsibilities for LPI, in performing the service for the Valuer General.
- How the performance of the service will be measured and reported.
- Clarity as to what is being measured.
- The levels of performance attained will be monitored on a monthly basis (by reports) on progress against the KPIs as detailed in the SLA.

Performance benchmarks

The performance benchmarks for the new SLA has been substantially enhanced. Particular emphasis is on the improvement in communications with the landowner.

The current SLA now has eight KPIs. These include the registration of all objections, issuing of acknowledgement letters, follow up responses, average turn around time for the objections to be finalised, decision letters issued, adjusted land values amended on Valnet and compliance with the time frames set by the Land and Environment Court for completion of reports and exchange of evidence.

The previous SLA, contained only 3 KPIs, - number and percentage of objections received, average turnaround to complete the objections and the number of court appeals. These were insufficient to accurately monitor and measure performance outcomes by LPI.

What are the ramifications of these benchmarks given anticipated additional objections?

At this stage there is no indication of the number of objections that will be received to the 1 July 2004 valuations for rating and taxing purposes.

An internal review of objection services within LPI is currently nearing completion. It is expected that a number of efficiencies to the processing of objections will be implemented.

A review of the benchmarks may be required depending upon the quantum of objections received.

Question 3

With reference to Section 3 of the Reform Program Update regarding the Contract Review undertaken, can the Valuer General outline how the valuation industry (contractors and potential contractors) were involved in the contract review? Could the Valuer General advise the Committee as to the likely changes in the tender procedure?

Answer

Contract Review

The Valuer General has addressed a number of valuing groups and contractors in an endeavour to encourage participation in the tender round and to seek industry input into possible enhancements to the tender and contract documents.

Briefing sessions were held at various locations throughout the State, to discuss with current and potential tenderers all aspects of the contract and the requirements of contractors undertaking the valuations. Input was also sought from various valuing groups with a view to streamlining the contract process.

The Valuer General has also held meetings with senior management from councils, Local Government and Shires Association (LGSA) and the Department of Local Government to discuss issues relating to the valuation system.

Changes to the scope and scale of contract tenders

In order to develop the current tender and contract documentation into a more concise and informative document, consultation has occurred with industry groups, LPI and the Department of Commerce to incorporate a number of changes to the existing tender and contract documentation.

These changes were required, as over time numerous amendments had been made to the document, making it more complex and difficult to interpret for both the contractor and the Office of the Valuer General.

The main changes to the contract include the following:-

- The overall selection criteria weighting has been adjusted to emphasise the requirement for quality valuation outcomes.
- The tenure of the contract has been amended to an initial term of three years with an option, at the Valuer General's discretion, for 2 x 1 year extension periods.
- Increased accountability of contractors to carry the risk of non performance.
- Detailed project plans to be developed by the contractor in conjunction with the contract manager.
- Compliance to delivery milestones.
- The fidelity bond has been reduced from 25% to 15% of the annual contract value in an effort to entice new proponents into the tender process.
- The public liability and professional indemnity insurance has been reviewed and revised cover of \$5,000,000 and \$1,000,000 respectively is now required.
- Introduction of the Performance Scorecard.
- A full review of the Contract Management Procedures Manual and Contractors Procedures Manual has been undertaken.
- Introduction of statistical checks as an additional quality control measure to ensure the ongoing integrity of the valuations.

Tender procedure

Briefing sessions were held throughout the State during the month of September to advise current contractors and any prospective tenderers of tender and contract requirements.

Tenders were advertised in September 2004 through various print media and the Departments of Commerce and Lands' websites. Tenders will close 11 November 2004.

Tenders will be evaluated by an independent panel comprising:- Valuer General (Chair), Chief Valuer (LPI), OSR, LGSA, Council representative from the particular contract area and Department of Commerce (Tender Manager).

The tender evaluation committee will meet on 22-23 November 2004 and letters of intent (preferred supplier) will be issued by 20 December 2004. It is intended that contracts will be signed by mid February 2005.

Successful tenderers will commence their contracts from 1 May 2005.

Question 4

Section 4 of the Reform Program Update details of the proposed Communications Strategy of the Valuer General. Could the Valuer General outline in further detail, how property valuation systems and historical property values will be made available to the industry and public generally, and to particular property owners? How is privacy of information and cost recovery for data provision being dealt with in this strategy? The report notes that more information about valuations may be provided via councils through newsletters and other material to

accompany rates notices. Has the cost of these proposals been discussed with council management and elected representatives?

Answer

With a view to increased openness and transparency, the Valuer General is providing stakeholders with more information on the valuation system and improved access to land valuations.

Information about the valuation system is or will soon be available from the following sources:

- The revised Notice of Valuation brochure, dispatched with all Valuation Notices for the July 2004 general valuation.
- A newsletter provided to the majority of councils in NSW, is being dispatched with their second round rate notices; participating councils have the option of posting the newsletter on their website. (Appendix 2)
- The Department of Lands website www.lands.nsw.gov.au.
- The Department of Lands Annual Report for 2003-2004.
- The Notice of Valuation.

Land values are or will soon be available via these options:

Notice of Valuation – A Notice of Valuation is provided to all land holders and some lessees by the Valuer General, usually at intervals of 2–4 years, when the local council area is being revalued for rating purposes. It contains the address, description of the property, current and prior valuation, valuation date and last date to object.

Land Tax Assessment – The Office of State Revenue receives land values annually from the Valuer General. Landholders liable for land tax are advised of their land value on their Notice of Assessment.

Certificate of Land Value – These can be obtained by landholders and members of the public from Land and Property Information and Lands Offices. The certificate is an extract of the information held in the Register of Land Values and contains the landowners name, property address, description of the property and land value for the year of enquiry. It does not include the address for the service of notice.

Land Value Search – A new method to access a land value. The search contains the property address, description of the property and land value for the year of enquiry (in some properties back to 1999 and to 2001 for all properties). It does not provide the land owners name or address for service of notice.

Valuation Build Up – Work is being undertaken to make component information available through the Lands website. This will assist landowners in understanding how the valuation has been arrived at.

Privacy

Information made available under the new communications strategy is maintained in accordance with the Department of Lands' policy on privacy.

The Register of Land Values is maintained by the Valuer General and is a public register in terms of the NSW Privacy and Personal Information Protection Act 1998. The Department takes steps to safeguard personal information but recognizes a balance between protection of privacy and legitimate community rights to information.

The new Land Value Search has been assessed by the department as low risk information in the context of the management of personal information, as it does not provide the landowners name or the address for service of notices.

The Certificate of Land Value currently contains the landowners' name as well as property details. An audit trail exists for all certificates generated. The content and availability of the Certificate of Land Value is currently being reviewed.

Cost Recovery

The cost of providing better access to land values through the new Land Value Search is fully recovered by the fees charged for the service.

In addition, the cost of the providing a Certificate of Land Value is fully recovered by the fee for service.

In consultation with the LGSA (representing councils) the Valuer General has provided a newsletter containing information about the valuation system to councils. These are being distributed with second round rate notices. The Valuer General has covered the production and pre-post costs, councils have agreed to cover postal costs.

Question 5

Section 5 of the Reform Program Update relates to the Valuation Services Pricing Review (ie per assessment valuation prices charged to councils). Could the Valuer General outline the rationale for setting prices (such as the categories for residential and non residential properties) and the methodology that is being examined in the review?

Answer

Rationale for setting prices

For the purposes of determining the current pricing of valuation services, to Local Government (as per Government Pricing Tribunal Determination No 7 [Matter SPD/95/01]) the definitions are as per the categories of land as defined in Chapter 15, Part 3 of the Local Government Act 1993.

The 'residential' component of the pricing formulae includes rating category assessments covering land that is utilized for residential purposes or in the case of vacant land zoned for residential use.

The 'non residential' component of the pricing formulae includes rating category assessments covering farmland, mining and business uses.

As I understand, the basis for having a residential – non residential split was that the Independent Pricing and Regulatory Pricing Tribunal (IPART) determined that non residential land valuations are more complex and therefore take more time to determine.

Methodology currently being examined

It is intended that the new pricing model will be based upon a similar base structure as is currently in place. The LGSA has requested that any new pricing methodology should not be complicated. It must also be easy to understand, transparent and common to all councils.

It is therefore appropriate at this point of the review to begin to develop a pricing structure aligned with the current methodology as a starting point.

Question 6

Will the revised prices be linked to an adjustment index such as CPI? Will the revised prices be introduced in stages or revised in block? The report notes that consultation is underway with the LGSA? Have any individual councils been consulted and at what level – administration/management/councillor – are discussions taking place?

Answer

Will the revised pricing be linked to an index such as CPI?

No decision has been made as to how price reviews will be incorporated into the new pricing regime. This will be undertaken as part of the review and in consultation with the LGSA and IPART.

It is intended that the revision of pricing will be in place for the commencement of the 2005 – 06 financial year.

Consultation

The principal point of contact for the pricing review is the LGSA. LGSA will provide the conduit for communication on the pricing project with member councils. It is expected that, as the policy is developed, there will be involvement from a number of individual council representatives, including the NSW Local Government Managers Association. Input from the Department of Local Government will also be sought and in addition to the Department being regularly advised of progress on the development of the new pricing policy.

Question 7

Section 8 of the Reform Program Update outlines a review of objection management practices. Could the Valuer General advise of progress on this review? Also, who conducted the review and has the review examined objection management systems in other areas of Government? Furthermore does the review extend to analysis of objections that are pursued in the NSW Land and Environment Court? Is this an area of future consideration for the Valuer General? Has there been an escalation in objections since the announcement on land tax changes in May 2004?

Answer

A draft Options Paper has been prepared and is being reviewed by the Valuer General and Mr Des Mooney, General Manager, LPI.

The review was conducted by Mr Simon Gilkes, Chief Valuer and Ms Angela Shaw, Project Officer, Land and Property Information.

During the review, valuation objection systems for New Zealand and other states in Australia were examined in detail. Objection management systems in other areas of Government were not examined.

The review focused on the operational aspects of the objection process within Land and Property Information and did not consider an analysis of objections in the Land and Environment Court.

There has been no significant change in the number of objections received by Land and Property Information since the announcement of the changes to land tax. The time frame to lodge an objection to the majority of general valuations and valuations for land tax purposes, for 2003, expired prior to the announcement of land tax changes.

REPORT 2 – PRINCIPAL WORK IN PROGRESS

Question 8

In Section 4 of the Principal Work in Progress, amendments to the Land Act are noted that enable councils to object to valuations in the same manner as property owners to the Land and Environment Court. Has this amendment arisen from a specific issue raised by a particular council? Does the Valuer General anticipate any objections by councils in the near future?

Answer

Background

Prior to the last major review (year 2000) of the Valuation of Land Act 1916 there was provision for rating and taxing authorities to appeal the Valuer General's determination of an objection. The year 2000 amendments, continued the provision for taxing authorities to appeal, but removed the ability of rating authorities to appeal. I understand that this was an administration oversight. The 2004 amendment reinstated the provision for both authorities.

Was this amendment as a result of a specific issue raised by a particular council?

Upon being appointed to the NSW Valuer General position, I became aware of the omission. The issue was discussed with the LGSA and an amendment enacted through Statute Law (Miscellaneous Provisions) Act No 55 of 2004. The amendment was not as a result of a specific issue raised by a particular council?

Does the Valuer General anticipate any objections (appeals) by councils in the near future?

No. It is however, important that councils, as rating authorities have the ability (as taxing authorities, property owners and lessees have) to appeal determinations of the Valuer General. This provides continued transparency for the valuation system.

Question 9

Further research is outlined in Section 5 of the Principal Work in Progress, including the commissioning of a PhD study. The PhD topic is closely aligned to the terms of reference of the Committee. Would the Valuer General undertake to report to the Committee (in confidence or publicly) on the associated research projects as the PhD progresses?

Answer

The Research Agreement between the University of Western Sydney (UWS) and the Valuer General is currently being negotiated. Subject to confidentiality issues and the approval of the UWS, the Valuer General will be able to provide regular updates to the Committee.

ADDITIONAL ISSUES

Question 10

The Committee sought in its proposed oversight program that the Valuer General also provide the annual report information submitted to the Department of Lands' annual report process. Is that information now available for the 2002/2003 (03/04) financial year?

Answer

The Valuer General's report to be included in the Annual Report for 2003/2004 of the Department of Lands is attached as Appendix 3.

Chapter Four - Transcript of Proceedings 25 October 2004

REPORT OF PROCEEDINGS BEFORE

COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

At Sydney on Monday 25 October 2004

The Committee met at 2.00 p.m.

PRESENT

The Hon. K. F. Griffin MLC (Chair)

Legislative Council

The Hon. D. T. Harwin MLC

Legislative Assembly

Ms G. Berejiklian MP

Mr A. F. Shearan MP

CHAIR: This is the Committee's First General Meeting following its establishment in December 2003. The Committee has held five deliberative meetings this year and those have included explanatory briefings by the Valuer General and staff of Land and Property Information New South Wales. I am pleased to welcome the Valuer General, who is appearing before the Committee today. Mr Western, your appearance before the Committee today is to report on key issues relating to the Committee's terms of reference and to provide answers to the questions on notice that were submitted to you earlier this month. 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, New South Wales Valuer General, Land Titles Office, Sydney, sworn and examined:

CHAIR: Mr Western, in what capacity are you appearing before the Committee today?

Mr WESTERN: As New South Wales Valuer General.

CHAIR: Would you like to make an opening statement?

Mr WESTERN: No, Madam Chair.

CHAIR: I invite you to respond to the questions that the Committee forwarded to you and make any comment you wish on your answers to those questions.

Mr WESTERN: I would refer the Committee to question 1, which relates to my philosophy for the valuation system. As you would be aware, I have been in this role now for a little over twelve months. My philosophy and my vision for the valuation system is centred on the inquiries and discussions I have had with various stakeholders throughout New South Wales over that period. I am seeking to achieve a system that can be regarded as being customer focussed and outcome driven. By that, I mean it is able to deliver to a range of stakeholders and is able to meet the needs of those stakeholders in their own individual ways.

In order for that to happen, there are a number of key drivers that must be associated with those aims. The first is communication. My whole philosophy revolves around communication. Internally, I want to develop a culture of openness among individual staff members within Land and Property Information—who, you will recall, are the delivery conduit for the valuations for the State. Importantly, I also want to have in place a far more proactive communication policy, both written and verbal, as far as customers go. I want customers to be informed. I want them to be able to understand what they are being given, and be able to interpret that. In the end, I want them to go away satisfied with the explanation they have been given.

The system clearly needs to have equity in it. It needs to be impartial, and it needs to be robust. I want to see clarity in decision-making, in terms of presentation of decisions, and also in terms of the outcomes for all stakeholders, so that everyone is quite clear about what has been delivered and what they can expect from the system.

The other important driver, as Committee members will be aware, with any mass appraisal system is to have standardisation. So I want to have consistency of delivery and consistency of approach across the State. Fundamental to all this, it has to be driven by technology. As I pointed out to the Committee before, we are dealing with a mass appraisal system, with an

outturn of some 2.4 million valuations a year. We expect that, to be able to handle that number of valuations in an appropriate time frame, there has to be considerable reliance upon an IT-based system, which once again provides for our customers the outcomes that they require. But, importantly, it needs to be innovative. We need to be able to foster a culture of innovation and change; we need to be able to meet the changing expectations of our stakeholders. We need to be able to add value.

We need to continue to look at ways to improve the product and service that we are providing. In that respect, as I think I have mentioned to the Committee before, we are looking to place a lot more information on the web site and make it available to customers, as well as being able to present it at local offices. I will discuss that a little bit more in my response to a later question. Also, there has to be a change in culture. I want the people who work for Land and Property Information who are delivering the services to interface with the public and the stakeholders. Naturally, we have to ensure that they are good ambassadors for the valuation system itself.

The second part of question 1 related to the terms of reference for the Land Value Advisory Group. I attach that as appendix 1. If I might refer to that now. Those terms of reference were approved in January this year. I believe they meet the expectations of what the group is all about. I will talk through this matter very quickly and fundamentally. The idea of the Land Valuation Advisory Group arose out of the Walton report. Through that, it was hoped that a suitably skilled group would be able to have a look at the workings, in terms of methodology of valuations, in terms of quality assurance, and all those technical types of issues. With that in mind, there was a wide spectrum of skills imported into the group. They are mentioned in paragraph 3. You will see that I, the Chief Valuer for Land and Property Information, the Director-General of Lands, a representative of the Australian Property Institute, the Property Council of Australia, the Real Estate Institute and the Local Government and Shires Associations are major stakeholders, and there is also a representative on that group from the Office of State Revenue.

The working group is chaired by the director-general. In terms of the specific terms of reference, the list is probably self-explanatory. With this group, I do not want to see too much on the agenda. I want to see focus. With that in mind, we developed terms of reference whereby there would be a maximum of five key elements that we would be looking at in any one year. That will give focus and good outcomes. The working group has been preparing a report on its activities. There will be a report through the annual reporting process of the Director-General of Lands. The terms of reference themselves will be reviewed on a twelve-monthly basis, which I think is extremely important in terms of re-assessing where it is going and what it has to offer.

Ms GLADYS BEREJIKLIAN MP: Madam Chair, regarding format, would you like us to ask questions as the Valuer General goes on?

CHAIR: If they relate to questions on notice, certainly ask them on the way through. If they are separate issues, then we will leave it until the end for questions without notice, I think—if the Committee is happy with that format?

The Hon. DON HARWIN MLC: Yes.

Mr ALLAN SHEARAN MP: Yes.

Ms GLADYS BEREJKLIAN MP: Yes. In relation to your reform program update, do you feel you are sufficiently resourced to be able to carry out the objectives that you have outlined for us today?

Mr WESTERN: Yes, I do.

Ms GLADYS BEREJKLIAN MP: In terms of staff and other resources?

Mr WESTERN: I have actually two staff who work directly for me, but with that you would also have seen the Service Level Agreement [SLA] with Land and Property Information. They were to call upon and use resources in there in terms of assisting with some of the reforms that are going on. There are some key people in there that I link through with, so the answer to your question is, yes, I am sufficiently resourced to be able to do that.

CHAIR: Go on to the next question, thank you.

Mr WESTERN: Question two relates to the Service Level Agreement which the Valuer General has with Land and Property Information. I will just run through what I think are some of the key components of that Service Level Agreement. The agreement itself runs for 12 months from 1 July. You will see detailed in the Service Level Agreement that it looks at a number of specific items. It talks about the services, it talks about those items that are in scope and out of scope, and importantly it shows key performance indicators [KPIs] and targets which are to be delivered by Land and Property Information.

The major enhancements over the previous Service Level Agreement I have listed there are, first, that it is to fully identify what is in scope—in other words, Land and Property Information knows specifically what they have to achieve during the 12-month period. Importantly, it shows how the performance of the service will actually be measured and reported. This new Service Level Agreement provides clarity in terms of those outcomes, or expectations of those outcomes. Importantly, the level of performance is monitored on a monthly basis.

The performance benchmarks have been significantly enhanced from what they were in the previous Service Level Agreement. On the second paragraph on page three I have mentioned there that the current SLA now has eight key performance indicators. Those eight key performance indicators relate specifically to item three of the Service Level Agreement. I will use that as an example. If you would like to have a look at that, it is on page nine of appendix 1.

CHAIR: In section B.

Mr WESTERN: You see, in terms of three there, that the services detail has been to determine the objections against valuations as a measure of the objection process, and then it lists a number of columns in terms of what is out of scope—in other words, what Land and Property Information is not responsible for, which generally will lie with me—and it clearly shows what is in scope. The previous Service Level Agreement did not have what was in scope or out of scope. In my view it was subjective in terms of what the responsibilities of Land and Property Information were as far as delivering. In terms of the key performance indicators, as I said in my notes, there are now eight key performance indicators. Previously there were only three.

Importantly, there are defined dates or targets that have to be achieved, which was not in the previous Service Level Agreement. The final column just shows the data source. I believe that this is now a comprehensive document, but it is one which is extremely workable from my point of view and also in terms of Land and Property Information. It has been through a

number of drafts and discussion points, but in terms of the deliveries and requirements that I have to make to stakeholders, this document, I believe, delivers those in a robust way.

CHAIR: Can you confirm when you are speaking about item three that the turnaround times that are listed there show a difference from what the turnaround times were before? Is that correct?

Mr WESTERN: Yes, they would have been.

CHAIR: Are these shorter than the ones that existed previously?

Mr WESTERN: These are generally shorter, yes they are. As I said, there were only three performance indicators before and they tended to work more around averages as opposed to having defined delivery dates and objectives, so that is one of the fundamental differences in terms of this document.

The Hon. DON HARWIN MLC: Have you finished your response to question two yet?

Mr WESTERN: There is an issue about the benchmarks, and additional objections. Do you want me to cover that now?

CHAIR: Yes.

Mr WESTERN: In terms of the ramifications for the benchmarks, and given the anticipated additional objections, at this stage we have no indication of the likely number of objections that we will receive to the valuations this year. As I said in my report update, we are estimating at this stage we are going to deliver something in the vicinity of the 660,000 valuations in respect of local government rating. We will also be delivering to the Office of State Revenue in the vicinity of 2.4 million valuations which they will use to assess the land tax liabilities of individuals. We have undertaken some internal work as far as the objection processes go.

We have had to work in terms of what we believe will be the likely scenario as far as the number of objections received go. At this stage, as I said, the number of objections received is unknown. We believe that the current number of objections that we receive is in the vicinity of 8,000 per annum. We expect that, given the proportion of valuations that have been issued this year, we can expect that to increase to between 16,500 and 17,000. Beyond that, we do not know at this point, obviously, what will be received, but we think that that will be the best case scenario we will get in terms of objections.

Mr ALLAN SHEARAN MP: Just going back to benchmarks, you eliminated two of the previous key performance indicators. There is the number and percentage of objections received and the number of actions in the Court of Appeal. Is there some reason for that? I would have thought that the number for both are particularly relevant indicators. You do not have any provision otherwise for that?

Mr WESTERN: What I wanted to get here were what I believed were the key performance indicators. In terms of the number and percentage of objections received, that is not necessarily a good indicator of the reliability or the robustness of the valuation system, in my view. There are better indicators than that. Certainly we will be monitoring those numbers, obviously, anyway because they generally tend to be of interest to people as opposed to being specific performance indicators. But that is the reason I have left them out of here, but they certainly are still recorded in the system.

Mr ALLAN SHEARAN MP: And they will be reported in some way, too?

Mr WESTERN: Absolutely.

The Hon. DON HARWIN MLC: Why would the number of objections being lodged not be regarded as an indicator of performance? Why would the fact that objections appearing to be going down not be regarded as a sign that you are performing better?

Mr WESTERN: Do not get me wrong: It could be a sign that things are improving. As I said before, I do not believe that that, however, should be one of the key performance indicators. There are better measures of that in terms of some of the quality statistical-type measures we have in place. The other one is in terms of the correspondence we actually get back from individuals, and those sorts of things. For example, the number of court appeals is not necessarily a reflection of how good the work is, I do not think.

Quite clearly, people make a decision themselves in terms of whether they should go for an appeal or not, and ultimately that is an individual thing, regardless of the information that you actually supply to them. One of my key measures as far of the robustness of the valuation system is concerned will in fact be how well it is received, particularly with respect to the public. In that way I will be looking to have, for example, focus groups having a look at individual councils and seeking feedback from ratepayers and taxpayers within individual local government areas as to how we can actually improve the system further.

The Hon. DON HARWIN MLC: So the eight KPIs by which you are now measuring the work, from what point does the measurement begin, using those eight KPIs? What is the base date?

Mr WESTERN: The base date is 1 July 2004 and we run through to 30 June 2005.

The Hon. DON HARWIN MLC: Okay, good.

Ms GLADYS BEREJIKLIAN MP: In arriving at the performance benchmarks and the number of KPIs, did you base that on what other States are doing? Can you explain to us how you arrived at that?

Mr WESTERN: Certainly. In undertaking this, we looked at a number of other States. You would be aware that the valuation system is used by a majority of the other States, with the exception of the Northern Territory which does use a valuation system but it is somewhat different to what we use here. New Zealand is very similar to what is undertaken in New South Wales. We looked at those and we actually believe that the majority of other States use a much broader base rather than being specific. The performance benchmarks which have been used here—I guess to a large extent that while some of them have some commonality with the other States, many of them are new to the extent that some of the other States are actually looking at using our benchmarks in the future to measure their own performance. I would like to think from that point of view that this State is actually a leader in that area.

I will move on to question three, which is in regard to the contract review. The question was really around what consultation was undertaken in terms of the contract review. I as the Valuer General have consulted with a wide range of stakeholders. These have included valuation industry groups, property industry groups, existing contractors, people who have expressed an interest in terms of tendering for valuation services before but who have not taken it up, as well as talking with the Department of Commerce and its tender division and also the Department of Local Government and the Local Government and Shires Associations as a representative of many of the local government councils. As far as the contract and tender goes, thinking more specifically about this year, we have undertaken briefing sessions

throughout the State to interested parties who might be looking to tender for valuation services.

I am pleased to report to this Committee that we have had an extremely good response as far as attendances at those meetings and certainly as far as the types of questions that have been asked and interest that has been expressed, I expect that we will have an increase in terms of the number of people who will be looking to lodge tenders this year.

The other part of the question was in relationship to what changes have I promoted as far as the scope and scale of the contract tenders. They are listed on page 4 of my response, but I will briefly go over those for the sake of giving a little bit more detail to the Committee. The selection criteria weighting has been adjusted to favour quality outcomes of the valuation rather than driven by price. Up until last year there was a weighting of 50 per cent on price and 50 per cent on quality of valuations. At the last tender round and again for this tender round, the weighting will be two-thirds on quality and one-third on price.

The tenure of the contracts varied substantially in previous years from either three to four years, depending on the revaluation cycle. We made a decision this year that better outcomes could be achieved through having a consistent tender period, so all contracts this year will actually be on a three yearly basis. However, feedback that I received from a number of parties was that one of the issues that they had was that quite often, because of the set-up costs involved in starting out with a new contract, they would prefer to have a higher degree of certainty as far as the length of contract period was concerned.

With that in mind, we have a three-year contract period, with a right of review at the end of the three-year period for a potential one plus one extension, that is, a one year plus one year extension. That extension will be solely at my discretion but it will be based on performance scorecards, which we have in place for all contractors now, which are examined on a monthly basis as to the ongoing performance of contractors.

The other important change to this documentation is that there is increased accountability for contractors. Importantly as before, there is a fidelity bond there, in other words, a performance bond. There is far more clarity in terms of what are the expectations of contractors. As I mentioned before, there is also the scorecard, which is in place. The other requirement that is now in the tender document that we are currently working with is that there is a requirement for detailed project plans, with measurable milestones in place for all contracts. As mentioned before, there is the fidelity bond.

You will notice that in the notes I have provided you with, I have reduced this from 25 per cent to 15 per cent of the annual contract value. The reason for this is that first, 15 per cent is more in line with what would be the provisions of a normal service contract and, second, one of the things I was looking to do was to encourage smaller firms to become involved in the rating, taxation and valuation contract area and with that in mind a 25 per cent bond is generally prohibitive to a small firm in terms of entering the market. However, in saying that, the 15 per cent is sufficient to ensure that should the contract fail in terms of delivery, that bond will adequately cover the need to bring other contractors in to fulfil the contract.

The other area I have reviewed is public liability and professional indemnity insurance. As I have said, we have also introduced the performance scorecard. There has been a comprehensive review of the contract management procedures manual, which is used by the Land and Property Information contract managers, as well as the contractors procedures manual, which is used by contractors. As I pointed out before, the other key change which

has been implemented over the last 18 months has been the introduction of statistical checks as an additional quality control measure to ensure the ongoing integrity of the valuation system.

I will then just briefly, for the benefit of the Committee, outline the tender procedure this year and some key dates that you might like to note. The tenders were advertised in September 2004. The tenders, once received, will be evaluated by an independent panel comprising myself, the chief valuer, the OSR, the Local Government and Shires Associations and a council representative from the particular contract area, but it will be overseen by the Department of Commerce. We expect that the Tender Evaluation Committee will meet on 22 and 23 November to look at the tenders. Letters of intent for the preferred supplier will be issued by 20 December and contracts will be signed by mid-February 2005 for the commencement of contracts from 1 May 2005.

CHAIR: How many tenders will be issued or let this year?

Mr WESTERN: I think, from memory, there are eight tenders. I have provided you with those.

Ms GLADYS BEREJIKLIAN MP: There is a list of the LGAs.

Mr WESTERN: It is schedule 2 of my report. In fact, there are nine tender areas. Incidentally, this year, from our point of view, is a relatively mild year in terms of the tenders that are actually going out. There is not a huge scope in terms of the number of local government areas that are actually involved in comparison with previous years, remembering that obviously those nine areas do contain within each individual contract area a number of local government areas.

CHAIR: You said you thought there would be an increase in the number of prospective tenderers or groups that would tender in this year's round of tendering. Would you care to make a further comment about why you think that will occur or what you see as the change for the increased number that you expect?

Mr WESTERN: One of the key things that I pointed out before that I wanted to ensure was that all stakeholders—and I regard contractors as being one of those key stakeholders—were kept well informed of what is happening with the valuation system. Previously the perception was that it was a relatively closed shop in terms of being able to get in to undertake their work. When I say "closed shop", there were two main contractors and three, maybe four, other ones who were involved. The perception was definitely that it is very hard to get into that type of work.

The other issue that you need to look at is that because the valuation industry itself really has limited resources as far as the number of valuers goes, as the Committee would be aware, the property market is extremely cyclical and when there tends to be a bit of a downturn in the market, there tends to be generally not the same number of valuations generated for commercial purposes and therefore valuation firms are looking for some alternative forms of work.

One of the concerns that I have had in the past is that valuation firms have tended to try to do the best for everyone without necessarily fulfilling all the obligations. One of the things I have been quite strict with this year is saying that I want contractors involved who can effectively dedicate the majority of their time to the rating and taxation valuations. It is that important. So with that in mind, and also in combination with a number of discussions we

have had around the State with the various valuing groups, there has been far more interest generated through that.

I just add for the benefit of the Committee that currently we have another tender which is going out, which is also for valuation services, but it is for valuation services covering a wide spectrum of requirements, including my responsibilities under the Just Terms Compensation Act in undertaking valuations for compensation purposes the land that is acquired generally for public purposes. As you would be aware with the expansion of the road infrastructure there is a lot more land being acquired for that, and the same with the rail corridors. So we have just tendered out recently for a tender panel for that, but also aligned with that, we have asked for valuation firms that would be interested in assisting out.

For example, I am looking to outsource more work, for example, undertaking objection work on our behalf. Obviously, that would be very closely monitored and a whole lot of things would have to happen within the infrastructure as far as monitoring that, so while I have said, on the one hand, that there will be an increase in terms of the number of people who will be tendering, I think that will be countered to some extent to what it could have been because some of them will just go and do that valuation work, which has not got the same requirements in terms of the day-to-day requirements that trying to undertake rating and taxation work has. I am expecting it to sort of be a counter to one another, but I am expecting an increase in the number of tenderers coming forward.

Question 4 was in relationship once again to the reform program update. We talked about the proposed communication strategy of the Valuer General. This communication strategy is aimed at improving the openness and transparency of the valuation system. I am endeavouring to ensure that stakeholders are far more informed than they have been in the past, particularly in relationship to how their valuations are built up. Previously, the information that was supplied was generally what they saw on the notice of valuation when they received it, with some information on the back and also a brochure, which went with it. All we want to do is assist people in better understanding how that valuation—and this is my terminology—is actually built up. To do that we have implemented such things as the newsletter, which we have recently pulled out and I have attached a copy of that at appendix 2. Just to give you an indication of the feedback from that, it initially went out to in the vicinity of 600,000 ratepayers. The offer was made to all councils in terms of using that. The idea was that it would go out with the second rates notice in terms of timing. From my point of view that was going to be extremely good because we are due to issue the next round of valuations over November-December of this year and early January, so they could actually get some more information prior to receiving those notices and gain a better understanding.

Some councils decided that they did not want to take up that offer, which obviously they are entitled to do, but after putting out the newsletters we had a request for a further 400,000 newsletters to go out, so we have now issued in the vicinity of just over one million newsletters to ratepayers and the feedback from that generally has been extremely good. One of the things I wanted to do was to get feedback from people in terms of how Land and Property Information is performing, some suggestions in terms of how they think we can improve the valuation system, which obviously includes our communication with ratepayers. To do that we have set up a web site where ratepayers are able to provide feedback either through that mechanism or in writing to me.

To date we have started to get some replies back but, at this stage, they are reasonably limited in terms of the quantum that is being received. That opportunity will also be afforded when we put out the notices of valuation over the next two to three months. The main areas

that we will be supplying information will be through the web site. We are in the process at the moment of developing a capability where individual ratepayers will be able to go into the web site and will be able to pull out, using a property address, a particular property and they will be able to see behind that how the valuation is actually built up. That will tell them what sales have been used in valuing the particular property and it will help and assist them in once again gaining a better understanding of the valuation system and how their actual valuation has been arrived at.

Other information will also be available through the notice of valuation, through the land tax assessment, through the certificate of land value, through the land value search I have just referred to, which is part of the work we are doing at the moment. One of the other issues raised in the question was the issue of privacy, which obviously, from my perspective, I need to ensure the requirements of a the New South Wales Privacy and Personal Information Protection Act are met.

We believe that in terms of the safeguards that we take as far as personal information goes we have reasonable measures in place to ensure that the need for individual privacy is balanced against the needs of the greater community. With that in mind, for example, a lot of the information we supply—I go back to the land value search that we are looking to implement—will not provide the landowner's name or the address for service of notices.

At the moment I am reviewing the certificate of land value, which is a certified document that currently contains the landowner's details and address. I expect that review to be completed within the next two weeks and we will make a decision than as to what needs to be altered—or whether anything needs to be altered—in respect of that. Remembering that one of the issues is obviously the landowner's details, people are equally able to source the same information directly through obtaining a certificate of land title.

Mr ALLAN SHEARAN MP: Has that always been the case?

Mr WESTERN: Yes, it has. The other part of the question related to cost recovery. All the mechanisms that I have listed above are fully cost recovered in relation to their development and their ongoing maintenance.

In respect of question five, as far as the valuation services pricing review goes, the first part of the question asked what was the rationale for setting the prices. I have listed the determination that was put out by the pricing tribunal in 1995-96. Effectively, as I said, it was broken down into residential and non-residential components. Those components relate to rating categories as they sit within the Local Government Act 1983. The reason for the differential in pricing between the two is that it was recognised early on that it is significantly more difficult and complex to both value and indeed have follow-up work in regard to non-residential property as regard to residential—hence the reason for the differential.

My intention in terms of looking at the pricing regime at the moment is that I am keen to continue to use that as a base in discussions with the Local Government and Shires Association. They have asked that I keep the base as simple as I can, without distorting what various councils require across the State. So at this stage I am looking to try to endeavour to retain something similar to that, although in saying that I believe we can make some improvements in terms of how that is built up, and arriving at the unit price.

To update the Committee as to where that is at—my report was generated in September—I have had further discussions with IPART and the Cabinet Office in relation to developing the pricing policy. We are currently requisitioning Land and Property Information. A cost model is

being developed to allow us to extract various components of the costs to see where they lie, particularly in respect of the two major stakeholders: the Office of State Revenue and local government. I expect that will be completed towards the middle of November, with some indication of pricing by late November, which I will then sit down and discuss fully with the Local Government and Shires Association representative, as the representative body of the various councils.

The Local Government and Shires Association has agreed that, if any change in pricing is to be implemented, they would obviously like that to occur or be known as early as possible before the commencement of the 2005-06 financial year. As honourable members will be aware, their management plans are generally implemented in March-April, so the intention will be to signal as early as possible in the new year what change in pricing there might be. At this stage because I have not had the base data in front of me I am uncertain as to what, if any, change in pricing there will be.

The Hon. DON HARWIN MLC: Are you saying that the pricing policy framework will be in place by the early December benchmark that you reported to us previously?

Mr WESTERN: My intention at this point is that I will have all the information available to me by mid-November, with the intention of being able to discuss that with the Local Government and Shires Association by late November or early December—recognising that effectively that is only four weeks away. I am confident in terms of extraction of the information that we are after we can begin to put in place the setting of prices; that will be available by mid-November.

Question six was in relation to whether an adjustment index, such as CPI, would be used in relation to the pricing model. No decision on that has been made. One of the things I am looking at is obviously the ongoing efficiency of the valuation system and its ability to deliver to a range of stakeholders. Quite clearly, if we are able to generate further savings in terms of efficiencies that are introduced to the system, I would like to be able to pass that on to stakeholders. At this stage I am reluctant to be locked into a CPI index for the simple reason that, as I said, if savings can be made I would like them to be passed on to stakeholders.

The Hon. DON HARWIN MLC: What about your consultation?

Mr WESTERN: In terms of consultation as far as the pricing review has gone, I have discussed it at length with the Local Government and Shires Association. I have been involved in meeting a number of councils. I have met with the President of the New South Wales Local Government Managers Association and I have also worked closely with the Department of Local Government in terms of keeping them informed as to what is happening. As members are aware, I have also met extensively with IPART as well as keeping the Minister and the Cabinet Office informed of progress.

The Hon. DON HARWIN MLC: Given that there has been no change since July 1996, it is almost inconceivable that they will go down, is it not?

Mr WESTERN: At this stage I do not know what the outcome will be but I would perceive at this point, particularly from the perspective that I am looking for a quality valuation outcome—I talked about the robustness and integrity of the valuation system—my initial thoughts are that the price at this point will not go down. But what could clearly happen is that there may be a redistribution of costs. But, as I said, at the moment I am sourcing information to examine that aspect.

CHAIR: In terms of your discussions with local government and individual councils, have you been speaking to the officers of councils or have you been speaking to a mix of officers and elected members of individual councils? Secondly, have you been speaking to a mix of metropolitan and rural and regional councils?

Mr WESTERN: I will answer the second part of your question first. It is a mix of councils, both metropolitan and rural. I have tended to do that as part of my communication program. When I have visited councils to talk about other things, such as their concerns about the valuation system, improvements and things like that and their needs and aspirations, I have talked to that subject with them. As far as speaking with elected members, that has tended to happen through the Local Government and Shires Association, where I have met with senior executives and also local government managers within the organisation.

CHAIR: In terms of your feedback from officers as opposed to elected members, have you had similar concerns expressed to you or is there a difference between how both groups view the valuation process and the cost of councils?

Mr WESTERN: I guess there is a fundamental difference in terms of philosophy more than anything else. If you talk to members of councils as far as management goes, you tend to find that it is operationally focused. If you talk to elected representatives, it tends to be more a global perspective. One of the issues is that obviously within councils people generally tend to be better informed of what revaluations are about and how they actually work within council. One of the aspects of my communication program is that I want to improve councillors' perceptions of the valuation system. At the moment I think that is lacking—I am talking about that from the Land and Property Information side. Once again, I do not believe we have made enough effort to keep elected representatives informed of what is happening with the valuation system and how it impacts on the outcomes for councils. That is an area that Land and Property Information, on my behalf, will be working very hard to improve.

One of the ways we can do that is that when we release valuations—for example, this year some 46 local government areas are being revalued—we will meet at a council meeting and explain to councillors how the valuation is built up and particularly what has happened in their area. Councillors are an extremely vital conduit to the ratepayer as far as keeping them informed as to what has been happening. If we can better inform the councillors my view is that, as the elected representatives of the constituents, they will be able to keep them better informed. That is another area we are looking to work on. Returning to your original question, yes, there is a clear difference between the two in terms of what their expectations are. Part of that is through lack of communication or understanding, more than anything else.

The Hon. DON HARWIN MLC: When did you start the services pricing review and where did the germ of the idea of having one come from?

Mr WESTERN: It came from me. When I came to the job I was, for want of a better phrase, the new boy on the block. I was aware of the valuation system but I wanted to come in with an open mind. So I said deliberately that I needed to source all the information in terms of a number of various aspects of the valuation system, of which pricing is one. That is really where the idea came from. As I said, I am continuing to work on that aspect and endeavouring to get better information out of the financial system in terms of being able to drill down deeper and find out how the cost components of that are built up.

The Hon. DON HARWIN MLC: Were there any other agencies within the New South Wales Government that made representations to you that there should be a pricing review such as the LPI or someone like that?

Mr WESTERN: Obviously the LPI is a trading enterprise as such. Any review that it undertakes in terms of pricing is undertaken internally. I need to make it quite clear that my role sits outside of that so the inquiries that I am looking at in terms of the actual pricing regime, the base pricing, are made completely separate to those that may have been undertaken by the LPI.

The Hon. DON HARWIN MLC: Obviously they have implications for the LPI?

Mr WESTERN: Potentially they would, yes. The simple fact is that revenues that are generated in relationship to providing the valuation services end up generally being with Land and Property Information because it is acting on my behalf in terms of the Service Level Agreement that have in place on a day-to-day basis. That is correct, yes.

The Hon. DON HARWIN MLC: Do they operate under any financial constraints in terms of the need to make savings?

Mr WESTERN: I am not aware if they are or are not in that regard, no. Question 7 talked about the review of the objection management practices. This review was generated by myself following the changes to land tax as a result of the April mini budget. Quite clearly I wanted to be proactive in ensuring that whatever happened in terms of the valuation process, we were able to meet the demands, as I said, of the stakeholders in ensuring that we have deliverables and outcomes which were satisfactory to them. With that in mind I asked for a review to be undertaken within Land and Property Information by new people to that area, being Mr Simon Gilkes, the chief valuer, and Ms Angela Shaw, the project officer.

They have completed what I believe is a comprehensive review of internal efficiencies in the objection process which I have now received as an options paper. The general manager of LPI and myself are in the process of going through the paper currently to look at the various recommendations, and what we might implement from here. I am pleased to say that one of the things that we have agreed needs to be implemented—and I have already referred to that—is the availability of more information as far as individual properties go. The last part of the question was in relationship to whether since the April mini budget there has been a significant change in the number of objections received. I can report to this committee that there has not been proportionately, compared with last year or the year before, any change in terms of the number of objections received.

Question 8 talks about a change in the legislation as far as the ability of councils to be able to appeal objections. I need to make it clear to the committee that councils have always had the ability to be able to object to a valuation, or a group of valuations if they so desire. What happened was, in the 2000 amendment to the Valuation of Land Act, for some reason that I am unable to put my finger on, the ability of councils to be able to appeal the objection—in other words, once it had gone before the Valuer General, the Valuer General had made a determination as to whether that objection should be allowed or upheld—then for taxing authorities and for individuals they then have a right of appeal to the Land and Environment Court. As I said, in the 2000 amendment that did not exist for rating authorities. That has now, as part of the statute law review in May, been passed as legislation and they now have that ability to appeal.

I can inform this committee that that amendment was not as a result of any specific issue raised by a particular council. It actually occurred in a letter that I received from a constituent and I happened to look at the legislation and realised then that there appeared to be an error in the 2000 amendment which we have now corrected. Does the Valuer General anticipate any objections or appeals—I am sorry, I have put the word "appeals" in there because I believe that that is what the committee was referring to—by councils in the near future? The answer to that is "No". Question 9 was about the PhD student, which I am in the process of commissioning, to undertake some work on my behalf as far as looking at statistical measures and valuation systems, and indeed, the wider aspects of how we can actually improve the valuation system that we have got.

This morning I received the finalised draft of the agreement between myself and the University of Western Sydney. I am expecting to have that signed within the next two days with the expectation that we will be advertising for a suitable student within the next two to three weeks. That timing should allow us to have a student starting work for us in the new calendar year. The other question that was asked was whether I would be able to update the committee, either in confidence or in public, on the research projects? I believe at this stage I will be able to report on that but I am still waiting to have that confirmed by the University of Western Sydney but at this stage I do not see any problem in providing this committee with regular updates. Question 10 was in relation to the annual report process of the Department of Lands and whether the information that I have made available in that report can be made available to this committee? That was attached as appendix 3.

Ms GLADYS BEREJIKLIAN MP: I commend you on your attitude in relation to increasing information both to stakeholders and the general public. Will you be issuing a more detailed plan of how you will be implementing that within the scope of your other objectives?

Mr WESTERN: I can provide that, yes. As I said, it is part of my planning process and obviously I was looking to do that in the New Year. I am able to provide that information if the committee would like it prior to 2005.

Ms GLADYS BEREJIKLIAN MP: Do you intend it to be implemented from January 2005?

Mr WESTERN: We are hopeful—this committee will know what IT is like—of being able to implement, for example, the availability of more information in relationship to sales on the web site in early 2005. The aim at this stage is for January 2005 but, as I said, I hope that objective will be met. I am assured that it will be so I can only go with IT and hopefully it has allowed for contingencies and things like that.

Ms GLADYS BEREJIKLIAN MP: Which months next year do you perceive to be the greatest months for assessing—clearly the impact of the mini budget might not be apparent until January next year for a lot of people when they receive their new valuations. When do you assume will be the peak time in terms of receiving objections?

Mr WESTERN: There is a statutory timeframe in which people can object to their valuations. Based on that I would expect that the majority of the objections will probably peak in February and then start to decrease proportionately as you get into early March.

The Hon. DON HARWIN MLC: The eight new key performance indicators—obviously, you have been through the first quarter now of the period in which they are applying—do you have a sense after the first quarter as to whether they are being met?

Mr WESTERN: No, I do not. In terms of getting agreement on the Service Level Agreement, that actually happened at the beginning of October. We are still getting in place the reporting mechanism in terms of the tools to be able to drill down, pulling out of existing valuation system, the specifics. Land and Property Information has assured me that that will be in place by the end of November so it will be in my first full report of the key performance indicators at the end of November.

The Hon. DON HARWIN MLC: But it will still apply from 1 July?

Mr WESTERN: Absolutely.

(The witness withdrew)

(The Committee adjourned at 3.10 p.m.)

Appendices

APPENDIX ONE - COMMITTEE MINUTES



PARLIAMENT OF NEW SOUTH WALES
COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

Parliament of New South Wales · Macquarie Street · Sydney NSW 2000 · Australia

Minutes of Proceedings of the Committee on the Office of the Valuer General

Tuesday 23 March 2004

11 am, Room 1153, Parliament House

Members Present

Kayee Griffin MLC, Tony McGrane MP, Gladys Berejiklian MP, Don Harwin MLC, Allan Shearan MP

1. Confirmation of Minutes of Wednesday 3 December 2003

Moved by Mr McGrane and seconded by Ms Griffin, carried.

2. Briefing from the NSW Valuer General, Mr Philip Western

The Valuer General spoke to a paper outlining the activities of the Office of the Valuer General.

Following discussion, the Committee agreed that the Valuer General's briefing should be continued at a subsequent meeting of the Committee. Moved by Mr Harwin and seconded by Ms Berejiklian, carried.

3. Next Meeting

The Chair advised that, subject to Members' availability, a meeting would be scheduled for Thursday 22 April 2004.

Meeting adjourned at 12:10 pm



PARLIAMENT OF NEW SOUTH WALES
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The Valuer General spoke to a paper outlining the activities of the Office of the Valuer General.

Following discussion, the Committee agreed that the Valuer General's briefing should be continued at a subsequent meeting of the Committee. Moved by Mr Harwin and seconded by Ms Berejiklian, carried.

3. Next Meeting

The Chair advised that, subject to Members' availability, a meeting would be scheduled for Thursday 22 April 2004.

Meeting adjourned at 12:10 pm



Minutes of Proceedings of the Committee on the Office of the Valuer General

Thursday 22 April 2004

11:30 am, Room 1153, Parliament House

Members Present

Kayee Griffin MLC, Tony McGrane MP, Gladys Berejiklian MP, Don Harwin MLC, Allan Shearan MP

1. Confirmation of Minutes of Tuesday 23 March 2004

Moved by Mr McGrane and seconded by Mr Harwin, carried.

2. Briefing from Mr John Miller, Land and Property Information

Mr Miller, Regional Valuer, Quality and Policy Information Sourcing in LPI made a presentation to the Committee and outlined the valuation methodology used in NSW for determining unimproved land values.

3. Briefing from the NSW Valuer General, Mr Philip Western

Following discussion, the Committee agreed that the Valuer General's briefing should be carried over to subsequent meeting of the Committee. Moved by Mr Shearan and seconded by Mr Harwin, carried.

4. Next Meeting

The Chair advised that, subject to Members' availability, a meeting would be scheduled for Friday 7 May 2004.

Meeting adjourned at 1:30 pm



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Minutes of Proceedings of the Committee on the Office of the Valuer General

Monday 31 May 2004

3pm, Room 1153, Parliament House

Members Present

Kayee Griffin MLC, Tony McGrane MP, Don Harwin MLC, Allan Shearan MP, Gladys Berejiklian MP

1. Confirmation of minutes from previous meetings

The Committee confirmed the Minutes of Meeting of 22 April and 7 May 2004 (subject to amendment of the 7 May 2004 Minutes, to indicate the attendance of Ms Berejiklian). Moved Mr Shearan, and seconded Mr Harwin.

2. Proposed Program for Committee

i. Schedule of VG reforms and monitoring

The Committee noted the progress and timetable for reforms being undertaken by the Valuer General as detailed in the schedule. Moved by Mr Harwin and seconded by Ms Berejiklian.

The Chair undertook to seek more detail on the price setting role of IPART and to write to IPART and the Valuer General for further information. Moved by Mr Shearan and seconded by Ms Berejiklian.

ii. Brochure of Committee

The Committee approved the draft brochure (subject to formatting and amendment by the Secretariat) and resolved to expend Committee funds to produce the brochure. The brochure will be distributed to all NSW Members of Parliament, Federal MPs, relevant peak bodies (such as valuers organisation) and Councils. Moved by Mr Shearan and seconded by Mr McGrane.

iii. General Meeting proposal

The Committee resolved to formally seek the Valuer General to report on progress of reform initiatives at a General Meeting of the Committee in October 2004.

The Committee resolved that the meeting should also canvass the information provided by the Valuer General to the Department of Lands Annual Report.

The Committee also resolved that the Chair request the Valuer General to submit a summary of progress of reforms prior to the General Meeting in early September for the Committee's consideration.

These resolutions were moved by Mr Harwin and seconded by Ms Berejiklian.

iv. Correspondence management

The Committee noted that the Secretariat will produce a regular report outlining handling of correspondence. This may be distributed to Members out of session. Moved by Mr McGrane and seconded by Mr Shearan.

v. Committee reports

Appendix One – Committee Minutes

The Committee noted the format of the Fifth General Meeting Report with the Inspector of the Police Integrity Commission as a suggested format for the Committee's reports. Moved Mr Shearan and seconded Mr McGrane.

3. Information

The Valuer General's evidence to the Inquiry into 2004 Mini Budget, on 21 May 2004 conducted by the Legislative Council General Purpose Standing Committee No.1 was circulated to the Committee.

4 Other Business

The Chair noted 3 correspondence items signed on 31 May 2004. The first two items were thankyou letters to the Valuer General and Mr John Miller for briefing the Committee at earlier meetings. The third letter responded to a query from Mr Peter Singer, of David Landa Stewart, about the new Committee's role and membership.

5. Next Meeting

The Chair advised that a deliberative meeting should be scheduled for early September to consider the Valuer Generals report on reforms.

The Chair also advised that General Meeting of the Committee should be scheduled for the week of October 11-15, subject to Members and the Valuer General's availability.

Meeting adjourned at 4pm



PARLIAMENT OF NEW SOUTH WALES
COMMITTEE ON THE OFFICE OF THE VALUER GENERAL

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Minutes of Proceedings of the Committee on the Office of the Valuer General

Friday 24 September 2004

9:30 am, Room 1153, Parliament House

Members Present

Kayee Griffin MLC, Gladys Berejiklian MP, Don Harwin MLC, Allan Shearan MP.

The meeting opened at 9:33 am.

1. Condolences

The Committee moved a condolence motion to record members' sadness at the passing of their colleague, Mr Tony McGrane MP. Moved Ms Berejiklian, seconded Mr Shearan.

2. Confirmation of minutes from previous meeting

The Committee confirmed the minutes of the meeting of 31 May 2004. Moved Mr Harwin, seconded Ms Berejiklian.

3. Consideration of draft report from Valuer General and suggested questions on notice for General Meeting, Monday 25 October 2004

The Committee discussed the suggested questions on notice provided by the Committee Manager. Members indicated the additional information they sought from the Valuer General, and how the questions could be drafted to draw out that information.

4. Correspondence

The following correspondence was noted:

- Letter to Valuer General confirming General Meeting process (6/7/04)
- Letter to IPART (7/7/04) and reply (15/7/04).

Moved Mr Harwin, seconded Mr Shearan.

The Committee resolved to write to the Office of State Revenue regarding the procedures for establishing which properties are subject to land tax (ie investment properties). *Moved Mr Harwin, seconded Ms Berejiklian.*

5. Other Business

A replacement on the Committee for Mr McGrane MP will be organised by the Speaker. The Committee Manager reported that the Clerk Assistant (Committees) had raised the issue with the Speaker's staff.

6. Next Meeting

The next meeting will be held on 25 October 2004.

Meeting adjourned at 10:25 am.



Minutes of Proceedings of the Committee on the Office of the Valuer General

Monday 25 October 2004

3pm, Room 814/815, Parliament House

Members Present

Kayee Griffin MLC, Don Harwin MLC, Allan Shearan MP, Gladys Berejiklian MP

1. Confirmation of minutes from previous meetings

The Committee confirmed the Minutes of Meeting of 31 May and 27 September. Moved Mr Shearan, and seconded Mr Harwin.

2. First General Meeting with the Valuer General

The public hearing commenced at 2 pm.

Mr Philip John Western, New South Wales Valuer General, Land Titles Office, Sydney, was sworn and examined: The Valuer General was questioned on his answers to questions on notice .

The questioning concluded, the Chair thanked the witness and the witness withdrew at 3.10 pm.

Meeting adjourned at 3.10 pm.