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Joint Standing Committee on the Office of the Valuer General

Report 1/57 – September 2020

Thirteenth General Meeting with the Valuer General



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The motto of the coat of arms for the state of New South Wales is “Orta recens quam pura nites”. It is written in Latin and means “newly risen, how brightly you shine”.

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Membership

| | |
|------------------------|---|
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Chair's foreword

I am pleased to present this Report on the Thirteenth General Meeting with the Valuer General as part of the Committee's continuing oversight process. The Committee has reviewed the 2017-18 and 2018-19 Annual Reports of the Office of the Valuer General and examined the responses to developments which have occurred in the legislative and policy environment since the previous General Meeting.

The General Meeting and Report continue the work of the Committee, in providing an essential mechanism for ensuring public accountability and confidence in the integrity and security of the land valuation system. Regular oversight of the functions of the Valuer General and his administration assists in maintaining the strength and stability of property ownership in New South Wales.

As previously reported by the Committee, the Valuer General has a long established record of providing reliable and highly valued services to all landholders. Nevertheless, Parliamentary scrutiny of the operational and policy functions of his administration enables an open and transparent account of its activities and ensures that it is meeting its legal and administrative obligations.

The intervening period since the Committee's last review has been a tumultuous one on many fronts, not least of which has been the significant restructuring of the Valuer General's operations. January 2020 saw the establishment of a new entity, Valuer General New South Wales, to provide a better alignment of the Valuer General's functions and consolidate human resource and financial operations as part of his ongoing statutory responsibilities.

Since the establishment of the new structure, the administrative, political and social environment has been impacted by the bushfire crisis and the COVID-19 pandemic. These events have resulted in a new set of challenges which has affected the property market and land values. Although the full ramifications are yet to be realised, the Valuer General has taken steps to safeguard the integrity of the valuation process. This is set out in more detail in the Committee's report.

Overall, the Committee is satisfied that the Valuer General has managed the variety of legislative and administrative challenges facing him in a totally professional, effective and timely fashion. The Committee also notes that all recommendations made in its previous report have been implemented, of which two are subject to ongoing action. The Committee particularly welcomes the improvements made to the compulsory acquisitions process, whereby improved consultation has led to better outcomes for land holders. This, combined with strengthened deterrence against breaches of conflict of interest by contract valuers, has resulted in improved outcomes for all landowners in NSW.

In view of the magnitude of recent changes transforming the valuation system and the relatively short time the Valuer General has been in the position since his appointment, the Committee has not made any additional recommendations at this time. Instead, the Committee will await the 2019-20 Annual Report and conduct the next General Meeting in 2021, at which progress will be assessed against the key performance strategies and targets outlined in the Report. The interim period will provide an interval for reviews and plans to be progressed and implemented.

I would like to thank the Valuer General and his staff for their assistance in this Inquiry. I also wish to thank my Committee colleagues and Committee staff for their contributions and support.

Nathaniel Smith MP
Chair

Chapter One – Governance and administration of the valuation system

Background

- 1.1 This Chapter discusses the operation of the land valuation system in New South Wales against the background of significant legislative and administrative refinements since the Committee's previous report in the 56th Parliament. Detailed descriptions of the structure and framework of the valuation system can be accessed on the Valuer General's website and with reference to the Committee's previous reports.
- 1.2 The critical components of the valuation system are the Valuer General and the Parliament of New South Wales. The Valuer General is an independent statutory officer who reports to Parliament through the Joint Standing Committee on the Office of the Valuer General (JSCOVG). The Valuer General is appointed by the Governor of NSW to oversee the valuation system, which provides land values for rating and taxing and determinations of compensation when land is compulsorily acquired by government.
- 1.3 Under normal circumstances, the Committee's regular review of the operation of the Valuer General and the valuation system would have been conducted last year, as part of its annual cycle of such reviews. This was delayed, however, due to the Valuer General's organisational realignments, the appointment of a new Valuer General and further impediments to conducting meetings early this year occasioned by the COVID pandemic.
- 1.4 In preparation for the Thirteenth General Meeting, the Committee conducted a private briefing on 15 May 2020 with the newly appointed Valuer General. The briefing provided an opportunity for Committee Members to be apprised of significant developments since the previous General Meeting and set the scene for the formal hearing held on 15 June 2020.

Changes in the legislative and operational environment

- 1.5 As documented in the Committee's previous report on the Twelfth General Meeting, the Office of the Valuer General has been subject to a series of major organisational and legislative changes dating back to 2016. On 1 July 2016, due to changed administrative arrangements and the sale of the Land Titles Office, the Office of the Valuer General and Valuation Services were transferred to the then Department of Finance, Services and Industry.
- 1.6 In this restructure, the valuation system was managed by Valuation Services, on behalf of the Valuer General, under a service level agreement. Subsequently, in July 2019, the Office of the Valuer General and Valuation Services were transferred to the Department of Planning, Industry and Environment. In a final restructure in January 2020, the Office of the Valuer General and Valuation

Services were merged to form a new operating group, renamed Valuer General NSW (VGNSW).

- 1.7 The rationale for the final merged entity was to: align functions in an integrated structure; improve collaboration and culture; and provide better service delivery¹. VGNSW is supported administratively by the Housing and Property Group in the Department of Planning, Industry and Environment (DPIE), with the Valuer General as agency head.
- 1.8 The Valuer General's statutory role remains unchanged in setting the standards for the valuation system. In addition, the Valuer General is now also responsible for human resource and finance operations for 125 staff².

Location, resourcing, staffing

- 1.9 In written questions to the Valuer General, following his appearance at the Thirteenth General Meeting on 15 June 2020, Dr Parker was asked about the physical location of the new operating structure and his ability to work closely with regional councils, contractors and regional communities. In reply, the Valuer General assured the Committee that the geographical spread of operational offices across metropolitan and regional settings ensures local reach and fosters collaboration³.
- 1.10 The Valuer General was also asked to respond in writing to questions about his expanded human resource and finance functions, and any potential conflict or compromise with his statutory role. Dr Parker responded that his dual role had provided greater capacity to align the management structure and enable more focus on policy, standard setting and transparency, resulting in improved outcomes⁴. Answers to supplementary questions following the hearing can be accessed on the Committee's website at the following [link](#).

Legislative basis for determinations

- 1.11 The main role of the Valuer General is set out in the *Valuation of Land Act 1916*, defined as: to exercise functions with respect to the valuation of land in the State; to ensure the integrity of valuations under this Act; and to be the custodian of the Register of Land Values⁵.
- 1.12 In his appearance before the Committee at the Thirteenth General Meeting, Dr Parker was questioned about the broader legislative underpinnings of his current operations. This was asked with reference not only to the two principal Acts that authorise the Valuer General's functions, namely the *Valuation of Land Act 1916* and *Land Acquisition (Just Terms Compensation) Act 1991*, but also the *Land Tax Management Act 1956*, the *Local Government Act 1993*, the *Heritage Act 1977* and the *Crown Land Management Act 2016*.

¹ Private Committee briefing by Valuer General, 15 May 2020

² Private Committee briefing by Valuer General, 15 May 2020

³ [Valuer General's responses to questions](#), 7 July 2020, p5

⁴ [Valuer General's responses to questions](#), 7 July 2020, p5

⁵ *Valuation of Land Act 1916 No2, Part1 Section 8*

- 1.13 When asked about recent legislative developments and his ability to conduct valuations under exceptional circumstances, Dr Parker stated:

There are two things that come to mind. The first is, as we found out during COVID, there is no mechanism under the Act to not do a valuation. As the Committee will be aware we suggested the inclusion of a power for the Valuer General to not do a valuation if there was insufficient evidence due to COVID, but that provision did not pass through the Parliament. Some provision dealing with what happens in a national emergency has proved to be an issue in the last two years. The other, which covers the Valuation of Land Act and the compensation statutes, is around the timing, the time period specified in Acts and how they might be aligned or managed with the level of public information and transparency that the people of New South Wales have now come to expect.

Whilst we have no problem with higher levels of transparency, it takes time. When the Acts were written those timetables were not considered. For example, if we provide a draft report, say to one of Mr Davidson's objections or one of Mr Goldsmith's compulsory acquisition reports, we allow the landholder or the dispossessed party 28 days to consider the report and come back to us. That is not something that is necessarily covered in legislation, so it adds to the overall time period, the results in the key performance indicators being adversely affected. Somewhere in the middle there is a balance of process between providing sufficient time for landholders or dispossessed parties to consider the reports, versus the statutory timeframes that are provided⁶.

Governance arrangements

- 1.14 The current model of governance which underpins the work of the Valuer General comprises the oversight role of the JSCOVG at the top of the hierarchy. This is supplemented by a range of other groups and committees established to provide the Valuer General with consultation and advice, planning and internal reporting.
- 1.15 The central coordination group providing senior management support is the Valuation Management Committee (VMG), which oversees risk management and activity planning for key work streams. This encompasses: rating and taxing valuations; objections and appeals; contract management; compensation valuations; land data management; and customer service.
- 1.16 The VMG has reporting lines to four work groups, namely: the Land Value Improvement Group; the Compensation Improvement Group; the Land Data/Customer Service Improvement Group; and the Contract Management Improvement Group. These groups provide ongoing management oversight and identification of arising issues.
- 1.17 This structure is augmented by the Land Valuation Advisory Group, which is the principal industry stakeholder body comprising the property industry and rating and taxing authority representatives, and responsible for industry stakeholder oversight. In addition, the Valuer General conducts regular meetings to review KPIs, and identify and respond to emerging issues.

⁶ Dr David Parker, Valuer General, [Transcript](#) of evidence, 15 June 2020, pp 3-4

Interagency relationships

- 1.18 As previously outlined, the new operating entity Valuer General NSW is supported administratively by the Housing and Property Group in the Department of Planning, Industry and Environment. This enables VGNSW to utilise support services from DPIE, including human resources, IT, finance, legal, governance and risk management⁷.
- 1.19 Other agencies involved in a direct service relationship with VGNSW are:
- Revenue NSW – provision of valuations to support the administration of the land tax system;
 - Local councils – provision of valuations for the determination of rates;
 - Office of Local Government – liaison concerning the administration of the NSW rating system;
 - NSW Treasury – provision of land value data to support the preparation of the State budget;
 - IPART – setting of costs (notional revenue requirement) for the valuation system and the cost to councils of the provision of valuation services; and
 - Service NSW – operation of a first tier call centre⁸.
- 1.20 The first tier call centre partnership with Service NSW arose from a recommendation made by the Committee in its report on the Eleventh General Meeting⁹. The partnership was established in May 2019, with a view to deliver a range of customer service enhancements, including the electronic delivery of valuation notices and improved access to land value information at a local level.
- 1.21 This service commenced operation in January 2020, and provided additional frontline customer service, including valuation and objections processes via digital kiosks, with Service NSW officers available to provide support. Regular liaison meetings between VGNSW and Service NSW ensure quality control¹⁰.

Role and independence of the Valuer General

- 1.22 The detailed responsibilities of the Valuer General are set out in his 2018-19 Annual Report, as follows:
- standard setting through the publication of policies to assist land holders better understand the valuation process and provide clear guidance to valuers on a range of valuation methods and practices;

⁷ [Valuer General's responses to questions](#), 7 July 2020, p6

⁸ Private Committee briefing by Valuer General, 15 May 2020

⁹ [JSCOVG Report on 11th General Meeting](#), February 2018, p28

¹⁰ [Valuer General's responses to questions](#), 7 July 2020, p7

- monitoring the quality of land values and services provided to the community;
- monitoring the management of contract valuers; and
- providing professional leadership and stewardship to the valuation industry¹¹.

- 1.23 A central component of the Valuer General's responsibilities is providing independent and impartial valuations for use by councils and the State government for levying rates and taxes determining compensation for compulsory acquisitions. The critical nature of his independence as a statutory officer was reinforced in the briefing provided to the Committee earlier this year.
- 1.24 The independence of the position ensures a clear separation between the impartial land valuation process and how valuations are used for levying rates and taxes and in the determination of compensation following the compulsory acquisition of land.
- 1.25 According to the Valuer General, his independence remains unchanged in the newly established VGNSW structure. The merger of the former Office of the Valuer General and Valuation Services provides the Valuer General, who is ultimately responsible for the valuation and land acquisition compensation system, with direct oversight and governance of operations¹².
- 1.26 The oversight of the Valuer General and his functions by the Committee provides another safeguard to ensure that his independence is maintained in the execution of his role. Independence issues relating to contractors and consultants are detailed in a subsequent chapter.

Implementation of previous Committee recommendations

- 1.27 The Committee's report on the Twelfth General Meeting made six recommendations designed to improve effectiveness and efficiency and strengthen the quality of service delivery by the Valuer General.
- 1.28 The recommendations were as follows:
- The introduction of specific penalties for contract valuers to strengthen deterrence against breaches of conflict of interest, where valuations are delegated to external contractors;
 - The formalisation of a consultation process with key acquiring authorities to rank the complexity of negotiations for risk, to prevent unnecessary duplication in delivering compensation for compulsory acquisitions;
 - The publication of regular updates in Annual Reports of privacy issues relating to personal information and adherence to privacy requirements;

¹¹ [Valuer General, Annual Report 2018-19](#), p10

¹² Private Committee briefing by Valuer General, 15 May 2020.

- The continued development of initiatives to assess customer service experience and expanded feedback options to inform future business improvement activities;
- The expansion of multicultural media coverage as part of a future media and community education strategy to inform non-English speaking landholders about the land valuation system, including the objections process and compensation for compulsory acquisitions;
- The continuing review of land value methodologies and quality assurance information to NSW landholders.

1.29 At the Thirteenth General Meeting, the Valuer General reported on the previous Committee recommendations in the following terms:

Following the twelfth meeting the Committee made six recommendations, which we have actioned and we reported briefly on at the previous meeting. With the exception of customer service surveys, all six of the Committee's previous recommendations have been completed¹³.

1.30 Dr Parker further elaborated on six major priorities leading up to 2021. These were to: continue work on customer service surveys; develop key performance indicators for timeliness to objections and for compulsory acquisitions; an examination of previous Committee recommendations for alignment with current legislative requirements; funding for technological improvements; and continued development of an automated valuation model.

1.31 An updated summary of the Government's response to the recommendations of the Twelfth General Meeting can be found on the Committee's website at the following [link](#).

Committee Comment

1.32 The Committee welcomes the new streamlined governance structure of the Valuer General's operations and looks forward to seeing the benefits of the recent changes, as part of its examination at the Fourteenth General Meeting in 2021. The combination of significant administrative reorganisation and the appointment of a new Valuer General needs time to consolidate and to demonstrate the successful transformation of the operational environment.

1.33 The credibility of the valuation system depends on the Valuer General maintaining independence and integrity in all aspects of land and property valuations. The Committee is pleased to note that the Valuer General has confirmed that this has not been compromised in the new structure and that it remains an essential priority.

1.34 The Committee further notes that the recommendations from its previous report have been adopted and that the Valuer General is committed to enhance the recommendations in his future work program. The Committee is particularly pleased at the renewed focus on customer service improvements. The

¹³ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3.

collaborative working relationship and responsiveness of the Valuer General to the Committee's oversight of his operations are a testament to the robustness of the process and to the benefit of the Committee's scrutiny role in assisting his work.

Chapter Two – Communication with landholders

Customer centric service and transparency

- 2.1 During the reporting periods 2017-18 and 2018-19, the Valuer General focussed on strengthening the organisation's service culture by encouraging greater feedback and more open engagement with customers. This was prioritised in order to better understand the needs of landholders and the wider community and provide increased access to a wider range of information about the valuation system.¹⁴

Public information

- 2.2 The Valuer General has continued developing new approaches to delivering information to landholders to better address enquiries and concerns. In 2017-18, the then Valuer General reported that: "Transparency has been increased by providing open access to more information that supports our valuations."¹⁵
- 2.3 Throughout the two reporting periods, a wide range of information was added to the Valuer General's website, including information on land values and the valuation system, as well as trends and median and typical land values for each local government area. This was done to help landholders understand the basis of a land valuation.
- 2.4 During the 2018-19 reporting period, four new policies were published, giving direction to valuers and providing transparency for interested parties on the valuation of various categories of land use.¹⁶ In the same period, the website was relaunched with features to make it more user friendly.¹⁷

Improving customer surveys

- 2.5 The period under review also saw an independent evaluation of customer surveys. The Valuer General advised that a revised, simpler suite of surveys was currently under consideration.¹⁸ At the General Meeting, Dr Parker informed the Committee that it was his objective to develop better measures to assess customer service experiences. He further observed that:

It is an area that I have certainly identified as something that has not gone as well as it might over the last couple of years and we need to try harder.¹⁹

¹⁴ [Valuer General, Annual Report 2017-18](#), p6

¹⁵ [Valuer General, Annual Report 2017-18](#), p6

¹⁶ [Valuer General, Annual Report 2018-19](#), p8

¹⁷ Private Committee briefing by Valuer General, 15 May 2020.

¹⁸ Private Committee briefing by Valuer General, 15 May 2020. and [Valuer General's update on recommendations from the Twelfth General Meeting](#), 7 July 2020, p3

¹⁹ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p6

Maintaining the correct balance

- 2.6 The Valuer General informed the Committee that the future strategy of VGNSW would be heavily focussed on customer service.²⁰ However, he also pointed out that other factors impinged on this objective. At the Thirteenth General Meeting, the observation was made that a key aspect of the future vision was: "...balancing the pendulum to ensure our service is focused on the requirements of the Act, transparency, the New South Wales Government customer service commitments and the independence of the Valuer General."²¹

Increasing accessibility through Service NSW

- 2.7 During the period under review, several additional initiatives were made to broaden the Valuer General's interface with the wider community and make services more easily accessible. In May 2019, the Valuer General established a partnership with Service NSW, leading to the commencement, in January 2020, of the previously referenced 'tier one' call centre, operated by Service NSW.
- 2.8 The Valuer General advised that 'second tier' calls are directed to the VGNSW call centre which is located in Bathurst. In addition, landholders can now access information about land valuation and objection processes via the Service NSW digital kiosks, where customer service officers are trained to give support if required.²²

Outreach via multicultural media

- 2.9 In January 2019, the Valuer General expanded the reach of the annual media program to include the translation of State-wide media releases into the top five culturally and linguistically diverse languages (CALD) for distribution to multicultural media outlets. For the 2020 media program, translation of media releases was expanded to include the top 10 CALD languages. Also, for the first time in 2020, the Valuer General's newsletter was translated in the top 10 CALD languages and published on its website.²³
- 2.10 Furthermore, to improve media outreach, the Valuer General's 2018-19 Annual Report noted that a media analytics company had been engaged to investigate and report on media penetration and assess customer sentiment.²⁴ At the General Meeting, the Valuer General agreed to consider further ways to improve the level of feedback sought from landholders in multicultural communities.²⁵

Communication through local councils

- 2.11 Following a survey of councils conducted during the 2018-19 reporting period, the Valuer General adopted new measures to improve communication and transparency at the local government level. The Annual Report noted in particular, increased engagement with local councils and the publication of a new

²⁰ [Valuer General's responses to questions](#), 7 July 2020, p8

²¹ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p2

²² [Valuer General's responses to questions](#), 7 July 2020, pp 6-7

²³ [Valuer General's update on recommendations from the Twelfth General Meeting](#), 7 July 2020, p4

²⁴ [Valuer General, Annual Report 2018-19](#), p7

²⁵ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p6

fact sheet about land values and council rates, made available for councils to link from their websites.²⁶

Assisting landholders objecting to land valuations

- 2.12 As a result of changes made to improve communication and provide information to landholders who object to a valuation, it is now easier for landholders to directly provide the data required by the Valuer General to investigate and determine whether an objection is supported. Such changes have already improved timeliness of service delivery in resolving landholders' objections and in providing valuation notifications to councils and Revenue NSW, where a land value was amended.²⁷
- 2.13 An added positive outcome of improved communication and information provision to landholders has been a reduction in the overall volume of objections to land valuations²⁸. Enhanced provision of information to and communication with objectors have also contributed to fewer court appeals.²⁹

Supporting landholders in compulsory acquisition negotiations

- 2.14 During the reporting periods under examination, efforts continued to improve customer service and information provision to ensure procedural fairness, as well as timeliness in the delivery of compensation determinations for compulsory acquisitions. As part of this process, performance evaluation for compulsory acquisitions was implemented in the 2017-18 reporting period.³⁰
- 2.15 In March 2019, the then Valuer General established the Compensation Improvement Group to oversee the quality of the compensation determination process. New practices were introduced to encourage the timely provision of information from the land owner and acquiring authorities. New plain English information about the compensation determination process was also developed and made available on the Valuer General's website.³¹

Privacy and data protection

- 2.16 Formal reporting on the management of personal information and privacy was introduced in the 2017-18 Annual Report, in response to a previous Committee recommendation in the report on the Twelfth General Meeting. The Valuer General's management process is governed by the Privacy Management Plan of the Department of Planning, Industry and Environment (DPIE).
- 2.17 Nine privacy complaints were received in the 2017-18 reporting year, with a further fourteen more recent cases, of which two of have led to changes in privacy management procedures. Further details are available on the Committee's website at the following [link](#).

²⁶ [Valuer General, Annual Report 2018-19](#), p8

²⁷ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p2

²⁸ [Valuer General's responses to questions](#), 7 July 2020, p10

²⁹ [Valuer General, Annual Report 2018-19](#), p33

³⁰ [Valuer General, Annual Report 2017-18](#), p 37

³¹ [Valuer General, Annual Report 2018-19](#), p8

- 2.18 Under a licence agreement which expired in January 2016, the Valuer General supplied wholesale property sales information (PSI), including owners' names, to six commercial clients. The Valuer General advised that, subsequently, PSI has been supplied to select clients, including vendor and purchaser details.
- 2.19 Dr Parker assured the Committee that procedures are in place to suppress names "where necessary". He further advised that a new agreement will be made for the distribution of sales data without purchaser or vendor names. He also noted that the agreement would request that commercial clients delete vendor and purchaser names from their historical data sets.³²

Annual reporting

- 2.20 During the previous two reporting periods and in response to previous Committee recommendations, the Valuer General has produced a stand-alone annual report of the organisation's activities and achievements for each reporting period. This is in addition to the statutory reporting data published in the annual report of the then leading agency, the Department of Finance, Services and Innovation (DFSI).
- 2.21 The Committee was interested to learn whether the reporting procedure or content of future annual reports would be impacted as a result of the establishment of VGNSW. The Valuer General confirmed that he would continue to produce an annual report, potentially subject to minor changes.³³

Committee Comment

- 2.22 The Committee is pleased to learn that the Valuer General plans to take further measures to expedite the time taken to transact services, particularly for resolving objections to valuations and completing compensation negotiations within statutory time frames. The Committee also welcomes confirmation that greater efficiencies will be achieved without compromising the priority given to customer communications, or the quality of information provided.
- 2.23 The Valuer General advised that he will strengthen measures to protect personal information in sales data provided to third parties. The Committee expects to be informed about the Valuer General's privacy management practices and procedures in future annual reports and at subsequent General Meetings.

³² [Valuer General's responses to questions](#), 7 July 2020, p8.

³³ [Valuer General's responses to questions](#), 7 July 2020, p6

Chapter Three – Contractors and consultants

Current contracts and quality assurance safeguards

The contractor model

- 3.1 The NSW valuation system is based on a contractor model, which means that rating and taxing valuations are provided by contract valuers with delegated authority from the Valuer General.³⁴ For the period under review, the number of contract areas across the State was reduced from 41 to 18.
- 3.2 During the 2018-19 reporting period, there was a significant reduction in the cost of valuations from rating and taxing contractors. From 1 March 2019, contractors commenced new five year contracts, with a further one year option at the discretion of the Valuer General. This led to an increase in efficiency and a decrease in the prices charged to councils, resulting in a 2.55 per cent reduction from previous IPART determinations.³⁵
- 3.3 A total of 11 contractor firms service the 18 contract areas, with contracts awarded through an open market tendering process. It should be noted that objection services are provided by different contract firms.³⁶
- 3.4 When questioned about valuers working in the compulsory acquisition area, the Valuer General advised that valuations are increasingly being undertaken in-house with a focus on developing improved timeliness. Additionally, communication with acquiring authorities has improved, thus removing duplication of effort and saving contractor costs.³⁷

Strengthening oversight

- 3.5 In briefing the Committee prior to the General Meeting, the Valuer General stressed the significance of the structural change in establishing VGNSW. He explained that this has given him greater capacity to clearly define directors' roles and operations, thereby ensuring a greater focus on policy matters, standard setting and transparency with an emphasis on outcomes.
- 3.6 The result of this change has been to protect the integrity of both the valuation system and the organisation.³⁸ Following the merger of the Office of the Valuer General and Valuation Services, quality management staff now report directly to the Deputy Valuer General.³⁹

³⁴ Private Committee briefing by Valuer General, 15 May 2020

³⁵ [Valuer General's responses to questions](#), 7 July 2020, p9

³⁶ Private Committee briefing by Valuer General, 15 May 2020

³⁷ [Valuer General's responses to questions](#), 7 July 2020, p3

³⁸ [Valuer General's responses to questions](#), 7 July 2020, p5

³⁹ Private Committee briefing by Valuer General, 15 May 2020

- 3.7 The Valuer General further advised that a key objective in the vision and strategy of the new organisation was to respect and value the calibre of its people. He stated that:

We are statutory valuation specialists across all the work that we do supported by excellence and innovation in data management and provision of customer focussed services.⁴⁰

- 3.8 At the General Meeting, the Valuer General explained that staff will be made accountable for performance and integrity under the new arrangements. He described the features of a proposed risk-based performance management system as follows:

...we will develop our risk plan and risk strategy for the whole of VG NSW and then for the individual businesses—valuation, customer services and land data. And then each staff member's performance plan will be linked to that risk strategy for their business. That will take us several months to put in place in consultation with the staff. But it is certainly, as I understand it, quite a move from the system that previously operated in Property NSW.⁴¹

Achievements and challenges

- 3.9 The Valuer General cited a number of valuation initiatives implemented in 2019. These were designed to ensure that data provided by contractors is transparent, consistent and of high quality. The initiatives are detailed in the following section.
- 3.10 During the performance period, there was continuing concern about the timeliness of processes to deliver determinations for objections and compensation.⁴² While these matters are currently being considered by the Valuer General, corrective measures taken to date include: changes to the objection process, such as new data provision requirements for landholders making an objection⁴³; and an increase in the pool of valuers in the objection procurement program to improve timeliness.⁴⁴
- 3.11 During the reporting period, there was ongoing focus on continuously improving the performance of contractors through training programs. An example was the training objection contractors received in the user friendly production of objection reports and their communication with landholders.
- 3.12 In the 2017-18 reporting year, performance evaluation was introduced for compulsory acquisition reports. The evaluation considered: accuracy; timeliness; landowner engagement; market analysis; and determination rationale.⁴⁵ This was supported by additional training of contractors.⁴⁶

⁴⁰ Private Committee briefing by Valuer General, 15 May 2020

⁴¹ Dr David Parker, Valuer General, [Transcript](#) of evidence, 15 June 2020, p13

⁴² [Valuer General's responses to questions](#), 7 July 2020, p9

⁴³ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p2

⁴⁴ [Valuer General's responses to questions](#), 7 July 2020, p10

⁴⁵ [Valuer General, Annual Report 2017-18](#), p19

⁴⁶ [Valuer General, Annual Report 2017-18](#), p37

- 3.13 As noted at the beginning of this Chapter, the timeliness of valuations in the area of compulsory acquisitions has been addressed by valuation processes being increasingly managed in-house.⁴⁷ Further information about the Valuer General's current review of KPIs and other performance and organisational matters is provided in Chapter Four.

Quality assurance mechanisms and risk management

- 3.14 Land values are systematically reviewed as part of a risk based value verification process. This ensures that the NSW valuation base remains sound and of high quality while also being a mass valuation system.
- 3.15 Approximately 2.6 million properties were valued in completing the 1 July 2019 land values, with each land value capable of being individually supported by market evidence. Over 57,000 property sales were analysed to validate the 2019 land values.⁴⁸
- 3.16 The integrity of the valuation system is supported by a three-level checking system including: sampling and statistical analyses; a benchmarking process; and examination of sales ratios. In addition, an in-system quality assurance tool provides automatic interrogation of data, enabling contractors to review exceptions where individual land values appear to be outside the norm.⁴⁹
- 3.17 At the General Meeting, the Valuer General confirmed the emphasis placed on accuracy within the NSW valuation system, in comparison with automated sales analysis software used in the private sector:
- "....We have a system that has to withstand the scrutiny of objections and subsequent appeal to the court.....essentially, it has to be right, it has to get the number right, or public confidence in the system will not be maintained."⁵⁰
- 3.18 The Valuer General further noted that the NSW valuation system is ranked in the top five globally, by the International Property Institute (IPTI).
- 3.19 During the reporting periods under review, there were ongoing improvements in quality assurance governance and publication of information to ensure the transparency of the QA process. Developments included publication of a summary report on the quality assurance program relating to the 1 July 2018 land valuation program.⁵¹
- 3.20 In his briefing of the Committee prior to the Thirteenth General Meeting, the Valuer General cited a number of significant recent improvements. These included the development of an annual risk based quality assurance plan; a risk identification process involving holistic centralised reviews; as well as a localised risk identification procedure.

⁴⁷ [Valuer General's responses to questions](#), 7 July 2020, p11

⁴⁸ Private Committee briefing by Valuer General, 15 May 2020

⁴⁹ Mr Paul Chudleigh, Acting Deputy Valuer General, [Transcript](#) of evidence, 15 June 2020, p14

⁵⁰ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p14

⁵¹ [Valuer General, Annual Report 2018-19](#), p6

- 3.21 Additional measures included: an adjustment to the land verification program; new requirements for digital delivery of data; and the introduction of new benchmarking codes.⁵²

Conflict of interest provisions

- 3.22 Further to the Twelfth General Meeting, the Committee recommended that specific penalties be introduced under the terms of contracts to deter contractors from breaches of conflict of interest. In his response, the Valuer General confirmed that from 1 March 2019, a new set of provisions had been introduced into contracts including: indemnity; rectification; recovery of losses; and termination.⁵³
- 3.23 At the General Meeting, the Valuer General advised that since his appointment, two contractors had been dismissed because of conflict of interest breaches. He emphasised that contractors are to be held to account by the terms of their contract of appointment. He further assured the Committee that such breaches will continue to be regarded very seriously, noting that:

"..To me, conflict of interest is absolutely central to the independent functioning of the system and a contractor cannot have two masters."⁵⁴

- 3.24 The Valuer General also confirmed that he has put in place a program for educating contract valuers on conflict of interest duties and to clarify their obligations.

Committee Comment

- 3.25 The Committee is pleased to have received a comprehensive update from the Valuer General on the numerous mechanisms which have been built into the valuation system to ensure its validity. As has been highlighted throughout the evidence presented at the Thirteenth General Meeting, the performance of contractors, as measured by both technical expertise and the integrity of professional conduct, is crucial to maintaining the credibility of the valuation system.
- 3.26 In volatile times such as the present, when there may be unpredictable fluctuations in the movement of valuations, it is even more important that the public has ready access to accurate and trustworthy information about land valuations. The Committee is mindful of the important role of the Valuer General in ensuring that the valuation system is at all times supported with best practice performance by his valuation staff and contractors.
- 3.27 The Committee is reassured that the newly merged operating group, VGNSW, will enable the Valuer General to have closer oversight of the valuation and compensation processes to improve the internal professional collaboration and

⁵² [Valuer General's update on recommendations from the Twelfth General Meeting](#), 7 July 2020, p6

⁵³ [Valuer General's update on recommendations from the Twelfth General Meeting](#), 7 July 2020, p2

⁵⁴ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p12

culture of the organisation. This should help to ensure the optimum performance of valuation staff and continuous improvement in service delivery.

- 3.28 The Committee looks forward to receiving further information about the introduction of the proposed new risk based performance management system and its impact on performance outcomes in the next annual report.
- 3.29 The Committee welcomes the Valuer General's insistence on robust enforcement action against contractors in breach of conflict of interest guidelines and is pleased that he has introduced additional training for contractors about their conflict of interest obligations.

Chapter Four – Emergent issues

Bushfires and coronavirus

- 4.1 The appointment of the new Valuer General in January 2020, coincided with catastrophic summer bushfires, followed by the COVID-19 public health emergency, each of which has created market uncertainty and posed challenges for the NSW land valuation system.

Bushfires

- 4.2 Fifty council areas were identified as natural disaster areas in NSW following the summer bushfires of 2019/2020. The Valuer General offered to issue a new 1 July 2020 land value for each of these councils.
- 4.3 Following the General Meeting, the Valuer General wrote to the Committee on 7 July 2020 and advised that to date, seven councils had formally accepted the offer and 33 had declined. Responses from 10 councils were still outstanding.
- 4.4 The Valuer General provided a comprehensive table indicating the number of fire affected properties in each council declared a natural disaster area, and identifying which councils had accepted an offer to receive 1 July 2020 land values.⁵⁵
- 4.5 In expanding on reasons why some councils did not accept the offer of new land values reflecting the impact of the bushfires, the Valuer General observed that:
- ...there are a variety of potential reasons. The first might be that they were not affected by bushfires. The second is that the impact of revaluing to allow for the bushfires means that the rates coming from bushfire-affected blocks goes down, so the rates coming from other blocks need to go up. That can be a sensitive issue in some council areas.⁵⁶
- 4.6 Additionally, the Acting Deputy Valuer General outlined the key factors taken into account in the valuation of bushfire affected land:
-we take into account the physical nature of that property and where it is located in relation to potential impacts from bushfires. We take into account bushfire zonings that are on properties. We are taking into account looking at things like the impact on insurance on properties, as to how that may impact in the market going forward. This is through the market, obviously, and through analysis of any sales of properties that occur as to how that impacts on purchase considerations—changes to building codes, et cetera, that have been in place. All of those things impact on the market. When we are looking at sales that have occurred in those bushfire-affected areas, they are factors we use to determine whether they are impacting on the underlying land value.⁵⁷

⁵⁵ [Valuer General's responses to questions](#), 7 July 2020, pp13-16

⁵⁶ Dr David Parker, Valuer General, [Transcript](#) of evidence, 15 June 2020, p4

⁵⁷ Mr Paul Chudleigh, Acting Deputy Valuer General, [Transcript](#) of evidence, 15 June 2020, p13

- 4.7 Anticipating that there might be limited sales evidence for substantiating 1 July 2020 land values, the Valuer General also undertook a study of the impact of previous bushfires on land values. The study found that the impact varied depending on three variables: the proportion of properties destroyed; the level of demand; and location.
- 4.8 The Valuer General confirmed that where there was insufficient sales evidence, valuers would use recommended value changes from the study to determine the 1 July 2020 land values. He further advised that the changes ranged from 0 per cent to 30 per cent based on the key variables. Further information can be accessed in the report, which is available on the Valuer General's website.⁵⁸

Coronavirus

Legislative amendment proposed

- 4.9 In briefing the Committee prior to the General Meeting, the Valuer General advised that COVID-19 had impacted the ability of VGNSW contractors to inspect sales for the 2020 revaluation as part of their analysis. He further advised that VGNSW had appointed a project team to use other research methods to ascertain the volume of sales and indicative value trends by local government area.⁵⁹
- 4.10 A legislative amendment to the *Valuation of Land Act 1916* proposed to give the Valuer General discretion not to provide valuations for each parcel of land in New South Wales for the 1 July 2020 valuing year. This was on the basis that COVID-19 restrictions could continue to impact on the ability to determine land values, and that valuations for the previous year would have been used. However, the amendment was not passed.⁶⁰
- 4.11 At the time of the General Meeting, the Valuer General expressed confidence that VGNSW could continue to undertake property inspections. He noted that:
- As the second wave of COVID-19 fortunately has not eventuated, we should get to 30 June and then be able to pretty much wrap up our inspections. So as it turned out we did not need the statutory amendment—but it would have been helpful, had we had it.⁶¹
- 4.12 The Valuer General further advised that values for July 2020 would be used by Revenue NSW for managing land tax. For rating purposes, the values would be used by those bush-fire affected councils who accepted a 2020 revaluation. He noted that maps would be provided on the VGNSW website, enabling a

⁵⁸ [Valuer General NSW, Review of the impact of bushfires on land values](#), 9 April 2020

⁵⁹ Private Committee briefing by Valuer General, 15 May 2020

⁶⁰ Note: The COVID-19 Legislation Amendment (Emergency Measures – Miscellaneous) Bill 2020 passed Parliament on 13 May, 2020 coming into law the following day. Schedule 1.32 of the Bill as introduced provided that the Valuer General would not be required to carry out valuations of land for the valuing year commencing 1 July 2020, as is usually required. If the valuations were not carried out, the land values for the previous year were to be used instead. However, The Hon. Mark Latham MLC moved a successful amendment in the Legislative Council to omit schedule 1.32 from the Bill. See amendment number 15 on the [Schedule of amendments - COVID19 Miscellaneous Bill](#)

⁶¹ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p8

landholder to click on the relevant LGA and ascertain the movement of land values for residential, business, industrial and rural land.⁶²

- 4.13 Dr Parker noted, in particular, the difficulty of quantifying median values for commercial properties following the coronavirus outbreak. He observed that:

... the median works reasonably well for metro residential and for regional residential and regional rural. It does not work very well at the moment for metro high rise office, large shopping centres, serviced apartments, hotels, pubs, car parks and childcare. Any type of property that has a strong revenue element impacted by COVID-19 has generally not transacted over the last three months.⁶³

- 4.14 In the case of commercial values, the Valuer General advised that the impact on properties was variable. For high-rise office towers, a property with less revenue may not be attractive locally but could be to an international buyer, if located in the Sydney CBD. In addition to COVID-19, Dr Parker noted that other factors were currently impacting on the values of commercial properties. He pointed out that:

With shopping centres there is an overlap between COVID and shops closing, being unable to trade, and the structural shift in the sector away from traditional retailing to more experience-based activities—dining, cinemas, things like that.⁶⁴

- 4.15 The Valuer General further advised that, in the absence of comparable sales data resulting from the impact of the COVID-19 pandemic, VGNSW would gather feedback from industry bodies and make a discounted cash-flow valuation of the underlying land. He explained that:

We will be looking at the percentage difference in value and we will give some serious thought to just reducing different blocks by bands of percentages in the same way that we did with the bushfire study. That will provide some equity to landholders. It will recognise the adverse impact of COVID on land values. It will not be uniform, but we are hoping that with the support of the various industry bodies there will be an acceptance on both sides that that is a reasonable approach to be adopted.⁶⁵

Education campaign

- 4.16 In his preliminary briefing, the Valuer General also advised that the project team would develop a public information campaign to manage expectations of values falling, due to COVID-19.⁶⁶
- 4.17 At the General Meeting, Dr Parker expressed the view that contrary to the opinion of some television commentators who suggested that values had dropped by 30 per cent:

⁶² Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁶³ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p8

⁶⁴ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p8

⁶⁵ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p9

⁶⁶ Private Committee briefing by Valuer General, 15 May 2020

We suspect there is an expectation by the public of a significant decrease in values, which we are not seeing.⁶⁷

4.18 In relation to the trend in residential land values, he explained that:

The valuations at July 2019 were, if anything, a little bit low in the cycle. So they were not high valuations we were starting from; they were valuations on the ascendant. From July 2019 through to February 2020 the market continued generally to strengthen. By the time we got to February 2020 values were above the levels they were at in July 2019. Since February we have had March, April, May and June where values have gonedownward followed by an upward trajectory. As a generalisation we think they are roughly back to where they were in February 2020, which is above where they were in July 2019.⁶⁸

Tax reform

4.19 During the reporting period, the NSW Treasurer initiated public discussion on stamp duty, proposing a broad based property tax as an alternative. Reference was made to the fact that a majority of Commonwealth jurisdictions levy a broad based property tax using either land or property values.⁶⁹ At the General Meeting, the Valuer General advised that the Treasurer was currently favouring a broad-based land tax based on unimproved value, rather than capital improved value.⁷⁰

4.20 While the Valuer General confirmed that VGNSW was willing to work with the Government, whatever approach was adopted, he advised that the main challenge would be the capacity of the database to manage and quickly analyse the larger quantity of data. He explained that:

...Our concerns regarding a move to a broad-based unimproved value and our ability to manage the system basically rest on the quality of our existing IT infrastructure, what we call Valnet II. If the State is going to move a bigger tax burden into unimproved land value we need a robust IT system that we can rely on to administer it. We made a proposal to Treasury for \$26 million in funding for Valnet III. ... it is a much more sophisticated, robust database system.⁷¹

4.21 A move to a broad based land tax system would place a more onerous responsibility on the Valuer General to ensure the accurate valuation of each property throughout the State. The Committee was therefore concerned to ascertain whether the staffing and resources of VGNSW would be adequate.

4.22 The Valuer General advised that the introduction of an updated data system, Valnet III, would occasion a restructuring of VGNSW with reduced staffing. However, he conceded that:

It may be prudent with a broader base land tax system to slow that decrease in employees, maybe keep a few more valuers to administer the system. But essentially

⁶⁷ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p7

⁶⁸ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p7

⁶⁹ Private Committee briefing by Valuer General, 15 May 2020

⁷⁰ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p10

⁷¹ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p10

the biggest challenge for us is the integrity of the IT system underpinning the Valuer General's work.⁷²

4.23 The Valuer General further advised that estimated savings by the commissioning of Valnet III included a \$1.3 million reduction in labour costs. He informed the Committee that, as funding for Valnet III is still subject to approval, IPART funding assumed deferral of the proposed expenditure by one year. In the event that funding was not forthcoming, further discussion with IPART would be required.⁷³

4.24 In relation to further policy development and public education for the new land tax system, the Valuer General confirmed a commitment of VGNSW to do this, subject to a request by the Treasurer. He observed that:

Should the Treasurer wish us to assist in policy development we would be happy to do so. In terms of rolling it out and public information we already have, fortunately, a lot of public information on unimproved land value. I understand from the media there is some complexity in the way in which the phasing out of stamp duty and the phasing in of broader-based land tax would operate. That would probably be something that we would be happy to assist Treasury in explaining to the public at large, but out of all the alternative ways of taxing, from our point of view unimproved value is possibly one of the easier ones to deal with.....⁷⁴

Organisational reviews

4.25 Since the establishment of VGNSW at the beginning of 2020, the Valuer General has engaged the professional services of Norton Crumlin Associates to develop a revised vision and strategy for the new organisation. At the General Meeting, the Dr Parker outlined his agenda for review of the organisation. This included its objectives, functions, services, resources and performance outcomes to ensure its fitness of purpose for future achievements and to enable it to address future challenges.⁷⁵

Vision and strategy

4.26 In his briefing prior to the General Meeting, the Valuer General advised that the VGNSW vision defined it as a valuing organisation known and respected for the calibre of its people. He further advised that:

We are statutory valuation specialists across all the work that we do supported by excellence and innovation in data management and provision of customer focussed services.⁷⁶

4.27 Dr Parker informed the Committee that, at this stage, Norton Crumlin is continuing to consult with management and staff on the development of the new strategy. At the General Meeting he added that the key elements were:

⁷² Dr Parker, [Transcript](#) of evidence, 15 June 2020, p10

⁷³ [Valuer General's responses to questions](#), 7 July 2020, p7

⁷⁴ Dr Parker, [Transcript](#) of evidence, 15 June 2020, pp 11-12

⁷⁵ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁷⁶ Private Committee briefing by Valuer General, 15 May 2020

to have a much closer focus on the administration of the governing statutes such as the Valuation of Land Act going forward. The second element was the intention for more of our valuers to spend their time valuing. The third key limb of the vision and strategy was the aim of balancing the pendulum to ensure our service is focused on the requirements of the Act, transparency, the New South Wales Government customer service commitments and the independence of the Valuer General⁷⁷

Customer service experience

4.28 The Valuer General advised that he was continuing to review customer service surveys in response to the Committee's recommendations from the Twelfth General Meeting. He explained that this would be a holistic review of methods including not only the outcome but '...all the steps leading up to the provision of information, dealing with landholders fairly, helping them with their questions and respecting their positions.'

4.29 Dr Parker stated that 'the objective was to develop better measures to assess customer service experiences.'⁷⁸ He emphasised balancing timeliness and legislative compliance with NSW Government customer service commitments.⁷⁹

Key performance indicators and timeliness

4.30 Key challenges identified during the performance periods 2017-18 and 2018-19 continued to be timeliness in determining objections and compensation. At the General Meeting, the Valuer General advised that KPIs and timeliness issues will be a key focus of the future strategy.⁸⁰ He further confirmed that, based on measurement and analysis of past performance, VGNSW had started to make improvements.⁸¹

The objections process

4.31 The 2018-19 reporting year saw an increased volume of objections, as the majority of 1 July 2018 land values were issued only for the purpose of determining land tax. The majority of objections received were therefore the result of a land tax assessment being issued.⁸²

4.32 An analysis of objections, undertaken in October/November 2019, identified a correlation between land value movement and objection volume and objection volume and the average review time per objection. At the same time, a reduced number of cases were taken by landholders to the Land and Environment Court.

⁷⁷ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p2

⁷⁸ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁷⁹ Private Committee briefing by Valuer General, 15 May 2020 and [Valuer General's responses to questions](#), 7 July 2020, pp 8-9

⁸⁰ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁸¹ [Valuer General's responses to questions](#), 7 July 2020, p9

⁸² [Valuer General, Annual Report 2018-19](#), pp 32

- 4.33 The Valuer General confirmed that changes made to how communication is managed with landholders, including how land value has been determined, have contributed to reduced objection volumes.⁸³

The compensation process

- 4.34 During the 2018-19 reporting year, a workshop was conducted to explore options to improve time frames for issuing determinations of compensation, whilst balancing the need for fairness to landholders. New practices, introduced in late 2019, encouraged timely provision of information from the landholder and acquiring authorities.⁸⁴
- 4.35 Information was required within seven days of compulsory acquisition. A consultation process was established with acquiring authorities to ascertain the likelihood of the matter proceeding and the risk rating of the project.
- 4.36 The Valuer General advised that this has prevented duplication of effort, thus enabling more effective management of resources.⁸⁵ In addition, valuations for compensation were increasingly being undertaken in-house, with a focus on further process developments to improve timeliness.⁸⁶

Statutory requirements and legal precedents

Valuation of Land Act 1916

- 4.37 The *Valuation of Land Act* establishes the role of the Valuer General and provides for the principal functions and processes constituting the NSW valuation system. The Valuer General designated his future priorities under the Act as being to:
- balance timeliness and legislative compliance with the NSW Government customer service commitments.;
 - provide a tailored evidence-based approach to communications with landholders, in particular ensuring that responses were transparent and included all relevant information; and
 - educate the public and set clear expectations.⁸⁷

Land Acquisition (Just Terms Compensation) Act 1991

- 4.38 The *Land Acquisition (Just Terms Compensation) Act* provides for the timing and processing of compulsory acquisitions and the role of the Valuer General in that process. At the General Meeting, the Valuer General pointed to a misalignment in the two statutory areas of valuation of land and compensation between the time periods specified in the Acts, and the level of public information and transparency now expected by the public.

⁸³ [Valuer General's responses to questions](#), 7 July 2020, p10

⁸⁴ [Valuer General, Annual Report 2017-18](#), p41

⁸⁵ [Valuer General's responses to questions](#), 7 July 2020, pp2-3

⁸⁶ [Valuer General's responses to questions](#), 7 July 2020, p11

⁸⁷ [Valuer General's responses to questions](#), 7 July 2020, p9

- 4.39 Dr Parker pointed out that higher levels of transparency, added to the time taken to process objections to valuations or compulsory acquisition reports, resulted in key performance indicators being adversely affected. He went on to observe that:

Somewhere in the middle there is a balance of process between providing sufficient time for landholders or dispossessed parties to consider the reports, versus the statutory timeframes that are provided.⁸⁸

Other legal issues

- 4.40 At the General Meeting, the Valuer General further noted that some inconsistencies had arisen between previous Committee recommendations and the current situation with law or court precedent. He advised that:

.....as time has passed, as the court has made a range of decisions, some of them have ceased to be aligned with what would now be acceptable in the court. We want to have a look at them and maybe come back to the Committee and discuss how we might deal with them.⁸⁹

International benchmarking review

- 4.41 During the 2018-19 reporting period, the Valuer General engaged the International Property Tax Institute to undertake a benchmark comparison study of the NSW valuation system. The study considered administration costs for valuation systems and quality assurance. The then Valuer General observed that he expected that the study would assist in the delivery of cost efficient services and support ongoing improvement of quality assurance.⁹⁰
- 4.42 At the General Meeting, the Acting Deputy Valuer General confirmed that while the first part of the study, relating to quality assurance, had been completed, the second part, relating to quality assurance services, was yet to be done.⁹¹
- 4.43 Additionally, the Valuer General advised that VGNSW is one of the top five valuation systems for rating and taxing jurisdictions ranked by IPTI worldwide. Key criteria for this rating include:
- ...the centralisation of information; the centralisation of oversight; ease of access to and standardised forms; consistent due dates; the right of appeal process to an independent body; the time frame for an appeal; and the way that the appeal process is administered.⁹²
- 4.44 In relation to quality assurance performance, the Valuer General also informed the Committee that valuation quality in the NSW valuation system, as measured against international valuation standards for accuracy, uniformity and equity has remained high and above targets across a number of recent reporting periods.

⁸⁸ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p4

⁸⁹ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁹⁰ [Valuer General, Annual Report 2018-19](#), p9

⁹¹ Mr Chudleigh, [Transcript](#) of evidence, 15 June 2020, p7

⁹² Dr Parker, [Transcript](#) of evidence, 15 May 2020, pp 6-7

Data management upgrade and ongoing innovative research

Valnet III

- 4.45 At the General Meeting, the Valuer General further emphasised the significance of his plans to seek funding for the proposed new data management system, Valnet III. He advised that Valnet III:

...will transform the way that we manage the New South Wales valuation system, which will be particularly important if we move to a new taxation basis replacing stamp duty with a broader-based land tax.⁹³

- 4.46 Mr Andrew Coffey, Acting Executive Director, explained that Valnet III would provide for much greater data capacity, as well as efficiency throughout the valuation system. He explained that:

What we are looking at, going forward, is a cloud-based system where it will run a database where we can actually capture data and hold a lot more data across the State. At the moment there is circa 2.6 million valuations done every year. At the moment our system does not allow us to really hold a lot of data to support a lot of that valuation work.⁹⁴

- 4.47 He further noted that, in addition to capturing data, the new software would enable added functionalities such as workflow and automated emails and checks through the system. At the time of the General Meeting, the Valuer General had submitted a proposal for \$26 million in funding for Valnet III, which had not yet been approved.⁹⁵

Research into automated valuation methodologies

- 4.48 During the 2018-19 reporting period, the then Valuer General signed a three year partnership agreement with the University of New South Wales, FrontierSI and others to develop an automated valuation tool using artificial intelligence. The Annual Report noted that the project was supported by funding from the partners in money and in kind, including \$2.9 million awarded through a Commonwealth funding grant.

- 4.49 The project was expected to deliver a number of benefits, including more information available to landholders through spatial integration. The Annual Report further advised that spatial information data was also being utilised to automate topographical and ground cover calculations, to provide accurate and reportable land classification estimates.⁹⁶

- 4.50 At the General Meeting, Dr Parker explained that the automated valuation model (AVM) was basically 'a computer black box that values land'. He estimated that it

⁹³ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁹⁴ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p10

⁹⁵ [Valuer General's responses to questions](#), 7 July 2020, p7

⁹⁶ [Valuer General, Annual Report 2018-19](#), p8

may take at least five years to come to fruition, noting that the challenge would be '...convincing the community that the black box works.'⁹⁷

- 4.51 Dr Parker confirmed that work with the University of New South Wales on the AVM would continue to be one of the main future focal points for VGNSW. He advised that:

...we see that as being the future of valuation for rating and taxing in New South Wales but we need to make sure it is right before we adopt it.⁹⁸

Market trends

Overview

- 4.52 In his prior briefing, the Valuer General provided a snapshot of NSW land values as determined at 1 July 2019, before the impact of the bushfires and COVID-19. He advised that approximately 2.6 million properties were valued for the 1 July land values and that there was an overall decrease of 5.4 per cent since the previous valuations at 1 July 2018. Over 57,000 property sales were analysed to validate the 1 July 2019 values.⁹⁹
- 4.53 For the reporting periods, the Valuer General advised that each of the main categories of land had increased in value since the last rating valuations were made at 1 July 2016.¹⁰⁰

Residential market

- 4.54 The overall increase for residential land was significantly less than other categories, following residential value falls in 2019. The Valuer General advised that following the 2017 valuation, residential values continued to rise to the market peak in late 2017. Though values fell after the peak, the 1 July 2018 values were still marginally higher than the 1 July 2017 values, with falls in values for residential lands continuing to 1 July 2019.
- 4.55 Factors cited by the Valuer General during that period included the banking royal commission, with tighter credit restrictions imposed on lending and uncertainty leading towards the Federal election.¹⁰¹ The Valuer General also noted that there was no single market across Sydney, and values in some localities were influenced by localised infrastructure investment, such as the metro rail line and continued updates of road networks.¹⁰²

Commercial and industrial markets

- 4.56 During the years under review, the commercial and industrial markets continued to increase, though with less growth in 2019. The Valuer General noted that factors influencing commercial values at that time included low commercial

⁹⁷ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁹⁸ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

⁹⁹ Private Committee briefing by Valuer General, 15 May 2020

¹⁰⁰ [Valuer General's responses to questions](#), 7 July 2020, p4

¹⁰¹ [Valuer General's responses to questions](#), 7 July 2020, p4,

¹⁰² Private Committee briefing by Valuer General, 15 May 2020

vacancy rates, as well as increased demand in development areas and for sites with improved access to markets resulting from infrastructure projects.

- 4.57 In relation to industrial land, the Valuer General similarly noted a significant increase in demand for large sites close to the Sydney market, as well as in regional areas, as a result of infrastructure projects.¹⁰³

Rural market

- 4.58 The rural market remained strong in the period under review, despite drought conditions. In 2019, the increases continued but at a slower pace, due to severe drought conditions in some locations.

- 4.59 The Valuer General observed that the overall rural market had been influenced by a limited supply of rural holdings available on the market. Additional factors included existing property owners aggregating holdings, continued strong commodity prices for beef and lamb and local infrastructure projects such as the inland rail, Snowy 2.0 and increased highway upgrades.¹⁰⁴

Committee Comment

- 4.60 The Committee welcomes the comprehensive information provided by the Valuer General, updating the Committee on the two reporting periods under review as well as outlining his response to the sweeping changes which have occurred since that time.
- 4.61 As previously detailed, the years 2017-2019 were the prelude to a new era for the valuation system. The significant changes already referred to in Chapter 1 include administrative and structural realignments, resulting in the establishment of the new entity VGNSW.
- 4.62 Since January 2020, New South Wales and its land valuation system have been significantly challenged by catastrophic summer bushfires, followed by the onset of the COVID-19 pandemic. At the same time, the NSW Government has indicated the possible abolition of stamp duty on property, as well as potential further tax reforms, including the likely introduction of land tax.¹⁰⁵ All of these issues have major implications for the future work program and resources of the Valuer General.
- 4.63 The Committee notes with particular interest the Valuer General's announced plan for 2021 to focus on six main areas. These include: reviewing the customer service experience; re-evaluating the effectiveness and relevance of key performance indicators for the processing of objections and assessments of compensation for compulsory land acquisitions; undertaking an investigation of the statutory bases of the Valuer General's processes; reviewing consistency of

¹⁰³ [Valuer General's responses to questions](#), 7 July 2020, p4

¹⁰⁴ Private Committee briefing by Valuer General, 15 May 2020

¹⁰⁵ A Smith and M Wade, Perrottet's recovery plan to axe 'inefficient' stamp duty, payroll taxes, [smh.com.au](#), 2 May 2020, [article](#) viewed 2 September 2020

policies and procedures with court precedents; upgrading the database for the valuation system, in addition to assessing the adequacy of the software to address future demands; and supporting ongoing innovative research into the use of automation in the valuation system to improve accuracy and efficiency;¹⁰⁶

- 4.64 The Committee looks forward to further discussions with the Valuer General about the outcomes of the planned re-assessments of functions and operations at the next General Meeting and future briefings, should the Valuer General seek the opportunity to have additional consultations.
- 4.65 In a departure from its usual practice, the Committee refrains from making any recommendations until the next General Meeting in 2021. This is due to the magnitude of the changes which have transformed the valuation system and its administration since the last General Meeting. It also acknowledges that the new Valuer General has only recently taken up his appointment at the helm of a newly restructured organisation and this provides a gestation period for reviews and plans to be progressed and implemented.
- 4.66 The Committee notes that it is seven years since the JSCOVG conducted its Inquiry into the Land Valuation System and published its report in May 2013.¹⁰⁷ The Committee will therefore be especially interested to learn of any improvements which the Valuer General may identify in his review of the alignment of his operations with the governing legislation, namely the *Valuation of Land Act 1916* and the *Land Acquisition (Just Terms Compensation) Act 1991*.

¹⁰⁶ Dr Parker, [Transcript](#) of evidence, 15 June 2020, p3

¹⁰⁷ Parliament of NSW, Joint Standing Committee on the Office of the Valuer General, [Inquiry into the Land Valuation System](#), 21 January 2013

Appendix One – Terms of reference

Legislative Assembly Votes and Proceedings no 10, Tuesday 18 June 2019, entry no 13:

PARLIAMENTARY COMMITTEES

Mr Andrew Constance moved, by leave, that the following motions for the establishment of Parliamentary committees and the appointment of members be agreed to:

(9) Joint Standing Committee on the Office of the Valuer-General

That:

- (1) A Joint Standing Committee, to be known as the Joint Standing Committee on the Office of the Valuer-General be appointed.
- (2) The Committee's functions be:
 - (a) to monitor and review the exercise of the Valuer-General's functions with respect to land valuations under the Valuation of Land Act 1916 and the Land Tax Management Act 1956, 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 contracts,
 - (b) to report to both Houses of Parliament, with such comments as it thinks fit, on any matter connected with the exercise of the Valuer-General's functions referred to in paragraph (a) to which, in the opinion of the Committee, the attention of Parliament should be directed,
 - (c) to report to both Houses of Parliament any change that the Committee considers desirable to the Valuer-General's functions referred to in paragraph (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.
- (3) The functions of the Committee not extend to the investigation of any matter relating to or arising from a particular valuation of a specific parcel of land.
- (4) The Committee consist of five members as follows:
 - (a) three members of the Legislative Assembly of whom two must be Government members and one must be a non-Government member, and
 - (b) two members of the Legislative Council of whom one must be a Government member and one must be a non-Government member.

- (5) Mr Stephen Kamper, Mr Geoff Provest, and Mr Nathaniel Smith be appointed to serve on the Committee as the members of the Legislative Assembly.
- (6) Notwithstanding anything contained in the standing orders of either House, at any meeting of the Committee, any three members of the Committee shall constitute a quorum, provided that the Committee meets as a joint committee at all times.
- (7) The Committee have leave to make visits of inspection within the State of New South Wales and other States and Territories of Australia.
- (8) A message be sent acquainting the Legislative Council of the resolution and requesting the Legislative Council appoint two of its members to serve with the members of the Legislative Assembly on the Committee, and to fix a time and place for the first meeting.

Legislative Council Minutes no 10, Wednesday 19 June 2019, entry no 11:

On the order of the day for consideration of the Legislative Assembly's messages of 18 June 2019 being read, Mr Harwin moved:

- (7) **Joint Standing Committee on the Office of Valuer-General**
 1. That this House agrees to the resolution in the Legislative Assembly's message of Tuesday 18 June 2019 relating to the appointment of a Joint Standing Committee on the Office of the Valuer-General.
 2. That the representatives of the Legislative Council on the Joint Standing Committee on the Office of the Valuer-General be the Hon Scott Farlow and the Hon Mick Veitch.
 3. That on the time and place for the first meeting being determined by the House a message be forwarded to the Legislative Assembly.

Appendix Two – Conduct of inquiry

- 4.1 On 15 May 2020, the Valuer General provided a private briefing to the Committee at Parliament House, outlining changes which had occurred in the administration of the Valuer General since the Twelfth General Meeting as well as a number of emerging issues.
- 4.2 On 15 June 2020, the Committee conducted the Thirteenth General Meeting with the Valuer General at Parliament House. During the hearing, the Valuer General was examined on the Annual Reports for the reporting periods of 2017-18 and 2018-19 and his plans for the future.
- 4.3 On 29 June, the Committee sent additional written questions to the Valuer General, further to the General Meeting. On 7 July 2020, the Valuer General provided written responses to questions taken on notice during evidence taken at the General Meeting, as well as answers to additional questions in writing. The Valuer General also provided a summary of progress made in implementing the recommendations from the Committee's report on the Twelfth General Meeting.
- 4.4 These documents are available on the Committee's website and are cited in footnotes to this report on the Thirteenth General Meeting.

Appendix Three – Witnesses

15 June 2020

Parliament House, Macquarie Room, Sydney, NSW

| Witness | Position and Organisation |
|---------------------|--|
| Dr David Parker | Valuer General, Valuer General NSW |
| Mr Paul Chudleigh | Acting Deputy Valuer General, Valuer General NSW |
| Mr Andrew Coffey | Acting Executive Director, Valuer General NSW |
| Mr Paul Goldsmith | Director Compensation and Special Valuations, Valuer General NSW |
| Mr Michael Davidson | Principal Valuer, Objections and Appeals, Valuer General NSW |

Appendix Four – Extracts from minutes

MINUTES OF MEETING No 3

1:30 pm, Friday 15 May 2020

Room 1136, Parliament House and via WebEx videoconference

Members present (by videoconference)

Mr Nathaniel Smith (Chair), Mr Scott Farlow (Deputy Chair), Mr Stephen Kamper, Mr Shaoquett Moselmane

Representatives of the Office of the Valuer General (by videoconference)

Dr David Parker, Valuer General

Mr Paul Chudleigh, Acting Deputy Valuer General

Mr Paul Goldsmith, Director Compensation and Special Valuations

Ms Louise Robinson, Executive Officer

Officers in attendance

Bjarne Nordin, Jacqueline Linnane, Jacqueline Isles (by videoconference)

1. Apologies

Mr Geoff Provest

2. Briefing by the NSW Valuer General

The Chair welcomed the Valuer General and senior staff.

The Valuer General briefed the Committee on developments regarding the NSW land valuation system and invited questions.

Discussion ensued.

3. Forward program

The Committee agreed to conduct a public hearing for the 13th General Meeting in June 2020.

4. Next meeting

The Committee adjourned at 3:37pm until a time and date to be determined.

MINUTES OF MEETING No 4

1:20 pm, Monday, 15 June 2020

Macquarie Room, Parliament House

Members present

Mr Nathaniel Smith (Chair), Mr Scott Farlow (Deputy Chair), Mr Stephen Kamper, Mr Shaoquett Moselmane

Officers in attendance

Bjarne Nordin, Jacqueline Isles, Ze Nan Ma

Apologies

Mr Geoff Provest

1. Apologies

Mr Geoff Provest

2. Confirmation of minutes

Resolved, on the motion of Mr Farlow, seconded by Mr Moselmane: That the minutes of meetings No. 2 and No. 3 of 13 November 2019 and 15 May 2020 be confirmed.

3. Correspondence

Resolved, on the motion of Mr Farlow, seconded by Mr Moselmane: That the letter received from Dr David Parker, Valuer General, dated 14 February 2020, announcing his appointment as Valuer General and his letter dated, 22 May 2020, correcting information provided at the informal briefing held on 15 May 2020 be noted.

4. Public hearing

Resolved, on the motion of Mr Farlow, seconded by Mr Moselmane:

- That the Committee invites the witnesses listed in the notice of the public hearing for Monday, 15 June 2020 to give evidence in relation to the Thirteenth General Meeting with the Valuer General.
- That the Committee authorises the audio-visual recording, photography and broadcasting of the public hearing on 15 June 2020 in accordance with the NSW Legislative Assembly's guidelines for coverage of proceedings for parliamentary committees administered by the Legislative Assembly.
- That the corrected transcript of evidence given on 15 June 2020 be authorised for publication and uploaded on the Committee's website.
- That witnesses be requested to return answers to questions taken on notice within 7 days of the date on which the questions are forwarded, and that once received, answers be published on the Committee's website.
- That documents tendered during the public hearing be accepted by the Committee and published on the Committee's website.

5. ***

6. Adjournment

The Committee adjourned at 1:21 pm to conduct the public hearing.

7. Thirteenth General Meeting with the Valuer General

The Chair opened the public hearing at 1:30 pm

Witnesses and the public were admitted.

The following witnesses were sworn and examined:

- Dr David Parker, Valuer General, Valuer General NSW
- Mr Paul Chudleigh, Acting Deputy Valuer General, Valuer General NSW
- Mr Paul Goldsmith, Director Compensation and Special Valuations, Valuer General NSW
- Mr Michael Davidson, Principal Valuer, Objections and Appeals, Valuer General NSW

The following witness was affirmed and examined:

- Mr Andrew Coffey, Acting Executive Director, Valuer General NSW

Next Meeting

The Committee adjourned at 2:45 pm until a time and date to be determined.

MINUTES OF MEETING No 5

11:30am, Tuesday, 22 September 2020

Room 1254, Parliament House

Members present

Mr Nathaniel Smith (Chair), Mr Scott Farlow (Deputy Chair), Mr Stephen Kamper, Mr Daniel Mookhey, Mr Geoff Provest (by videoconference)

Officers in attendance

Elaine Schofield, Bjarne Nordin, Jacqueline Isles, Ze Nan Ma

1. Apologies

There were no apologies.

2. Change of Committee membership

The Chair advised that the following changes had been made to the membership of the Committee:

- Mr Moselmane was discharged from the Committee on 5 August 2020.
- Mr Mookhey was appointed to replace Mr Moselmane by resolution of the Legislative Council on 5 August 2020 (V&P No 61, Entry 10).

3. Confirmation of minutes

Resolved, on the motion of Mr Farlow seconded by Mr Kamper: That the minutes of Meeting No. 4 dated 15 June 2020 be confirmed.

4. Thirteenth General Meeting with the Valuer General

The Chair invited comment on the previously circulated draft report.

Resolved, on the motion of Mr Farlow seconded by Mr Kamper:

- That the Committee considers the Chair's draft report as circulated.
- That the Committee adopts the draft report [as amended] and signed by the Chair for presentation to the House, and authorises Committee staff to make appropriate final editing and stylistic changes as required.
- That once tabled, the report be published on the Committee's webpage.

5. ***

6. Next Meeting

The Committee adjourned at 11.36 am until a time and date to be determined.