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Valuer General NSW

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From the Valuer General

I am pleased to present the 2019–20 Annual Report for Valuer General New South Wales (VG NSW).

As Valuer General I am responsible for providing independent and impartial valuations for use by councils and the state government for levying rates and taxes and determining compensation for landowners when their land is compulsorily acquired.

The following report highlights the activities of VG NSW and provides information on performance across the valuation system.

Many of the service and governance improvements detailed in this report are a result of recommendations made by the Joint Standing Committee on the Office of the Valuer General. I thank the Committee for their engagement and ongoing contribution.

Recommendations of the Joint Standing Committee

The Committee tabled its report on the Twelfth General Meeting with the Valuer General on 14 November 2018 and made the following recommendations, to which VG NSW has responded:

- Recommendation 1: The Committee recommends that the Valuer General introduces specific penalties under the terms of contract with contract valuers to strengthen deterrence against breaches of conflict of interest and to more effectively protect the independence of the OVG, where valuations are delegated to external contractors;
- Recommendation 2: The Committee recommends that the Valuer General formalises a consultation process with key acquiring authorities to rank the complexity of negotiations on a risk management basis to prevent unnecessary duplication of effort in delivering compensation for compulsory acquisitions;
- Recommendation 3: The Committee recommends that the Valuer General publishes regular updates in the next Annual Report on any privacy issues resulting from the land valuation system, particularly in relation to the management of personal information and its adherence to the Privacy Management Plan of the Department of Finance, Services and Innovation;
- Recommendation 4: The Committee recommends that the Valuer General continues to develop initiatives to assess customer service experience and expands options to receive feedback to better inform future business improvement activities;
- Recommendation 5: The Committee recommends that the Valuer General expands multicultural media coverage as part of a future media and community education strategy to ensure that landholders from non-English speaking backgrounds are adequately informed about the land valuation system in NSW, their rights in relation to objections to valuations for rating and taxing, and to compensation in the case of compulsory acquisitions; and
- Recommendation 6: The Committee recommends that the Valuer General continues to review land valuation methodologies and techniques of quality assuring land values and provides regularly updated information to NSW landholders about improvements to quality assurance and verification programs.

2019-20 Achievements

In the year under review, VG NSW maintained a strong focus on the implementation of the relevant Acts, transparency, the NSW Government Customer Service Commitments and maintaining the independence of the role of the Valuer General. Key achievements by VG NSW in 2019-20 included:

- formation of VG NSW following the merger of the Office of the Valuer General and Valuation Services;
- the appointment of a new Valuer General;
- the development of a vision and strategy for VG NSW;
- amendments to the objection process to more closely adhere to the Valuation of Land Act 1916 and the requirements of the Land & Environment Court;
- publication of the *Review of the impact of bushfires on land values*; and
- publication of the *Review of COVID-19 on the NSW property market*.

2020-21 Future initiatives

VG NSW advised the Committee of the following future initiatives for 2020-21 at its meeting on 15 June 2020:

- holistic customer service surveys;
- timeliness and KPIs for the objection process;
- timeliness for the compulsory acquisition process;
- clarification of previous Joint Standing Committee recommendations to ensure consistency with law or court precedent;
- Valnet III funding; and
- automated valuation modelling development with the University of NSW.

Along with this report you can find further statutory reporting in the Annual Report of the Department of Planning, Industry and the Environment.

Finally, I would like to thank the staff of VG NSW and our contract valuers for their efforts during 2019-20.



Dr David Parker

Valuer General

1. Introduction

1.1 Role of the Valuer General

The Valuer General is an independent statutory officer 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 compulsory acquired by government.

The independence of the Valuer General ensures a clear separation between the impartial land valuation process and how state and local government use the valuations for levying rates and taxes or for determining compensation following the compulsory acquisition of land.

The Valuer General's responsibilities include:

- setting standards and policies for the valuation system through the publication of the Valuer General's policies. The policies assist landholders to better understand the valuation process and provide clear guidance to valuers on a range of valuation methods and practices;
- monitoring the quality of land values produced by contract valuers;
- monitoring the management of contract valuers; and
- providing professional leadership and stewardship to the valuation industry.

1.2 Role of Valuation Services

For the period to 19 January 2020, Valuation Services (a division of Property NSW) provided valuation services to the Office of the Valuer General as detailed in Appendix 1.

From 20 January 2020, Valuation Services was merged with the Office of the Valuer General to form Valuer General New South Wales (VG NSW).

2. Organisational summary

The Valuer General's vision is to provide a world class valuation system with integrity that inspires public confidence and trust.

The Valuer General's strategic plan sets the direction towards the delivery of a fair, transparent and accessible valuation system.

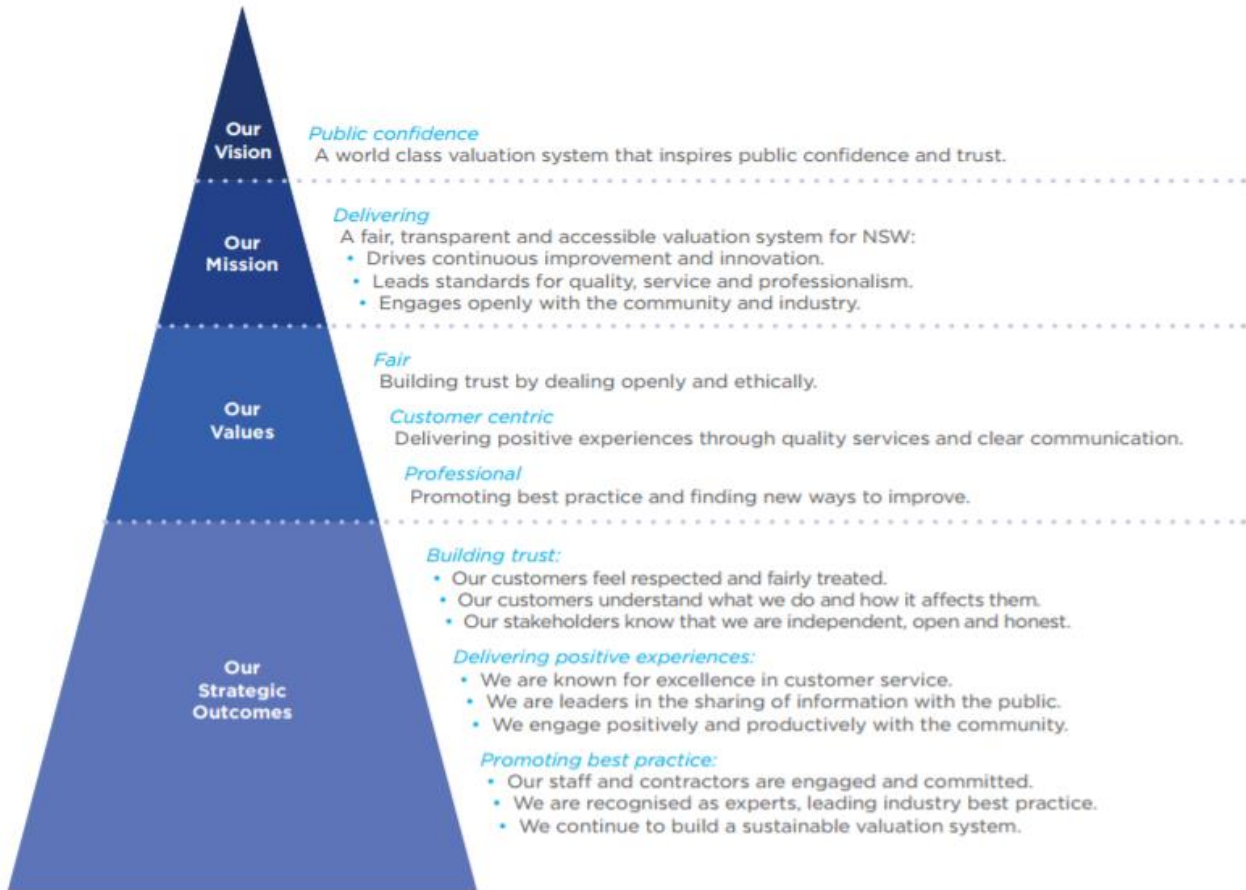


Figure 1: Valuer General NSW Vision

2.1 Operative legislation

The Valuation of Land Act 1916 establishes the Office of the Valuer General and sets out the functions and authority under which the Valuer General operates with respect to the valuation of land and as the custodian of the Register of Land Values. The Valuer General also determines compensation under the Land Acquisition (Just Terms Compensation) Act 1991.

2.2 Valuer General New South Wales

For the period to 19 January 2020, the Office of the Valuer General provided day to day support to the Valuer General, including the setting of objectives, standards and policies for the operation of the valuation system, monitoring the performance of Valuation Services, providing support for the Valuer General in addressing ministerial and parliamentary enquiries, developing public information, responding to public enquiries and investigating complaints. The Valuer General's salary is determined annually by the Statutory and Other Offices Remuneration Tribunal.

For the period to 19 January 2020, Valuation Services, a division of Property NSW and now part of the Department of Planning, Industry and Environment, operated the valuation system on behalf of the Valuer General.

For the period since 20 January 2020, the Office of the Valuer General and Valuation Services have merged to form Valuer General NSW (VG NSW) which undertakes all those activities previously undertaken by the predecessor bodies with the following organisational structure:

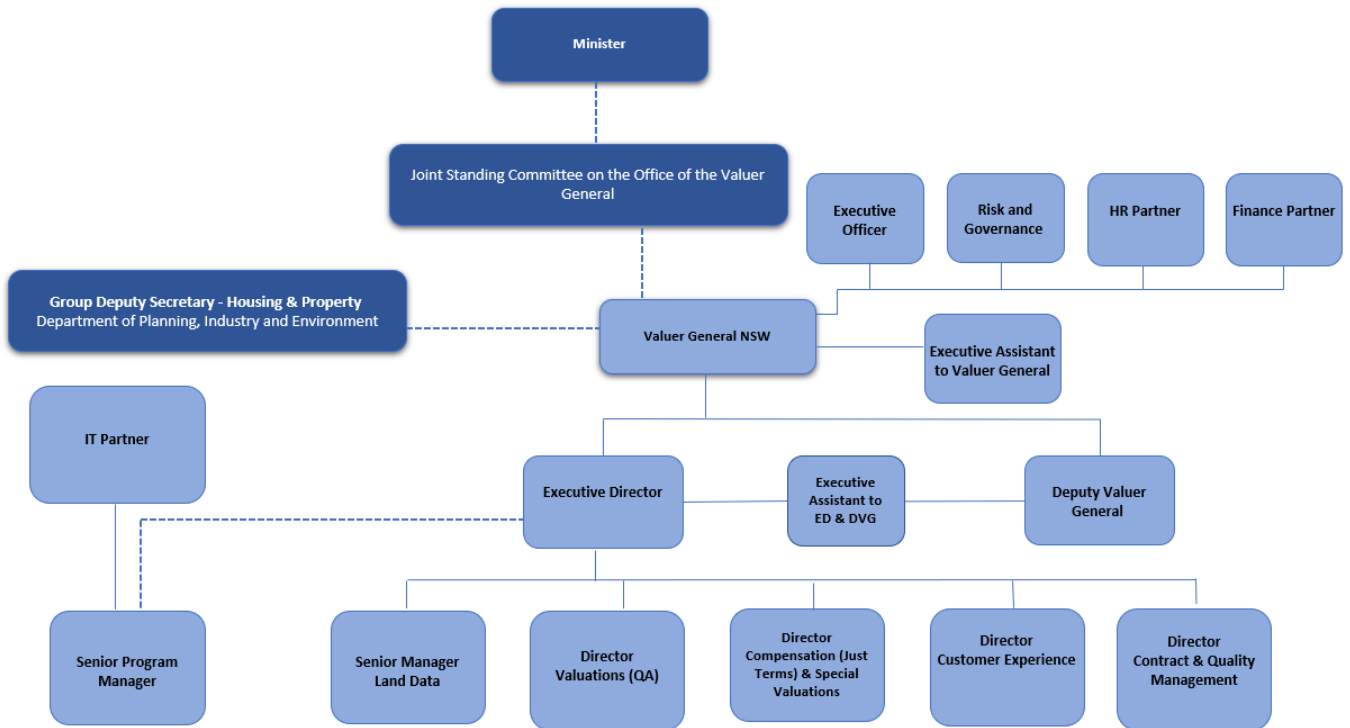


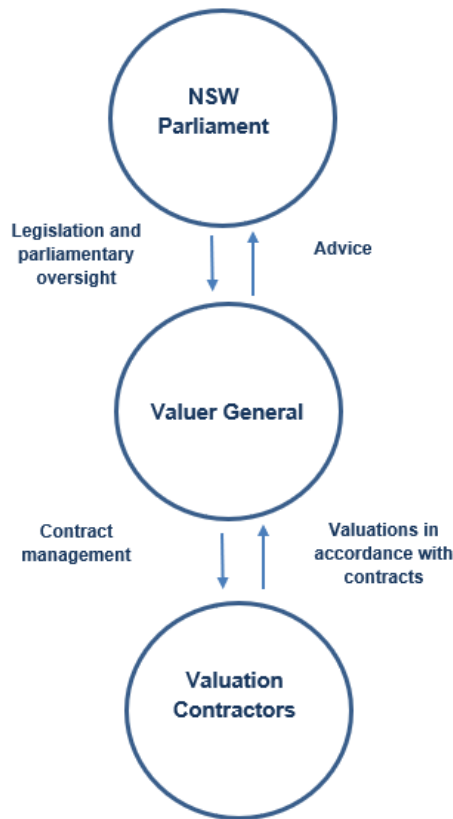
Figure 2: VG NSW Org Structure

As a statutory officer, the NSW Constitution precludes the Valuer General from directly employing staff. Those staff comprising VG NSW are employed by the Department of Planning, Industry and the Environment and may be referred to as members of the Valuer General’s staff under the Government Sector Employment Act 2013.

2.3 Structure of the valuation system

For the period to 19 January 2020, the structure of the valuation system was as shown in Appendix 3. From 20 January 2020, the structure of the valuation system is as shown below:

Figure 3: VG NSW Structure



3. Governance of the valuation system

3.1 Governance structure of the valuation system

Following the merger of the Office of the Valuer General and Valuation Services on 20 January 2020, a transitional governance structure was adopted as shown below:

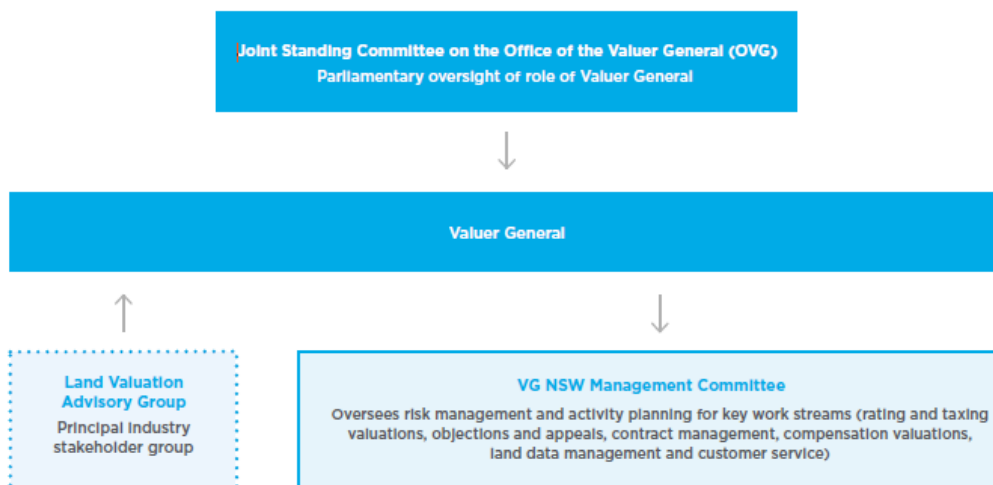


Figure 4: Governance structure of the valuation system

Prior to the merger of the Office of the Valuer General and Valuation Services on 20 January 2020, the governance structure of the valuation system was as shown in Appendix 4.

3.2 Joint Standing Committee on the Office of the Valuer General

The Joint Standing Committee on the Office of the Valuer General was established in 2004 to monitor and oversee the functions of the Valuer General and reports to the NSW Parliament.

The Committee tabled its report on the Twelfth General Meeting with the Valuer General on 14 November 2018. For more information see section 4.1.

A resolution was passed on the 18 June 2019 in the Legislative Assembly for the establishment of a Joint Standing Committee on the Office of the Valuer General for the 57th parliament.

The Committee held an informal meeting with VG NSW on 15 May 2020 and the Thirteenth General Meeting with the Valuer General was held on 15 June 2020 to review the 2017-18 and 2018-19 Annual Reports for which the Committee has yet to table its report.

3.3 Land Valuation Advisory Group

The Land Valuation Advisory Group comprises representatives of valuation industry groups and stakeholders. The group was formed in 2000, following the *Report of Inquiry into Operation of the Valuation of Land Act* (the Walton report) in 1999.

The primary focus of the group is to monitor and improve the ongoing quality of land values and provide advice to the Valuer General on the application of mass land appraisal techniques.

The Group met once during the year on 25 November 2019 and considered the following matters:

- publication of benchmark component reports to assist landholders in understanding how their property was valued;
- outcomes of research into customer sentiment by the media monitoring firm, Meltwater
- sign up rates for email delivery of Notices of Valuation through Service NSW;
- value movements for the 1 July 2019 land values and factors affecting the property market outcomes of objections to land values;
- findings from the 2019 quality assurance program; and
- utilising members' organisations to promote the role and functions of the Valuer General.

3.4 VG NSW Management Group

The VG NSW Management Group replaced the Valuation Joint Steering Committee and the Property NSW/OVG Liaison Meeting following the merger of the Office of the Valuer General and Valuation Services on 20 January 2020.

The role of the former Valuation Joint Steering Committee is summarised in Appendix 5.

The VG NSW Management Group comprises the Valuer General, Deputy Valuer General, Executive Director VG NSW and Directors, meeting on a monthly basis.

The role of the VG NSW Management Group comprises overseeing the risk management and activity planning for each VG NSW business and may be summarised as follows:

- review of monthly management report from each VG NSW business;
- review of business performance against KPIs;

- review of projects underway within each business line; and
- monitoring of staff movements and recruitment needs.

3.5 Service level agreement

Prior to the merger of the Office of the Valuer General and Valuation Services on 20 January 2020, Valuation Services provided a range of services to the Office of the Valuer General through a Service Level Agreement, as summarised in Appendix 6.

3.6 External service agreements

A service level agreement is in place between the Chief Commissioner of State Revenue and the Valuer General for the period 1 July 2017 to 30 June 2020.

A memorandum of understanding is in place between the Valuer General, the Registrar General and NSW Land Registry Services. NSW Land Registry Services provides services to the Valuer General previously undertaken by Land and Property Information.

3.7 Conflicts of interest

Conflicts of interest are managed as part of the risk management framework and governance arrangements of VG NSW. VG NSW complies with NSW Government guidelines on corruption prevention, audit and risk management, fairness and probity in procurement and the establishment of valuation contracts.

Potential or perceived conflicts of interests concerning VG NSW and DPIE employees, relations with HAP and Property NSW within DPIE and compulsory acquisition stakeholders are managed systematically through the DPIE cross-functional procedure *Property related declaration of interests for VG NSW and DPIE workers* which is being progressively updated and embedded into day-to-day practices.

Conflict of interest declarations are managed through the DPIE annual and occasional staff declaration process and through declarations specific to individual procurement contracts.

Generally, conflict of interest is managed in DPIE as follows:

- VG NSW and DPIE staff are personally responsible for identifying, assessing, declaring and actively managing any actual, perceived or potential conflicts of interest that arise in the course of their work;
- the Conflict of Interest Management Plan requires any individual to complete a Declaration of Conflicts of Interest form:
 - when commencing work with VG NSW;
 - when changing roles;
 - when their circumstances or private interests change; and/or
 - when a new conflict of interest arises;
- any individual employed, appointed or otherwise attached to VG NSW or DPIE whether on an ongoing, temporary, contract, casual, or voluntary basis, must complete a conflict of interest declaration as soon as one has been identified;
- completed forms need to be approved by the individual's manager and an agreed and documented strategy put in place to manage any real or perceived conflicts that are declared.

- to support the effective implementation of these standards, DPIE is developing an online Conflicts of Interest Declaration form and an e-register. The e-register will enable accurate recordkeeping, monitoring and compliance; and
- a conflict of interest training program is in development and is scheduled to be rolled out to VG NSW and DPIE staff, including contractors, across 2020 – 2021.

3.7.1 Conflict of interest - rating and taxing

Rating and taxing contractors are required to have a plan to manage and mitigate conflicts of interest in the contract area related to land values. Contractors must maintain disclosure of all properties in which valuers and their families and associates hold an interest. During the year, potential conflicts of interest were recorded and mitigated by one rating and taxing contractor.

During the year, VG NSW managed two perceived conflicts of interest related to staff members. VG NSW put a plan in place to preclude the staff member from involvement with those rating and taxing contractors.

Objection contractors are required to disclose conflict of interest during the procurement of objection services or notify VG NSW as soon as it arises. Three contractors ceased providing objection and other services to VG NSW after conflicts were identified.

During the year, one conflict of interest was recorded for an objection contractor. This resulted in the removal of the objection contractor from the matter and another objection contractor was appointed. A performance issue was recorded against the contractor for breach of their conflict of interest requirements.

4. Year in review

4.1 Joint Standing Committee on the Office of the Valuer General

4.1.1 Recommendations from the Twelfth General Meeting with the Valuer General

The Twelfth General Meeting with the Valuer General was held on 21 September 2018. The Committee reviewed the Valuer General's annual report for 2016-17 and tabled their report on 14 November 2019, making the following recommendations to which VG NSW has responded:

Recommendation 1

The Committee recommends that the Valuer General introduces specific penalties under the terms of contract with contract valuers to strengthen deterrence against breaches of conflict of interest and to more effectively protect the independence of the OVG, where valuations are delegated to external contractors.

Status: Completed

Current rating and taxing contracts, which commenced from 1 March 2019, provide strong deterrents against breaches of conflict of interest and afford protection of the Valuer General's independence. Deterrents include indemnity, rectification, recovery of losses and

termination. If, for example, the Valuer General becomes aware of non-compliance by the contractor, it may require rectification of the non-compliance if it incurs losses. Moreover, where another contractor is retained to undertake the services, it may seek to recover some from the original contractor and/or may terminate the contract with the original contractor.

Recommendation 2

The Committee recommends that the Valuer General formalises a consultation process with key acquiring authorities to rank the complexity of negotiations on a risk management basis to prevent unnecessary duplication of effort in delivering compensation for compulsory acquisitions.

Status: Completed

A consultation process is in place to avoid duplication of effort around determinations for compulsory acquisitions. However, the Valuer General retains the right to exercise discretion to commence work on matters considered appropriate.

Roads and Maritime Services and Transport for NSW have been consulted and both support the Valuer General commencing work upon receipt of a proposed acquisition notice, however they request a pragmatic approach whereby the Valuer General prioritises high risk acquisitions along with regular communication regarding matters which settle or are likely to settle. Examples of high risk would be financial penalties (i.e. if vacant possession is delayed), major infrastructure projects, or a high-profile matter that is likely to receive political and media attention.

The following measures have been introduced to mitigate the situation:

- regular meetings between the Valuer General and the major acquiring authorities. At these meetings, the Valuer General discusses and ranks the complexity of the negotiations between the acquiring authority and their claimants. This gives a clearer indication of the likelihood of gazettal. This action is a standing item on the meetings' agenda;
- upon receipt of a proposed acquisition notice, the Valuer General formally obtains feedback from acquiring authorities on the likelihood of the matter proceeding to compulsory acquisition and the risk rating for the project. This information is recorded in the Just Terms Manager, a centralised document exchange portal. The main benefits of improved consultation with acquiring authorities are better visibility of upcoming projects, improved understanding of the scale and complexity of projects and improved understanding of individual matters likely to settle. This allows the Valuer General to more effectively manage resourcing and minimise duplication of effort, particularly for matters that settle through negotiation.

Recommendation 3

The Committee recommends that the Valuer General publishes regular updates in the next Annual Report on any privacy issues resulting from the land valuation system, particularly in relation to the management of personal information and its adherence to the Privacy Management Plan of the Department of Finance, Services and Innovation.

Status: Completed

The Valuer General's 2017-18 Annual Report included content on the management of personal information and privacy issues. This was the first time personal information and privacy issues were included in the Valuer General's annual report. Reporting will be

updated as required. The relevant Privacy Management Plan for VG NSW is now that of the Department of Planning, Industry and Environment.

Recommendation 4

The Committee recommends that the Valuer General continues to develop initiatives to assess customer service experience and expands options to receive feedback to better inform future business improvement activities.

Status: Completed and ongoing

Five surveys are currently undertaken to assess customer service. These address various aspects of the customer journey including compulsory acquisition, call centre service, technical advice, the objection process and facilitated conferences, review of surveys and feedback mechanisms. Following low levels of take-up of the current surveys, the surveys were externally reviewed to evaluate their effectiveness and outcomes. The recommendations have been reviewed and a holistic approach to assess the customer service experience is being developed.

Recommendation 5

The Committee recommends that the Valuer General expands multicultural media coverage as part of a future media and community education strategy to ensure that landholders from non-English speaking backgrounds are adequately informed about the land valuation system in NSW, their rights in relation to objections to valuations for rating and taxing, and to compensation in the case of compulsory acquisitions.

Status: Completed

In January 2019 the Valuer General expanded the reach of the annual media program to include the translation of the state-wide media release into the top five culturally and linguistically diverse languages (CALD) in NSW and distribution to multicultural media outlets. The translation of media releases was expanded for the 2020 media program to the top ten CALD languages. Translated media releases are published on the Valuer General's website.

For the first time in January 2020, the Valuer General's newsletter was translated and published on the Valuer General's website in the top ten CALD languages.

Information about the land valuation system in NSW, objections to valuations and the determination of compensation for land that is compulsorily acquired is on the VG NSW website in the top ten CALD languages. This information is also available in printed form when requested.

An interpreter service is available for customers.

Recommendation 6

The Committee recommends that the Valuer General continues to review land valuation methodologies and techniques of quality assuring land values and provides regularly updated information to NSW landholders about improvements to quality assurance and verification programs.

Status: Completed

Land valuation methodologies

Land valuation methodologies will continue to be reviewed.

Four new Valuer General policies have been published providing direction to valuers and transparency to customers on the valuation of land used for:

- cemeteries and crematoria;
- coal mining;
- metalliferous mining; and
- extractive industries.

The Valuer General has entered into a three-year partnership agreement, commencing 1 July 2019, as part of the 'Value Australia' project, working with the University of New South Wales, Frontier SI and others. The project aims to provide an automated alternate valuation methodology using artificial intelligence, with accuracy to be tested against the current component methodology. The automated methodology could be applied for relevant/suitable property types, improving efficiencies in the valuation and quality assurance process. If successful, the methodology is expected to be several years away from implementation.

The Valuer General is working in partnership with Department of Primary Industries (within Department of Planning, Industry and Environment) and Spatial Services (Department of Customer Service) to map rural land classifications. The project (Valmap) aims to provide automated land classifications, combining soil types, slope, vegetation and land use data to improve the accuracy and consistency of rural land values through datasets and satellite imagery. The classifications will be available to the public.

The Valuer General has completed a study to determine the impact of bushfires on land values, following the recent bushfire crisis across NSW. The study reviewed sales data before, during and after previous bushfires and compared value changes to non-affected areas and general market movements.

The study found the impact of these fires on land values is dependent on a range of factors including the:

- location of properties in bushfire affected areas;
- proportion of properties damaged; and
- level of demand for land in that area.

The study also found the impact on land values varied from little or no change to a 30% decrease in land value.

The study will be considered when determining land values for bushfire affected areas.

In addition, studies into valuation methodology have also been completed for: water infrastructure lands, telecommunication tower sites, airport lands, quarries, and cemetery and crematoria lands to assist in developing policy and best practice for these property types.

Quality assurance and verification

Techniques of quality assuring land values will continue to be reviewed. Development of the annual QA program takes into consideration learnings from previous years' programs for continuous improvement.

For low risk properties, the frequency of verification of the accuracy of the land values and property data has increased from every six to every five years.

New initiatives were implemented in 2019 to improve quality assurance processes and ensure data is transparent, consistent and of high quality. These initiatives comprised:

- expanding digital delivery of data from contract valuers to include added value of improvement information and digital delivery of supporting information from contractors to explain statistical variances. Data was previously provided by pdf;
- development of standard benchmark codes and the inclusion of Australian Valuation Property Classification codes on the Register of Land Values to group similar properties, and review consistency of values across components, districts and contract areas; and
- information to landholders - public information about quality assurance and land value verification is available from the following sources:
 - the Valuer General’s annual report which addresses the overall quality assurance program;
 - the Valuer General’s Report on NSW land values which includes measures for valuation quality and verification;
 - the Valuer General now publishes the annual Quality Assurance Plan and a summary of the outcomes of the Quality Assurance Program on the Valuer General’s website. The first summary published addressed quality assurance for 1 July 2018 land values and the first Quality Assurance Plan published was for the 1 July 2019 land values; and
 - the Valuer General’s January 2020 newsletter which contained information to landholders about improvements in quality assurance and where to find more information on the Valuer General’s website.

At the time of publication all recommendations had been completed except the assessment of customer survey experience. Five surveys are currently undertaken to assess customer service, addressing various aspects of the customer journey including: compulsory acquisition, call centre service, technical advice, the objection process and facilitated conferences.

Following low levels of take-up of the current surveys, the surveys were externally reviewed to evaluate their effectiveness and outcomes. The recommendations have been reviewed and a holistic approach to assess the customer service experience is being developed as a future initiative for VG NSW for 2020/21.

The Government responded to the report on 3 June 2020. The response is available at www.parliament.nsw.gov.au.

4.1.2 Report on the Thirteenth General Meeting with the Valuer General

The Thirteenth General Meeting with the Valuer General was held on 15 June 2020. The Committee reviewed the Valuer General’s annual report for 2017-18 and 2018-19 and examined the responses to developments which occurred in the legislative and policy environment since the previous General Meeting.

The Committee requested additional information which was provided on 7 July 2020.

The Committee is expected to deliver its report in late 2020.

4.2 2019-20 Achievements

In 2019-20, VG NSW maintained a strong focus on the implementation of the relevant Acts, transparency, the NSW Government Customer Service Commitments and maintaining the independence of the role of the Valuer General.

Key achievements by VG NSW in 2019-20 included:

4.2.1 Formation of VG NSW following the merger of the Office of the Valuer General and Valuation Services

For the period to 19 January 2020, the Office of the Valuer General provided day to day support to the Valuer General, including the setting of objectives, standards and policies for the operation of the valuation system, monitoring the performance of Valuation Services, providing support for the Valuer General in addressing ministerial and parliamentary enquiries, developing public information, responding to public enquiries and investigating complaints.

For the period to 19 January 2020, Valuation Services, a division of Property NSW and now part of the Department of Planning, Industry and the Environment, operated the valuation system on behalf of the Valuer General.

For the period since 20 January 2020, the Office of the Valuer General and Valuation Services have merged to form VG NSW which undertakes all those activities previously undertaken by the predecessor bodies.

The reasons for the merger were:

- to align all functions under one integrated structure;
- to improve collaboration and culture; and
- to enable better delivery by the Valuer General for the people of NSW.

4.2.2 Appointment of a new Valuer General

Dr David Parker was appointed in January 2020 as Valuer General by the Governor of NSW to lead the NSW valuation system.

Dr Parker has extensive experience in land valuation systems and compulsory acquisition, having been an Acting Commissioner of the Land and Environment Court of NSW and Professor of Property at the University of South Australia.

Dr Parker wrote the chapter on compulsory acquisition compensation issues in Australia in the recently published *Routledge Handbook of Contemporary Issues in Expropriation* (Eds Plimmer, F and McCluskey, W, Taylor & Francis, London, 2018) as well as being the author of three books: *Global Real Estate Investment Trusts: People, Process and Management* (2011); *International Valuation Standards: A Guide to the Valuation of Real Property Assets* (2016); and editor of the *Routledge REITs Research Handbook* (2019).

Dr Parker is a Fellow of the Royal Institution of Chartered Surveyors, the Australian Property Institute, the Australian Institute of Company Directors and the Australian Institute of Management and a Senior Fellow of the Financial Services Institute of Australasia.

4.2.3 Development of a vision and strategy for VG NSW

Following appointment, Dr Parker led a review of the vision and strategy for VG NSW.

The vision for VG NSW is to provide a world class valuation system that inspires public confidence and trust.

The strategy for VG NSW sets the direction towards the delivery of a fair, transparent and accessible valuation system.

Valuer General NSW will be a valuing organisation known and respected for the calibre of our people, with:

- an increased emphasis on valuers undertaking valuations, being statutory valuation specialists across all the work that we do; and
- supported by excellence and innovation in data management and provision of customer focussed services, consistent with the NSW Government Customer Service Commitments.

4.2.4 Amendments to the objection process to more closely adhere to the Valuation of Land Act and the requirements of the Land & Environment Court

Landholders have a right to object to the Valuer General's assessment of the value of their landholding. VG NSW provides extensive online and hard copy information to landholders outlining their right to objection and the process for lodging a valid objection either online or by mail.

Following a review of the process for lodging a valid objection, the following amendments were made:

- landholders are now required to state their opinion of the value of their landholding;
- landholders are now required to explain the reasons for their opinion of the value of their landholding; and
- landholders are now required to provide relevant sales evidence to support their opinion of the value of their landholding, prior to the objection being accepted; and
- online and hard copy customer information was updated to reflect the amendments made and a phasing in process was provided in order not to disadvantage any landholders.

The amendments made align the objection process with the requirements of the Land and Environment Court in the event of an appeal to the determination of the objection, where an opinion of value, reasons for that opinion and supporting sales evidence would be required.

4.2.5 Publication of the Review of the impact of bushfires on land values

On 9 April 2020, VG NSW published a *Review of the impact of bushfires on land values* following an extensive study to investigate the potential impact of the 2019-20 bushfires on the 1 July 2020 land values.

The *Review* analysed several historic bushfires in NSW and the impact of those bushfire on land values, finding three key factors influenced land values, being:

- the number of properties destroyed as a proportion of the total number of properties in the locality;
- the prevailing level of demand for vacant land in the locality before the bushfires; and
- the specific location of the subject property within the locality.

Given the timing of the 2019-20 bushfires, some bushfire affected areas may not have any sales between the date of the bushfire and 30 June 2020 upon which to base the 1 July 2020 land valuation.

The Valuer General considered it would be inequitable to bushfire affected landholders for the value of their landholding not to be reduced at 1 July 2020 to reflect the impact of the bushfire due to the absence of comparable sales.

Accordingly, for bushfire affected landholdings and in the absence of comparable sales, the Valuer General will consider the following deductions to 1 July 2019 land values for valuation at 1 July 2020:

Proportion of properties destroyed in area	Prevailing vacant land demand	Change to land value
High (over 50%)	Low	-30%
High (over 50%)	Medium	-20%
High (over 50%)	High	-10%
Medium (25% to 50%)	Low	-25%
Medium (25% to 50%)	Medium	-15%
Medium (25% to 50%)	High	-5%
Low (under 25%)	Low	-20%
Low (under 25%)	Medium	-10%
Low (under 25%)	High	0%

Figure 5: Potential impact of 2019-20 bushfires on 1 July 2019 land values for application on 1 July 2020 in absence of comparable sales

4.2.6 Publication of Review of the impact of COVID-19 on the NSW property market

On 1 July 2020, VG NSW published a *Review of COVID-19 on the NSW property market* following an extensive study to investigate the potential impact of COVID-19 on the 1 July 2020 land values to determine:

- if the property market in NSW was sufficiently active at 1 July 2020 to support the 2020 valuation;
- if the residential and non-residential property market sectors of the NSW property market had been similarly affected by COVID-19; and
- if there were any implications for statutory valuation practice arising out of COVID-19.

The Valuer General analysed the level of transactions in the pre-COVID-19 period (July 2019 – February 2020) and in the COVID-19 period (March 2020 - May 2020) compared to July 2018 - May 2019, held discussions with representative industry bodies and formed a view that the overall property market in NSW was sufficiently active at 1 July 2020 to support the 2020 valuation.

While the residential property market in NSW remained active during COVID-19, transaction levels in the non-residential sectors of LGAs were significantly lower in the COVID-19 period than in same period in the previous year. Therefore, all sectors of the NSW property market had not been similarly affected by COVID-19. Accordingly, the residential and non-residential property sectors of the NSW property market were reviewed separately from the viewpoint of the 2020 valuation.

Concerning residential property, the Valuer General has analysed trends in the median sale price of residential property transactions across the State and found 10% of LGAs to have increased, 88% to have remained stable and 2% to have fallen during COVID-19.

While there may be a paucity of transactions with which to determine non-residential land values at 1 July 2020, reductions in short and medium term revenue may be expected to reduce capital improved values and to contribute to a reduction in the land value of some vacant non-residential land. In order to gain insight into the non-residential market, the Valuer General has held discussions with representative industry bodies and major owners of non-residential property in NSW including 50 respondents in 20 meetings. The Valuer General sought feedback on improved capital value trends, revenue trends and development land value trends in the various non-residential sectors of the property market.

Where there is a paucity of transactions due to COVID-19, there are implications for statutory valuation practice as the conventional approach of comparable sales analysis may not be available. Accordingly, the Valuer General has considered the hypothetical development approach, on a before and after basis, for those sectors where COVID-19 has had a medium or high impact, to determine the magnitude of potential fall in land value.

In the absence of comparable sales and no alternate higher and better use, the Valuer General proposes to reflect the impact of COVID-19 on the following non-residential sectors in the 2020 valuation by the percentage deductions from the 2019 valuation shown below (conditions apply):

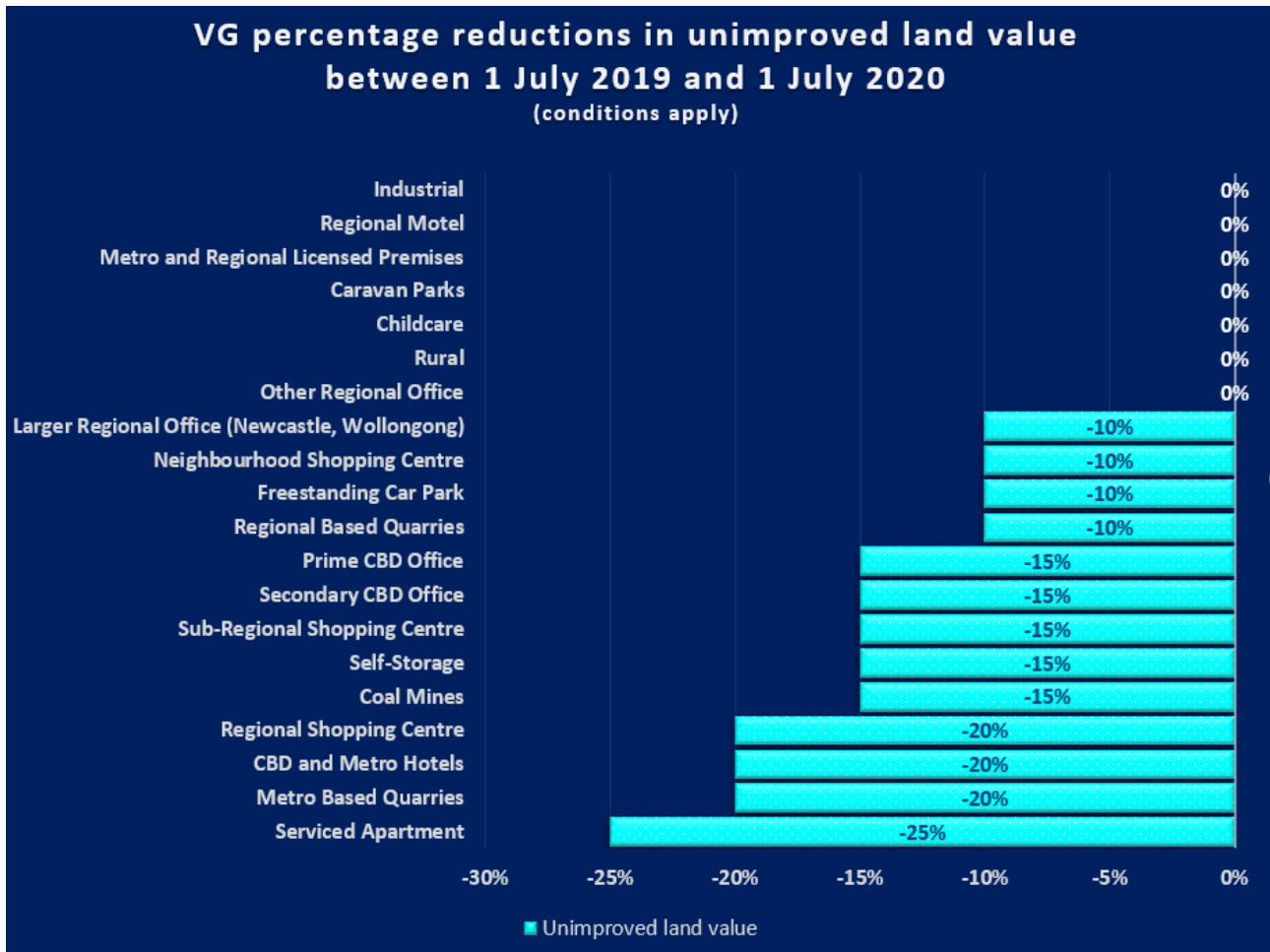


Figure 6: VG percentage reductions in unimproved land value between 1 July 2019 and 1 July 2020

The Valuer General understands that media speculation has created various community expectations, such as that all property values in NSW will fall by 30% as a result of COVID-19. Such expectations are not supported at 1 July 2020 by sales transactions in the residential property market nor investor opinion and Valuer General modelling in the non-residential property market.

Given the very significant challenges in managing the COVID-19 pandemic, it may be likely that the NSW property market will be further affected by COVID-19 during the balance of 2020 and into early 2021. Accordingly, it is highly likely that the state of the NSW property market in early 2021, when landholders receive their assessments of land value, will be very different to that at 1 July 2020 when the valuation was undertaken.

4.3 Significant judicial decisions

UTSG Pty Ltd v Sydney Metro (No 6) [2020] NSWLEC 63

The Land and Environment Court determined nil compensation payable for the compulsory acquisition of a business interest in premises located in Park Street, Sydney. Importantly the judgement found UTSG fabricated email communications, a contract of sale, accounting records prepared by non-existent accounting firms and tax agents and provided materially misleading financial information to the Valuer General. UTSG originally claimed \$19.9M, subsequently amended to \$45.78M (para 369). The Valuer-General determined compensation payable to UTSG was \$2.1M.

Blacktown City Council v Concato [2018] NSWSC 1039

Blacktown Council took the unusual step of challenging the determination made by the Valuer General in the Supreme Court on the grounds that errors occurred in making the determination. Council acquired 2.023ha of land at Rouse Hill. Council offered compensation of \$12.65M, the landowner claimed \$22M while the Valuer General determined \$16.6M. The court found errors did not occur on key issues of valuation principle, market evidence and town planning, however they did find errors in some disturbance items. Consequently, the determination was found to be void and the Valuer General issued a new determination of \$16.2M, a reduction of 2.13%.

Council of the City of Ryde v Azizi [2019] NSWSC 1605

Ryde Council took the unusual step of challenging the determination made by the Valuer General in the Supreme Court on the grounds that errors occurred in making the determination. Council acquired 2,004m² of land at North Ryde. Council initially offered compensation of \$4M, the landowner claimed \$20M while the Valuer General determined \$10.1M. The court found errors did not occur on key issues of valuation methodology and town planning, however they did find errors in some disturbance items. Consequently, the determination was found to be void and the Valuer General issued a new determination of \$9.975M, a reduction of 1.3%.

5. Deputy Valuer General

The role of the Deputy Valuer General includes provision of high-level advice on all technical valuation matters, valuation standards and legislation within VG NSW, together with oversight of the policy publication, quality assurance and contract management programs with the 2019-20 contributions detailed below.

5.1 Policy publications

The Deputy Valuer General is responsible for review and publication of Valuer General policies. Policies are published on the Valuer General's website and are regularly reviewed and updated.

5.2 Quality Assurance

The Quality Management Group, overseen by the Deputy Valuer General, is responsible for preparing the annual Contractor Performance Quality Plan (QA Plan).

The QA Plan details the activities that will be conducted to monitor the performance of rating and taxing contractors for the current rating program.

The QA program includes automated checks and manual checks. These are further categorised into localised reviews and centralised reviews. The QA Plan covers the following areas.

- Automated Checks
 - Data Integrity Checks - these are automatically run when contractors upload files. They detail warnings, which are flags to indicate that an action has occurred which may need to be considered and errors, which are where there has been a failure in the data uploaded.
 - Valuation Analysis Tools - these are automated checks which analyse valuation and sales data when files are uploaded by contractors. A series of checks detailing statistical analysis and valuation outliers are sent to VG NSW valuers for their review.

- Manual Checks
 - Centralised reviews - these are undertaken by the Quality Management team to identify areas for further in-depth review by the Valuation (QA) Team. Centralised data is collated, sorted and reviewed to identify trends and areas of inconsistency for possible quality assurance. Reviews include but are not limited to the following.
 - monthly analysed sale review;
 - added Value of Improvement review;
 - consistency of benchmarks review; and
 - review of consistency of annual values.
 - Localised Reviews - these are detailed quality assurance reviews undertaken by the Valuation QA Team and are further detailed in section 6.3 of this report. Localised QA activity includes but is not limited to the following:
 - progress reports;
 - contractor monthly meetings;
 - VG NSW Valuer market knowledge;
 - performance issues;
 - objection outcomes;
 - worksheets;
 - components; and
 - media issues.

5.3 Contract Management

VG NSW outsources the provision of most valuation services to external contractor firms.

Contractors are selected by an open market tender process that complies with strict procurement guidelines set for NSW public sector agencies.

The performance and quality of each contractor is monitored on an ongoing basis to ensure time, quality and cost effectiveness are achieved.

The VG NSW QA program reviews individual contract valuers compliance with contractual terms, legislation, VG NSW's policies and industry codes of professional conduct.

In the 2019-20 reporting year, most contractors performed to the standards established under the contract. Where standards were not met, a performance issue was raised and addressed through a structured process of contract management, with the objective of correcting the issue and preventing reoccurrence.

5.3.1 Rating and taxing contracts

There are 18 rating and taxing contracts, with 11 contractor firms providing valuation services. A list of contractors is available on the VG NSW website at www.valuergeneral.nsw.gov.au.

Rating and taxing contractors provide the following valuation services:

- project management;
- market analysis;
- valuation recommendation and reporting;
- quality assurance;
- land value verification;
- supplementary valuations;

- responding to enquiries about valuations;
- appeal services; and
- sales coding.

Improvements to contracts for rating and taxing

All rating and taxing contractors are engaged on 5-year contract terms which commenced on 1 March 2019. As services provided by contractors through the 2019-20 reporting period are provided under the current contract terms, all improvement initiatives which amend provision of services are subject to contract variation.

Improvements undertaken in the reporting period comprised clarification of contractual expectations. This included improving the quality of worksheets, benchmark component reports, sales analysis and explanations for annual valuation trends as defined under the current contract terms. No contract variations were required.

VG NSW continued to liaise closely with contractors during 2019-20 to ensure the smooth provision of all deliverables, compliance with contract provisions and sharing of information, especially as COVID-19 restrictions started to impact the delivery of services. This included:

- a series of online contractor forums held in lieu of the normal face to face Rating and Taxing Contractor Liaison day;
- monthly on-line meetings between individual contractors and VG NSW valuation and contract management staff; and
- provision of directions to contractors on safe working due to COVID-19, regarding inspection of properties and analysis of sales.

5.3.2 Valuation panel contracts

VG NSW contracts out a range of other valuation services including:

- valuations for compulsory acquisitions under the requirements of the Land Acquisition (Just Terms) Compensation Act 1991;
- valuation advisory for certificates of land value, special valuations, to act as an expert valuer in court matters and general property advice; and
- review of objections to rating and taxing valuations issued under the Valuation of Land Act 1916.

To engage a panel contractor, appropriate valuation panel firms are invited to submit a quote in a competitive selection process. Exceptions are made when a specialist or expert is required who is not on the panel. In these cases, the contractor is required to agree with the terms and conditions of the panel contract and provide a quote, ensuring that it provides value for money.

Contractors providing objection reviews are selected from the panel, based on quality and cost, and designated areas where they will undertake objection valuations. The contractor undertaking an objection cannot be the rating and taxing contractor for that area. In January 2017 the use of a single contractor was established to provide objection review services to specific local government areas and zone types. This has been continued through to the 2019-20 reporting year. The aims of the single objection contractor program were to improve efficiency, value for money, consistency of objection outcomes and improved contractor performance.

Valuation panel contractors are engaged for one calendar year with an extension option for one additional year.

The contracts in force during the 2019-20 reporting year initially comprised 80 valuation panel contractors engaged through extension options which expired on 31 December 2019.

In the six-month period to 30 June 2020, objection service contractors were sourced from the panel as part of a transition to contracts awarded through a new procurement strategy as part of a whole of government scheme. Improvements to objection contractors

During 2019-20, an objection service provider procurement process was carried out to select a panel of preferred suppliers for each local government area category of properties. A reserve list of suppliers is maintained in the event of a need for additional capacity. The panel of preferred suppliers was established in June 2020 for procurement from July 2020.

Objections will be batched and a request for quote issued to preferred suppliers. Batches will be awarded based on cost, performance and capacity to deliver to the customer service and valuation quality requirements.

5.3.3 Land and asset valuation scheme

The whole of government land and asset valuation scheme opened 19 November 2019. The valuation procurement scheme enables all government agencies to access and engage qualified land and asset valuation service providers prequalified to provide specific services.

The scheme provides simplified procurement administration for government agencies and an efficient way for firms to engage with government. Applications are open for the life of the scheme allowing new service providers to join the scheme on an ongoing basis.

The scheme administrator is VG NSW.

6. Valuations for rating and taxing

The role of the Valuations (Quality Assurance) Team is to undertake quality assurance of the contractor provided valuations that comprise the mass valuation system administered by VG NSW. The 2019-2020 contributions of the Valuation (Quality Assurance) Team may be summarised as follows:

- 6.1 valuation totals and trends;
- 6.2 service delivery;
- 6.3 quality assurance;
- 6.4 objections;
- 6.5 appeals to the Land & Environment Court; and
- 6.6 Land Value Improvement Group.

6.1 Valuation totals and trends

Over 2.6 million residential, rural, business and industrial land values for properties in NSW were determined as at 1 July 2019.

The total value of land in NSW as at 1 July 2019 decreased by 5.4% to approximately \$1.73 trillion in the 12 months to 1 July 2019.

To determine the 1 July 2019 land values approximately 57,000 property sales were analysed across NSW as part of the valuation process.

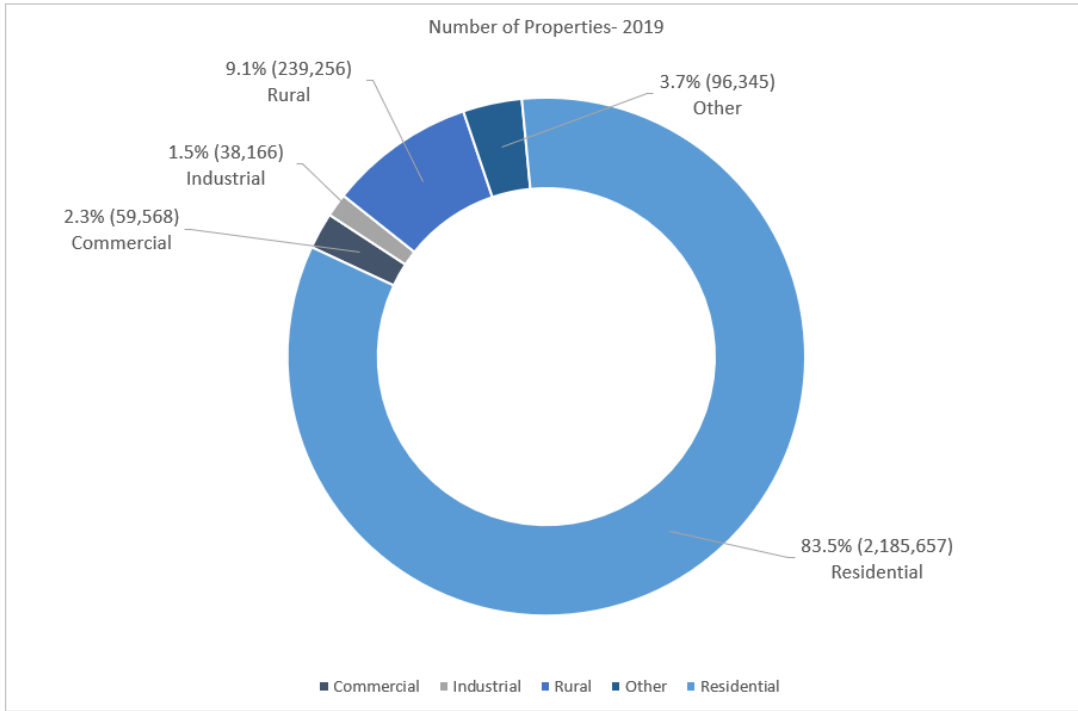


Figure 7: Distribution of properties by land use, percentages represent property numbers

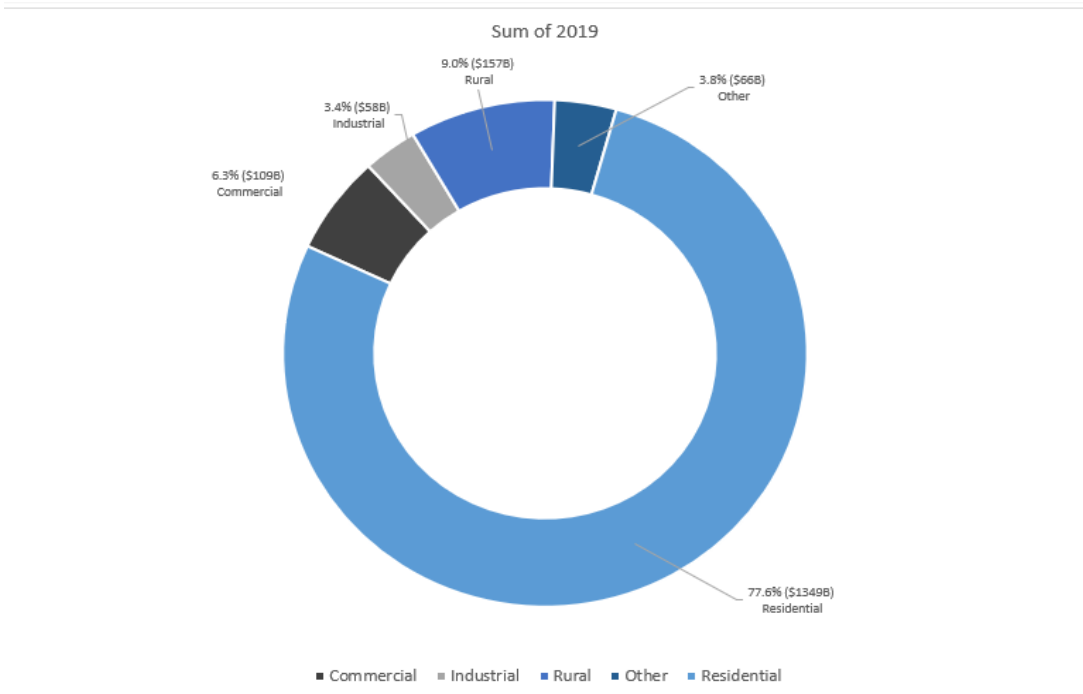


Figure 8: Distribution of total land values by land use, percentages represent values

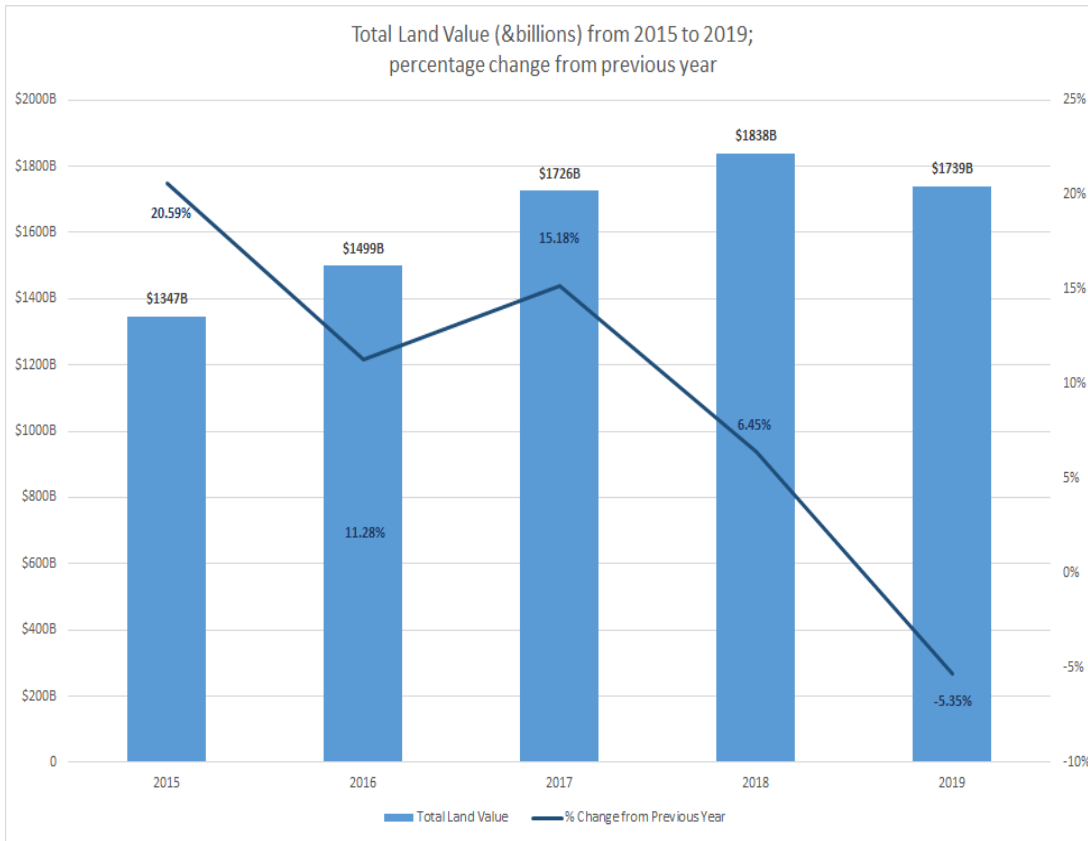


Figure 9: Total land value (\$billions) from 2015 to 2019; percentage change from previous year

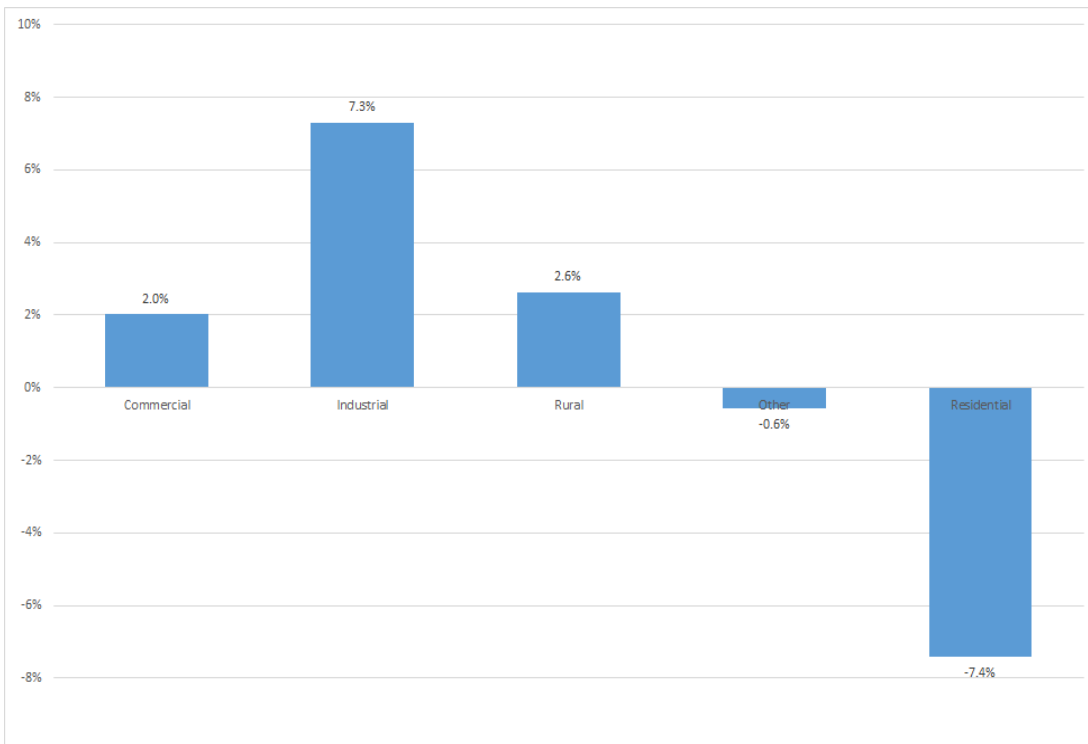


Figure 10: Percentage change from 1 July 2018 to 1 July 2019 by land use type (Data Extracted 08/07/2020)

“Other” includes community uses, forestry, national parks, nature reserves, open space, recreation, reserved roads, special uses, waterways and mining.”

6.2 Service delivery

VG NSW delivered:

- approximately 2.6 million valuations to councils and to Revenue NSW for use in the calculation of land tax; and
- approximately 50,000 supplementary valuations to councils and Revenue NSW when land was subdivided, amalgamated or materially changed.

Where a supplementary valuation is used for rating, landholders receive a Notice of Valuation to advise of the new land value.

6.2.1 Land tax threshold

In September each year, the Valuer General determines new land tax and premium rate thresholds for the coming year. The requirements for the determination of new thresholds are set out in Division 4A of the Land Tax Management Act 1956.

The adjustments to the thresholds are based on the annual movement in average land values of land within residential, commercial, business and industrial zones in NSW. The rate of change of land values in these zones from 1 July 2018 to 1 July 2019 was determined to be – 5.981%

The land tax threshold for the 2020 land tax year was determined to be \$734,000 and the premium rate threshold was determined to be \$4,488,000. The new thresholds were published in the NSW Government Gazette No.119 of 11 October 2019.

6.3 Quality assurance

Formal quality assurance reviews are undertaken before land values are accepted and entered onto the Register of Land Values.

Performance of contract valuers and the quality of the land values are monitored through an annual risk-based quality assurance program and system-based data integrity checks.

Valuation uniformity and accuracy are tested against a range of statistical requirements.

The level of statistical compliance has been consistently above targets for all major property types over the last six years. For information on key performance indicators for statistical compliance, see section 13.

6.3.1 Quality assurance program

The annual quality assurance program included reviews of the quality of contractor deliverables in each of the 18 contract areas. This included reviews of:

- 1 July 2019 land values;
- sales analysis;
- benchmark component reports;
- added value of improvements tables;
- worksheets;
- monthly progress reports;
- final reports; and
- local government area land value summaries and commentary.

Program outcomes

The quality assurance program identified a number of areas of risk and valuation quality deficiencies that were rectified prior to the acceptance of the annual values and their entry onto the Register of Land Values.

Improvements

Following last year's development and implementation of new file specifications to ensure appropriate data for individual properties is supplied consistently by all rating and taxing contractors, new and enhanced quality assurance reviews were implemented this year to review the quality of the data. This included reviews of:

- paired sales;
- sale improvements;
- benchmark properties;
- worksheets; and
- added value of improvement tables.

Worksheets are now able to be published following their electronic provision to VG NSW by rating contractors, and the design of a publishable format suitable for supplying to property owners. A pilot scheme to include worksheets with information kits for rural properties in regional areas was successfully implemented for 2019 valuing year properties effective from March 2020.

Worksheets are records produced by rating and taxing contractors that provide detailed information about the contractor's valuation processes, rationale and methodology for a particular property. They are not produced for all properties, just those where detailed calculations are required.

6.3.2 Complex land value improvement program

Valuer General NSW undertakes an ongoing program of reviews for the valuation of complex land value categories.

In late 2019 and early 2020, bushfires burned over 5.4 million hectares of land across NSW. Following this crisis, the Valuer General completed a study of how bushfires have affected land values in the past, which is detailed in Section 4.2.5.

The Valuer General also commenced an extensive study to investigate the potential impact of COVID-19 on the 1 July 2020 land values, which is detailed in Section 4.2.6.

6.3.3 Verification

To ensure the quality of NSW land values, contract valuers undertake a systematic, risk-based process of periodically verifying property data and land values. The program provides for the individual review of all land values and supporting data.

The program, which commenced in 2006 adopts a risk-based approach that considers the complexity and nature of properties to determine the timeframe for verification. For the 2019 rating and taxing contracts, which commenced in March 2019, the verification services changed to a five-year program. Over a five-year period from March 2019 all land values in NSW will be verified. Those properties identified as having higher risk of valuation error are verified more regularly.

The verification program is measured for completion against planned targets as detailed below.

Land value verification risk rating	Outcome	Target
Risk Rating of 1 high risk verified annually	100.00%	100%
Risk Rating of 2 medium risk verified every three years	45.75%	33.3%
Risk Rating of 3 low risk verified every five years	26.92%	20%

Figure 11: Annual verification targets from March 2019

Data extracted 26 November 2019

6.3.4 Statistical measures

Valuations across local government areas are required to meet internationally recognised statistical standards. These standards measure consistency and accuracy between valuations and against the market evidence. Where the standard is not met, further investigation is undertaken.

Key performance indicators (KPIs) are set to test compliance. During the program period, all KPIs for statistical measures were met, with performance against the KPIs continuing to improve.

For more information on KPIs for service delivery see section 13.

6.4 Objections

Landholders can lodge an objection with the Valuer General to have the land values or land data on their Notice of Valuation or land tax assessment reviewed.

Land values are reviewed by a valuer who did not make the original valuation. A preliminary objection report on the review is provided to the landholder before the objection is finalised.

Land data specialists review the information the landholder provides and make any necessary changes.

6.4.1 Improved information kits

Valuer General NSW has improved the information available for landholders who are considering objections. The 2020 Information Kit includes a Benchmark Component Report, which provides information about the property groupings, benchmark properties and sales that are part of the mass valuation system.

In addition, some properties now have a worksheet available which provides the calculations used to calculate the land value of specific property types.

6.4.2 Objections for different property types

Figure 12: Objections completed during reporting periods for all valuation years

Zone	Withdrawn		Allowed no change to land value		Allowed concession only change		Allowed with land value change		Disallowed		Total		% of total completed objections	
	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20
Business	318	288	45	9	21	29	189	434	875	1,158	1,448	1,918	20.72%	22.99%
Industrial	57	26	8	1	-	16	93	125	217	352	375	520	5.37%	6.23%
National parks	1		219		-		-		-		220		3.15%	0%
Non-urban	38	31	23	25	1	1	92	189	140	245	294	491	4.21%	5.89%
Open space	6	4	-	1	-		11	3	14	15	31	23	0.44%	0.28%
Protection	47	22	12	9	-	6	90	110	139	179	288	326	4.12%	3.91%
Residential	582	230	34	44	19	93	667	1,114	2,806	3,473	4,108	4,954	58.79%	59.39%
Special uses	1	6	1		2		80	29	92	27	176	62	2.52%	0.74%
Undetermined, or village	10	7	-	6	-		7	9	31	25	48	47	0.69%	0.56%
Total	1,060	614	342	95	43	145	1,229	2,013	4,314	5,474	6,988	8,341	100%	100%
	15.1%	7.4%	4.9%	1.2%	0.6%	1.7%	17.6%	24.1%	61.8%	65.6%	100%	100%		

6.4.3 Comparison of objections based on rating and taxing authority

Land values for 1 July 2019 were issued to approximately 2.6 million landholders on a Notice of Valuation. Land tax assessments are issued annually and in 2020 Revenue NSW issued 190,044 assessments. A number of assessments have not yet issued, initially due to the impact of bushfires on several local government areas and now due to the 2020 land tax COVID-19 relief program.

Figure 13: Percentage of objections registered for all valuation years for land tax compared to council rates

Item	2018–19 Count	2018–19 Percentage	2019–20 Count	2019–20 Percentage
Council rates	425	3.96%	1,520	31.83%
Land tax	10,294	96.04%	3,256	68.17%
Total	10,719	100%	4,776	100%

6.4.4 Causes of objections

The top five reasons for lodging an objection were:

- the land value is too high;
- the land value too high and other;
- incorrect concessions or allowances;
- the land value is too high and incorrect concessions or allowances; and
- incorrect area or dimensions.

6.4.5 Informal and facilitated conferences

Landholders can have an informal conference with a valuer following the issue of the preliminary objection report.

Facilitated conferences are also available. The facilitator guides the conference process without making decisions.

More information on conferences is provided in section 10.3.

Figure 14: Conferences¹

Objections	2018–19	Percentage (of total number of 6,988 completed objections)	2019–20	Percentage (of total number of 8,341 completed objections)
Informal conference was undertaken ²	220	3.15%	431	5.16%
Facilitated conference was undertaken	45	0.64%	32	0.38%

6.5 Appeals to the Land and Environment Court

Landholders not satisfied with the determination of their objection can lodge an appeal in the Land and Environment Court of NSW.

In 2019-20, 25 appeals were lodged with the Land & Environment Court, in addition to 13 still pending from earlier years. During 2019-20, 2 were allowed by hearing, 4 were allowed through mediation and 14 were withdrawn. At the end of the 2019-20 reporting period, 18 appeals remained outstanding, including 14 which were lodged during the reporting period.

The number of appeals lodged in 2019-20 has increased by 8 since 2018–19. In 2018-19 there were 17 matters lodged over 11 properties. In 2019-20 there were 25 matters lodged over 13 properties. Landholders may lodge appeals to land value for multiple valuing years where they are included in a land tax assessment. This was the main driver behind the increase in numbers together with three appeals lodged by Muswellbrook Council. While councils may lodge appeals following an objection outcome, it seldom happens.

Land & Environment Court matters where the land values were amended at hearing

Two matters, over the same property, proceeded to court, both dealt with in the same hearing, which resulted in amended land values in the 2019-20 financial year. The matters were heard as:

Limina Holdings Pty Ltd ITF Galileo Superannuation Fund v Valuer General [2019] NSWLEC 110 (7 August 2019) resulted in 2 appeals being upheld and the 1 July land values for 2015 and 2016 being reduced to \$1,050,000 and \$1,510,000 respectively. The judgement considered the evidence presented by the applicant, particularly for town planning, to be more convincing than that provided by the Valuer General. The decision reinforced the need for valuations to be based on a use that is legally permissible, physically possible and financially feasible.

¹ A single conference can consist of multiple properties and objections to more than one valuing year.

² Tracking of informal conferences was improved in March 2019 allowing more accurate capture of informal conference numbers from that date.

Matters with the Land & Environment Court

Figure 15

	2016–17	2017–18	2018–19	2019–20
Outstanding at start of period	20	23	14	13
Lodged during period	32	17	17	25
Allowed during period	1	6	2	6
Disallowed during period	3	6	6	0
Withdrawn by landholder during period	25	14	10	14
Outstanding at end of period	23	14	13	18

Outcome of appeals

The Land and Environment Court employs a pre-hearing conciliation process aimed at resolving land value dispute matters without the need of proceeding to a costly court hearing. Section 34 Conferences are a formal component of the overall conciliation process that the Land and Environment Court employs to resolve such matters. Informal mediation between parties continues outside this process until the matter is heard.

Figure 16: Outcome of appeals 2016-17

Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	0	3	0	0	3
Hearing/Decision reserved	0	0	0	6	6
Conciliation	1	0	25	0	26

Figure 17: Outcome of appeals 2017-18

Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	1	6	0	0	7
Hearing/Decision reserved	0	0	0	2	2
Conciliation	5	0	14	0	19

Figure 18: Outcome of appeals 2018-19

Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	1	6	0	0	7
Hearing/Decision reserved	0	0	0	0	0
Conciliation	1	0	10	0	11

Figure 19: Outcome of appeals 2019-20

Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	2*	0	0	0	2
Hearing/Decision reserved	0	0	0	0	0
Conciliation	4	0	14		18

* Two matters for *Limina Holdings Pty Ltd ITF Galileo Superannuation Fund v Valuer General* were allowed as a result of one hearing.

Note: Conciliation includes participation in a formal conference under section 34 of the *Land and Environment Court Act 1979*.

6.6 Land Value Improvement Group

The Land Value Improvement Group was discontinued following the merger of the Office of the Valuer General and Valuation Services on 20 January 2020.

7. Valuations for compulsory acquisition

The role of the Just Terms Valuation Team is to undertake valuations and quality assure valuations undertaken by contractors for compulsory acquisition. The 2019-20 contributions of the Just Terms Valuation Team may be summarised as follows:

- 7.1 determinations of compensation issued;
- 7.2 timeframe for issuing determinations of compensation;
- 7.3 quality assurance;
- 7.4 proposed acquisitions;
- 7.5 compulsory acquisition conferencing; and
- 7.6 Compensation Improvement Group.

State and local government organisations can acquire land for public purposes. When a government organisation (acquiring authority) and landowner are unable to negotiate the purchase of land, the NSW Government can compulsorily acquire the land.

The Valuer General is responsible for ensuring landowners are compensated fairly when their land is compulsorily acquired. The Valuer General determines the amount of compensation to be paid to a former landowner by the acquiring authority in accordance with the Land Acquisition (Just Terms Compensation) Act 1991.

The Valuer General sets the standards and policies to determine fair compensation and to provide a process that is independent, transparent and has multiple opportunities for consultation.

7.1 Determinations of compensation issued

The overall number of determinations of compensation decreased to 128 in 2019-20 from 254 (excluding substratum) in 2018-19. Major infrastructure projects undertaken during 2019-20, from which determinations arose, included:

- Dubbo - upgrade Fitzroy and Cobra Street (Mitchell Highway) intersection (2);
- Eurobodalla – Batemans Bay Bridge Project (4);
- F6 Extension Stage 1 (3);
- Parramatta Light Rail (10);
- RMS Gateway Project - St Peters and Tempe (1);
- Shoalhaven - Nowra Bridge Project (1);
- Sydney Metro City & South West - Rock Anchors & Scaffolding – SYDNEY (6);
- Sydney Metro Northwest Corridor (8);
- The Northern Road Stage 5 Upgrade -Group 1 (1);
- Upgrade of Princes Highway Blakehurst - Georges River Council (1); and
- Various hardship matters (8).

Figure 20: Determinations of compensation issued by the Valuer General

Determinations of compensation made	2016–17 Number	2016–17 Total value (\$million)	2017–18 Number	2017–18 Total value (\$million)	2018–19 Number	2018–19 Total value (\$million)	2019–20 Number	2019–20 Total value (\$million)
Under the <i>Land Acquisition (Just Terms Compensation) Act 1991</i> – for properties above ground (surface land)	177	\$468.4	149	\$299.8	204	\$281.8	96	\$92.6
Under the <i>Land Acquisition (Just Terms Compensation) Act 1991</i> – for land below the surface ³ (includes Treasurer’s directions)	0	\$0	774	\$0	385	\$0	0	\$0
In accordance with Treasurer’s Directions (for intergovernmental transfers)	48	\$6.6	56	\$30.2	50	\$59.9	32	\$31.5
Total	225	\$475	979	\$330	639	\$341.7	128	\$124.1

³ First reported on in 2017 - 2018

7.2 Timeframe for issuing determinations of compensation

The average time taken to issue determinations in 2019-20 was 171 days, a marginal increase compared to 166 days in 2018-19. Where there were delays, parties were consulted to minimise the impacts.

Factors impacting on the time taken to issue determinations included:

- late notification of a matter by the acquiring authority often after gazette;
- matters requiring multiple experts such as town planners, flood engineers, quantity surveyors etc;
- timeliness of valuation contractors in submission of reports; and
- the preliminary report process which adds 15 working days.

7.3 Quality assurance

The majority of valuation reports for determinations of compensation are prepared by contract valuers on behalf of VG NSW.

VG NSW reviews valuation reports before they are accepted and issued. The valuation report is checked to ensure accuracy, fairness, transparency, and compliance with the Land Acquisition (Just Terms Compensation) Act 1991 and the Valuer General's policy on compensation following compulsory acquisition.

7.4 Proposed acquisitions

The Valuer General may commence work on a determination of compensation following the issue of the proposed acquisition notice (PAN) and prior to the compulsory acquisition. Factors taken into consideration to commence work include the complexity of the valuation and meeting statutory and project timeframes.

Acquiring authorities are required to pay the Valuer General's reasonable costs for preparing valuations for the determination of compensation, regardless of whether a determination of compensation is issued. This supports the Valuer General's discretion to commence work on the determination of compensation prior to compulsory acquisition by providing budget certainty.

During the reporting period, VG NSW commenced work on 92 PANs, up from 82 in the previous reporting period, where determinations of compensation were not issued as the acquiring authority reached agreement with the landowner to purchase the property prior to the matter being concluded by the Valuer General.

VG NSW works with acquiring authorities to ensure work is not commenced unnecessarily where a matter is likely to be settled.

7.5 Compulsory acquisition conferencing

Contractors engaged by the Valuer General are required to speak to landowners or their representatives in person as part of the compulsory acquisition process for all acquisitions of surface land.

Conferences are available throughout the compulsory acquisition process and are also offered after the final determination of compensation is issued. Separate conferences are also held with acquiring authorities to ensure their issues and concerns are captured and addressed.

Figure 21: Compulsory acquisition conferences by type

Types of conferences	2018—19 Number	2018--19 Percentage (%)	2019–20 Number	2019–20 Percentage (%)
Email	951	61.28%	876	56.12%
Face to face	242	15.59%	119	7.62%
Mail	12	0.77%	2	0.13%
Phone	347	22.36%	564	36.13%
Total	1,552	100%	1,561	100%

7.6 Compensation Improvement Group

The Compensation Improvement Group was discontinued following the merger of the Office of the Valuer General and Valuation Services on 20 January 2020.

The role of the Compensation Improvement Group is summarised in Appendix 9.

8. Private valuations

Private valuations of land are undertaken under section 9A of the Valuation of Land Act 1916 on behalf of the Valuer General for the purpose of any agreement or arrangement between parties that provides for the valuation to be made by the Valuer General. In 2019-20 VG NSW undertook:

- 8.1 18 private valuations; and
- 8.2 4 private valuations of airports

The Valuer General can delegate the valuation with most private valuations undertaken by contract valuers and quality assured and issued by VG NSW.

8.1 Undertaking 18 private valuations

During the reporting period, 18 private valuations were requested:

Client	No of Valuations	Purpose of Valuation
NSW Ports	1	Valuer General determined the unimproved value of the land in accordance with the lease documents.
Lord Howe Island Board	6	Valuer General determined the current market value in accordance with Section 23(1)(a) of the Lord Howe Island Act, 1953, as amended.

Client	No of Valuations	Purpose of Valuation
Place Management (part of Property NSW)	3	Valuer General determined the market value of the land for rental review purposes in accordance with the lease document. To manage any risk of a conflict of interest, the private valuation was undertaken by a contract valuer, quality assured and issued directly by the Office of the Valuer General.
Campbelltown Council	1	Valuer General determined the market value of the land for rental review purposes in accordance with the lease document.
Centennial Park and Moore Park Trust	2	Valuer General determined the rental value of the land for rental review purposes in accordance with the lease document.
Office of Local Government	2	For pecuniary interest.
NSW National Parks and Wildlife Service	1	Valuer General determined the rental value of the land for rental review purposes in accordance with the lease document.
Department of Education	1	Valuer General determined the market value of the land for sale purposes in accordance with the lease document. To manage any risk of a conflict of interest, the private valuation was undertaken by a contract valuer, quality assured and reviewed by the Deputy Valuer General.
Cemeteries and Crematoria NSW	1	Valuer General determined the market value of the land within the meaning of the Valuation of Land Act 1916 and in accordance with Cemeteries and Crematoria Act 2013 (NSW) (2013 Act).

Figure 22: 18 Private valuations

8.2 Undertaking private valuations of airports

During the first week of October 2019 the Valuer General cancelled 658 valuations for airports lands held in Commonwealth ownership from the Register of Land Values following legal advice that Commonwealth lands are not liable to rates or taxes. Some of the councils with Commonwealth owned airports in their area have private agreements with the airport owner corporations for an annual payment based on the Valuer General's land values in lieu of rates. The Commonwealth owned airports include;

- Sydney airport within Bayside and Inner West Council areas;
- Bankstown airport within Canterbury Bankstown Council area;
- Western Sydney airport within Liverpool Council area;
- Camden airport within Camden Council area;
- Williamtown airport within Port Stephens Council area;
- Coolangatta airport within Tweed Council area;
- Wagga Wagga airport within Wagga Wagga Council area; and
- Richmond airbase within Hawkesbury Council area.

On 14 October 2019, the Valuer General offered to provide private valuations to each Council. The offer of private valuations was accepted by Bayside, Canterbury Bankstown, Port Stephens and Tweed Councils. The private valuations were provided at no additional cost to the Councils than they would have paid for the valuations as previously recorded on the Register of Land Values. An objection service was also offered but on a fee recovery service basis.

9. Register of Land Values

The primary role of the Land Data Management Team is to update and maintain the Register of Land Values which is the official record of land values in NSW. The Register of Land Values contains information that includes ownership or rate paying lessee details, title details and the value of the land. The Register of Land Values is a public register in terms of the Privacy and Personal Information Protection Act 1998.

The 2019-20 contributions of the Land Data Management Team may be summarised as follows:

- 9.1 maintaining and updating the information held on the Register of Land Values;
- 9.2 provision of specialist customer services and advice relating to data and property information that is held on the Register; and
- 9.3 Land Data and Customer Service Improvement Group.

9.1 Land information

VG NSW manages the Register of Land Values to ensure the accuracy and integrity of the information recorded on the register. A team of land data specialists is responsible for the ongoing update, maintenance, improvement and quality assurance of the land information held in the register.

The ongoing update and maintenance of the register includes the creation of records for new lots when land is subdivided, acquired, separately valued or where separately valued lands are to be included in one valuation, amendments to property details including dimensions, area and zoning and updating addressing information for the service of Notices of Valuation.

Maintenance of the Register of Land Values

Register of Land Values	2017–18	2018–19	2019–20
New properties created	49,466	45,237	39,578
Properties where details were amended	24,050	7,191	6,142
Properties where valuation was altered	3,665	1,458	5,755
Properties where address for service of notice was amended	145,325	123,715	132,714

Figure 23: Maintenance of the Register of Land Values

Note: The above figures exclude new properties created or amended via objection, but include new properties created or amended via re-ascertainment.

During 2019-20, a major project was undertaken by the Land Data Management Team to improve the quality of the data that is held on the register through the update of 70,000 unformatted and/or incomplete ownership records to reflect the current registered title details.

Further, the Land Data Management Team has initiated and implemented improvements to Valnet, the database holding the Register of Land Values, including:

- automatic calculation of multiple lot areas within valuations; and
- improved land data quality assurance processes by creating a new recording and report process for the exceptions (rejected records) that are identified in values files uploaded by rating and taxing contractors.

9.2 Land Data and Customer Service Improvement Group

The Land Data and Customer Service Improvement Group was discontinued following the merger of the Office of the Valuer General and Valuation Services on 20 January 2020.

The role of the Land Data and Customer Service Improvement Group is summarised in Appendix 10.

10. Customers service and stakeholders

The role of the Customer Service Team is to manage the day-to-day customer service and stakeholder liaison functions of VG NSW. The 2019-2020 contributions of the Customer Service Team are summarised below.

VG NSW is committed to providing services that the community can trust, built on the core values of:

- fairness: VG NSW communicates openly with our customers and encourages them to ask questions and make submissions, focusing on consistency and accuracy in our services;
- professionalism: VG NSW promotes best practice and finds new ways to improve the services we deliver; and
- provision of customer-centric services: VG NSW asks our customers about their experience of our services and use their feedback to make improvements.

10.1 Customer service

Customer service is managed by a specialist customer service team, including an in-house call centre, within VG NSW. The volume of calls received and call topics are summarised in the table below.

Figure 24: Call Volumes

In-house /outsourced	2017–18 Number of calls answered	2017–18 Total	2018–19 Number of calls answered	2018–19 Total	2019–20 Number of calls answered	2019–20 Total
In-house (Valuation Services)	13,095	79.6%	19,308	100%	10,179	35%
Contracted outsourced call centre ¹	3,364	20.4%	N/A	N/A	18,950	65%
Total calls	16,459	100%	19,308	100%	29,129	100%

Figure 25: Breakdown of top five calls by topic

Topic 2018-19	Number of Calls 2018-19	Percentage of Calls 2018- 2019 (16,459 calls)	Topic 2019-20	Number of Calls 2019-20	Percentage of Calls 2019-20 (29,129 calls)
Objection kit request	7,782	40.3%	ASON address change	5,044	17.32%
Land value enquiry	2,819	14.6%	Information kit request	3,760	12.91%
Land Tax / Revenue NSW enquiry	1,629	8.4%	General enquiry	3,425	11.76%
General enquiry / overview	1,389	7.2%	Land value enquiry	2,758	9.47%
Objection enquiry	1,365	7.1%	Objection enquiry / status	2,683	9.21%
Total top five calls	14,984	77.6%	Total top five calls	17,670	60.67%

The Customer Service Team also manage written enquiries, with the volume of written enquiry and enquiry topics summarised in the table below.

¹ An outsourced call centre has been used in previous years to supplement the in-house call centre when necessary.

Figure 26: Written enquiries

Written enquiries			Percentage completed in 10 business days*		
2017–18	2018–19	2019–20	2017–18	2018–19	2019–20
5,102	4,378	8,292	93.6%	91.3%	81.13%

* Target set by the Valuer General – 80% of written enquiries responded to within ten business days.

Figure 27: Breakdown of top five written enquiries by topic 2019-20

	Number of written enquiries	Percentage of 8,292 written enquiries
Update postal details	2,626	31.67%
General enquiry	579	6.98%
Amalgamation of land	516	6.22%
Land value enquiry	450	5.43%
Preliminary report response	386	4.66%

10.1.1 Engagement with Service NSW

Several initiatives with Service NSW were introduced in 2019-20 to reduce customer effort and improve overall customer experience, including:

- first level call centre service;
- the ability to opt in to receive a digital Notice of Valuation;
- access to digital self-service kiosks at Service NSW centres; and
- face to face customer experience at Service NSW centres.

10.1.2 ICT system and service improvements

The following improvements were implemented during the reporting period:

- release of NSW Land Values and Property Sales Map, a web-based application within Valuer General NSW Valuation Portal;
- automatic calculation of property's total land area as recorded within the Register of Land Values; and
- delivery of electronic Notices of Valuation to landowners through partnership with Service NSW.

10.2 Complaints management

The Valuer General is committed to ensuring complaints are handled in a manner which is fair, courteous and respects the privacy of the person making the complaint.

Feedback, including complaints, is used to identify areas that need improvement and is recorded in the Complaint and Feedback Management System.

From January 2020, Valuation Services merged with the Office of the Valuer General. Prior to that complaints could be made to either the Office of the Valuer General or Valuation Services. The information provided below combines both.

Over the reporting period, Valuer General NSW received 16 complaints. Two complaints were still under investigation at the end of the reporting period with two matters incorrectly recorded as complaints by customer service staff.

The average time to resolve a complaint was 33 days. There were two complaints resolved on the day of the complaint.

Twelve complaints were resolved with the main complaint types being:

- Customer service (9)
- Privacy complaints (1)
- Contractor activity (1)
- Land value and objection process (1)

Figure 28: Complaints made to the VG NSW

Complaint	Action / Outcome
	Land value and objection process complaints
Outcome of objection and customer service received during objection and conference process	VG NSW reviewed the land values and discussed the customers concerns about the land value of a property close by. VG NSW agreed to check the surrounding land values for accuracy.
	Customer service complaints
Complaint about opt in email for eNOV program	Customer was concerned about identification requirements to register for eNOV and stated he believed the email invitation was a scam. VG NSW noted the customers concerns and explained the requirement for identification through the Service NSW portal.
Customers complained about receiving a survey before their objections were finalised (2)	Two customers were issued a post-objection survey before they had received a preliminary objection report. Investigation revealed that an error in the distribution of surveys meant that two customers received surveys before they should have.

Complaint	Action / Outcome
Customer service and timeliness of objection process (2)	VG NSW reviewed the objection lodged by the landholder and advised it had been delayed due to interruptions to the quality assurance process. An apology was given to the customer and the customer was kept updated about the progress of the objection.
Conduct of staff while dealing with a complaint	Investigation showed no inappropriate conduct.
Land tax land values not amended prior to land tax being due for payment	VG NSW completed land value amendments on other valuing years and provided advice to the customer. These had been delayed and VGNSW apologised to the customer for the delay.
Call wait time at Service NSW call centre	Acknowledged call wait time unacceptable. Service NSW added additional staff to deal with extra calls due to bushfires which meant fewer delays for VGNSW calls
Delay in processing objection result.	VG NSW apologised to the customer for the delay, processed the objection decisions and advised the customer of the determination.
	Contractor Activity
Conduct of Contract Valuer	Investigation showed that a valuer had been inspecting properties that were recently sold so he could analyse the sales. Customer raised concerns about an unknown person being in the street near their property. Contractor was reminded of VG NSW's customer service expectations.
	Privacy
Notice of Valuation sent to property address, not mailing address	Updated mailing address for the customer. Advised customer of process to suppress ownership from Register of Land Values if concerned about personal safety

10.3 Conference management

Conferences with landholders during the objection process were introduced following Recommendation 11 of the Joint Standing Committee on the Office of the Valuer General as a way of ensuring the customer understands the information that would affect their land value, providing them with the opportunity to discuss their concerns or submit further information prior to the objection being finalised.

The conference also promotes understanding of the options should a landholder remain dissatisfied with the outcome of their objection.

Legislative changes were not made.

Future initiative 4 for 2020-21 seeks to clarify previous Joint Standing Committee recommendations to ensure consistency with law or Court precedent.

10.4 Survey management

VG NSW undertook a range of surveys in 2019-20 to monitor and inform improvements to our customer service including:

- all landholders following a facilitated conference;
- former landowners following the determination of compulsory acquisition compensation; and
- surveys that monitor customer service across a range of services to measure levels of service, consistency of information, customer support, timeliness, relevancy and accessibility of information.

10.4.1 Facilitated conference survey

Landholders who participate in a facilitated conference are asked to complete a survey at the end of the process. Seventeen surveys were issued during the reporting period and six responses received. Each response was considered by VG NSW but the number of responses limit analysis.

10.4.2 Compulsory acquisition survey

VG NSW surveys landowners or their representative following the issue of a determination of compensation for land on the surface. The survey aims to monitor and report on the quality of service provided and identify where improvements can be made.

There were 47 surveys issued during the reporting period and five responses were received:

- 60% agreed or strongly agreed the valuer and staff acting on behalf of the Valuer General responded in a timely manner;
- 60% agreed or strongly agreed the information they received from the Valuer General clearly explained the compulsory acquisition process and how they could participate in the process;
- 100% agreed or strongly agreed they had the opportunity to provide information to the valuer preparing the Valuer General's valuation report; and
- 100% agreed or strongly agreed they had the opportunity to raise any concerns before the Valuer General issued the determination of compensation including the valuation report.

10.4.3 Initial telephone contact survey

This survey measures the level of service landholders receive when they phone the customer service contact centre.

Surveys were offered to 629 customers and 482 customers participated (77%):

- 95.81% agreed that their call was answered in a timely fashion;
- 98.45% agreed that the customer service officer was helpful and respectful;
- 98.96% agreed that the customer service officer was knowledgeable; and
- 78.29% of participants were promoters.

The net promoter score (NPS²) was 63.67, which is the percentage of promoters less detractors.

Net Promoter Score is widely used in commercial/retail industries but lacks relevance for government services where the customer has little to no choice about choosing another provider. This survey was discontinued in November 2019.

10.4.4 Specialist telephone advice post contact (technical information) survey

This survey measures the level of service landholders receive if their enquiry is referred to a valuer following their initial contact with the customer service contact centre.

Surveys were offered to 1,502 customers and 251 customers participated (14%):

- 81% of respondents agreed or strongly agreed that they were satisfied overall with the experience;
- 74% of respondents found it moderately to extremely easy in effort;
- 56% of respondents agreed or strongly agreed that their questions were fully answered;
- 53% of respondents agreed or strongly agreed that they were treated fairly;
- 51% of respondents agreed or strongly agreed that they were responded to in a timely manner;
- 32% of respondents agreed or strongly agreed that they were provided with consistent information;
- 56% of respondents agreed or strongly agreed that they were provided with all the support they needed;
- 51% of respondents agreed or strongly agreed that they were listened to;
- 81% of respondents agreed or strongly agreed that:
 - the information they received was useful;
 - the information was provided in a timely manner; and
- 47.03% of respondents were from regional areas, 52.97% were from metropolitan areas.

10.4.5 Objection process survey

This survey considers the end to end experience of landholders who lodge an objection to have their land value reviewed.

Surveys were offered to 2,019 customers and 204 customers participated (10.10%):

² The NPS minimum and maximum range is minus 100 to positive 100.

- 53% of respondents agreed or strongly agreed that:
 - they were treated fairly;
 - they were listened to;
 - they were responded to in a timely manner;
- 44% of respondents agreed or strongly agreed that they were provided with all the support they needed;
- 48% of respondents agreed or strongly agreed that they were provided with consistent information;
- 49% of respondents agreed or strongly agreed that their questions were fully answered by the valuer who conducted the review;
- 38% of respondents agreed or strongly agreed that their concerns were addressed in the valuer’s report;
- 46% of respondents agreed or strongly agreed that the valuer’s report clearly explained the reasons for the decision;
- 51% of respondents found it moderately to extremely easy to have their land value reviewed; and
- 27% of respondents agreed or strongly agreed that they were satisfied with their experience in the land value review process.

10.5 Privacy

Personal information was managed in accordance with the Privacy and Personal Information Protection Act (privacy legislation) and the Department of Planning, Industry and Environment’s privacy management plan.

Only authorised users can access data stored in the Register of Land Values by logging in to the VG NSW Valuation Portal. The login is subject to the terms and conditions (<https://valuation.property.nsw.gov.au/content/terms>) which require that privacy legislation be complied with. The VG NSW valuation portal is made available subject to privacy legislation.

VG NSW supplies wholesale property sales information including owners’ names to six commercial clients under a license agreement which expired in January 2016 and are currently under review.

Procedures are in place to protect owners’ privacy through suppression of names when required.

VG NSW advised the commercial clients that a new agreement will be made for the distribution of sales data, under which purchaser or vendor names will no longer be provided and seek commercial clients delete vendor and purchaser names from their historical data sets they have received.

Contract terms and conditions for the engagement of contractors and for supply of information to on-sellers contain provisions expressly requiring compliance with privacy legislation. Contractors must also meet the level of professional standards expected of a member of a professional body (API or comparable) which includes dealing with information in compliance with statutory requirements (including privacy legislation).

A privacy statement is available on the VG NSW website which explains how we collect, store and secure personal information.

10.6 Publications management

10.6.1 Information concerning the 1 July 2019 land values

To assist community understanding, the Valuer General published information on the 1 July 2019 land values on the VG NSW website, including:

- media releases, detailing the issue of land values for the State in multiple languages, together with media release covering different regional areas;
- the Valuer General's report on NSW land values at 1 July 2019;
- interactive summaries for 18 regions and all local government areas;
- contract valuers final reports for each local government area; and
- added value of improvement tables for each local government area.

The information is available at www.valuergeneral.nsw.gov.au.

10.6.2 Valuation studies

Following the catastrophic Summer bushfires that affected large areas of the State, VG NSW completed and published a report on the impact of bushfires on land values on 9 April 2020. The report is available at www.valuergeneral.nsw.gov.au.

10.6.3 Newsletters, fact sheets and brochures

VG NSW published the following newsletters and factsheets on the VG NSW website:

- Valuer General's Newsletter January 2020;
- Your land value (January 2020);
- Your supplementary notice of valuation (January 2020);
- Your guide to the Valuer General's review process (March 2020);
- Objection checklist (March 2020);
- Property sales data file, Property sales data Instructions & Property sales data file data elements (May 2020); and
- Land valuation information data files user guide (May 2020).

10.6.4 Valuer General's website usage

Figure 29: Valuer General's website usage

Service type	2017–18 Count	2018–19 Count	2019–20 Count
NSW Globe total users	145,477	84,123	58,013
NSW Globe unique users	111,972	38,818	26,613

Service type	2017–18 Count	2018–19 Count	2019–20 Count
NSW Land Values and Property Sales Map total users ³	-	-	19,244
NSW Land Values and Property Sales Map unique users	-	-	15,218
Regional portal unique visitors	970	950	850
LGA portal unique visitors	3,891	6,684	8,133
Regional portal total page views	3,085	2,225	2,374
LGA portal total page views	11,301	17,675	22,722
Land value searches	188,361	257,840	430,758
Property sales enquiries	41,256	68,103	96,438
Property address enquiries	109,939	150,527	252,784
Valuation sales reports	7,726	11,055	11,000

10.7 Multicultural affairs

Translated information about land values, the valuation and objection processes and compulsory acquisition is available on the VG NSW website. The translated information is available in traditional and simplified Chinese, Arabic, Vietnamese, Greek, Italian, Hindi, Spanish, Korean and Filipino.

VG NSW continued to improve access to information about the valuation system for people of culturally and linguistically diverse backgrounds.

Translated media releases were introduced to the media program following the issue of 1 July 2019 land values. The media releases included information on the release of new land values and an overview of the movement of residential, rural, industrial and business land values across the state.

The releases were translated into Arabic, Chinese traditional and simplified, Greek and Vietnamese. The releases were published on the VG NSW website and provided to Arabic, Chinese, Greek and Vietnamese media outlets.

³ NSW globe was transitioned to NSW Land Values and Property Sales Map on 17th January 2020.

10.8 Liaison with councils

10.8.1 Meetings

During 2019-20, representatives from VG NSW attended:

- Rating Professionals' Group meetings which are held periodically throughout the reporting year. The meetings consist of various rating groups from NSW;
- 69 council meetings to discuss the 1 July 2019 land values; and
- NSW Rating Professionals Executive Committee meetings, which are held quarterly.

10.9 Liaison with Revenue NSW

Regular liaison meetings are held with Revenue NSW concerning the provision of land values for use in the management of land tax.

11. Future initiatives

VG NSW advised the Joint Standing Committee of six future initiatives for 2020-21 at its meeting on 15 June 2020, which are detailed further below:

- 11.1 holistic customer service surveys;
- 11.2 timeliness and KPIs for objection process;
- 11.3 timeliness for the compulsory acquisition process;
- 11.4 clarification of previous Joint Standing Committee recommendations to ensure consistency with law or court precedent;
- 11.5 Valnet III funding; and
- 11.6 automated valuation modelling development with the University of NSW.

11.1 Holistic customer service surveys

Building on the work undertaken following the Twelfth Meeting of the Joint Standing Committee, VG NSW will continue to develop customer service surveys by undertaking a holistic review of methods to assess the customer service experience. The review is anticipated to focus on:

- who should be surveyed? - in order to better understand the end to end customer experience, it is anticipated that the following customer groups will be surveyed:
 - customers who contact the customer service centre;
 - customers who receive a preliminary objection report;
 - customers who have had an informal conference regarding their preliminary objection report;
 - customers who have received an objection determination;
 - customers who have had a determination under the Land Acquisition (Just Terms Compensation) Act; and
 - customers who have had a facilitated conference;
- when should customers be surveyed? - in order to better understand the impact of each part of the objection and compulsory acquisition processes on customers, it is anticipated that surveys will be undertaken at the following touchpoints:
 - within 24 hours of their phone call;

- within 24 hours of being sent their preliminary objection report;
- within 24 hours of the informal conference being finalised;
- within 24 hours of an objection decision being issued;
- within 24 hours of receiving the preliminary compensation report; and
- within 24 hours of having the facilitated conference;
- what should be asked in customer surveys? - in order to better understand the informational and experiential aspects of the customer experience, questions such as the following may be asked:
 - information exchange:
 - was the customer service officer knowledgeable and could answer my questions?
 - the information I received from the Valuer General clearly explained the compulsory acquisition process and was easy to understand;
 - I had the opportunity to provide information to the valuer (from strongly agree to strongly disagree); and
 - I had the opportunity to raise any concerns before the Valuer General issued the determination of compensation including the valuation report;
 - customer being heard:
 - my issues and concerns were addressed in the preliminary valuation report (strongly agree to strongly disagree);
 - I was provided with the information the valuer considered when preparing the Valuer General's valuation report;
 - the valuer's report was clear to understand;
 - the Valuer General's valuation report clearly explained how the amount of compensation was determined;
 - the valuer preparing the Valuer General's valuation report contacted me and gave me the opportunity to meet, ask questions and raise concerns;
 - the issues and concerns I raised about the valuation were addressed in the Valuer General's valuation report;
 - independence of VG NSW:
 - I am satisfied that VG NSW acted independently when determining the valuation; and
 - The valuer responded in a timely manner;
 - customer service experience:
 - how would you rate your overall objection experience? (range of face images for the customer to choose from);
 - I was satisfied with the overall service I received from the valuer and staff acting on behalf of the Valuer General; and
 - how could your experience be improved?

11.2 Timeliness and KPIs for the objection process

Section 13 summarises the results for performance measures for the objection process, showing:

- 23.71% of objections to land values were completed in 90 days, compared to the KPI target of 80%;

- 48.17% of objections to land values were completed in 120 days, compared to the KPI target of 90%; and
- 76.03% of objections to land values were completed in 180 days, compared to the KPI target of 98%

In order to improve performance, a holistic review of the objection process will be undertaken with a view to making major process changes. Such major process changes may include contractual arrangements, IT upgrades, rewriting of policies, manuals and guidelines and both contract valuer and VG NSW staff training, resulting in improvements to performance being gradual over a period of time.

11.3 Timeliness for the compulsory acquisition process

The average time taken to issue determinations in 2019-20 was 171 days, a marginal increase compared to the 166 days in 2018-19.

Factors impacting on the time taken to issue determinations included:

- late notification of a matter by the acquiring authority often after gazette;
- matters requiring multiple experts such as town planners, flood engineers, quantity surveyors etc;
- timeliness of valuation contractors in submission of reports; and
- the preliminary report process which adds 15 working days.

In order to improve performance, a holistic review of the compulsory acquisition process will be undertaken with a view to making major process changes. Such major process changes may include contractual arrangements, IT upgrades, rewriting of policies, manuals and guidelines and both contract valuer and VG NSW staff training, resulting in improvements to performance being gradual over a period of time.

11.4 Clarification of previous Joint Standing Committee recommendations to ensure consistency with law or court precedent

The precedent and procedure of the Land and Environment Court continually evolve the application of statutes relevant to VG NSW.

In order to ensure that VG NSW is meeting the requirements of the Joint Standing Committee, relevant statute, current Court precedent and prevailing procedure, previous recommendations of the Joint Standing Committee will be reviewed for alignment and consistency and, where relevant, clarification sought from the Joint Standing Committee.

11.5 Valnet III funding

VG NSW has sought funding of \$26 million from Treasury for Valnet III, a transformational IT system that underpins the operation of valuation system.

The current IT system, known as Valnet II, is a 20-year-old Oracle database product. Generally described as rigid and inflexible for both VG NSW and contractors, the system limitations are apparent around its lack of flexibility (particularly reporting), limited data capture and ability to utilise output data without significant and costly programmer input. Valnet II currently provides a major source of risk to the integrity of the State's valuation system.

Valnet III is VG NSW's proposed replacement platform for the incumbent system. The system would be cloud-based, having the capacity to store mass valuation data, with the capability of performing

various forms of valuation and customer interaction. The new system would allow customers and contractors to interface with real-time datasets via web-based protocols, significantly streamlining the present process.

In the event Government were to embrace a broad-based land tax system to replace the current combination of land tax and stamp duty systems, implementation of Valnet III would be essential to provide a robust, agile infrastructure upon which to administer the State's land taxation system.

Given the fundamental importance of Valnet III to the integrity of the State taxation system in the future, VG NSW will continue to vigorously pursue funding.

11.6 Automated valuation modelling development with the University of NSW

VG NSW currently administers a mass valuation system in New South Wales, which combines valuer input with statistical analysis. Advanced jurisdictions around the world are adopting automated valuation models (AVMs) for rating and taxing valuation purposes which are based primarily on computer driven algorithms with limited valuer input.

For several years, VG NSW has been working closely with and supporting the Value Australia project being undertaken by Frontier SI, a partnership comprising:

- VG NSW;
- FrontierSI;
- Commonwealth Bank of Australia;
- Liverpool City Council;
- OMNILINK Pty Ltd; and
- University of New South Wales.

The Value Australia project will run from 2019 to 2022 and seeks to develop AVMs which may be of use for rating and taxing valuation by VG NSW. With preliminary AVM development now nearing completion, it is now proposed to undertake initial field trials to evaluate suitability for use by VG NSW.

12. Finance

The Valuer General aims to operate a cost effective, world class valuation system focussed on meeting the needs of its customers.

12.1 External engagements

This information is provided in addition to statutory reporting requirements for consultants. Statutory reporting requirements are addressed in the Department of Planning, Industry and Environment 2019-20 Annual Report.

Expenditure on external engagements by Valuation Services totalled \$63,405 (excluding GST) in 2019-20.

Figure 30: External Engagements

Company	Purpose
IPTI Consulting	The International Property Tax Institute (IPTI) were engaged to undertake a benchmark comparison study of the NSW Valuation System.
Meltwater Australia	Meltwater Australia provided an analysis of the Valuer General's annual media campaign to assist the Valuer General to better understand penetration and improve the reach to customers from multicultural backgrounds.

12.2 Crown Solicitor's Office

Most costs incurred in obtaining services from the NSW Crown Solicitor's Office for valuation related legal services are funded through the Attorney General's core fund. These costs are not recorded in the valuation system financial report 2019-20 as they are not met by the Valuer General and are not included in the charges to rating and taxing authorities.

For the 2019-20 reporting year, there were 37 valuation matters managed by the Crown Solicitor's Office. The total cost of valuation related legal services provided by the Crown Solicitor's Office was \$1,111,387.31 (\$571,926.87 in fees and \$539,460.44 in disbursements).

12.3 Financial report

12.3.1 Activity based costing

Activity based costing was introduced in response to the Joint Standing Committee on the Office of the Valuer General's recommendations⁴ relating to financial reporting to enhance transparency and accountability.

An activity based costing report was first published in the Valuer General's 2013 - 2014 annual report⁵, and has been subject to continued improvement.

A recent review of activity based costing was undertaken to provide more relevant financial information better aligned with the current business functions, and also to improve efficiency in generating the report itself.

The outcomes of the review are summarised below:

- activities were redefined and aligned with the current structure of the business;
- expense groups and categories were updated to reflect the new financial system following the parent cluster change from Land and Property Information within the Department of Finance Services and Innovation, to the Department of Planning, Industry and Environment;
- timesheet based methodology was replaced with a more efficient, consistent methodology in generating the report. This new method based

⁴ Recommendation 4, p5, Report 1/55, October 2012, *Interim Report on the Eighth General Meeting with the Valuer General*.

Recommendation 27, p117, Report 2/55, May 2013, *Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General*.

⁵ Financial and administrative enhancement, p80/81, Office of Finance & Services Annual Report 2013/14, https://www.finance.nsw.gov.au/sites/default/files/OFS_Annual_Report_2013-14_section_2.pdf.

on operational areas was adopted from 2018 - 2019 activity-based reporting; and

- the activity-based costing report can be generated on a monthly basis with minimal process time

Activity based costing now enables a clear reconciliation and audit trail between the activity-based costing report and the statutory financial report at activity and profit centre level.

Activity based costing now provides substantial administrative savings. The new method replaced the old timesheet system, which required considerable staff time, complex system management and ongoing technique support.

In contrast, the new method is low maintenance, flexible to changes, simple to operate and with no additional system requirements.

12.3.2 Definition of activities

The newly redefined activities capture the fundamental responsibilities of Valuation Services with greater granularity and transparency. For example, the function of quality assurance (QA) is now categorised into three distinctive activities: QA Program Control, QA Program Operations, and Objection and Appeals Management. This provides for better clarity and visibility. New activities, such as Customer Service, Contract Management and Business Improvement, were also created to provide more insight of key functions of the business.

QA Program Control

Costing in relation to activities which oversee the Valuer General's annual QA program, including QA program designing, process/procedure setting, policy review, contract service specification requirements, centralised advice/analysis, and QA improvement projects supervision.

QA Program Operations

Costing in relation to activities which involve the operation of the Valuer General's annual QA program, including market analysis, monitoring of rating and taxing contractors, risk identification, contractor methodology audit, error rectification/remediation and outcome reporting.

Contract Management

Costing in relation to purchasing and procurement management activities, which mainly consist of rating and taxing contract management, panel contractor management and tender process management.

Land Values Register Maintenance

Costing in relation to the ongoing update and maintenance of the Register for Land Values, which include the creation and amendment of property details from the supplementary valuation process, QA for the annual land valuation program and key stakeholder liaison.

Objections and Appeals Management

Costing in relation to land valuation objections and appeals management activities, which include panel contractor objection review, in-house objection review, panel contractor QA audit, informal/formal conferences and court appeals (including the Valuer General's internal staff costs only, excluding the Crown Solicitor Office's costs).

Customer Service

Costing in relation to customer communication, engagement and relationship enhancement activities, which include day to day customer/stakeholder liaison, in-house call centre management and customer enquiries, complaints, triage, conferences and surveys management.

Business Improvement and Valnet Management

Costing in relation to the technical maintenance and enhancement of the Valnet system (data base for the Register of Land Values) and to the centralised business improvement project management capacity.

General Administration and Executive Office

Costing in relation to the Executive Director VG NSW and other general administrative costs that don't relate directly to any other activities listed above.

12.3.3 Financial report – Activity based costing for 2019–20

Figure 31: Activity based costing for 2019-20

FY 2019-20 \$'000	QA Program Operations	QA Program Control	Objection Management	Contract Management	Land Value Register Maintenance	Customer Services	Business Improvement & Valnet Management	General Admin & Executive Office	Total Mass Valuation	Valuer General Office	Just Terms	Special Valuation	Total VG NSW
Total Revenue								59,126	59,126		4,427	1,446	64,999
Salaries & on-costs	4,997	752	1,086	460	2,674	1,760	2,199	487	14,415	990	2,159	0	17,563
Other staff related	47	14	5	21	10	13	6	2	119	3	18	2	142
Accommodation	324	43	64	80	261	160	149	27	1,106	80	128	11	1,325
Postage	1	0	0	0	1	1,895	23	6	1,926	0	0	0	1,926
Graphic Services	6	-24	0	-35	5	322	168	42	485	34	3	0	522
ICT Operational	50	7	10	12	40	25	23	4	170	12	20	2	203
Travel	126	7	13	10	54	31	0	2	243	2	31	3	280
Contractors & consultants	0	1	7	2	0	15	-11	-3	12	73	0	0	85
Valuation Contracts	2	84	5,773	19,263	0	0	0	0	25,122	0	1,653	760	27,535
Other operating costs	1	1	2	6	15	128	5	1	159	9	21	0	189
Depreciation	169	22	33	42	136	83	78	14	577	42	67	6	690
Corporate overheads	783	103	154	192	629	385	359	64	2,668	192	308	26	3,194
Total Expense	6,507	1,011	7,147	20,053	3,823	4,816	2,999	646	47,001	1,437	4,407	809	53,655

Note: Total figures may not add as the component figures are subject to rounding.

12.3.4 Financial report – Activity based costing for 2018–19

Figure 32: Activity based costing for 2018-19

FY 2018-19 \$'000	QA Program Operations	QA Program Control	Objection Management	Contract Management	Land Value Register Maintenance	Customer Services	Business Improvement & Valnet Management	General Admin & Executive Office	Total Mass Valuation	Valuer General Office	Just Terms	Special Valuation	Total VG NSW
Total Revenue								52,220	52,220		5,262	1,151	58,634
Salaries & on-costs	2,879	584	2,009	649	2,481	1,128	1,706	451	11,886	2,316	1,919	82	16,203
Other staff related	36	6	13	9	10	5	18	4	101	19	16	1	136
Accommodation	273	46	169	75	357	152	228	47	1,347	14	172	7	1,539
Postage	14	2	6	3	7	3	5	11	51	1	8	0	60
Graphic Services	1	34	5	51	15	7	39	91	242	18	2	0	263
ICT Operational	498	81	297	131	626	266	400	83	2,383	61	301	12	2,756
Travel	192	11	64	17	85	24	19	43	455	5	31	2	493
Contractors & consultants	0	0	0	0	0	1,400	50	69	1,519	215	0	0	1,734
Valuation Contracts	304	172	7,779	19,767	0	0	0	0	28,022	10	2,780	973	31,785
Other operating costs	49	8	31	14	65	28	41	9	244	0	398	1	643
Depreciation	96	16	60	26	126	54	80	17	476	0	61	2	538
Corporate overheads	712	120	442	195	929	396	594	123	3,511	216	448	17	4,192
Total Expense	5,055	1,082	10,874	20,936	4,700	3,463	3,179	948	50,236	2,874	6,135	1,097	60,343

Note: Total figures may not add as the component figures are subject to rounding.

12.3.5 Financial report – Activity based costing: comparison analysis

Figure 33: Activity based costing: comparison analysis

\$'000	VG NSW 2018-19	VG NSW 2019-20	Variance \$'000	Variance %	Note Index
Total Revenue	58,634	64,999	6,365	11%	1
Salaries & on-costs	16,203	17,563	1,361	8%	2
Other staff related	136	142	6	4%	
Accommodation	1,539	1,325	-215	-14%	3
Postage	60	1,926	1,866	3086%	4
Graphic Services	263	522	259	99%	5
ICT Operational	2,756	203	-2,553	-93%	6
Travel	493	280	-213	-43%	7
Contractors & consultants	1,734	85	-1,649	-95%	8
Valuation Contracts	31,785	27,535	-4,251	-13%	9
Other operating costs	643	189	-454	-71%	10
Depreciation	538	690	152	28%	11
Corporate overheads	4,192	3,194	-997	-24%	12
Total Expense	60,343	53,655	-6,688	-11%	

Notes

- Note 1: Total revenue growth from FY2018-19 is driven by: (a) an increase of \$7,008k from Revenue NSW following IPART's latest determination. (b) an increase of \$462k in asset valuation and other revenue. (c) a decrease of \$835k in Just Terms. (d) a decrease of \$269k from local councils following IPART's latest determination on VG NSW's fees to local governments.
- Note 2: Salaries and on-costs in FY2019-20 is \$1,361k higher than FY2018-2019. This is due to: (a) 2.5% annual salary increase in FY2019-20. (b) 2 full time equivalent (FTE) net increase in FY 2019-20. (b) one-off redundancy expense accrual reversal in FY2018-19 had a favourable impact. (c) 3 contract programmers became full time employees and 100% of their cost in FY2019-20 has been classified as salary expenses instead of capex expenses as in FY2018-19.
- Note 3: Accommodation Expense is \$294k lower relative to FY2018-19. The lower expenditure was driven by the reversal of prior year accruals.
- Note 4/Note 5: Postage and Graphic Service is much higher in FY2019-20, being \$1,926 and \$522 respectively. The delivery of Notice of Valuations (NOV for general valuation) operates in a 3- year cycle with 100% NOV being delivered in year 1. FY20-19-20 is the

first year in a 3-year delivery cycle. Those costs are for the production and mail-out of approximately 2.6m land valuation notices.

- Note 6: ICT operational of \$203k were \$2,553k lower than FY2018-19. This is the result of one off Integration Project costs (\$564k) and other ICT charges (\$366k) associated with Property Advisory Group in FY2018-19, in addition to the impact resulting from the over accrual of ICT costs (\$861k) in FY2018-19 which was reversed in FY2019-20.”
- Note 7: Reduction of \$213k on travel cost from FY2018-19 is mainly driven by the saving initiatives being taken in FY2019-20 which include: (a) the transfer of the whole vehicle fleet from VG NSW to DPIE central pool vehicle fleet. (b) gaining full access to DPIE central fleet and their online booking system. (c) clear travel policies and guidelines aiming to encourage the use of public transportation and DPIE pool vehicles. (d) communication, education and awareness workshops for smarter, safer, lower cost and more environmentally friendly business travel practice.
- Note 8: The higher Contractors and Consultants cost in FY2018-19 is mainly driven by the provision of \$1.4m for the Digitisation of Notices of Valuation project in collaboration with Service NSW.
- Note 9: Valuation contracts for FY2019-20 is \$4,251 lower than FY2018-19 primarily driven by: (a) lower mass valuation contract fees as the savings of the new mass valuation contract (starting Mar 2019 to Feb 2024) came to fruition in FY2019-20. (b) lower Just Terms external valuation contract fees in FY2019-20 driven by lower revenue and higher internal compensation valuer utilisation. (c) after seeing an unprecedented high objection volume and cost in FY2018-19, the negative land value growth in FY2019-20 was more in line with the market expectations, consequently resulting a lower objection volume and costs. (d) lower external parallel valuation (for QA purpose) cost in FY2019-20 compared to FY2018-19 as a result of the modification of the FY2019-20 QA program.
- Note 10: Other operating expenses for FY2019-20 is \$454k lower in FY2019-20 than FY2018-19. The newly improved activity based costing method has contributed and enabled a more accurate and transparent reporting framework. Most miscellaneous expenses, which used to be classified as “Other” in previous reporting periods, are now reclassified into more accurate and clearer expenses categories for reporting purpose.
- Note 11: Depreciation is \$152k higher relative to FY2018-19. This is driven by system enhancements that was made to ValNet 2.
- Note 12: Corporate overheads is \$997k lower in FY2019-20 than FY2018-2019. As a result of the recent Machinery of Government (MOG) changes, VG NSW joined the newly formed government cluster of Department of Planning, Industry and Environment. A different corporate overhead allocation model in DPIE has resulted a less common cost distribution to VG NSW compared to FY2018-19, during which VG NSW was under the cluster of Department of Finance, Services and Innovation (DFSI).

12.4 IPART price setting for valuation services

12.4.1 FY2019-20 financial result against IPART determination

Fees to councils

As demonstrated in the tables below, VG NSW's fees to councils for FY2019-20 are in line with IPART's determination on pricing. The variances are also minimal between the estimated number of valuations (2,591,956) in IPART's determination and the actual number of valuations (2,599,650) for FY2019-20, resulting in a total fee variance of \$44,976 as shown in the table below.

Figure 34: IPART's determination on VG NSW's fees to councils for valuation services in FY2019-20

IPART's determination on VG NSW's fees to councils for valuation services in FY2019-20			
Zone	Pricing \$/Valuation	Estimated number of valuations	Fees to Councils \$
Country	\$7.61	584,368	\$4,445,656
Coastal	\$6.48	808,897	\$5,244,244
Metro	\$5.98	1,170,443	\$6,995,389
City of Sydney	\$12.37	28,247	\$349,382
Total		2,591,956	\$17,034,671

Figure 35: VG NSW's actual fees to councils for valuation services in FY2019-20

VG NSW's actual fees to councils for valuation services in FY2019-20			
Zone	Pricing \$/Valuation	Estimated number of valuations	Fees to Councils \$
Country	\$7.61	584,026	\$4,443,054
Coastal	\$6.48	810,964	\$5,257,642
Metro	\$5.98	1,176,647	\$7,032,466
City of Sydney	\$12.37	28,013	\$346,485
Total		2,599,650	\$17,079,647

Figure 36: Variances

Zone	Number of valuations	Fees to Councils \$
Country	-342	-\$2,602
Coastal	2,067	\$13,398
Metro	6,204	\$37,077
City of Sydney	-234	-\$2,897
Total	7,694	\$44,976

Operating cost

Compared to IPART's determination, VG NSW's actual operating expenditure (Opex) is \$6,467K lower in FY2019-20. This is mainly driven by lower costs in labour, ICT, Other Valuation Contract and Spatial Services.

Figure 37: Operating cost

FY2019-20 \$'000	IPART's determination (incl 1.3% CPI from 2018-19) - \$'000	Actual Opex (as per Figure 31 excl. Just Terms and Special Valuation) - \$'000	Variance	Note
Labour	\$17,563	\$15,404	-\$2,158	1
Mass Valuation	\$19,599	\$19,263	-\$336	2
Other Valuation Contracts	\$6,577	\$5,859	-\$717	3
Rent	\$1,294	\$1,186	-\$107	4
Other Direct	\$1,472	\$620	-\$853	5
Postage	\$1,879	\$1,926	\$47	6
Graphic Services	\$618	\$519	-\$100	6
DFSI Corporate Support	\$968	\$0	-\$968	7
PAG Corporate Support	\$1,677	\$2,861	\$1,184	7
ICT Operational	\$1,548	\$182	-\$1,366	8
Spatial Services	\$813	\$0	-\$813	9
Depreciation	\$897	\$618	-\$278	10
Total Opex (incl. Depreciation)	\$54,905	\$48,438	-\$6,467	

- Note 1: the lower labour cost is driven by less FTEs in FY2019-20 compared to the assumption in IPART's determination, due to delayed recruitment.
- Note 2: the lower Mass Valuation cost is driven by a contract cost component (services variation) not being applicable in FY2019-20.
- Note 3: the lower cost in Other Valuation Contracts is due to the lower objection volumes in FY2019-20, following a negative land value growth from FY2018-19.
- Note 4: the actual rental cost in FY2019-20 is in line with IPART's determination.
- Note 5: Other Direct costs comprise various miscellaneous costs, including: travel/motor vehicle, consultancy, other staff related expenses, call centre, etc. The lower cost in FY2019-20 is mainly driven by savings of travel/motor vehicle (refer to note 7 in section 12.3.5) and consultancy.
- Note 6: the actual costs of Postage and Graphic Services in FY2019-20 are in line with IPART's determination.
- Note 7: after IPART's determination in May 2019, VG NSW joined the Department of Planning, Industry and Environment (DPIE) as a result of machinery of government changes following the state election in March 2019. Consequently, the Corporate Support cost from DPIE has replaced that of DFSI and PAG as originally estimated in IPART's

determination. The overall variance on Corporate support for FY2019-20 is an increase of \$216k (\$1,184 - \$968) compared to IPART's determination.

- Note 8: The lower ICT operational costs were driven by a combination of lower GovConnect charges billed in FY20, ICT expenses incurred centrally but not passed on by the new Department agency and the reversal of FY2018-19 accruals.
- Note 9: in FY2019-20, VG NSW did not pay any fees for Spatial Services despite receiving the services from an internal government department.
- Note 10: the lower depreciation cost in FY2019-20 is due to delayed capex spending and capitalisation on the land valuation system (Valnet).

13. Performance measures

The Valuer General sets the performance standards for the valuation system.

Figure 38: Key performance indicators

Key performance indicators	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Target
Total valuations issued for rating and taxing purposes ¹	1,850,887	1,820,393	3,592,215 ²	1,049,937	510,149	3,663,565	
Total valuations on Register of Land Values at 30 June	2,505,206	2,529,278	2,550,147	2,573,853	2,599,650 ³	2,618,214	
Total Notices of Valuation issued	947,666	888,841	2,668,408 ⁴	62,139 ⁵	75,945	2,672,380	
Customer service							
Total number of calls	23,641	26,364	34,428	18,983	19,308	29,129	

¹ A land value can be counted more than once when used for council rates and land tax.

² Notices of Valuation were issued for all LGAs in 2017 to align the valuing year for all properties in preparation for the then proposed Fire and Emergency Services Levy. This increased the number over previous years.

³ Data extracted on 30 June 2019.

⁴ There are more Notices of Valuation issued than total valuations on the Register of Land Values due to Notices for multiple valuing years being issued for some properties for rating purposes.

⁵ Notices of Valuation are issued to landholders on a three yearly cycle effective from FY2016–17, to coincide with general valuations to council. In FY2017–2018, general valuations were provided to one council. The figure provided for FY2018–2019 reflects Notices of Valuation issued to landholders in two council areas, as a result of supplementary valuations, and those that were returned as undelivered and subsequently reissued.

Key performance indicators	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Target
% of calls resolved on first contact	82% ⁶	85%	88%	86%	95%	92%	85%
% of calls responded to within 3 days	98%	90%	83%	77%	95%	91%	90%

⁶ Manually calculated as outsourced call centre withdrew at short notice and calls were brought in house.

Key performance indicators	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Target
Ratepayers							
% Notices of Valuation issued within 31 days of completion	96%	96%	90% ⁷	76%	91%	84%	98%
% Notices of Valuation for general valuation issued to landholders by delivery date	100%	100%	100%	No Notices of Valuation for general valuations issued this year	100%	100%	100%
% general valuation land values issued to relevant council by delivery date	100%	100%	100%	100% ⁸	100%	100%	100%
% supplementary valuations to council within 31 days	100%	100%	100%	98%	100%	100%	100%
Revenue NSW							
% objections to land values for land tax completed within 90 days	77%	64%	52%	53%	54%	17% ⁹	85%
% objections to land values for land tax completed within 120 days	94%	84%	82%	71%	81%	42% ⁹	90%

⁷ The issuing of supplementary Notices of Valuations for the 2016 valuing year was suspended due to the issue of Notices of Valuation for all properties in preparation for the then proposed Fire and Emergency Services Levy and resulted in the KPI not being met.

⁸ One council received general valuation file in FY2017–18.

⁹ The unusually high volume of land tax related objections received in 2019 impacted timeliness.

Key performance indicators	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Target
% objections to land values for land tax, where land value is greater than \$1m, within 120 days	93%	85%	88%	65%	78%	33%	100%
% of final land values issued to Revenue NSW by delivery date	100%	100%	100%	100%	100%	100%	100%

Supplementary valuations

Total supplementary valuations issued ¹⁰	81,225 ¹¹	53,284	52,286	54,146	51,232	44,681	
Average days to complete	36 days	36 days	38 days	31 days	37 days	41 days	<60 days

Statistical quality measures for land values¹²

% Council areas meeting all standards - Residential	98.5%	98.6%	98.6%	97.9%	100%	97.0%	90%
% Council areas meeting all standards – Commercial	87.6%	90.4%	87.5%	90.7%	93.2%	93.6%	85%
% Council areas meeting all standards – Industrial	87.7%	90.1%	92.8%	96%	91.2%	93.8%	85%

¹⁰ Issued here means issued to Council and Revenue NSW.

¹¹ Increase in supplementary valuations in FY2014–15 was due to new local environmental plans. issued in LGAs. In the Annual Report for 2017–18, the footnote for this value was appended as the number to the actual value. This has been corrected for this report.

¹² Where an appropriate number of analysed sales (five or more) is not available for a zone, the LGA is not included in the measure.

Key performance indicators	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Target
% Council areas meeting all standards – Rural	85.2%	84.0%	86.7%	78.5%	79.6%	89.0%	75%
Objections							
Number of objections received for all valuing years	4,933	7,051	9,306 ¹³	5,657	10,719	4,776	
Number of objections completed for all valuing years	4,346	6,692	6,275 ¹⁴	9,146	6,988	8,341	
Number of objections registered ¹⁵ as a % of valuations issued	0.27%	0.39%	0.26%	0.54%	2.10%	0.13%	
% objections to land values completed in 90 days	76%	50%	55%	51%	62%	24% ⁹	80%
% objections to land values completed in 120 days	92%	73%	86%	71%	84%	48% ⁹	90%
% objections to land values completed in 180 days	99%	96%	94%	90%	94%	76% ⁹	98%
Average number of days to complete objections	69 days	80 days	83 days	108 days	102 days	140 days	75 days

¹³ The issue of Notices of Valuation for all properties in a single year resulted in the increase in the number of objections.

¹⁴ Now excludes incomplete objections with issued preliminary reports.

¹⁵ The word issued in this KPI has been changed to registered as the numbers mentioned here are derived from the number of objections that were registered during the given financial year.

Key performance indicators	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Target
% of objections that led to a change in land value ¹⁶	—	30%	22%	21%	17.15%	24.13%	
Compensation							
% of Just Terms determinations issued on time ¹⁷	53%	26%	21%	26%	38%	54%	100%
% of Treasury Directions issued on time ¹⁷	NVD ¹⁸	NVD ¹⁸	34%	64%	52%	47%	100%

¹⁶ First reported in 2015–16 annual report.

¹⁷ Factors that contribute to delays include the complexity of matters; additional time to allow for improvements to procedural fairness for landowners, including expanded consultation and opportunity to make submissions, and; a focus on fairness and quality and, as a consequence, timeliness is affected.

¹⁸ Non-Verifiable Data

Appendix 1: Role of Valuation Services

Prior to 19 January 2020, the operational aspects of the Valuer General's responsibilities were conducted by Valuation Services, a division of Property NSW, part of the Department of Finance, Services and Innovation, under a service level agreement.

The Valuer General formally delegated operational functions under section 8(5) of the Valuation of Land Act 1916 to delegates within Valuation Services. Delegates must comply with all Valuer General policies and exercise the functions in a manner consistent with the aims and objectives of the Valuer General.

Valuation Services provided a range of services to the Valuer General which included:

- issuing land values to councils, Revenue NSW and landholders;
- undertaking determinations of compensation in accordance with the Land Acquisition (Just Terms Compensation) Act 1991, the Valuer General's policies and operational procedures;
- maintaining the Register of Land Values;
- ensuring fair and transparent resolution of objections or requests for review;
- managing valuation contracts, the valuation procurement process and the performance of contractors, including compliance with legislation, policies and operational procedures;
- customer service and positive engagement with the community, stakeholders, courts and the NSW Parliament;
- provision of property information and data to valuation contractors, government and the community;
- technical advice and support to the Valuer General and his office; and
- quality assurance of all services.

Appendix 2: Office of the Valuer General

As a statutory officer, the NSW Constitution precludes the Valuer General from directly employing staff. The seven staff supporting the Valuer General were, up to 19 January 2020, employed by the Department of Finance, Services and Innovation and may be referred to as members of the Valuer General's staff under the Government Sector Employment Act 2013.

Organisation chart as at 30 June 2019:

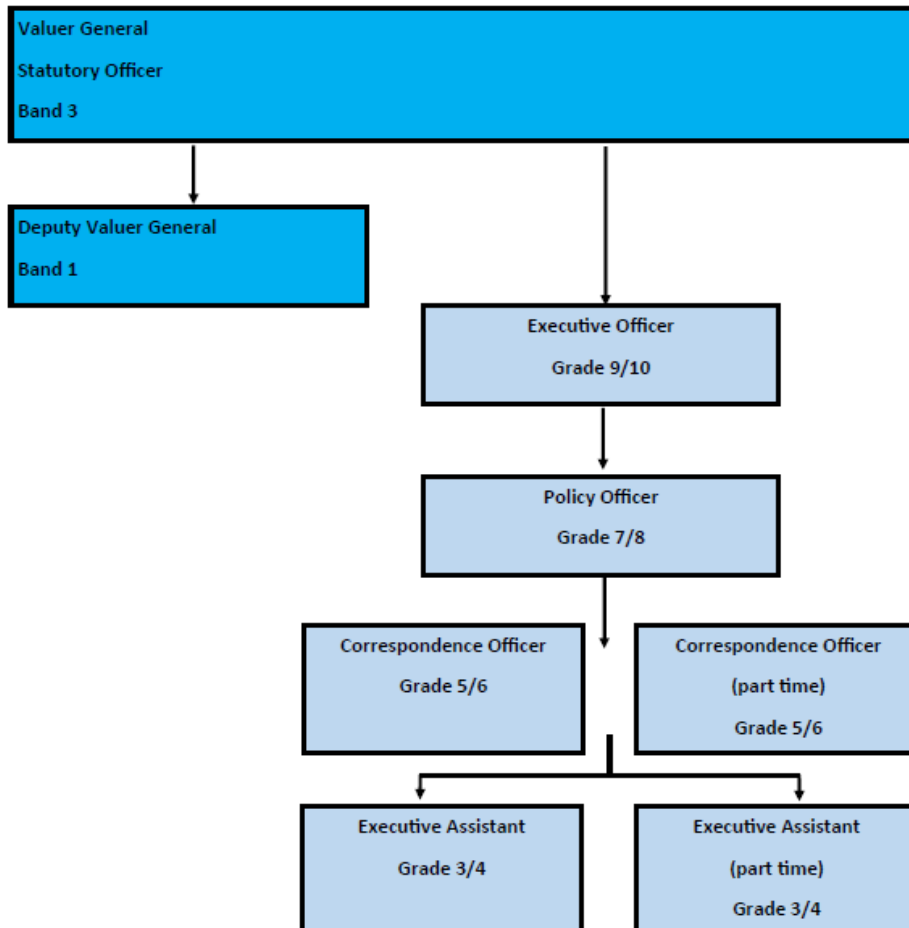


Figure 39: Appendix 2 - Org chart as at 30 June 2019 for the Office of the Valuer General

Up to 19 January 2020, the Office of the Valuer General provided day to day support to the Valuer General, including the setting of objectives, standards and policies for the operation of the valuation system, monitoring the performance of Valuation Services, providing support for the Valuer General in addressing ministerial and parliamentary enquiries, developing public information, responding to public enquiries and investigating complaints. The Valuer General's salary is determined annually by the Statutory and Other Offices Remuneration Tribunal.

Valuation Services, Property NSW

Up to 19 January 2020, Valuation Services, a division of Property NSW, part of the Department of Finance, Services and Innovation, operated the valuation system on behalf of the Valuer General.

Organisation chart as at 18 June 2019 showing senior and support staff:

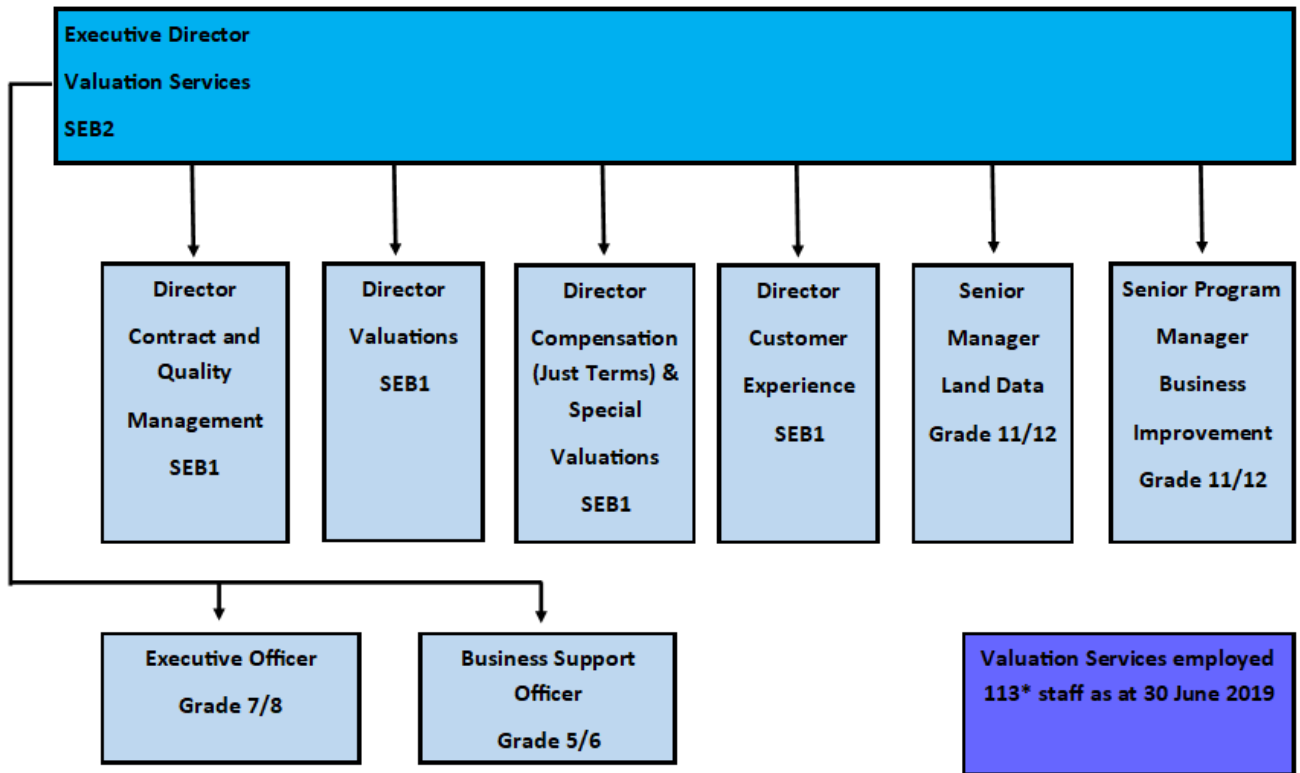


Figure 40: Appendix 2 - Org Chart as at 18 June 2019 for Valuation Services

Appendix 3: Structure of the valuation system up to 19 January 2020

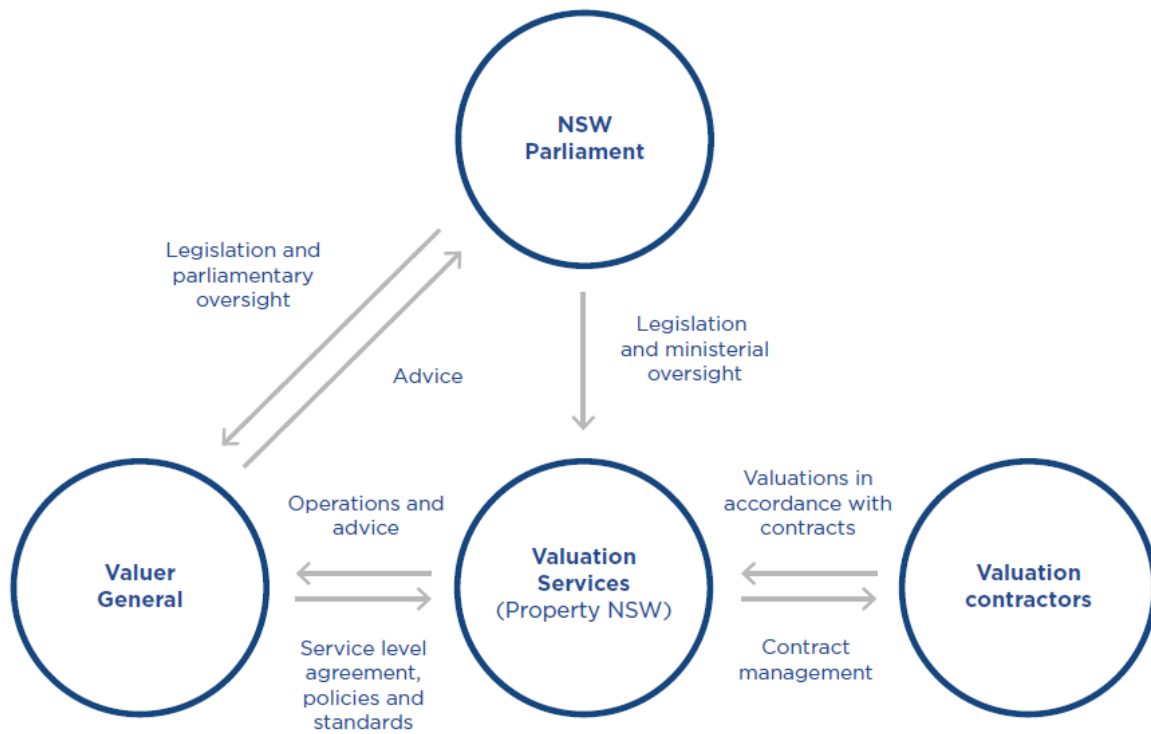


Figure 41: Appendix 3 - Structure of the valuation system up to 19 January 2020

Appendix 4: Governance structure of the valuation system up to 19 January 2020

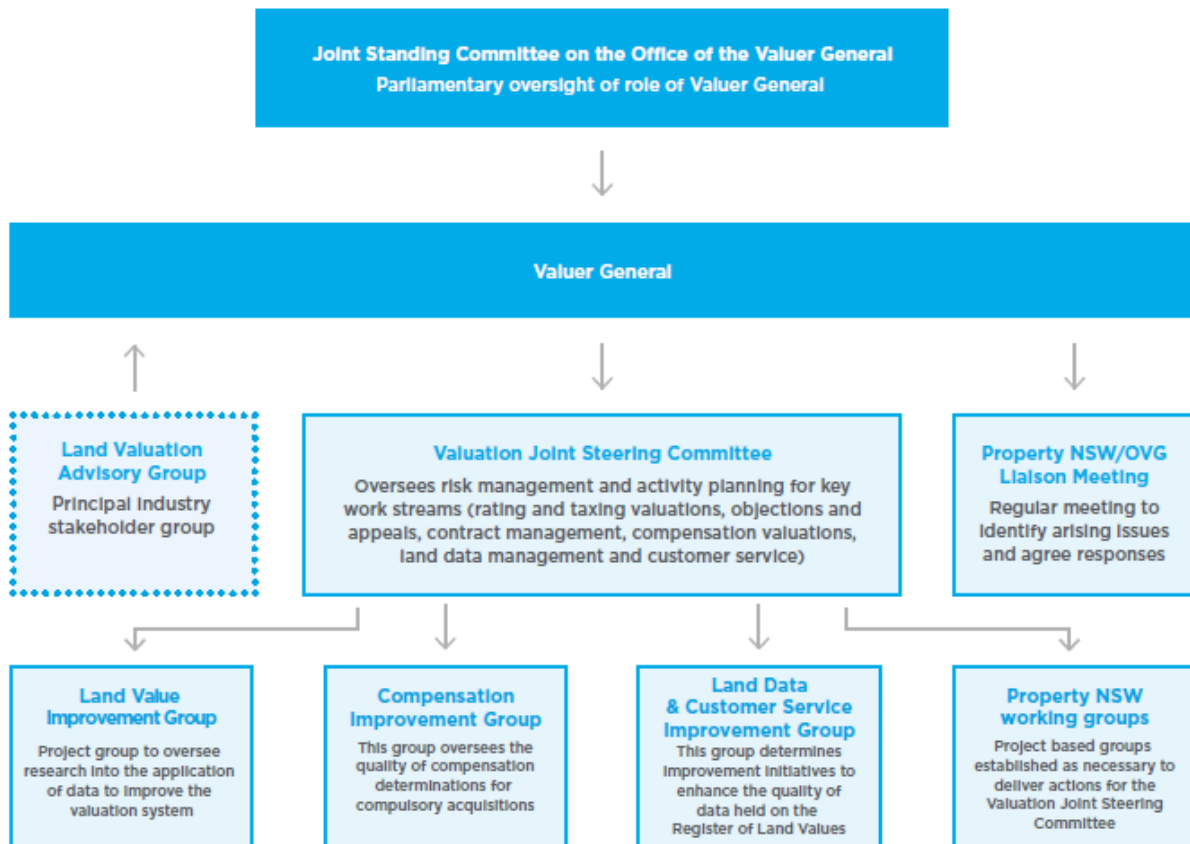


Figure 42: Appendix 4 - Governance structure of the valuation system up to 19 January 2020

Appendix 5: The role of the Valuation Joint Steering Committee up to 19 January 2020

The Valuation Joint Steering Committee comprised the Valuer General, Deputy Valuer General, Executive Director of Valuation Services, and representatives from the Office of the Valuer General and Valuation Services.

The CEO of Property NSW was an invitee to meetings.

The Valuation Joint Steering Committee coordinated senior management planning and oversight of the valuation system including customer service, land values, compensation determinations, objection and appeals, data operations and contract management. There is a structured reporting and engagement plan detailed in the service level agreement.

Appendix 6: Valuation Services – Service Level Agreement

Up to 19 January 2020, Valuation Services provided a range of services to the Valuer General, including valuation contract management, auditing and quality assuring valuations, processing objections, provision of data and the day to day management of determinations of compensation for compulsorily acquired land.

These services were formalised through the service level agreement between the Valuer General and Property and Advisory Group (Property NSW), which includes Valuation Services and is a division of the Department of Finance, Services and Innovation. The agreement was reviewed and renegotiated annually.

The Valuer General formally delegated operational functions under section 8(5) of the Valuation of Land Act 1916 to delegates within Valuation Services. The delegations are detailed in the service level agreement

Appendix 7: Development of automated valuation models

Valuer General New South Wales is working closely with and supporting the Value Australia project being undertaken by Frontier SI, a partnership comprising:

- VG NSW
- FrontierSI
- Commonwealth Bank of Australia;
- Liverpool City Council;
- OMNILINK Pty Ltd; and
- University of New South Wales.

The Value Australia project will run from 2019 to 2022 and seeks to develop automated valuation models which may be of use for rating and taxing valuation by Valuer General New South Wales.

FrontierSI

FrontierSI was formerly the Cooperative Research Centre for Spatial Information.

FrontierSI, a not-for-profit company, was established following 15 years of operations as the Cooperative Research Centre for Spatial Information (CRC-SI). Their purpose is to deliver major benefits to governments, industry and the community using their expertise in spatial mapping, analytics and standards. The Valuer General has partnered with CRC-SI and FrontierSI on several projects.

FrontierSI - RAISE2 Project

The rapid analytic interactive scenario explorer (RAISE) 2 project included the development of an automated valuation model. The model will need further testing and enhancement before it could be utilised in the determination of land values. The model provided valuable insight into automated valuation models and potential customer interactions and information sharing.

The aim of the project was to assist planners, land developers and the property valuation community gain a better understanding of complex property data in real world scenarios using rapid analytics.

The RAISE project closed on 31 July 2019; research will continue under a new project with FrontierSI called Value Australia.

FrontierSI project - Value Australia

The Value Australia project aims at using big data and artificial intelligence to create world leading land, property and business valuation data products and services for consumers, real estate agents, governments and the valuation industry.

The project will progress the automated valuation model and community interface developed during the RAISE research project.

FrontierSI project grants are a federal government initiative to support industry and government, working with universities, to create and commercialise new products and services. Grants are up to \$3 million over a three year period.

The Valuer General supported a bid by FrontierSI for this project. The bid was successful receiving \$2.9 million in Commonwealth Government funding.

In June 2019 a partnership agreement for this project was signed between:

- VG NSW;
- FrontierSI;
- Commonwealth Bank of Australia;
- Liverpool City Council;
- OMNILINK Pty Ltd; and
- University of New South Wales.

The Valuer General's contribution to this project will be \$50,000 and \$50,000 in kind annually over the next three years, commencing in 2019 - 2020.

Appendix 8: Role of the Land Value Improvement Group up to 19 January 2020

The Land Value Improvement Group oversaw research into the quality of rating and taxing valuations and the valuation process. The group consisted of members from the Office of the Valuer General and Valuation Services.

The group's objectives were to:

- improve the quality of valuations and the valuation process;
- encourage innovation and the understanding of emerging technology and mass valuation practices;
- improve the monitoring of contractor performance;
- ensure the effective and efficient application of data and statistical measures; and
- identify risks to valuation quality.

The group reviewed and considered:

- findings from the 2019 quality assurance program;
- proposed plan for the 2020 quality assurance program;
- quality assurance resourcing requirements;
- managing contractor performance issues;
- the valuation of high-density residential sites;
- the valuation of coal mines;
- information for the valuation of shopping centres;
- the completion of objections within statutory time limits;
- property value movement information provided to NSW Treasury;
- ongoing improvement programs including the publication of worksheets and benchmark component reports; and
- the trial of a new contractor scorecard.

Appendix 9: Role of the Compensation Improvement Group up to 19 January 2020

The Compensation Improvement Group commenced in March 2019 to oversee the quality of the compensation determination process. The group consisted of members from the Office of the Valuer General and Valuation Services.

The group's objectives were to:

- ensure that compensation determinations are of the highest quality based on sound evidence and professional advice;
- improve the compensation determination process;
- determine strategic planning directions;
- identify issues and promote best practice standards;
- promote information sharing;
- progress relevant recommendations of the Joint Standing Committee on the Office of the Valuer General.

The group has reviewed and considered:

- the alignment of the Valuer General's customer service survey for compensation determination matters with the Centre for Property Acquisition's proposed customer service survey for the end to end acquisition process;
- improvements to the timely delivery of determinations;
- the report of an independent review by KPMG into compulsory acquisition valuation procedures;
- property acquisition standards and minimum requirements;
- judgements from court matters and provision of legal advice on acquisition matters; and
- the review of complex matters including substratum valuations.

Appendix 10: Role of the Land Data and Customer Service Improvement Group up to 19 January 2020

The Land Data and Customer Service Improvement Group was formed to improve land data procedures, transparency and customer service. The group consisted of members from the Office of the Valuer General and Valuation Services.

The objectives of the group included:

- ensuring the valuation system is customer centric;
- enhancing the quality of data held on the Register of Land Values;
- informing improvements to the availability of data to customers and stakeholders;
- promoting transparency of information; and
- promoting best practice and innovation.