

Annual Report 2021-22



Valuer General

Annual report on operations, achievements
and performance with financial statements.

31 October 2022

www.valuergeneral.nsw.gov.au



Acknowledgement of Country

We acknowledge the Traditional Owners and Custodians of the land on which we live and work and pay our respect to Elders past and present.

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Introduction

1. From the Valuer General

I am pleased to present the 2021-22 Annual Report of the Valuer General.

As Acting 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 the office of the Valuer General and Valuer General NSW (VGNSW) and provides information on performance across the valuation system. Along with this report, further statutory reporting may be found in the Annual Report of the Department of Planning and Environment.

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.

In the year in review, we maintained a strong focus on alignment with our operative legislation, transparency, the NSW Government customer service commitments and maintaining the independence of the role of the Valuer General.

We focused on innovation, continuous improvement and future proofing the NSW land valuation system. We were able to secure funding for Valnet III, a new valuation platform which will enhance and transform the work we do, driving greater efficiencies. We thank the Government for that investment.

We developed a new strategy and commenced development on a new operating model to enable a responsive valuation practice. We also provided greater learning and development opportunities to staff and enabled greater collaboration by bringing staff together more often in the aftermath of the pandemic.

We almost tripled the number of determinations for surface land acquisitions since the last reporting period, with the total value of all determinations totalling more than \$1.2 billion with the majority relating to the NSW Governments' infrastructure program.

In the aftermath of the NSW Floods, we proactively monitored the impact on land values, engaging with local stakeholders to capture key insights. I want to thank everyone who contributed to that crucial piece of work.

Finally, I would like to thank the staff of VGNSW, the Department of Planning and Environment and our contract valuers for their substantial efforts throughout 2021-22. I am very proud of our collective achievements over the past 12 months, and I'm energised by the opportunities we now have to build on these successes over the coming years.

NSW has a world class valuation system and I'm confident the improvements and innovation we are working on now will ensure that continues into the future.



Mr Josh Etherington
Acting Valuer General
31 October 2022

Governance and Structure

2. 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 compulsorily 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.

The Valuer General's salary is determined annually by the Statutory and Other Offices Remuneration Tribunal.

3. Role of the Department of Planning and Environment

Valuer General NSW (VGNSW) was established on 20 January 2020, combining the former Office of the Valuer General and Valuation Services. VGNSW supports the Valuer General through the operation of the valuation system, this includes monitoring performance of the system, developing public information, responding to public enquiries, complaint investigation and providing support to the Valuer General in addressing ministerial and parliamentary enquiries as well as recommendations of compensation for compulsory acquisitions.

4. 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*.

5. Vision, Strategy and Risk Management Framework

Vision

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

This will be a valuing organisation known and respected for the calibre of its people, being statutory valuation specialists supported by excellence and innovation in data management and provision of customer focused services.

Strategy

The Valuer General's strategy sets the direction towards the delivery of a fair, transparent and accessible valuation system. The key elements of the Valuer General's strategy are to have a close focus on the administration of the governing statutes, an intention for more of VGNSW's valuers to spend their time valuing and to balance the pendulum to ensure due regard to the requirements of the governing statutes, transparency, the NSW Government customer service commitments, and the independence of the Valuer General.

Risk Management

The VGNSW risk management framework is fundamental to maintaining the reputation of the Valuer General and confidence in the NSW land valuation system, which underpins land and property taxation and compulsory acquisition in NSW.

Therefore, the risk management framework is premised on the following objectives:

- Integrity – being a function of the robustness of the valuation system,
- Public confidence - being a function of the application of the valuation system; and
- Trust – being a function of the existence of the valuation system.

The risk management framework identifies four risk events and related controls for each of the objectives of integrity, public confidence and trust including the accountability of VGNSW staff and contractors measured through performance reviews and contractor scorecards.

Introducing a risk-based performance management system for VGNSW staff, as referred to in the Joint Standing Committee on the Office of the Valuer General's Report on the Thirteenth General Meeting, was one of the Valuer General's key initiatives for the 2021-22 year. Further information on this can be found in section 14.

6. VGNSW organisational structure

As a statutory officer, the NSW Constitution precludes the Valuer General from directly employing staff. The Department of Planning and Environment provide staff to assist the Valuer General in discharging his responsibilities and may be referred to as members of the Valuer General's staff under the Government Sector Employment Act 2013.

The following organisation structure applied at 30 June 2022:

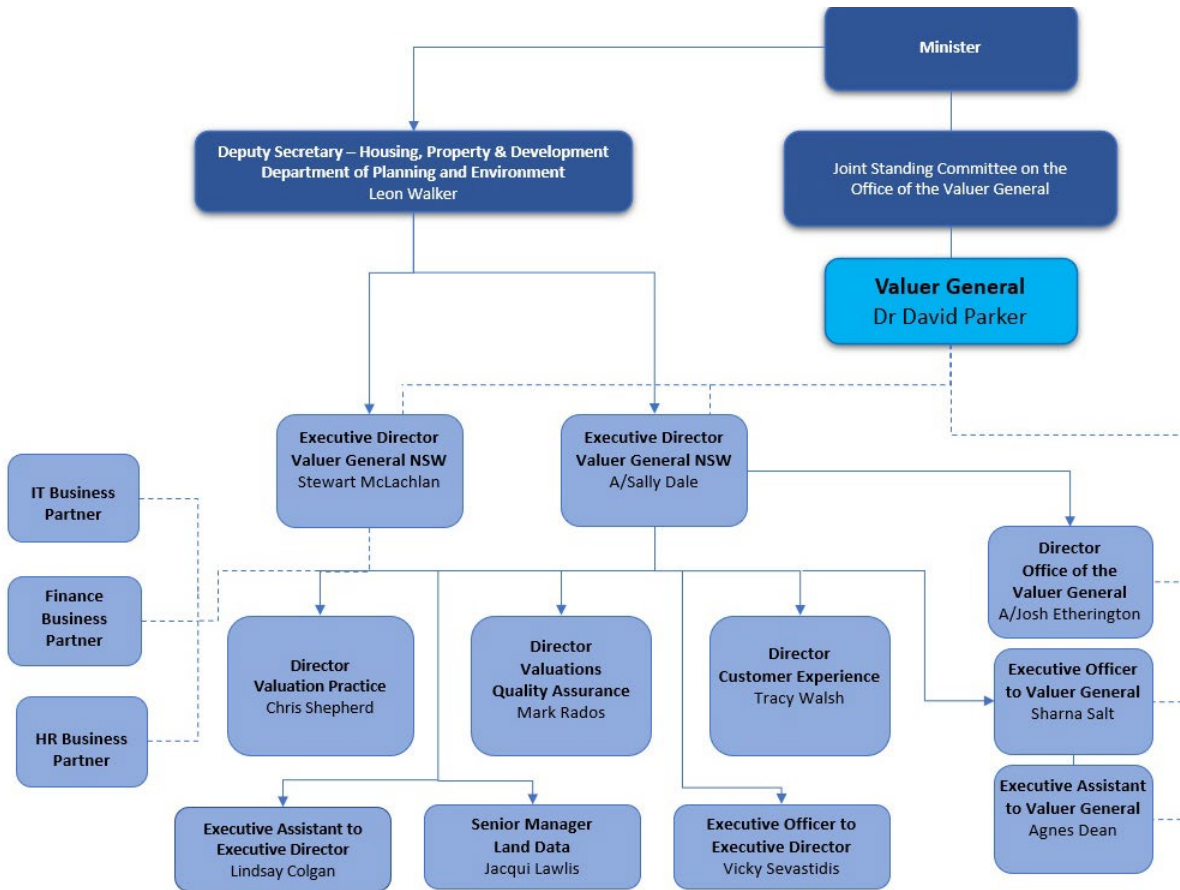


Figure 1: VGNSW organisational structure at 30 June 2022

VGNSW Management Committee

The VGNSW Management Committee comprises the Executive Director, Directors and Senior Manager Land Data, who meet with the Valuer General to provide updates on a monthly basis. The role of the Committee comprises overseeing risk management and activity planning for the principal business streams, which may be summarised as follows:

- review of the monthly management report including business stream performance against KPI’s,
- review of projects underway within each business line; and
- monitoring existing resourcing and projecting future requirements.

7. Structure and Governance of the valuation system

The structure of the valuation system is shown below:

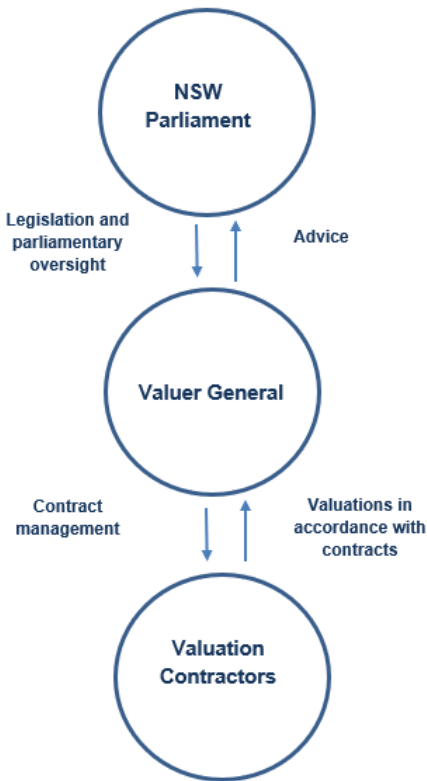


Figure 2: Structure of the valuation system

The governance of the valuation system comprises oversight of the Valuer General by the Joint Standing Committee on the Office of the Valuer General, with the Management Committee reporting progress and internal advice to the Valuer General, while the Land Valuation Advisory Group providing external advice to the Valuer General, as outlined in the graphic below:

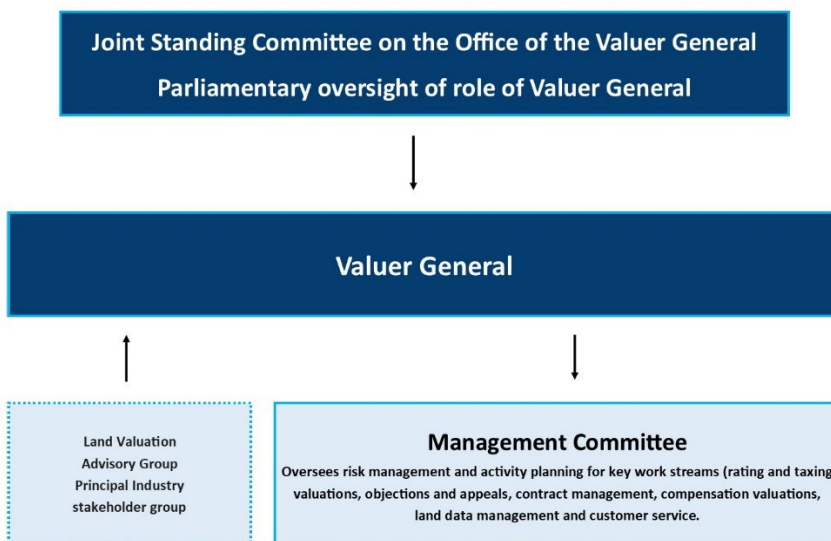


Figure 3: Governance structure of the valuation system

8. 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.

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 tabled its report on the Fourteenth General Meeting with the Valuer General on 23 November 2021. For more information see section 13.

The Committee held an informal meeting with the Valuer General and key representatives from Valuer General NSW on Friday 10 June 2022.

The Fifteenth General Meeting with the Valuer General was held on 28 September 2022 to review the 2020-21 Annual Report. The Committee is yet to table its report.

9. 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 the 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 twice during the year on 17 December 2021 and 9 June 2022. The following matters were considered:

- Value movements for the 1 July 2021 land values and factors affecting the property market
- Preparation for the 1 July 2022 land values and factors affecting the property market
- Governance of the valuation system
- Update on Valuer General Reviews currently underway
- Utilising members organisations to promote the role and functions of the Valuer General.

10. 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, 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.

Provisions of the Service Level Agreement continue to apply with services provided to the Valuer General by VGNSW. Services provided by VGNSW to the Valuer General are monitored through KPIs which are reported in section 40 of this Report.

The Valuer General formally delegates certain operational functions under section 8(5) of the *Valuation of Land Act 1916* to delegates within VGNSW.

11. External service agreements

A service level agreement is in place between the Chief Commissioner of State Revenue and the Valuer General, which is current for the period 2021-2024.

A memorandum of understanding is in place between the Valuer General, the Registrar General and NSW Land Registry Services.

12. Conflicts of interest

Conflicts of interest are managed as part of the risk management framework and governance arrangements of VGNSW. VGNSW complies with the 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 VGNSW and Departmental employees, relations within the Department and compulsory acquisition stakeholders are managed systematically through the Departmental cross-functional procedure *Property related declaration of interests for VGNSW and DPE workers*, which is being progressively updated and embedded into day-to-day practices.

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

Generally, conflicts of interest are managed within the Department as follows:

- VGNSW and Departmental staff are 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 VGNSW,
 - 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 VGNSW or the Department whether in 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, the Department uses an online Conflict of Interest Declaration and e-register for Departmental staff. The e-register enables accurate recordkeeping, monitoring and compliance.

VGNSW contractor conflict of interest training occurred in November 2021 for objection contractors.

Commencing from May 2022 a program of conflict of interest feedback sessions was carried out with rating and taxing contractors. The feedback was two-way, providing contractors individual feedback on conflict of interest management and asking contractors for feedback on VGNSW conflict of interest training.

Based on the feedback from contractors, new training is in development. It is planned to roll out this new training in late 2022, initially to rating and taxing contractors.

This will be followed by objection contractor training to build on the strengthened awareness and deterrence of contractor breaches. Lastly, this training package will be rolled out to any remaining contractors that provide services to the Valuer General in relation to compulsory acquisitions.

Rating and Taxing

The potential for conflict of interest arises from two main sources: valuation contractors and Departmental staff auditing and quality assuring valuations. Valuation contractors include rating and taxing contractors and objection contractors.

Conflict of interest notifications related to contractors increased to 22 in 2021-2022 compared to 14 in 2020-2021. This increase in notifications reflected valuers moving within the industry and a stronger awareness following training to disclose past and current associations.

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

VGNSW managed twenty two (22) reported potential or perceived conflict of interest matters during the reporting period, which included:

- Six (6) potential conflicts for rating and taxing contractors
- Two (2) potential conflicts for objection contractors
- Three (3) perceived conflicts relating to objections contractors
- Eight (8) potential conflicts relating to staff members and valuation contractors
- Three (3) perceived conflicts relating to staff members and valuation contractors

All potential or perceived conflicts of interest were managed appropriately and in accordance with DPE policy, primarily using mitigation action or withdrawal where necessary. In two cases, VGNSW found contractors to have breached their disclosure requirements and recorded performance issues against those contractors.

Audit and Review

Conflict of interest audits are carried out to look at aspects of contractors' management and mitigation of conflicts of interest, and the adequacy of these activities in achieving independent, consistent and accurate valuations.

Rating and taxing contractors are required to keep a current list of all land within their contract area owned by or in which an interest is held by valuers and other staff associated with the contract, and their families and associates.

VGNSW recurrently audits the land values of these properties to identify any valuations that changed in a manner different to similar properties in the group.

The result of the audit program is detailed below.

Table 1: Audit program results

Outcome	1 July 2019	1 July 2020
Land values identified as acceptable	84%	83%
Land values explainable by provided information	12%	15%
Land values requiring additional information from contractors	4%	2%
Performance issues recorded against contractors	0	0
Total	100%	100%

Year in review

13. Report on the Fourteenth General Meeting of the JSCOVG

The Fourteenth General Meeting with the Valuer General was held on 11 June 2021. The Committee reviewed the Valuer General's annual report for 2019-20 and tabled their report on 23 November 2021, making fifteen recommendations.

The Valuer General responded to the Committee to provide an update on the status of recommendations for the Valuer General's and VGNSW action on 29 April 2022.

The Government responded to the report on 23 May 2022, supporting all recommendations. The Government also noted that Funding for Valnet III was approved in March 2022 in response to the Committee's recommendation that priority be given to a funding submission.

A copy of the Committee's full report, the Valuer General's response and the Government response can be found on parliament's website. The recommendations are outlined below, along with a brief status update for each.

Recommendation 1

The Committee recommended that the Valuer General and the Department of Planning, Industry and Environment consult with the relevant VG NSW stakeholders, including the executive officers and the valuation and compensation staff, before determining the final operational arrangements.

- The Valuer General has been working with Department of Planning and Environment to develop the operational arrangements and structure for VGNSW. VGNSW engaged a consultant to develop a refreshed strategic plan.
- Following consultation with the Valuer General, VGNSW executives released draft operational arrangements. Specifically, VGNSW staff were provided a copy of the draft Change Management Plan and the proposed structure on 5 September 2022. Following a two week consultation period with staff and the Public Service Association (PSA), the final arrangements were announced on 28 September 2022.
- VGNSW, supported by the Valuer General, are now in the process of implementing the new structure.

Recommendation 2

The Committee recommended that the Minister for Water, Property and Housing and the Minister for Local Government require local councils to reimburse the Valuer General for the provision of a determination.

- Though this recommendation is ultimately a matter for Government, VGNSW have been involved in discussions regarding a potential review of the *Land Acquisition (Just Terms Compensation) Act 1991*.
- In the interim, VGNSW have been proactively working with acquiring authorities to reduce the number of outstanding payments owed to VGNSW and have been successful in reducing a number of these outstanding matters.

Recommendation 3

The Committee recommended that the Valuer General continues to monitor and improve the performance management system of VGNSW and ensure the objection management and

compensation determination processes are continuously reviewed and restructured as required, in order to achieve greater efficiencies and timeliness.

- The Valuer General, VGNSW and the Department continue to work collaboratively to monitor and improve the performance management system of VGNSW. A number of initiatives have been implemented during the reporting period and beyond to achieve greater efficiencies and timeliness in both the objection management and compensation determination processes. Further detail on this can be found in section 14.2.

Recommendation 4

The Committee recommended that the NSW Government ensure that VGNSW has adequate resources to continue to develop and improve public education about the land valuation system, including upgrading of the website and outreach to communities from non-english speaking backgrounds.

- The Valuer General thanks the Committee and the Government for its interest in ensuring adequate resources are available to enable VGNSW to continue to expand our public education program.
- VGNSW ensure landholders from non-english speaking backgrounds are able to access information and customer service utilising the Translating and Interpreting Service (TIS) and by engaging Multicultural NSW to translate key publications into the top ten most commonly spoken languages. This information is displayed prominently on www.valuergeneral.nsw.gov.au.
- Further updates on the website and communications strategy improvements can be found within section 14.1.

Recommendation 5

The Committee recommended that the NSW Government ensure VGNSW has the necessary resources to explore, test and adopt new technologies to improve quality assurance, risk management, information security and greater efficiencies in the delivery of services in the land valuation system.

- The Valuer General again thanks the Committee and the Government for its interest in ensuring adequate resources are available to enable VGNSW to drive continuous improvement for the NSW valuation system. I am pleased to be able to report that exploring, testing and adopting new technologies to drive greater efficiencies and improvement was a key focus during the reporting period.
- A great example of this has been the enhanced use of Microsoft PowerBI during the reporting period to support our quality assurance activities with greater data analytics and visualisation. Further updates on the innovative projects undertaken by the Valuer General and VGNSW to explore, test and adopt new technologies and methods can be found throughout this report.

Recommendation 6

The Committee recommended that VGNSW provide updates on IT data security measures in future annual reports, in addition to reporting on privacy management and protection of personal information.

- Updates on IT data security measures can now be found in section 35 of this report.

Recommendation 7

The Committee recommended that the Valuer General continue to monitor the performance of rating and taxing valuers for determinations of compensation, including the adequacy and rigour of the quality assurance systems for checking and evaluating performance outcomes.

- Improvements to the quality assurance processes, for both rating and taxing valuations and determinations of compensation, have been a sustained focus throughout this reporting period.

- Further updates on quality assurance processes for rating and taxing valuations can be found within section 20, while information on quality assurance for determinations of compensation determinations can be found within section 25.

Recommendation 8

The Committee recommended that the Valuer General takes account of the quality assurance recommendations of the International Property Tax Institute. In particular, the Valuer General should consider further use of external audits, explore artificial intelligence to improve quality assurance processes and outcomes, and develop data analytics capability to strengthen the mechanisms for checking data quality.

- During the reporting period, VGNSW engaged external contractors to complete high risk quality assurance projects for both rating and taxing valuations and compensation determinations in compulsory acquisition matters.
- We continued our work developing automated valuation models with the University of NSW and began working with commercial providers to develop further models.
- We also improved our data analytics capabilities through the use of Microsoft PowerBI and implemented enhancements to our suite of data integrity checks.

The Valuer General will continue to consider the recommendations of IPTI in the context of the existing programs and planned improvements.

Recommendation 9

The Committee recommended that the Valuer General includes more prominent analysis and discussion of the role of objections and court appeals in identifying valuation errors, in future annual reports.

- More information on the role of objection and court appeals in identifying valuation errors has now been included in section 21. Additionally, information on significant judicial decisions during the reporting period can be found at section 15.

Recommendation 10

The Committee recommended that the Valuer General continues to rigorously monitor the integrity, performance and quality of the work of contract valuers, most particularly the efficacy of measures to provide reliability in their valuations.

- The Valuer General, supported by VGNSW, has continued to rigorously monitor the integrity, performance and quality of the work of contract valuers. More information on our Quality Assurance (QA) Program can be found at section 20.
- The final Change Management Plan includes additional resources in the contract management and procurement team recognising the Valuer General and VGNSW's continued focus on this area.

Recommendation 11

The Committee recommended that the Valuer General continues to prioritise audits and reviews of the efficacy of the conflict of interest management regime and provides comprehensive reports on all aspects of this matter in future annual reports.

- A program of audits and reviews of conflict of interest management is in place. The outcome of the conflict of interest audits of land values in the rating and taxing contractor contract area lists for 1 July 2019 and 1 July 2020 is reported in section 12. Audits and reviews are continuing for current contracts.

Recommendation 12

The Committee recommended that the Valuer General continuously evaluate and improve the conflict of interest component in the training program for valuation contractors.

- The evaluation of the valuation contractor conflict of interest training is continuing. A program of feedback sessions commenced with rating and taxing contractors in May 2022. The feedback was two-way, providing contractors individual feedback on conflict of interest management and asking contractors for feedback on VGNSW conflict of interest training.
- Based on the feedback from contractors, new training is in development and is planned for roll out in late 2022, initially to rating and taxing contractors, followed by objection contractors.

Recommendation 13

The Committee recommended that the Valuer General continue to conduct research into emerging issues impacting the land valuation system, as well as new technologies which may improve the performance of land valuations, the quality assurance of the system, and the provision of accurate information to the public.

- The Valuer General remains committed to conducting research into emerging issues impacting the land valuation system, as well as new technologies which may improve the performance of land valuations, quality assurance and the provision of accurate information to the public.
- During the reporting period, the Valuer General published the *Review of Forms of Cultural Loss and the Process and Method for Quantifying Compensation for Compulsory Acquisition* (January 2022) and an accompanying policy following public consultation.
- The Valuer General commenced a review of the valuation of airport lands during the reporting period with the final report being published on 12 October 2022.
- The Valuer General has also proactively monitored the impact of the 2022 floods on land values, which is still underway at the date of publication.

Recommendation 14

The Committee recommended that the Valuer General develops monitoring and reporting procedures to enable more comprehensive information and analysis about the effectiveness of procedural fairness measures in the new processes for management of objections and determinations of compensation.

- As noted in section 33, a customer service survey is undertaken for objections, however low consent rates impacted the number of surveys that could be issued.
- During the initial lodging of an objection landowners are provided the opportunity to include evidence and a contended land value. This allows the Valuer General the ability to monitor the effectiveness of procedural fairness measures.
- Section 24 of this report outlines the Just Terms 21 process which was implemented in January 2022. Just Terms 21 includes opportunities for claimants to provide issues relating to the determination and a response to the preliminary report, this enhances procedural fairness in the new process.

Recommendation 15

The Committee recommended that the Treasurer give the highest possible priority to the approval of the funding submission for Valnet III and that delivery and installation are expedited in order to ensure that the valuation system has the required technological capability to remain fit for purpose.

- VGNSW has received funding for Valnet III and procurement activities are currently underway. Development is planned to commence in January 2023.
- The Valuer General thanks the Committee and the Government for their support of Valnet III.

14. 2021-22 Future Initiatives and Achievements

The Valuer General advised the Joint Standing Committee of the six future initiatives for 2021-22 at the Fourteenth General Meeting on 11 June 2021. The six initiatives were:

1. Website and social media
2. Responsive valuation practice
3. Quality assurance review
4. Risk based performance management systems
5. Valnet III funding
6. Automated valuation modelling development with the University of NSW.

14.1. Website and social media

Website

The Valuer General has consistently sought to place VGNSW at the forefront of digital capability and best practice productivity. The Valuer General proposed to investigate an overhaul of the content of the website and the use of social media.

A number of key priorities were identified to drive improvements to the existing website, which have now been delivered. These include:

- Progressive updates of web page content
- branding updates to align with the updated NSW Government Branding Framework.
- Considering analytics and page mapping to ensure the information presented is user-centric and accessible, consolidating pages where necessary.
- The addition of a carousel containing images and links to important/new information to the top of the home page to capture user attention.
- The addition of a “Related Websites” section at the bottom of the homepage to promote seamless digital customer journeys, redirecting users seeking information regarding the Department of Planning and Environment, Local Government, Spatial Services or Revenue NSW.

Several new policies and fact sheets have been added to the existing resources available to landholders. More information can be found at Section 36 of this Report.

To promote greater use of digital resources, we have added QR codes to printed publications to facilitate easier access to the website and drive digital engagement.

Social media

VGNSW have investigated the use of existing NSW Government social media channels to enhance our public education campaign, in alignment with the NSW Government Social Media Guidelines.

VGNSW are working with DPE to develop an integrated communications strategy which includes the use of social media via existing DPE channels, supported by DPE Media and Communications teams.

14.2. Responsive valuation practice

The level of objections to land valuations and requirement for determinations of compensation for compulsory acquisition and special valuations are each highly variable over the course of a year. VGNSW had separate dedicated teams for objections, compulsory acquisition and special valuations with limited ability to move valuers between teams. Effectively, this meant VGNSW had highly variable demand for such services with a relatively fixed supply of valuers, which contributed to

delays.

VGNSW developed the strategy for a responsive valuation practice team, which would operate agilely to accommodate fluctuating work volumes in objections and compulsory acquisition to further assist in meeting the time requirements of the *Valuation of Land Act 1916* and the *Land Acquisition (Just Terms) Compensation Act 1991*.

During the period a Director Valuation Practice has been recruited. VGNSW is now implementing the Change Management Plan which will allow agile resource allocation when appropriate.

14.3. Quality assurance review

Some properties pose greater valuation risks such as heritage properties, contaminated properties, major shopping centres, high rise office towers, airports, properties with complex planning controls and so forth. Such risks are recognised within the existing quality assurance framework.

However, to identify areas of improvement we analysed how quality assurance is undertaken for land valuation and compensation determinations in high risk and high value areas.

During the reporting period, property verification was increased in specified areas. Improvements were also made to the identification of risk rating categories for verified properties and some smaller contract areas were created to enable greater focus on high risk areas.

The QA program trialled a high risk component review program whereby components comprising high risk properties were reviewed by the Quality Assurance team to improve land value accuracy and consistency. Whilst still underway, one of the expected outcomes of the program trial is that these reviews will form a greater part of the ongoing QA Program.

During the reporting period, VGNSW also engaged external contractors to complete high risk quality assurance projects for both rating and taxing valuations and compensation determinations in compulsory acquisition matters.

14.4. Risk based performance management systems

My Talent Plan is the opportunity for staff and leaders to set priorities for the year ahead, review what has been achieved and how behaviours have contributed in these achievements.

It is an opportunity to recognise good performance, keep record of progress and devise strategies to address any challenges and development needs to improve performance, and revise plans if needed.

VGNSW teams have agreed KPI measures which have been incorporated into the My Talent Plans. All VGNSW staff will have a talent plan in place for the 2022 - 23 period.

My Talent Plans are a crucial tool to enable effective performance management of VGNSW staff.

14.5. Valnet III Funding

In March 2022, VGNSW were successful in securing funding from Treasury for Valnet III. Valnet III will enhance and transform the IT system that underpins the operation of the valuation system.

Business specification finalisation and preparation of procurement documents, vendor evaluation and negotiation are to occur from July to December 2022.

Development commencement is planned for January to July 2023 with a focus on foundation and portal development.

14.6. Automated valuation modelling development with the University of New South Wales

VGNSW have been working with the University of New South Wales (UNSW) on automated valuation modelling development. UNSW developed three models utilising automated valuation technology and existing land value information.

The project ended on 30 June 2022 and the Valuer General is currently considering next steps with automated valuation models being a continued future initiative for 2022-23 reporting period.

Other Achievements

Asia Pacific Spatial Excellence Awards: Award for Spatial Enablement

The Office of the Valuer General and VGNSW, in collaboration with Spatial Services NSW, CarbonLink and FrontierSI won an Award for Spatial Enablement at the 2021 Asia Pacific Spatial Excellence Awards for the “Land Unit Classification System for Rural Valuation” Project (LUCS).

The Valuer General identified a need to develop a more detailed spatial solution to account for the wide range of rural land use across NSW. In response, he commissioned the development of LUCS to assist in the valuation of rural properties in NSW, by providing a consistent framework for land descriptions and assessment.

LUCS is intended to provide a whole of government application to land classification. It takes into account additional attributes of land such as soil fertility, vegetation density and land use, resulting in an in-depth classification system reflecting the complex patterns of agricultural properties and practices encountered by valuers.

LUCS utilises data from a range of spatial datasets produced by organisations such as CSIRO, NSW Office of Environment and Heritage and the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). LUCS combines dataset information on land use, soil types, vegetation cover and topography to provide an integrated individual property report in a Plain English format.

15. Significant judicial decisions

During the year in review there has been two significant judicial decision relating to the *Valuation of Land Act 1916* and four decisions relating to the *Land Acquisition (Just Terms Compensation) Act 1991*. There is also one significant matter underway.

Matters concerning land valuations made under the *Valuation of Land Act 1916*

The two matters were:

1. In *Sydney Fish Market Pty Ltd v Valuer-General of NSW* the Land and Environment Court (LEC) ruled on the 10 June 2022 that the Sydney Fish Market site was “Crown lease restricted” for the purposes of s. 14I(1) of the *Valuation of Land Act 1916*. The consequence is that the property should be valued by having regard to the restrictions on the use of the land, as outlined in the lease between Sydney Fish Market Pty Ltd and Property NSW. The LEC decision has potential implications for how the Valuer General determines the land values of all land that is leased out by other bodies that represent the Crown but are not leased under the *Crown Land Management Act 2016* (the CLMA). Following advice from the Crown Solicitors Office, the Valuer General has decided to appeal this decision.

2. AMP Macquarie Pty Ltd v Valuer General NSW is a significant court matter which went to trial during the reporting period relating to the *Valuation of Land Act 1916*. The hearing occurred in April 2022. The valuation had been assessed by the Valuer General considering the highest and best use as a mixed use development site. The applicant contended the limitations of achieving the highest and best use given the restrictive planning provisions relevant to Macquarie Shopping Centre. The judgement was delivered on 21 September 2022 finding in favour of the applicant and resulting in a significant reduction to the land value. However, in arriving at this decision, the Court confirmed the highest and best use was a mixed use shopping centre and residential development. The valuation was also determined through the use of the static hypothetical development analysis method. The Valuer General is reviewing the implications of this decision for these types of valuations.

Matters arising from compensation determinations made under the *Land Acquisition (Just Terms Compensation) Act 1991*

The four matters were:

1. In *Olde English Tiles Australia Pty Ltd v Transport for New South Wales* the acquired land was privately owned and Olde English Tiles (OET) operated the business. There was no written lease and no evidence the rent was paid. The business relocated numerous times and claimed relocation costs to cover multiple moves. OET originally said it had an oral lease however this position was abandoned. OET then claimed exclusive possession. The Court held there was no interest in land. OET then appealed however this was dismissed.

2. In *The Trustee for Whitcort Unit Trust v Transport for NSW* the acquired land and fit-out was owned by The Inner West Council while Whitcort Unit Trust operated a golf driving range business. Whitcort claimed compensation on three alternative bases, as disturbance for relocation of the golf driving range business at Tempe to Campbelltown including the fit-out of a new facility, as market value for reinstatement of the business at Campbelltown or if not otherwise successful, as special value. Compensation was awarded comprising legal costs and business valuer fees and notably not for the market value of the fit out. The Applicant has filed a notice of intention to file an appeal.

3. In *Eureka Operations Pty Ltd v Transport for New South Wales* Eureka Operations Pty Ltd held a leasehold interest over the acquired property. Roadworks changed configuration and access of the service station. The partial acquisition was for 15.3m² of the land. It was agreed the public purpose would result in a net decrease of 47.2% of the number of vehicles attending the site. It was found the value of the lease should be determined on a before and after basis utilising the discounted cash flow method applied to the earnings of Eureka's business. On appeal in *Transport for NSW v Eureka Operations Pty Ltd* it was found that the application of the discounted cash flow model valued the Eureka lease and business. This exceeded the amount of compensation entitled under section 55 of the *Land Acquisition (Just Terms Compensation) Act 1991*. The relevant market was not for the sale and purchase of trade related properties but was the market in lessees' interests in comparable leases.

4. In *G Capital Corporation Pty Ltd & Ors v Transport for NSW* the applicants owned and leased the land to be acquired. The intention of the claimant was to develop the land. The applicants claimed Stamp Duty under section 59(1)(d) of the *Land Acquisition (Just Terms Compensation) Act 1991*. It was found that ownership itself did not require relocation, that something physical must be relocated for 59(1)(d) to apply. The claim for stamp duty was dismissed.

Significant litigation underway

Goldmate Property Luddenham No. 1 Pty Ltd v Valuer General and Transport for NSW is a significant court matter awaiting judgement for this financial year relating to the *Land Acquisition (Just Terms Compensation) Act 1991*. The applicant is seeking damages arising as a result of the Valuer General not determining compensation within the 45 day timeframe required under section 42(1) of the *LA(JTC) Act*. The applicant is also appealing the determination of compensation which the Valuer

General made on the basis of the view that the public purpose for which the land was acquired was not only the M12 Motorway Project but, also, the Western Sydney Airport and the Western Sydney Aerotropolis. The effect of this was that any increase in value of the acquired land that was a result of the airport and land rezoning was disregarded under section 56(1)(a) of the *LA(JTC) Act* while the increase in value of the residual land was considered under section 55(f) of the *LA(JTC) Act*.

Contractor Performance

16. Contract Management

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

Rating and taxing valuation contractors are selected by an open market tender process with most other valuation services tendered to pre-qualified scheme members in compliance 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 VGNSW QA Program reviews individual contract valuers' compliance with contractual terms, legislation, Valuer General policies and industry codes of professional conduct.

In the 2021-22 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.

Contract management action was taken to excise areas of high risk to improve contract performance and valuation quality. One contract was terminated and retendered as two smaller contract areas.

Land and asset valuation scheme

The whole of government land and asset valuation scheme SCM7671 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 opened with an initial term of three years until 18 November 2022. A review was undertaken, and the scheme has been extended for a period of two years to 18 November 2024.

The scheme administrator is VGNSW.

Contracts for objection reviews

During 2021-22, contractors for objection reviews were engaged in two ways.

Single contractor standard land value objection review contracts commenced from March 2021. These contracts are for objections to standard land values within a single or group of local government areas for an initial term up to two years. These contracts have shorter service timeframes and are aimed at improving time to complete objections, consistency of objection outcomes, efficiency and value for money.

Contractors for complex land value objections and any other objections not covered by the single contractor standard land value objection review contracts are engaged from preferred suppliers. These objections are batched and a request for quote issued to the preferred suppliers for the local government area and category of property. Batches are awarded based on cost, performance and capacity to deliver to the customer service and valuation quality requirements.

17. Rating and Taxing Valuation Contracts

Until 28 February 2022, 11 contractor firms provided valuation services covering 18 rating and taxing contract areas.

From 1 March 2022, the number of rating and taxing contracts increased to 19, with 10 contractor firms providing the services. A list of contractors is available on the Valuer General's 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
- sales coding

Rating and taxing contractors are engaged on 3 to 5-year contract terms with options to extend contracts. Improvement initiatives which amend provision of services are subject to contract variation.

Improvements undertaken in the reporting period included increased property verification in specified areas, improved identification of risk rating categories for verified properties, regional area market commentary reporting and clarification of contractual expectations.

VGNSW continued to liaise closely with contractors during 2021-22 to ensure the smooth provision of all deliverables, compliance with contract provisions and sharing of information. This included:

- monthly online meetings between individual contractors and VGNSW valuation and contract management staff,
- monthly online contractor forums between contractors and the VGNSW; and
- online contractor meetings on recent Valuer General publications.

18. Other Valuation Contracts

VGNSW 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*,
- quality assurance for valuations undertaken for compulsory acquisitions,
- valuation advisory for certificates of land value, special valuations, to act as an expert witness in court matters and general property advice,
- review of objections to rating and taxing valuations issued under *the Valuation of Land Act 1916*; and
- valuation reviews of high risk valuations undertaken for rating and taxing.

Where possible, contractors for other valuation services are engaged from the land and asset valuation scheme SCM7671. To engage a contractor, appropriate scheme members are invited to submit a quote in a competitive selection process. Exceptions are made when specialist knowledge or expertise is not available. In these cases, the contractor is required to agree with the terms and conditions of the scheme and provide a quote, ensuring that it provides value for money.

Contractors providing objection review services are selected from the scheme, based on quality, 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.

Valuations for Rating and Taxing

19. Rating and taxing valuations - totals and trends

Over 2.64 million residential, rural, business and industrial land values for properties in NSW were determined as at 1 July 2021.

The total value of land in NSW as at 1 July 2021 increased by 24% to approximately \$2.2 trillion in the 12 months to 1 July 2021.

To determine the 1 July 2021 land values approximately 67,000 property sales were analysed across NSW as part of the valuation process.

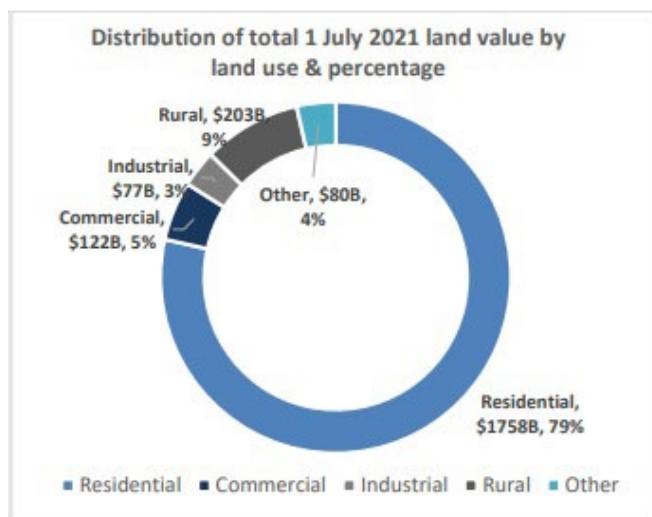


Figure 4: Distribution of total 1 July 2021 land value by land use & percentage

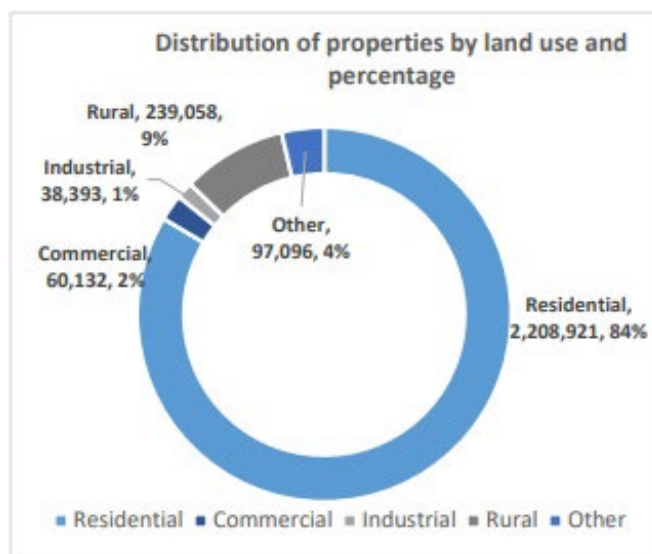


Figure 5: Distribution of properties by land use & percentage



Figure 6: Total land value (\$billions) from 2017 to 2021

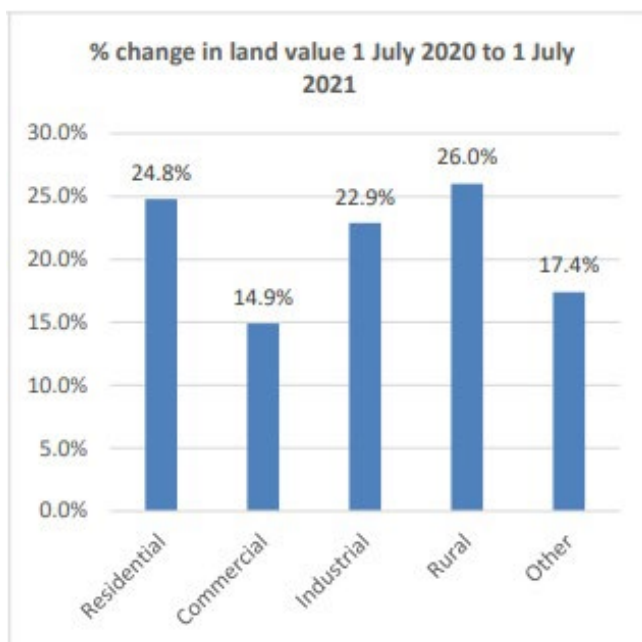


Figure 7: % change in land value 1 July 2020 to 1 July 2021

20. Quality Assurance

The Quality Management team, within the Office of the Valuer General (OVG), is responsible for preparing the annual Contractor Performance Quality Plan (QA Plan), in consultation with the Rating and Taxing team in VGNSW.

The QA Plan incorporates both the centralised and localised quality assurance activities designed to monitor the performance of rating and taxing contractors for the current rating program. The QA Program includes automated checks and manual checks in 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 for detailing statistical analysis and valuation outliers are sent to VGNSW 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; and
 - review of consistency of annual values.
 - Localised reviews – These are detailed quality assurance reviews undertaken by the Rating and Taxing QA Team within VGNSW. Localised QA activity includes, but is not limited to the following:
 - 1 July 2021 land value acceptance audits,
 - sales analysis reviews,
 - component reviews,
 - added value of improvements,
 - worksheets,
 - contractor monthly meetings,
 - monthly progress reports,
 - performance issues,
 - objection and appeal outcomes,
 - final reports,
 - local government area land value summaries and commentary; and
 - media issues.

Valuation reviews

During 2021-22, valuation reviews were undertaken for the following areas to ensure the integrity of the valuation system:

- Western Sydney Aerotropolis (WSA)
- Kingsford Smith Airport (KSA)
- Sydney West Industrial (ongoing at the date of publication)
- NSW Floods (ongoing at the date of publication)

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 all rating and taxing contracts commencing since 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.

Table 2: Land value verification risk rating outcomes

Land value verification risk rating	Outcome	Target
Risk Rating of 1 High risk Verified annually	99.99%	100%
Risk Rating of 2 Medium risk Verified every three years	43.42%	33.3%
Risk Rating of 3 Low risk Verified every five years	25.09%	20%

Published valuation reports

The Valuer General published the report on NSW land values at 1 July 2021, which is available on the Valuer General's website at www.valuergeneral.nsw.gov.au/publications/reports.

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 2020 to 1 July 2021 was determined to be 22.848%

The land tax threshold for the 2022 land tax year was determined to be \$822,000 and the premium rate threshold was determined to be \$5,026,000. The new thresholds were published in the NSW Government Gazette No.527 of 15 October 2021.

Program outcomes

The QA 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. This included improvements to contractor's sale selection and analysis, benchmark selection and component structure. Notably, the WSA and KSA reviews resulted in significant increases to land values in these areas.

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. The level of statistical compliance has been consistently above targets for all major property types over the last six years. 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 40.

Improvements

A specific QA project to review all industrial components in the Sydney West area was commenced to improve land values accuracy and consistency. We also improved our data analytics capabilities through the use of Microsoft PowerBI and implemented enhancements to our suite of data integrity checks.

Contractor compliance

VGNSW staff monitor the performance of rating and taxing contractors and the quality of their deliverables through an annual risk-based QA Program. Performance issues are recorded where a contractor does not comply with the contract specifications or statute.

In 2020 a new scorecard was developed to record rating and taxing contractor’s performance issues and provide a progressive overall score for each contract area.

The scorecard works by deducting points when performance issues are identified. The contractor starts with a score of 100, with an amount deducted for each non-compliance dependent on the type and risk level of the identified issue and the overall impact to valuation outcomes.

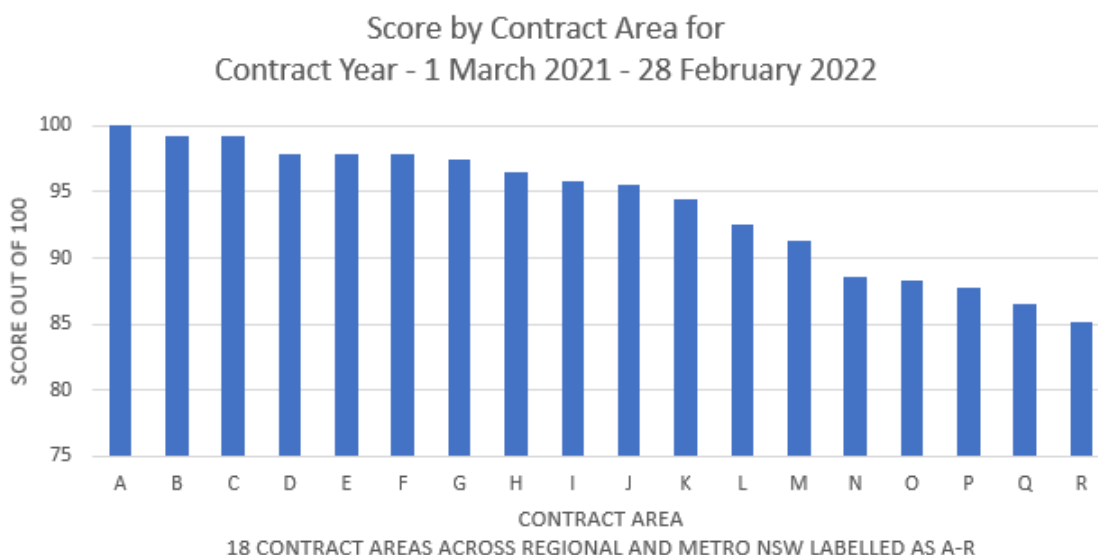


Figure 8: Score by contract area for contract year 1 March 2021 to 28 February 2022

The scoring system is managed by the Contract Management and Rating and Taxing Teams. The scorecard runs in parallel with the rating and taxing contract year which commences on 1 March and runs for 12 months.

Both higher and lower scoring contract firms are continuously monitored. For higher scoring contract firms, the focus is on possible manipulation of the system and for lower scoring contract

firms, the focus is on remedy and improvement. Where high risk areas are identified, additional auditing is undertaken, and action plans are developed to work towards rectification and continuous improvement.

21. Objections

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

Upon objection, the land value is 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.

Customer service improvements

In line with the Premier's priority putting customer at the centre of everything we do, VGNSW has introduced new quality assurance processes and improved the feedback loop.

This process includes reviewing the objection and appeal properties in isolation having regard to the owner's evidence, contended land value and other relevant comparable sales evidence relevant to the property's specific characteristics. An independent party that was not responsible for determining the initial land value reviews the objection.

The Valuer General receives, reviews, and considers a weekly report regarding changes to land values and identifies opportunities for continued improvement including aspects of procedural fairness.

Enhancements to the user interface to lodge an objection and an automated system notifying owners the claim has been lodged was completed this year. The focus is now on system improvements as part of the Valnet III project.

The role of objections and court appeals in identifying valuation errors

The objection and appeals process provide a level of quality assurance to the mass valuation methodology by identifying errors in land values that have occurred and where corrections need to be applied to nearby properties or to properties that have been identified to have similar characteristics and fall in the same market sector.

If a correction to the valuation register is required due to the objection being allowed, the correction is applied and the contractor responsible for the error is notified, given a right to reply and then qualified valuers within VGNSW determine whether the contractor has satisfied the requirements under the contractual obligations.

Following an objection or appeal, VGNSW also undertake a review of the surrounding properties. If required, land values are amended in line with the objection or appeal outcome and findings of that review. Valuation contractors are also required to review objection and appeals outcomes to determine their effect on land values, including the grading and consistency with surrounding or similar properties and carry these changes forward to future valuation years. VGNSW undertakes a quality assurance program on the subsequent 1 July land value to ensure that the objection outcomes have been carried forward.

VGNSW has also been developing the use of Microsoft PowerBI to complete data analysis and visualisation of objection trends. This includes interactive mapping of objection location and outcomes, combined with data analytics.

This ensures a fair process for the customer who has objected and proactively considers customers that may be in a similar situation.

Objections for different property types

Table 3: 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	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Business	131	63	21	30	17	14	291	126	636	375	1,096	608	16.6%	22.3%
Industrial	17	8	0	39	0	0	60	68	210	107	287	222	4.4%	8.1%
National Parks	0	8	0	12	0	3	3	78	1	110	4	211	0.1%	7.7%
Non-Urban	63	3	35	9	9	2	562	103	842	163	1,511	280	22.9%	10.2%
Open Space	0	0	1	3	1	0	6	10	5	23	13	36	0.2%	1.3%
Protection	28	0	4	1	0	0	145	0	280	0	457	1	6.9%	0.0%
Residential	315	146	10	49	69	20	762	277	1,871	635	3,027	1127	46.0%	41.3%
Special uses	6	7	0	21	0	0	83	126	25	88	114	242	1.7%	8.9%
Undetermined, or village	6	0	2	0	0	0	22	1	47	4	77	5	1.2%	0.2%
Total	566 8.6%	235 8.6%	73 1.0%	164 6.0%	96 1.5%	39 1.4%	1,934 29.4%	789 28.9%	3,917 59.5%	1505 55.0%	6,586 100%	2,732 100%	100%	100%

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 in 2020. Land tax assessments are issued annually and in 2021 Revenue NSW issued 183,304 assessments.

The percentage of objections registered for all valuation years for land tax compared to council rates is presented in the table below.

Table 4: Percentage of objections registered for all valuation years for rating and taxing

Item	2020-21 Count	2020-21 Percentage	2021-22 Count	2021-22 Percentage
Council rates	2,330	43%	188	6.88%
Land tax	3,093	57%	2,544	93.12%
Total	5,423	100%	2,732	100%

Causes of objections

The top five reasons cited for lodging an objection in 2021-22 were:

- The land value is too high;
- The land value is too high and other;
- The land should be valued together;
- The land value is too high, and the land should be valued together; and
- Incorrect concessions or allowances.

Informal conferences

Landholders can request an informal conference with a valuer following the issue of a preliminary objection report. The table below provides insights into the number of conferences held during the reporting period which has fallen significantly following the introduction of new objection processes by the Valuer General

Table 5: Informal Conferences

Objections	2020-21	2020-21 Percentage (of total number of 6,586 completed objections)	2021-22	2021-22 Percentage (of total number of 2,732 completed objections)
Informal conference undertaken	160	2.4%	42	0.02%
Facilitated conference undertaken	0	0	0	0

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 (LEC). Landholders may lodge appeals to the land value for multiple valuing years where they are included in a land tax assessment.

The number of appeals lodged in 2021-22 has decreased by 50%. In 2020-21 there were 36 matters lodged over 27 properties. In 2021-22 there were 18 matters lodged over 14 properties.

The table below provides insights on the matters with the LEC during the reporting period, in comparison to previous years.

Table 6: Matters with LEC compared to previous years

LEC Matters	2018-19	2019-20	2020-21	2021-22
Outstanding at start of period	14	13	18	18
Lodged during period	17	25	36	18
Allowed during period	2	6	12	1
Disallowed during period	6	0	3	2
Withdrawn by landholder during period	10	14	21	3
Outstanding at end of period	13	18	18	23

Outcome of appeals

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

The tables below provide insights into the outcome of appeals during the reporting period, in comparison to previous years.

Table 7: Appeal outcomes

2021-22					
Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	1	2	0	0	3
Hearing/Decision reserved	0	0	0	2	2
Conciliation	4	2	4	15	25
2020-21					
Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	2*	2	0	5	9
Hearing/Decision reserved	0	0	0	0	0
Conciliation	10	1	21	13	45
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	0	18
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

*Two matters for *Peter Sleiman Property Investments Pty Ltd v Valuer General* were allowed as a result of one hearing.

** 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*.

One matter was found to be in favour of the applicant during the reporting period, *Sydney Fish Market Pty Ltd v Valuer General*. The Valuer General has lodged an appeal to the Supreme Court of NSW, Court of Appeal following the decision. The primary point of contention in the case is the basis of land valuations made under the *Valuation of Land Act 1916* and whether or not the land was “Crown lease restricted” within the meaning of section 141(2).

Valuations for Compulsory Acquisition

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.

The role of the Just Terms Valuation Team is to undertake valuations and quality assure valuations undertaken by contractors for compulsory acquisition.

22. Determinations of compensation issued

The overall number of determinations of compensation, excluding substratum determinations, increased to 247 in 2021-22, from 88 in 2020-21. Major infrastructure projects undertaken throughout 2020-21, from which determinations arose, included:

- Sydney Metro West (94)
- Sydney Metro West - Western Sydney Airport (18)
- M12 (17)
- Coffs Harbour Bypass (7)

Table 8: Determinations of compensation totals

Determinations of compensation made	2018-19 Issued	2018-19 Total Value (\$mil)	2019-20 Issued	2019-20 Total Value (\$mil)	2020-21 Issued	2020-21 Total Value (\$mil)	2021-22 Issued	2021-22 Total Value (\$mil)
Under the Land Acquisition (Just Terms Compensation) Act 1991 – for properties above ground (surface land)	204	\$281.8	96	\$92.6	77	\$107.2	234	\$1183.3
Under the Land Acquisition (Just Terms Compensation) Act 1991 – for land below the surface (includes Treasurer’s Directions)	385	\$0	0	\$0	3821	\$0	655	\$0
In accordance with Treasurer’s Directions (for intergovernmental transfers)	50	\$59.9	32	\$31.5	11	\$5.9	13	\$89.3
Total	639	\$341.7	128	\$124.1	3909	\$113.1	902	\$1272.6

23. Timeframe for issuing determinations of compensation

The average time taken to issue those determinations made in 2020-21 was 189 days, an increase compared to 81 days in 2020-21. Where there were delays, parties were consulted to minimise the impact.

24. Just Terms 2021 (JT21)

In line with the Premier's priority for putting customer at the centre of everything we do the JT21 process was released in December 2021 and came into effect on or about 10 January 2022.

The process seeks to reduce the time to issue compensation determinations while improving procedural fairness measures. The process includes a suite of letters, documents and procedures.

Matters that are undertaken under the JT21 process start with documents designed to inform the claimant of the process. It allows claimants to provide issues prior to the issue of a determination and a right to respond to a preliminary report on errors of fact before the final determination is issued improving procedural fairness. A structured process streamlines the determination approach and reduces the time taken to the final determination.

Weekly reporting has been improved to allow the Valuer General the opportunity to identify any issues relating to the process. This aligns to recommendation 14 from the committee.

25. Quality assurance

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

During the year, the VGNSW utilised internal and external quality assurance resources to review valuation reports, checking to ensure fairness, transparency, and compliance with the Land Acquisition (Just Terms Compensation) Act 1991, case law and the Valuer General's policy on compensation following compulsory acquisition.

During the year, the Valuer General withdrew all delegations to VGNSW to issue compulsory acquisition determinations on his behalf. Following this, the Valuer General reviewed and approved all preliminary reports, final reports and determinations prior to issue.

The Valuer General undertakes all determinations of cultural loss for which 4 preliminary reports were issued in 2021-22, being the first time in the history of NSW.

Throughout 2021-22 enhanced quality assurance controls continued, which included:

- The use of specialist contract valuers for compensation over \$50 million where appropriate, and
- Continued review of all policies and guidelines by the Valuer General, with updates as required.

26. 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, VGNSW commenced work on 749 matters up from 568 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.

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

27. 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 prior to Gazette or during the response period for error of facts only.

Separate conferences are also held with acquiring authorities to ensure their issues and concerns are captured and addressed.

The table below includes a breakdown of the compulsory acquisition conferences held during the reporting period by type, in comparison to the previous reporting period.

Table 9: Compulsory acquisition conferences

Conference type	Conferences held 2020-21	2020-21 Percentage (%)	Conferences held 2021-22	2021-22 Percentage (%)
Email	1237	72.6	883	88
Face to face	144	8.4	71	7
Mail	3	0.2	16	2
Phone	320	18.8	38	4
Total	1704	100	1008	100

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.

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

28. Private valuations undertaken during 2021-22

During 2021-22, VGNSW undertook two (2) private valuations.

Table 10: Private valuations

Client	Number of valuations	Purpose of valuation
NSW Ports	1	Rental Valuation of land and Port Kembla
NSW Ports	1	Land valuation at Port Botany

Special Valuations

29. Changes to the Special Valuations team

Since approximately 1990, the Special Valuations team within VGNSW, has carried out a range of specialist property valuation and consultancy services, mostly to State and Local Government agencies, such as:

- Asset valuations for financial reporting and management purposes
- Acquisition advice for the Purchase and disposal of government property
- Rental valuations
- Independent third party valuations
- General property advice market movement/comment.

During the period, an external audit of the Special Valuations function was undertaken by Ernst and Young which audited amongst other things, the Special Valuations functions contracting practices, conflict of interest declarations and other probity issues. The audit broadly found that practices being undertaken complied with relevant procedures and standards.

This function was transitioned out of VGNSW into the wider Department in March 2022.

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*.

30. Land information

VGNSW 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 on 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

Table 11: Register of land values

Register of land values	2018-19	2019-20	2020-21	2021-22
New properties created	45,237	39,578	39,130	38,330
Properties where details were amended	7,191	6,142	26,408	23,080
Properties where valuation was amended	1,458	5,755	8,659	5,856
Properties where address for service of notice was amended	123,715	132,714	135,984	157,963

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

Customer Service and Stakeholder Liaison

VGNSW manages the day-to-day customer service and stakeholder liaison functions of the Valuer General.

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

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

31. Customer Service

Customer service is managed by a specialist customer service team, including an in-house call centre within VGNSW. The call volumes and topics during the reporting period are summarised in the below table.

Call volumes

Table 12: Call volumes

Source	2019-20 Calls answered	2019-20 Total	2020-21 Calls answered	2020-21 Total	2021-22 Calls answered	2021-22 Total
In-house (VGNSW)	10,179	35%	4,312	26.2%	2,673	25%
Contracted outsourced call centre	18,950	65%	12,129	73.8%	8,126	75%
Total Calls	29,129	100%	16,441	100%	10,799	100%

Table 13: Top five calls by topic

Topic 2020-21	Number of calls 2020-21	Percentage of calls 2020-21 (16,441 calls)	Topic 2021-22	Number of calls 2021-22	Percentage of calls 2021-22 (10,799 calls)
Information kit request	1,809	11.00%	Land value enquiry	1,771	16.39%

Land value enquiry	1,765	10.73%	Information kit request	581	5.38%
Objection enquiry/status	1,404	8.53%	Objection enquiry/status	562	5.20%
Enquiry type not listed	1,161	7.06%	Land tax/Revenue NSW enquiry	523	4.84%
Owner address change	1,102	6.70%	Owner address change	453	4.19%
Total top five calls	7,241	44.02%	Total top five calls	3,890	36.02%

Written enquiries

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

Table 14: Written enquiries totals

Written enquiries			Percentage completed in 10 business days		
2019-20	2020-21	2021-22	2019-20	2020-21	2021-22
8,292	6,100	3,180	81.13%	82.76%	90.12%

Table 15: Breakdown of the top five written enquiries by topic for 2021-22

Topic	Number of written enquiries	Percentage of 3,180 written enquiries
Owner address change	955	30.03%
Land tax/Revenue NSW enquiry	307	9.65%
Land to be valued together	237	7.46%
Land value enquiry	212	6.67%

Objection enquiry	191	6.00%
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Engagement with Service NSW

VGNSW has an agreement in place with Service NSW, allowing Service NSW to provide:

- 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
- Face to face customer experience at Service NSW centres

These initiatives aim to improve the overall customer experience, in alignment with the NSW Government Customer Strategy and the Premier’s Priority “Government made easy”.

ICT system and service improvements

The following ICT changes were implemented during the reporting period:

- Enhanced reporting to assist in managing and tracking compensation matters
- Enhancements to letters, including automation and manual functionality, to enable JT21
- Enhancements required as a result of Statewide LEP and Zone amendments, as per clause 2.1 Land use zones of the Standard Instrument – Principal Local Environmental Plans

32. 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.

Over the reporting period, VGNSW received 26 complaints. The average time to resolve a complaint was 11 days.

Table 16: Breakdown of complaints made during FY2021-22

Complaint	Action / Outcome
Customer complaint about the outcome of an out of date objection (6)	Valuer General issued a written response providing an explanation of the out of date objections policy and addressing any other concerns raised.
Customer complaint about the outcome of an out of date objection (2)	Explanation of legislation and/or policy provided by Customer Service staff member.

Complaint about land valuation inconsistencies arising from the outcome of an objection	Valuer General reviewed land values and undertook a reascertainment, a written response was issued to the landholder.
Complaint about objection outcome	Explanation of appeal rights provided to customer.
Complaint about objection experience, including both positive and negative feedback.	Written response provided to customer noting feedback.
Complaint about the time taken to undertake a reascertainment	Customer provided an update confirming the reascertainment had been complete.
Complaint about incorrect property area and seeking historical reascertainment	Valuer General provided written response explaining reascertainment policy.
Complaint about land valuation concerns (4)	Written response issued by the Valuer General addressing land valuation concerns.
Complaint about website or online portal issues (4)	Assistance provided to customer by phone to resolve issues.
General complaint about call centre processes	Anonymous complaint, feedback noted.
Complaint about the outcome of a review undertaken by the Valuer General following a previous complaint (4)	The Valuer General issued a further response addressing concerns raised.

33. Customer Survey Management

VGNSW undertook a range of surveys in 2021-22 to monitor and inform improvements to customer service. Surveys are issued in the following circumstances:

- To all landholders following a facilitated conference
- To monitor customer service across a range of services to measure service levels, consistency, timeliness, relevancy, accessibility and customer support.
- To landholders at the conclusion of the objection process

Customers must opt-in to participate in a survey. Low consent rates continue to impact the number of surveys that can be issued.

Compulsory acquisition survey

VGNSW survey landowners or their representatives 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 service improvement opportunities.

There were nil surveys issued during the reporting period and nil responses were received.

Initial telephone contact survey

Service NSW provided the majority of first level call centre support for the 2021-22 reporting period. The following survey measures the level of service VGNSW customers received during their initial phone call.

Surveys were offered to 177 customers and 35 customers participated (20%). The findings were as follows:

- 94% of respondents agreed that the customer service officer was polite and respectful
- 85% of respondents agreed the customer service officer would answer their questions
- 77% of respondents were satisfied with their overall experience

Specialist telephone advice post contact

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

Surveys were offered to 763 customers and 116 customers participated (15%). The findings were as follows:

- 83% of respondents agreed they were treated fairly
- 85% of respondents agreed they had the opportunity to provide information
- 76% of respondents agreed their interaction was simple and straightforward
- 76% of respondents agreed their questions were clearly answered
- 73% of respondents agreed they were provided with consistent information
- 78% of respondents were satisfied with their overall experience.

Objection process survey

This survey considers the end to end experience of landholders who lodge an objection to have their land value reviewed. Customers are surveyed when they receive a preliminary report or when the objection outcome is determined.

Not all customers receive a preliminary report. Customers who do not provide the required supporting information in their submission may have their objection determined without a preliminary report being issued.

To ensure that our customers are not over-surveyed we identify customers who would receive multiple surveys, issuing a single survey to cover multiple transactions. There were 591 customers identified as part of this process. Surveys were offered to 516 customers and 50 customers participated (10%).

- 74% of respondents agreed that they had the opportunity to provide information to the valuer.
- 43% of respondents agreed that concerns were addressed in the objection report.
- 46% of respondents agreed that the objection report was clear to understand.
- 34% of respondents agreed that their questions were clearly answered.
- 55% of respondents agreed that they understood how their land value was determined.
- 34% of respondents were satisfied with their overall experience.

34. Privacy

Personal information is managed in accordance with the *Privacy and Personal Information Protection Act 1988* (PIIP Act), the *Privacy and Personal Information Protection Regulation 2000* and the Department of Planning and Environment Privacy Management Plan (found at www.dpie.nsw.gov.au/privacy).

A privacy statement is made available at www.valuergeneral.nsw.gov.au/privacy which outlines how Valuer General NSW collects, stores and secures personal information.

The Valuer General has a statutory responsibility to make certain information available. The Register of Land Values, kept in accordance with the *Valuation of Land Act 1916*, is exempt from the public register provisions of Part 6 of the PIIP Act.

Only authorised users can access data stored in the Register of Land Values by logging into the VGNSW Valuation Portal. The login is subject to the terms and conditions (<https://valuation.property.nsw.gov.au/content/terms>), which requires users to comply with the PIIP.

35. IT data security

VGNSW follow the NSW Government IT data security protocols and adhere to the Cyber Security Policy. This includes password protocols requiring business system users to reset passwords every 60 days. A quarterly Activity Report is produced and analysed to protect against misuse of business system data. Enhanced forms have also been implemented for system access when onboarding/offboarding staff.

36. Media and Communications Management

Information concerning the 1 July 2021 land values

The Valuer General published the following information on the 1 July 2021 land values on the Valuer General website:

- State-wide media releases, detailing the issue of land values for NSW, translated into ten commonly used languages
- Regional media releases covering the different regional areas of NSW
- The Valuer General's report on NSW land values at 1 July 2021
- Interactive summaries for 18 regions and all local government areas
- Contract valuers' final reports for each local government area
- Added value of improvement tables for each local government area

TV, Radio and Press

During the reporting period, the Valuer General undertook a wide reaching public information and media campaign, including:

- An extensive media campaign regarding the 1 July 2021 land values, which included media releases targeting Sydney metro and regional NSW.
- Addressing a number of media enquiries regarding compulsory acquisition determinations

Publication of valuation reviews

Review of Forms of Cultural Loss and the Process and Method for Quantifying Compensation for Compulsory Acquisition

The Valuer General published his draft Review of Forms of Cultural Loss and the Process and Method for Quantifying Compulsory Acquisition for public consultation on 15 July 2021. A copy was distributed to a number of key stakeholders for feedback with an invitation to an online gathering which was held on 6 August 2021 and attended by a large number of stakeholders.

Under section 47 and 54 of the NSW *Land Acquisition (Just Terms Compensation) Act 1991* the Valuer General is tasked with determining compensation for the acquisition of land, including any native title rights and interests in relation to land, which may include compensation for cultural loss.

The review considered the relevant statutes, regulations and policies pertaining to the determination of compensation for non-economic cultural loss and loss of spiritual attachment and proposes a policy framework in the context of land acquisitions.

The Valuer General received 13 submissions, which were considered before the review was finalised and published in January 2022.

Newsletters, fact sheets and brochures

The following publications were published on the Valuer General's website during the reporting period:

- Valuer General's Newsletter was published in July 2021
- Your land value Fact Sheet (updated)
- Your guide to the Valuer General's Review Process (updated)
- Your guide to the Valuer General's role in compulsory acquisition (updated)
- Objection Checklist (updated)
- Western Sydney Aerotropolis rates and tax relief options Fact Sheet (with Italian and Maltese translations)
- Western Sydney Aerotropolis ENZ zoning Fact Sheet (with Italian and Maltese translations)
- Western Sydney open space network Fact Sheet (with Italian and Maltese translations)

Policies

The Valuer General published the following policies (including updates to existing policies) on the Valuer General's website during the reporting period:

- New policies:
 - Reascertainment of Land Value (March 2022); and
 - Compensation for cultural loss arising from compulsory acquisition (March 2022).
- Updates to existing policies:
 - Determination of compensation for disadvantage resulting from relocation (March 2022),
 - Determination of compensation following the acquisition of a business (March 2022),
 - Compensation following compulsory acquisition (June 2022); and
 - Land to be valued (April 2022).

Valuer General's website usage

Table 17: Website usage

Service type	2017-18 Count	2018-19 Count	2019-20 Count	2020-2021 Count	2021 - 2022 Count
NSW Globe total users*	145,477	84,123	58,013	-	
NSW Globe unique users	111,972	38,818	26,613	-	
NSW Land Values and Property Sales Map Users			15,218	32,083	27,483
NSW Land Values and Property Sales Map Pageviews ¹	-	-	81,412	131,629	119,231
NSW Land Values and Property Sales Map unique pageviews	-	-	53,935	106,266	97,992
Regional portal unique visitors	970	950	850	456	608
LGA portal unique visitors	3,891	6,684	8,133	6,148	6,161
Regional portal total page views	3,085	2,225	2,374	1,439	1,894
LGA portal total page views	11,301	17,675	22,722	17,160	16,344
Land value searches	188,361	257,840	430,758	231,820	238,133
Property sales enquiries	41,256	68,103	96,438	108,355	108,032
Property address enquiries	109,939	150,527	252,784	86,163	85,548
Valuation sales reports	7,726	11,055	11,000	5,132	4,497

¹ NSW globe was transitioned to NSW Land Values and Property Sales Map on 17th January 2020.

Multicultural affairs

Accessibility of information remains a priority for the Joint Standing Committee on the Office of the Valuer General, as outlined in the report on the Fourteenth General Meeting (Recommendation 4).

The Valuer General remains committed to promoting inclusivity and accessibility to information to the people of NSW. He continues to look for opportunities to improve access to information about the valuation system for people of culturally and linguistically diverse backgrounds.

VGNSW engages Multicultural NSW annually to translate key publications, including the state-wide media releases and newsletters into the top ten most commonly spoken languages.

Translated information about land values, the valuation and objection processes and compulsory acquisition is available on the Valuer General's website. Translated information is made available in traditional and simplified Chinese, Arabic, Vietnamese, Greek, Italian, Hindi, Spanish, Korean and Filipino. This information was updated and re-translated during the reporting period.

VGNSW promote the use of the Translating and Interpreting Service (TIS) on the website and in key publications.

Recognising the large Italian and Maltese communities in areas surrounding the Western Sydney Aerotropolis (WSA) and the complex nature of rating, taxing and compulsory acquisition compensation, the Valuer General also engaged Multicultural NSW to translate three WSA fact sheets concerning rating, taxing, compensation and the Open Space Network into Italian and Maltese.

Liaison with councils

During 2021-22, representatives from VGNSW attended:

- Rating Professionals' Group meetings which are held periodically throughout the year, the meetings consist of various rating groups from NSW,
- 18 council meetings to discuss the 1 July 2021 land values; and
- NSW Rating Professionals Executive Committee meetings, which are held quarterly.

Liaison with Revenue NSW

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

Future Initiatives 2022-23

The Valuer General advised the Joint Standing Committee of six future initiatives for 2022-23 at its meeting on 10 June 2022, which are detailed further below:

Future Initiative 1 – Strategy refresh

Consistent with recommendation 1 of the Joint Standing Committee in its Report on the 14th General Meeting with the Valuer General, VGNSW has revisited the strategy in consultation with staff. I'm pleased to report that at the date of publication this initiative is on track.

Future Initiative 2 – Risk targeted contract area consistency reviews

During 2021-22, the QA Program trialled a high risk component review program whereby components comprising high risk properties were reviewed by the QA team to improve land value accuracy and consistency. Whilst still underway, one of the expected outcomes of the program trial is that these reviews will form a greater part of the ongoing QA program and will continue to be enhanced during the 2022-23 reporting period.

Future Initiative 3 – Just Terms effectiveness review

The Land Acquisition (Just Terms Compensation) Act 1991 requires the Valuer General to deliver a determination of compensation within 45 days of gazettal. Meeting this timeframe has proven challenging for many years.

During the reporting period, the Valuer General and VGNSW undertook a considerable amount of investigation around timeframes for determinations including targeted and systematic review.

The Valuer General and VGNSW also:

- provided input to the Portfolio Committee 6 - Transport inquiry into the Acquisition of land for major transport projects,
- took part in an audit undertaken by the Audit Office in relation to acquisitions for Sydney Metro; and
- provided input to the whole of government review of legislation with a particular focus on the current operational challenges.

The VG and VGNSW planned operational changes to enhance flexibility in the existing valuation resources within VGNSW. During the 2022-23 reporting period, those changes will be implemented, allowing greater efficiencies to be realised.

VGNSW will consider the findings of the audit office and other sources to continue to drive improvements and will continue to work with Government and the sector on legislative review.

Future Initiative 4 – Valnet III

VGNSW has received funding for Valnet III and procurement activities are currently underway.

It is planned that business specification finalisation and preparation of procurement documents; vendor evaluation and negotiation will occur from July – December 2022.

Development will then commence with a focus on foundation and portal development throughout January – July 2023. We look forward to providing further updates on the progress of Valnet III in the 2022-23 Annual Report.

Future Initiative 5 – Website and social media

VGNSW are working with DPE to develop an integrated communications strategy to further support and enhance our public education campaign, including a focus on the website and social media messaging.

Future Initiative 6 – Automated valuation modelling development

The Valuer General and VGNSW are now working with commercial providers to investigate the ability to develop an automated valuation model for the valuation of land, whilst leveraging off their existing models and systems.

Finance

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

37. External Engagements

This information provided in addition to statutory reporting requirements for consultants. Statutory reporting requirements are addressed in the Department of Planning and Environment 2021-22 Annual Report.

Expenditure on external engagements by the Department totalled \$102,042 (excluding GST) in 2021-22.

Table 18: Breakdown of external engagements in FY2021-22

Company	Purpose
GIBBINS, ALISON FRANCES (\$85,000)	Consultation and development in relation to the VGNSW Change Management Plan and operational arrangements.
CHARLES KENDALL AUSTRALIA (\$9,042)	Valuation Quality Assurance RFT document services
GARRICK SMALL (\$5,000)	Preparation of literature survey for compulsory acquisition review and policy
AZIMUTH TECHNOLOGIES PTY LTD (\$3,000)	LUCS Consultation

38. Financial report

This report is prepared by the Department for the Valuer General.

Financial report by business area

Table 19: Financial report by business area for 2020-21

\$'000	Mass Valuation	Valuer General Office	Just Terms & Special Valuation	Total VGNSW
Total Revenue	53,054	0	6,728	59,782
Salaries & on-costs	10,759	917	1,111	12,786
Other staff related	132	33	2	167
Accommodation	163	11	22	196
Postage	119	1	0	120
Graphic Services	450	22	0	471
ICT Operational	1,529	106	207	1,841
Travel	45	1	30	75
Contractors & consultants	39	99	47	185
Valuation Contracts	20,721	0	2,990	23,711
Other operating costs	395	50	37	482
Depreciation	476	33	64	573
Corporate overheads	1,377	95	186	1,659
Total Expense	36,203	1,367	4,696	42,266

Table 20: Financial report by business area for 2021-22

\$'000	Mass Valuation	Valuer General Office	Just Terms & Special Valuation	Total VGNSW
Total Revenue	61,200	20	8,883	70,104
Salaries & on-costs	11,102	939	1,824	13,865
Other staff related	109	0	0	109
Accommodation	399	0	1	400
Postage	2	0	0	2
Graphic Services	127	16	0	142
ICT Operational	764	0	11	775
Travel	37	11	4	52
Contractors & consultants	1,082	192	283	1,558
Valuation Contracts	21,672	8	4,520	26,199
Other operating costs	478	80	81	639
Depreciation	148	0	0	148
Corporate overheads	1,218	0	0	1,218
Total Expense	37,136	1,246	6,725	45,107

Financial report – Comparison analysis

Table 21: Comparison analysis 2020-21 to 2021-22

\$'000	VGNSW 2020-21	VGNSW 2021-22	Variance	Note Index
Total Revenue	59,782	70,104	10,322	1
Salaries & on-costs	12,786	13,865	1,079	2
Other staff related	167	109	-58	
Accommodation	196	400	204	
Postage	120	2	-118	
Graphic Services	471	142	-329	
ICT Operational	1,841	775	-1066	3
Travel	75	52	-23	
Contractors & consultants	185	151	34	
Valuation Contracts	23,711	27,605	3,894	4
Other operating costs	482	639	157	
Depreciation	573	148	-425	
Corporate overheads	1,659	1,218	-441	
Total Expense	42,266	45,107	2,841	

Notes

1. Total revenue has increased by \$10.3m compared with FY2020-21. This was driven by an increase in compulsory acquisitions valuation activity, special valuations undertaken and revenue for the Valnet III project from the Digital Restart Fund.
2. Salaries & on-costs has increased due to redundancy costs and mandatory staffing salary increases.
3. ICT Operational has decreased due to software purchases in 2021.
4. Valuation Contracts has increased due to increased valuation activity.

39. IPART price setting for valuation services

The IPART price setting for valuation services report is prepared by the Department for the Valuer General.

FY2021-22 financial result against IPART determinations

VGNSW fees to councils for FY2021-22 are in line with IPART's determination on pricing. The variances are also minimal between the estimated number of valuations (2,638,521) in IPART's determination and the actual number of valuations (2,658,136) for FY2021-22, resulting in a total fee variance of \$134,703 as shown in the below tables.

Table 22: IPART's determination on VGNSW fees to councils for valuation services

IPART's determination on VGNSW's fees to councils for valuation services in FY2021-22			
Zone	Pricing \$/Valuation	Estimated number of valuations	Fees to councils \$
Country	7.86	593,657	4,666,144
Coastal	6.69	822,340	5,501,454
Metro	6.18	1,194,378	7,381,256
City of Sydney	12.78	28,146	359,705
Total		2,638,521	17,908,560

Table 23: VGNSW actual fees to councils for valuation services

VGNSW actual fees to councils for valuation services in FY2021-22			
Zone	Pricing \$/Valuation	Number of valuations	Fees to councils \$
Country	7.86	600,050	4,716,393
Coastal	6.69	827,494	5,535,935
Metro	6.18	1,202,429	7,431,011
City of Sydney	12.78	28,163	359,923
Total		2,658,136	18,043,262

Variations

Table 24: Fee to council and number of valuations variances

Zone	Number of valuations	Fees to councils \$
Country	6,393	50,249
Coastal	5,154	34,481

Metro	8,051	49,755
City of Sydney	17	218
Total	19,615	134,703

Operating cost

Compared to IPART's determination, VGNSW's actual operating expenditure (Opex) is \$5.8m lower in FY2021-22. This is mainly driven by reductions in Labour expenditure.

Table 25: Operating costs

FY2021-22 (\$'000)	IPART's determination	Actual Opex	Variance	Note
Labour	17,100	15,055	-2,045	1
Mass Valuation	20,500	20,118	-382	
Other Valuation Contracts	5,000	6,407	1,407	2
Rent	1,300	400	-900	
Other Direct	1,400	842	-558	
Postage	100	2	-98	
Graphic Services	200	142	-58	
DFSI Corporate Support	1,700	0	-1,700	3
PAG Corporate Support	1,000	1,218	218	
ICT Operational	1,900	775	-1,125	
Spatial Services	800	0	-800	
Depreciation	0	148	148	
Total Opex (incl. Depreciation)	51,000	45,107	-5,893	

Notes

1. Labour is below the determination due to vacant positions, with the determination headcount of 130 FTE versus the actual headcount of 103.
2. Other Valuations Contracts are above the determination due to additional contracting staff costs to mitigate operational impact of ongoing vacancies.
3. VGNSW are now supported via GovConnect. GovConnect is funded centrally by DPE.

Performance Measures

40. Key Performance Indicators

The Valuer General sets the performance standards for the valuation system. The Department manages the operation of the valuation system on behalf of the Valuer General and are responsible for ensuring Key Performance Indicators (KPI's) are met.

Rating and Taxing

Table 26: Rating and Taxing KPI's

KPI	2017-18	2018-19	2019-20	2020-21	2021-22	Target
Total valuations issued for rating and taxing purposes	1,049,937	510,149	3,663,565	1,136,519	1,119,007	N/A
Total valuations on Register of Land Values at 30 June	2,573,853	2,599,650	2,618,214	2,637,986	2,624,963	N/A
Total Notices of Valuation issued	62,139 ²	75,945	2,672,380	53,311	41,136	N/A
Supplementary valuations						
Total supplementary valuations issued ³	54,146	51,232	44,681	47,218	64,823	N/A
Average days to complete supplementary valuations	31 days	37 days	41 days	28 days	28 days	<60 days

² Notices of valuation are issued to landholders on a three yearly cycle effective from FY2016-17, to coincide with general valuations to council. In FY2017-18, general valuations were provided to one council. The figure provided for FY2018-19 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.

³ Issued here means to Council and Revenue NSW

Statistical quality measures for land values						
Supplementary valuations completed within 60 calendar days (%)	94	89	84	94	95	90%
Council areas meeting all standards – Residential (%)	97.9	100	97.0	100	99.2	90%
Council areas meeting all standards – Commercial (%)	90.7	93.2	93.6	96.6	96.0	85%
Council areas meeting all standards – Industrial (%)	96	91.2	93.8	93.7	95.5	85%
Council areas meeting all standards – Rural (%)	78.5	79.6	89.0	93.1	93.3	75%

Ratepayers

Table 27: KPI's relating to ratepayers

KPI	2017-18	2018-19	2019-20	2020-21	2021-22	Target
Notices of Valuation issued within 31 days of completion (%)	76%	91%	84%	99%	95%	98%
Notices of Valuation for general valuation issued to landholders by delivery date (%)	N/A	100%	100%	N/A	N/A	100%

General valuation land values issued to relevant council by delivery date (%)	100%	100% ⁴	100%	100%	N/A	100%
Supplementary valuations issued to council within 31 days (%)	98%	100%	100%	100%	100%	100%

The Notices of Valuation issued within 31 days of completion (%) KPI was slightly under target due to resourcing impacts.

Revenue NSW

Table 28: KPI's relating to Revenue NSW

KPI	2017-18	2018-19	2019-20	2020-21	2021-22	Target
Objections to land values for land tax completed within 90 days (%)	53%	54%	17%	58%	68%	85%
Objections to land values for land tax completed within 120 days (%)	71%	81%	42% ⁵	73%	80%	90%
Objections to land values for land tax, where land value is greater than \$1M, within 120 days (%)	65%	78%	33%	67%	90%	100%
Final land values issued to Revenue NSW by delivery date (%)	100%	100%	100%	100%	100%	100%

⁴ One council received general valuation file in FY2017-18

⁵ The unusually high volume of land tax related objections received in 2019 impacted timeliness.

Customer Service

Table 29: KPI's relating to Customer Service

KPI	2017-18	2018-19	2019-20	2020-21	2021-22	Target
Total number of calls	18,983	19,308	29,129	13,389	10,799	N/A
% of calls resolved on first contact	86%	95%	92%	95%	95%	85%
% of calls responded to within 3 days	77%	95%	91%	90%	96%	90%

Objections

Table 30: Objections KPI's

KPI	2017-18	2018-19	2019-20	2020-21	2021-22	Target
Number of objections received for all valuing years	5,657	10,719	4,776	5,424	2,324	N/A
Number of objections completed for all valuing years	9,146	6,988	8,341	6,586	2,732	N/A
Number of objections registered ⁶ as a % of valuations issued	0.54%	2.10%	0.13%	0.48%	0.21%	N/A
Objections to land values completed in 90 days (%)	51%	62%	24% ^{5 above}	69%	72%	80%
Objections to land values completed in 120 days (%)	71%	84%	48% ⁵	81%	83%	90%
Objections to land values completed in 180 days (%)	90%	94%	76% ⁵	95%	96%	98%
Average number of days to complete objections	108 days	102 days	140 days	71 days	74 days	<75 days
% of Objections that led to a change in land value	21%	17.15%	24.13%	29.36%	29%	N/A

⁶ 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 report.

Compensation

Table 31: Just Terms KPI's

KPI	2017-18	2018-19	2019-20	2020-21	2021-22	Target
Just Terms determinations issued on time (%)	26%	38%	54%	34%	20%	100%
Treasury Directions issued on time (%)	64%	52%	47%	55%	17%	100%
Average days to issue a determination	341	180	171	81	189	45

Delays occurred in the delivery of determinations of compensation during the reporting period. Contributing factors included significant increases in the number of determinations required to be made by the Valuer General overall, increased numbers of complex determinations requiring the use of multiple independent experts in addition to valuation specialists and additional time taken to allow for improvements to procedural fairness for landowners (such as extended consultation periods).

It is noted that during the reporting period several long outstanding complex determinations were issued. A small number of those matters had been outstanding for several years, which contributed to the increase in the average days to issue a determination.

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Valuer General NSW

PO Box 745
Bathurst NSW 2795

Office hours:
Monday to Friday
9.00am – 5.00pm

T: 1800 110 038
E: valuationenquiry@property.nsw.gov.au
W: www.valuergeneral.nsw.gov.au

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