



# Annual Report 2020-21

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Valuer General

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## From the Valuer General

I am pleased to present the 2020–21 Annual Report of the Valuer General.

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

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

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

## Recommendations of the Joint Standing Committee

The Committee tabled its report on the Thirteenth General Meeting with the Valuer General on 24 September 2021, making no recommendations.

## 2019-20 Achievements

In the year under review, the Valuer General maintained a strong focus on the implementation of the relevant Acts, transparency, the NSW Government Customer Service Commitments and maintaining the independence of the role of the Valuer General.

Key achievements by the Valuer General in 2020-21 included winning the API Valuation Team of the Year Award, implementing the COVID review, undertaking the Jordan Springs East review, rezoning potentiality review and cultural loss review and the LUCS project, receiving the IPTI Review and completing the following 2020-21 future initiatives:

- implementation of holistic customer service surveys;
- improving timeliness and KPIs for the objection process;
- improving timeliness for the compulsory acquisition process;
- ensuring consistency between Committee recommendations and law or court precedent;
- progressing funding for Valnet III; and
- progressing automated valuation model development with UNSW.

## 2021-22 Future initiatives

The Valuer General advised the Committee of the following future initiatives for 2021-22 at its meeting on 11 June 2021:

- website and social media;
- responsive valuation practice;
- quality assurance review;
- risk-based performance management systems;
- Valnet III funding; and
- automated valuation modelling development with the University of NSW.

Along with this report, further statutory reporting may be found in the Annual Report of the Department of Planning, Industry and the Environment.

Finally, I would like to thank the staff of VGNSW and our contract valuers for their efforts during 2020-21.

A handwritten signature in blue ink, reading "Dr Parker", with a horizontal line underneath.

Dr David Parker

**Valuer General**

# 1. Introduction

## 1.1 Role of the Valuer General

The Valuer General is an independent statutory officer appointed by the Governor of NSW to oversee the valuation system which provides land values for rating and taxing and determinations of compensation when land is compulsory acquired by government.

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

The Valuer General's responsibilities include:

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

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

At the Fourteenth General Meeting of the Joint Standing Committee on the Office of the Valuer General, which was held on 11 June 2021, the Valuer General drew the Committee's attention to interference by the Department of Planning, Industry and Environment in the ability of the Valuer General to fulfil his role. The Valuer General and the Department sought the advice of the Crown Solicitor who confirmed the functional independence of the Valuer General. The Valuer General and the Department are to jointly consider the future of the merger undertaken on 20 January 2020 and the preparation of a memorandum of understanding concerning functional and administrative matters.

## 1.2 Role of VGNSW

Valuer General NSW (VGNSW) comprises the former Office of the Valuer General and Valuation Services which were merged on 20 January 2020. VGNSW supports the Valuer General through the operation of the valuation system, monitoring performance of the system, providing support for the Valuer General in addressing ministerial and parliamentary enquiries, developing public information, responding to public enquiries and investigating complaints.

## 1.3 VGNSW Management Group

The VGNSW Management Group comprises the Directors and Senior Manager Land Data who meet with the Deputy Valuer General and Executive Director VGNSW, who then update the Valuer General, on a monthly basis.

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

- review of monthly management report from each VGNSW business line;
- review of business line performance against KPIs;
- review of projects underway within each business line; and
- monitoring of staff movements and recruitment needs.

## 1.4 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, pending the Valuer General and the Department jointly considering the future of the merger undertaken on 20 January 2020 and the preparation of a memorandum of understanding concerning functional and administrative matters.

Services provided by VGNSW to the Valuer General are monitored through KPIs which are reported in section 13 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.

## 2. Organisational summary

The organisation may be summarised by:

- vision, strategy and risk management framework;
- operative legislation;
- organisational structure; and
- structure of the valuation system.

### 2.1 Vision, Strategy and Risk Management Framework

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

VGNSW 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.

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 New South Wales Government customer service commitments and the independence of the Valuer General.

The VGNSW risk management framework acknowledges that the achievement of the Valuer General's vision is fundamental to maintaining the reputation of the Valuer General which underpins land and property taxation and compulsory acquisition in New South Wales.

Therefore, the risk management framework is premised on the objectives to be achieved to maintain the reputation of the Valuer General which are:

- 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 people and contractors measured through performance reviews and contractor scorecards.

Introducing a risk-based performance management system for VGNSW people, as referred to in the Committee's 13<sup>th</sup> report, is a future initiative for VGNSW for the 2021-22 year. This is consistent with the DPIE values which comprise daring, collaborative, creative, kind and inclusive, with a characteristic of daring being *I take accountability for my actions*. This is supported by the VGNSW PMES 2020 Action Plan which states that managers will address under performance and poor behaviour through the MyTalent plan process with consideration given to a workplan to improve performance.

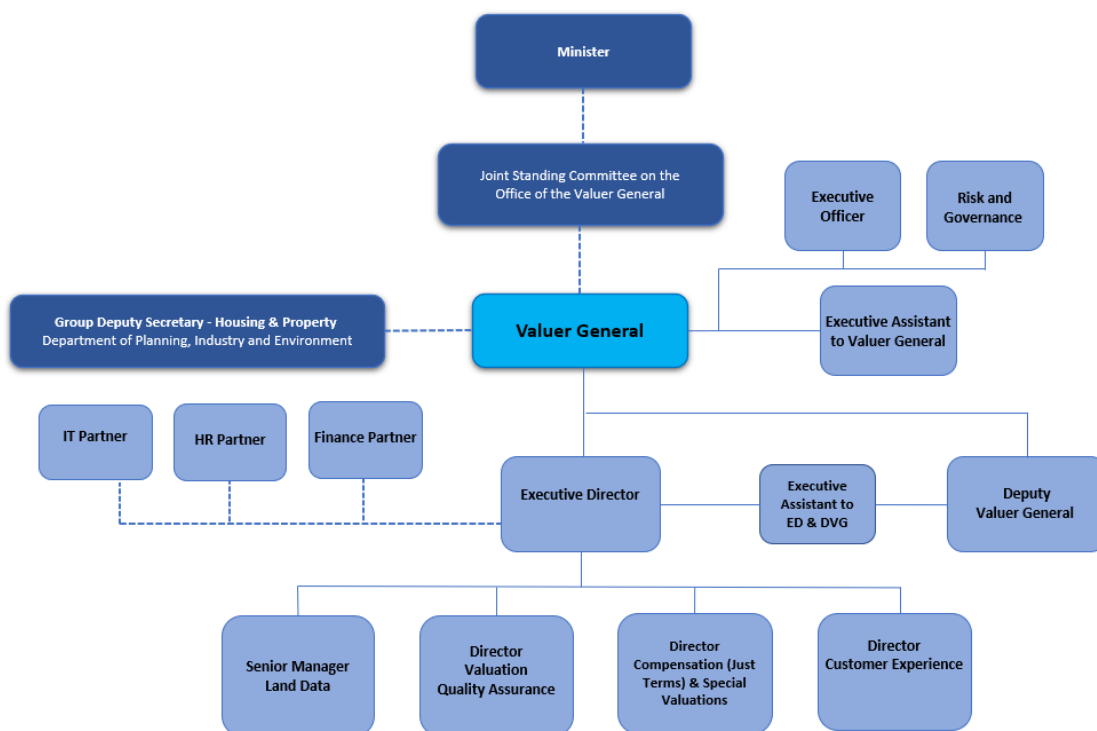
## 2.2 Operative legislation

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

## 2.3 Organisational structure

The following organisational structure applies:

**Figure 1: VGNSW Organisational Structure**

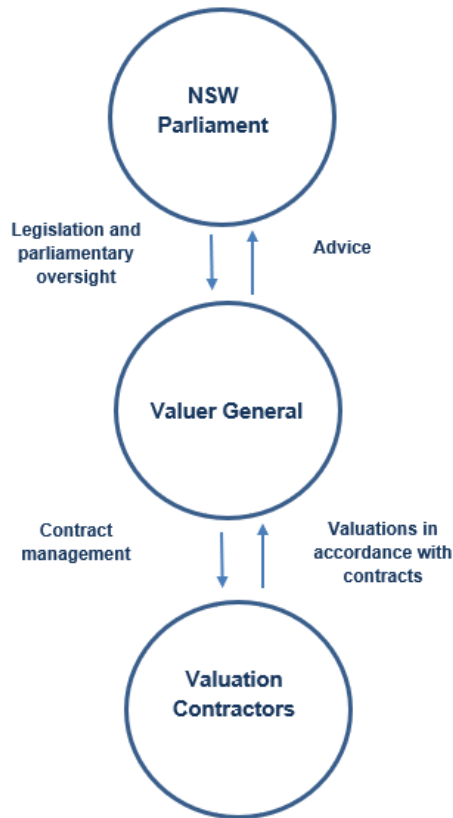


As a statutory officer, the NSW Constitution precludes the Valuer General from directly employing staff. Those staff comprising VGNSW are employed by the Department of Planning, Industry and the Environment and may be referred to as members of the Valuer General's staff under the Government Sector Employment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

## 2.4 Structure of the valuation system

The structure of the valuation system is shown below:

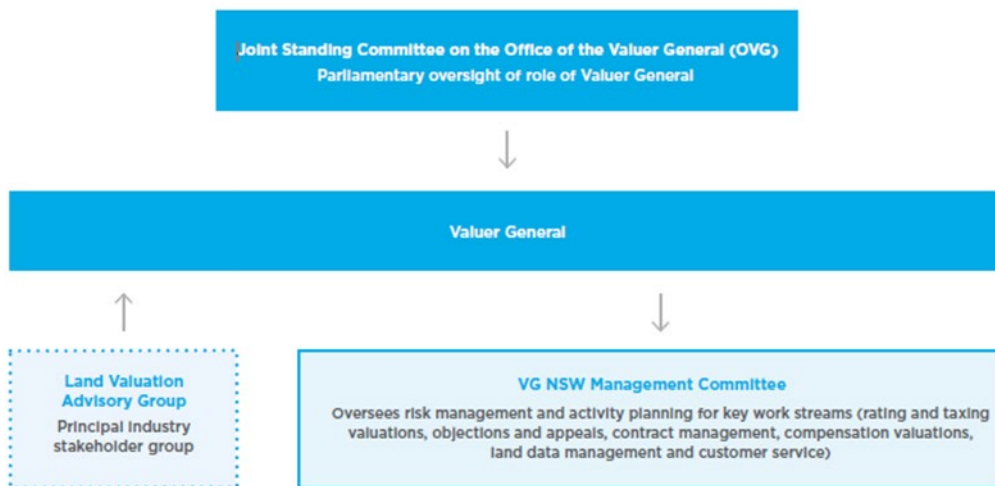
**Figure 2: VGNSW Structure**



## 3. Governance of the valuation system

### 3.1 Governance structure of the valuation system

The governance structure of the valuation system comprises oversight of the Valuer General by the Joint Standing Committee on the Office of the Valuer General, with the VGNSW Management Committee reporting to the Valuer General providing internal advice and the Land Value Advisory Group providing external advice to the Valuer General, as shown below:

**Figure 3: Governance structure of the valuation system**

## 3.2 Joint Standing Committee on the Office of the Valuer General

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

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 Thirteenth General Meeting with the Valuer General on 24 September 2020. For more information see section 4.1.

The Committee held an informal meeting with the Valuer General and key representatives from VGNSW on 15 February 2021.

The Fourteenth General Meeting with the Valuer General was held on 11 June 2020 to review the 2019-20 Annual Report, for which the Committee has yet to table its report.

## 3.3 Land Valuation Advisory Group

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

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

The Group met three times during the year on 8 September 2020, 14 December 2020 and 20 May 2021 and the following matters were considered:

- the Valuer General's Review of the impact of COVID-19 on the property market;
- the Valuer General's Review of the impact of rezoning potentiality on land values; and
- utilising members' organisations to promote the role and functions of the Valuer General.

### 3.4 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. NSW Land Registry Services provides services to the Valuer General previously undertaken by Land and Property Information.

### 3.5 Conflicts of interest

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

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

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

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

- VGNSW and DPIE staff are personally responsible for identifying, assessing, declaring and actively managing any actual, perceived or potential conflicts of interest that arise in the course of their work;
- the Conflict of Interest Management Plan requires any individual to complete a Declaration of Conflicts of Interest form:
  - when commencing work with 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 DPIE whether on an ongoing, temporary, contract, casual, or voluntary basis, must complete a conflict of interest declaration as soon as one has been identified;
- completed forms need to be approved by the individual's manager and an agreed and documented strategy put in place to manage any real or perceived conflicts that are declared;
- to support the effective implementation of these standards, DPIE has developed an online Conflicts of Interest declaration and e-register. The e-register enables accurate recordkeeping, monitoring and compliance; and
- work is underway on the development of an online declaration portal and e-register of conflicts for VGNSW contractors to improve transparency and management of contractor conflicts.

VGNSW contractor conflict of interest training occurred in August 2020 for rating and taxing contractors and in April 2021 for single contractor standard land value objection review contractors. Training is planned to continue for other contractor groups to build on the strengthened awareness and deterrence of contractor breaches.

### 3.5.1 Conflict of interest - rating and taxing

Conflict of interest notifications from contractors increased in 2020-2021 compared to 2019-2020. The 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 the contract area related to land values. Contractors must maintain disclosure of all properties in which valuers and their families and associates hold an interest. During the year, all rating and taxing contractors recorded and took action to mitigate potential conflicts of interest in their contract area.

VGNSW manages two perceived conflicts of interest raised by rating and taxing contractors. VGNSW has a plan in place to preclude the affected staff member from involvement with those rating and taxing contractors.

During the 2020-2021 period, VGNSW managed four potential conflicts of interest for staff undertaking rating and taxing quality assurance. VGNSW put plans in place to preclude the staff members from involvement with those rating and taxing contractors.

Objection contractors are required to disclose conflicts of interest during the procurement of objection services or notify VGNSW as soon as it arises.

During the year, VGNSW managed three potential conflicts of interest for objection contractors. These resulted in other objection contractors appointed to the matters.

During the 2020-2021 period, VGNSW managed three perceived conflicts of interest related to objections. VGNSW found no conflict existed for two matters. In the third matter, VGNSW found the objection contractor satisfactorily managed the perceived conflict. A performance issue was recorded against the contractor for breach of their conflict of interest disclosure requirements.

During the year, VGNSW managed two potential conflicts of interest related to staff members and objection contractors. VGNSW put plans in place to preclude the staff members from involvement with the objection contractors.

## 4. Year in review

### 4.1 Joint Standing Committee on the Office of the Valuer General

#### 4.1.1 Recommendations from the Thirteenth General Meeting with the Valuer General

The Thirteenth General Meeting with the Valuer General was held on 15 June 2020. The Committee reviewed the Valuer General's annual reports for 2017-18 and 2018-19 and tabled their report on 24 September 2020, making no recommendations.

There was no Government response to the report.

#### 4.1.2 Report on the Fourteenth General Meeting with the Valuer General

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 examined the responses to developments which occurred in the legislative and policy environment since the previous General Meeting.

The Committee requested additional information which was provided on 1 July 2021. The Committee is expected to deliver its report in late 2021.

## 4.2 2020-21 Achievements

In 2020-21, the Valuer General maintained a strong focus on the implementation of the relevant Acts, transparency, the NSW Government Customer Service Commitments and maintaining the independence of the role of the Valuer General.

Key achievements by the Valuer General in 2020-21 included winning the API Valuation Team of the Year Award, implementing the COVID review, undertaking the Jordan Springs East review, rezoning potentiality review and cultural loss review and the Lux project, receiving the IPTI Review and completing the 2020-21 future initiatives.

### 4.2.1 API Valuation Team of the Year Award

The Australian Property Institute (API) awarded the prestigious Valuation Team of the Year Award to VGNSW at the Australian Property Institute's 2020 Excellence in Property Awards. The award recognises excellence in the application of valuation standards and a commitment to best practice across a valuation team.

**Figure 4: The API Valuation Team of the Year Award**



The team from VGNSW included Josh Etherington, Mark Rados and Lee Liao, supported by the Deputy Valuer General and the Valuer General, who undertook the *Review of the impact of bushfires on land values* in the aftermath of the 2019-20 bushfires.

In presenting the award, the API said:

*Last summer, bushfires burned seven percent of New South Wales – over 54,000 square kilometres. For comparison, that would be more than three quarters of Tasmania.*

*Normally land values are determined using sales evidence. But with potentially limited sales, how do you value land after such a calamity?*

*Valuer General New South Wales tackled the problem innovatively.*

*A special team reviewed bushfire-affected land over time, analysing sales trends before and after bushfire events. From this, they developed an evidence-based matrix to determine land values without recent comparable sales.*

*The new framework considers the prior demand in a fire-affected area, coupled with the level of fire-damaged properties in that area.*

*All Valuer General New South Wales valuation contractors are now using this matrix to work out 1 July 2020 fire-affected land values in the absence of sales evidence.*

The award is recognition of the contribution to thought leadership in the valuation profession worldwide by VGNSW with other jurisdictions internationally having regard to the findings of the review.

#### 4.2.2 COVID Review Implementation

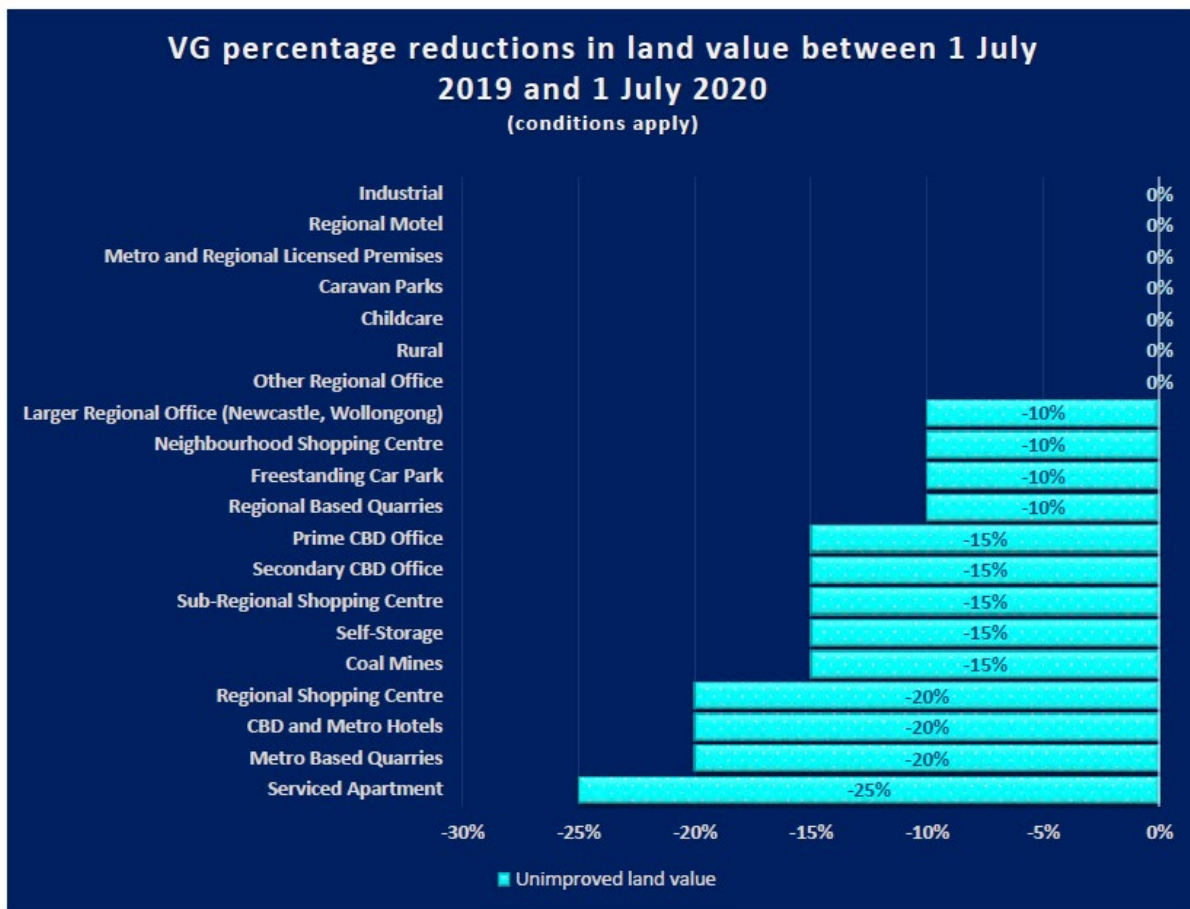
In July 2020, the Valuer General published the *Review of the impact of COVID-19 on the NSW property market* which detailed the Valuer General's approach to the treatment of the impact of COVID on land values for the 1 July 2020 valuation.

For the residential property market, the conventional process of accumulation, analysis, adjustment and application of comparable sales for valuation purposes continued as in previous years. For the non-residential property market:

- in the absence of relevant comparable sales; and
- on the assumption that the landholding can be used for no other purpose; and
- on the assumption of there being no other changes relevant to the valuation; and
- consistent with the provisions of the Valuation of Land Act 1916,

the Valuer General adopted the following reductions from the 1 July 2019 land valuation:

Figure 5: VG percentage reductions outlined in the COVID review



The application of the above reductions was double quality assured by VGNSW to ensure that reductions were fairly provided in line with the *Review*. The Valuer General advised all stakeholders from the non-residential property market who participated in the consultation process leading to the publication of the *Review* of the approach to be adopted and encouraged landholders to contact the Valuer General's dedicated COVID helpline should any issues arise.

While the dedicated COVID helpline responded to numerous issues raised by landholders, no objections were lodged due to COVID adjustments and no matters referred to the Land and Environment Court arising from COVID adjustments.

#### 4.2.3 Jordan Springs East Review

In December 2020, the Valuer General published the *Review of land values in Jordan Springs East*. The review was undertaken following extensive media reporting of localised excessive settlement in Jordan Springs East in late 2020 which identified an issue impacting land value that had not been reflected in the 2019 and 2020 valuations.

Jordan Springs East is a large residential subdivision developed by Lendlease with some parts thereof constructed on fill of low relative compaction. This had led to localised excessive settlement for some properties in the subdivision. As a result, Penrith City Council placed notations on 841 properties such that applicants for planning certificates will be advised that parts of Jordan Springs East contain non-compliant fill of low relative compaction. Media reporting in late 2020 focused on the potential adverse effect of such notations on house values and land values for existing owners in Jordan Springs East.

While Lendlease considered only 90 properties to be impacted, Lendlease entered into a confidential Voluntary Compensation Scheme with the Commissioner of Fair Trading in June 2020 for all 841 properties whereby Lendlease compensates existing owners for repair to eligible damage or buys back the property at the higher of actual cost or market value.

The Valuer General consulted with Lendlease and Penrith City Council concerning the extent, impact and potential remediation cost of localised excessive settlement. Consistent with the Court's guidance to resolve in favour of a more conservative estimate in a revenue matter, the Valuer General reduced the land value of 90 impacted properties at 1 July 2019 and 1 July 2020 by \$25,000 being the upper end of the range of remedial cost advised by Lendlease. Property owners were encouraged to contact the Valuer General should they have evidence that the remedial cost for their block will be greater.

#### 4.2.4 Rezoning Potentiality Review

In February 2021, the Valuer General published the *Review of the impact of rezoning potentiality on land values*. The review was undertaken to understand the impact on land value of the potentiality for rezoning over an extended period until the rezoning occurs and to develop a framework whereby land values may be determined where there is a paucity of transactional evidence.

The Western Sydney Aerotropolis was used as a case study to test the hypothesis, as the second Sydney airport has been mooted for over 50 years and was formally announced in April 2014. Since then, 154 media releases have informed the property market until the draft rezonings were announced in August 2018.

It was hypothesised that underlying land value increased with the prospect of rezoning, though transactional evidence may be limited as land holders are reluctant to sell in anticipation of a major windfall gain.

Through analysis of sales around the Western Sydney Aerotropolis since January 2016, the underlying trend in market value for an indicative block of land in each of 5 precincts was identified and tracked. In 4 of the precincts, the indicative market value uplift ranged from 58% to 238% following the announcement of the draft rezoning.

The review concluded that it is possible to have sufficient and consistent evidence to support upward trends in the assessment of land values prior to a rezoning occurring, being consistent with precedent of the Land and Environment Court and indicating significant increases in land value due to rezoning potentiality.

The Valuer General subsequently developed a policy for the valuation of land with rezoning potentiality and undertook a revaluation of land holdings surrounding the Western Sydney Aerotropolis.

The review and policy were well received by stakeholders who appreciated the clarity provided by the Valuer General on the treatment of rezoning potentiality, including the provision of client seminars and newsletters by major legal firms acknowledging the leadership shown by the Valuer General.

#### 4.2.5 Cultural Loss Review

In June 2021, the Valuer General published a draft *Review of forms of cultural loss and the process and method for quantifying compensation for compulsory acquisition*. The review was undertaken to develop a methodology for the quantification and determination of compensation on just terms for the non-economic loss arising from compulsory acquisition of indigenous land.

The *Review* considered the relevant statutes, regulations and policies pertaining to the determination of compensation for non-economic loss for cultural loss and loss of spiritual attachment in the context of land acquisitions. The relevant statutes for consideration include NSW Land Acquisition (Just Terms Compensation) Act 1991 (the Act) and the Native Title Act 1993 (Commonwealth) (NT Act),

with the principal case law of relevance being *Northern Territory v Griffiths* (2019) (*Timber Creek*) which, while providing clarification, does not provide clear guidance.

The *Review* found that, currently, there is no clear process outlined in either Act or any other law applicable to New South Wales for ascertaining whether the determined amount of compensation is “just”, nor is there any statutory guidance on the process by which non-economic loss for cultural loss and loss of spiritual attachment is to be determined, regardless of whether the interest is held by a native title holder or another person claiming the loss.

The Valuers General for each of the Australian States and Territories were consulted and all confirmed that they had not undertaken determinations for cultural loss arising from compulsory acquisition. The International Property Tax Institute undertook a global review to establish if and how other countries approached the quantification of cultural loss, focusing on Canada, USA, UK, South Africa, New Zealand, Japan and Brazil as well as several international bodies. IPTI found little evidence of specific attention to the determination of compensation for cultural loss, though related examples identified included two First Nation matters in Canada which were informative.

A global valuation literature review was undertaken by Associate Professor Small of Central Queensland University, focusing on cultural loss in Canada, Fiji, New Zealand, New Guinea and Malaysia, in order to establish if existing valuation approaches and methods had been applied to the assessment of cultural loss. Associate Professor Small identified one informative academic paper potentially offering an approach drawing on decision analysis, behavioural decision theory and cultural anthropology.

The *Review* found that, while international and local experience, together with relevant statute and case law, provided broad guidance as to the issues to be considered in the determination of compensation for cultural loss and loss of spiritual attachment, a prescriptive guide to the process, forms and quantification of compensation for cultural loss was not discovered. Accordingly, the *Review* proposed a process for determination of compensation for cultural loss and policy guidelines for the identification of forms of cultural loss and for the quantification of compensation which were discussed with stakeholders at a gathering held on 6 August 2021.

Following receipt of stakeholder feedback on the draft *Review*, the final version of the *Review* will be published together with the Valuer General’s policy on the forms of cultural loss and the process and method for quantifying compensation for compulsory acquisition. This policy will then be applied to determine compensation for cultural loss in several current compulsory acquisition matters which the Valuer General acknowledges may be controversial. Given the importance of cultural loss to the community, following the issue of determinations, the Valuer General would welcome judicial interpretation in the Land and Environment Court to ensure fairness to claimants and acquiring authorities particularly given that, as this is the first time such a policy has been published globally, it is of interest to various jurisdictions around the world.

#### 4.2.6 LUCS Project

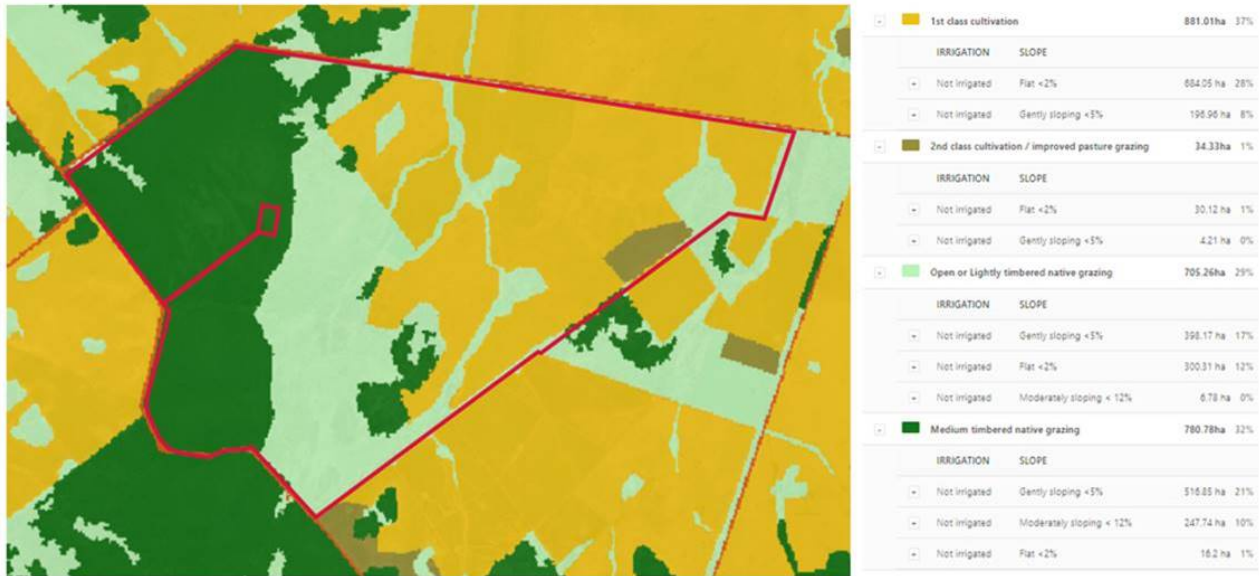
The Valuer General determines land values for approximately 240,000 rural properties as part of the annual rating and taxing valuation program. Most rural properties comprise a mixture of land types and uses which valuers have historically described manually, based on inspection or field records. There was previously no standardised terminology, which meant that while classifications may have been correct, they were described differently making comparison of like for like characteristics difficult.

To improve consistency, VGNSW commissioned the development of an automated “Land Unit Classification System” (LUCS) to assist valuation of rural properties. The development was undertaken in collaboration with NSW Spatial Services and is intended to ultimately provide a whole of government application to land classification.

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.

**Figure 6: LUCS image**



The benefits of LUCS include:

- improved accuracy and consistency of land values with standardised classification of land types to calculate land classifications by area and slope;
- improved comparability of sales to support land values;
- reduced valuation costs by minimising the duration and frequency of property inspections;
- improved audit trail of the annual rural property valuation process;
- continuous improvement of valuations over time; and
- improved transparency of the valuation process and confidence in the valuation system for rural landowners in NSW.

LUCS is currently being trialled by rating and taxing contractors and objection contractors as part of the 1 July 2021 valuations.

#### 4.2.7 IPTI Review

In September 2020, the Valuer General received the final report from the International Property Tax Institute (IPTI) who was engaged to undertake a benchmark comparison of the NSW Valuation system.

The benchmark comparison reviewed the quality assurance processes for all Australian valuation jurisdictions, finding that all jurisdictions use a similar range of internationally accepted quality assurance tools including statistical analysis, sales ratio studies, valuation peer review and targeted audits. IPTI concluded that the processes put in place by the VGNSW for dealing with the valuation of property for the purposes of state land tax and council rates meet, and in some cases exceed, the recognised international standards for the delivery of such services.

IPTI made several helpful recommendations including:

- the use of external audits in addition to the current internal QA team. In response, VGNSW has recently engaged an external auditor to review valuations at the Western Sydney Aerotropolis and Kingsford Smith Airport;

- monitoring the development of artificial intelligence. The use of artificial intelligence is being considered as part of VGNSW's ongoing engagement with UNSW in developing an automated valuation model; and
- engaging a specialist data analyst to develop and run queries on data quality. While a specialist data analyst has not yet been engaged, the quality management team has been expanded to run data analytics on valuation accuracy and consistency.

## 4.2.8 2020-21 Future initiatives

### 4.2.8.1 Holistic customer service surveys

Building on the work undertaken following the Twelfth Meeting of the Joint Standing Committee, VGNSW continued to develop customer service surveys by undertaking a holistic review of methods to assess the customer service experience.

The holistic review focused on:

- who should be surveyed?
- when should customers be surveyed?
- what should be asked in customer surveys?
- independence of VG?
- overall customer service experience?

The surveys have highlighted a number of areas for review and continuous improvement. Some of the key themes include:

- a number of customers raised concerns about land valuations, specifically subjectiveness and impartiality;
- a number of customers highlighted the way information is presented as an area for improvement, including several requests for more detail in the original Notice of Valuation;
- a number of customers highlighted concerns about customer service, including a lack of personal interactions and concerns about the efficacy of VGNSW digital platforms, including issues lodging objections and using the VGNSW website; and
- the time taken for the entire objection process, though now reduced, continues to be a concern for some landholders.

### 4.2.8.2 Timeliness and KPIs for the objection process

In order to improve performance in the management and timeliness of objections, a holistic review of the objection process was undertaken. Following the review, some immediate changes were made to the objection process and a major change program was then undertaken to streamline the objection process with the aim of providing an objector with a preliminary report within 20 days of lodging an objection.

The immediate changes were to require the objector to:

- state their opinion of what their land value should be;
- provide an explanation why the assessed land value was incorrect; and
- provide comparable sales evidence (available from the VG website) to support their opinion of land value.

This information comprises the minimum requirement for supporting an objection and mirror that which would be required for the objector to appeal to the Land and Environment Court. Following these immediate changes, the level of objections trended downward without complaints to local Members, the Minister or the Premier nor any adverse media commentary.

As part of the immediate changes, approximately 2,500 outstanding objections were also targeted and resolved to clear the backlog in objections. There are now, typically, only approximately 600 open objections per week, being the net balance of objections received compared with objections finalised.

The major change program, Objections 2021, involved contractual arrangements, IT upgrades, rewriting of policies, manuals and guidelines and both contract valuer and VGNSW staff training with significant IT changes, contract valuer changes and process changes including:

- online objection process with:
  - new online objection form which guides the objector to provide details of all the issues they wish the VG to address;
  - allowing sales information to be selected by the customer and automatically included in the online objection form from other VGNSW online sources;
  - issues and sales evidence will automatically copy to the valuation report template and the objection valuer is required to consider and respond to each issue;
  - for residential landholdings, inspections are by request;
  - the preliminary valuation report will be provided to the objector for consideration;
  - provision of a smart web form for customers to respond to the preliminary report, reducing time and effort by linking the response to the objection; and
  - the objector may request a conference with the objection valuer to explain the report and amend any errors of fact but without discussion of any judgment matters such as application of comparable sales;
- IT changes so that much more is done by technology than manually with changes to VGNSW's quality assurance process for objection valuations;
- reconfiguration of the arrangement of contract valuers to provide one valuer for each geographic area to ensure consistency of objection outcomes;
- provision of procedural fairness, reflecting the provisions of the Act and avoiding transgressing across the mediation conference which is part of the appeal process to the Land and Environment Court;
- an enhanced valuation objection report which includes the customer's supporting information and evidence from the online objection form, allowing the objection valuer to respond to matters raised and sales provided; and
- provision of extensive updated information for landholders on the VGNSW website.

While the level of objections is subject to a wide range of influences such as the incidence of general rating years, peaks and troughs in the property market and so forth, the following provides a simple indication of objection volumes which show a downward trend without complaints to local Members, the Minister or the Premier nor any adverse media commentary:

**Figure 7: Number of objections registered by Month**

Month/Year	No. of Objections Registered	Comments
July 2020	864	General Valuation Notices Last Date to Object
August 2020	646	Delayed Land Tax Assessments – Covid 19
September 2020	820	Delayed Land Tax Assessments – Covid 19
October 2020	667	Delayed Land Tax Assessments – Covid 19
November 2020	528	
December 2020	181	
January 2021	61	2021 Land Tax Assessment issued
February 2021	189	2021 Land Tax Assessment issued
March 2021	457	2021 Land Tax Assessment issued
April 2021	462	2021 Land Tax Assessment issued
May 2021	279	

As a result of the implementation of Objections 2021, the following improvements in performance have been achieved:

**Figure 8: Objections performance**

Objections to land values:	2019-20	2020-21	KPI
Completed in 90 days	24%	69%	80%
Completed in 120 days	48%	81%	90%
Completed in 180 days	76%	95%	98%

Since Objections 2021 became operational, the average number of days to complete objections has reduced from 140 in 2019/20 to 71 in 2020/2021.

#### 4.2.8.3 Timeliness for the compulsory acquisition process

In order to improve performance in the management and timeliness of determinations, a holistic review of the compulsory acquisition process was undertaken with a view to implementing a major process change project, JT21.

In addition to JT21, the Valuer General led a focus on clearing a backlog of 3,615 outstanding tunnel acquisitions that existed and initiating a process for settling determinations for cultural loss for eight Indigenous groups, some of which have been outstanding for several years.

JT21 reflects the evolution of the compulsory acquisition process over the last 5-7 years including the 180 day required negotiation period followed by the 90 day PAN period prior to gazettal, during

which the parties may reach a negotiated settlement. If no agreement can be reached after 9 months of negotiation, each party should be fully informed of the other's position and *adverse information* should not arise.

JT21 is designed to provide procedural fairness, reflect the provisions of the Act including the provision of a determination within 45 days of gazettal and avoid transgressing the mediation conference which is part of the appeal process to the Land and Environment Court.

Key changes made in the JT21 project include that:

- the dispossessed provides a statement of claim during PAN period and is offered a conference to explain their claim (with assistance for dispossessed residential landholders and allowance for exceptional circumstances);
- the acquiring authority provides list of issues within 7 days of gazettal and is offered a conference to explain their position;
- the VG exchanges the statement of claim and list of issues between the parties, providing an *adverse information* safety net;
- the VG undertakes a valuation, prepares a valuation report, prepares a response to each party's issues, makes a determination of compensation and provides each to parties;
- each party is offered a conference to correct errors of fact but without discussion of matters of judgment; and
- the VG issues determination to acquiring authority.

To date, the following improvements in performance have been achieved:

**Figure 9: Determinations timeframes**

Time to complete determinations:	Time to complete determinations:	Time Under Act (s42(1))
2018-19	166 days	45 days
2019-20	171 days	45 days
2020-21	81 days	45 days

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

In order to ensure that VGNSW is meeting the requirements of the Joint Standing Committee, relevant statute, current Court precedent and prevailing procedure, previous recommendations of the Joint Standing Committee were reviewed for alignment and consistency noting that it is eight years since the Committee conducted its Inquiry into the Land Valuation System and published its report in May 2013.

Recommendations 11, 12 and 13 were identified as potentially inconsistent and discussed with the Joint Standing Committee at the informal meeting held on 15 June 2021.

Recommendations 11 and 12 concerned the provision of conferences to land valuation objectors, claimants dispossessed by compulsory acquisition and acquiring authorities after their making of a submission, with a period of 30 days to be provided after receiving a preliminary valuation review to make further submissions and be entitled to a conference (oral conversation) to discuss those submissions with the landholder then provided with written reasons for accepting or rejecting the submissions after the conference.

Government did not legislate to support Recommendations 11 and 12 such that there is no statutory basis for conferences, provision of a preliminary valuation or the making of further submissions. While the Valuer General recognises the benefit of transparency arising from conferences, the provision of an objection valuation or a compensation determination by the Valuer General is for the purposes of information and correction of errors of fact rather than as a starting point for negotiation through further submissions.

Accordingly, the Valuer General incorporated the opportunity for conferences and the provision of a preliminary valuation addressing issues raised by the parties within both Objections 21 and JT21 for the purposes of information and correction of errors of fact only. This is consistent with the 8<sup>th</sup> Meeting of the Committee which referred to matters being determined rather than negotiated, operating within the laws set by Parliament.

Recommendation 13 proposed, for land valuation, that landholders be entitled to a valuation review based on the comparison of statutory land values of surrounding properties or the rate of change of the land value for their own property, in addition to the existing grounds for objection.

Government did not legislate to support Recommendation 13 such that relativity to surrounding land values is not a statutory basis of objection and is inconsistent with decisions of the Land and Environment Court which disregard surrounding statutory land values in favour of sales evidence supporting the valuation of the subject property.

Accordingly, where a landholder raises the relativity of statutory land values of surrounding properties or the rate of change of the land value for their own property as an issue, the Valuer General now considers this as a quality assurance matter rather than as an objection.

#### 4.2.8.5 Valnet III funding

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

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

Valnet III is VGNSW's proposed replacement platform for the incumbent system. The system would be cloud-based, having the capacity to store mass valuation data, with the capability of performing various forms of valuation and customer interaction. The new system would allow customers and contractors to interface with real-time datasets via web-based protocols, significantly streamlining the present process.

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

Given the fundamental importance of Valnet III to the integrity of the State taxation system in the future, VGNSW vigorously but unsuccessfully pursued funding during 2020-21 and pursuit will continue in 2021-22.

At the Fourteenth Meeting of the Joint Standing Committee, the Valuer General again advised the Committee that Valnet II is a major risk to the revenue collection system for the State, which will become an even greater risk if the Treasurer were to embrace a property tax system to replace the current combination of land tax and stamp duty systems.

#### 4.2.8.6 Automated valuation modelling development with the University of NSW

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

AVMs are used in New York, British Columbia and the Netherlands. Some jurisdictions, including many of the property tax assessing counties in the USA such as Washington County, Pennsylvania, Cobb County, Georgia and Franklin County, Ohio, use AVM technology provided by commercial software suppliers. Some jurisdictions, such as the Municipal Property Assessment Corporation in Ontario, Canada, develop their own inhouse AVM facilities, often using cloud-based technology.

IPTI advise that those assessing agencies using reliable modern AVM technology find that they achieve improvements in accuracy, consistency and cost-effectiveness.

For several years, VGNSW has been working closely with and supporting the Value Australia project being undertaken by Frontier SI, a partnership including Commonwealth Bank of Australia, Liverpool City Council, OMNILINK Pty Ltd and the University of New South Wales.

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

The Valuer General supported a bid by FrontierSI for this project. The bid was successful, receiving \$2.9 million in Commonwealth Government funding. The Valuer General's contribution to this project will be \$50,000 and \$50,000 in kind annually over the next three years, commencing in 2019 - 2020.

The Value Australia project will run from 2019 to 2022 and seeks to develop AVMs which may be of use for rating and taxing valuation by VGNSW. It is unlikely that AVMs will be capable of application across the entire State. Whilst large homogenous areas of residential property may suit the application of AVMs, they are less likely to be applicable for heterogenous property such as commercial, retail and industrial property.

While the deliverables of the project have evolved since inception, UNSW advise that an initial version of an AVM for land valuation based on the residual method of valuation should be completed by October 2021 and that an initial version of an AVM for land valuation based on machine learning should be completed by December 2021 for testing to evaluate suitability for use by VGNSW.

### 4.3 Significant judicial decisions

#### 4.3.1 Court matters concerning land valuation

The following decisions of significance to land valuation were delivered by the Land and Environment Court during the year:

##### **Alexandrou v Valuer General of NSW [2020] NSWLEC139 (16 September 2020)**

Alexandrou is an owner of a strata unit within a residential unit development at 45-49 Gladstone Street Kogarah. The property was rezoned to R4 High Density Residential with a Floor Space Ratio of 4:1. The existing improvements reflected a Floor Space Ratio of 1.2:1. The site was underdeveloped given the planning provisions relevant to the 2018 valuing year. The Applicant argued that the development potential of the parent site had no relevance to the land value of the unit and that parent site cannot be considered to be a development site given that, in reality, the majority of the unit owners would need to consent to the sale of the entire strata development. Pain J determined that the land is to be treated as vacant and the value of the land is to be determined

by the highest and best use, supporting the Valuer General's approach to the valuation of land comprising existing strata developments.

**Peter Sleiman Property Investments Pty Ltd and Anor v Valuer-General of New South Wales (No 2) [2021] NSWLEC 47 (27, 28 and 29 July, 15 September and 5 November 2020)**

These two matters were allowed at hearing and concerned valuations for the same property (287 Liverpool Road Strathfield) in 2016 and 2017. Robson J provided helpful commentary on the valuation concept of highest and best use that has been reflected in Valuer General policy, procedure and training. The reductions to the land values ordered by the Court were not significantly different to the issued land values.

#### 4.3.2 Court matters concerning compulsory acquisition

The following decision of significance to just terms compensation was delivered by the Land and Environment Court during the year:

**Eureka Operations Pty Ltd v Transport for New South Wales 2021 NSWLEC 41 (17 May 2021)**

Eureka Operations Pty Ltd was a service station operator (Lessee) located upon a prominent intersection in Dubbo. Part of the site was compulsorily acquired to upgrade the intersection under the Land Acquisition (Just Terms Compensation) Act 1991. An important aspect of the decision by Duggan J is that, where a legal practitioner determines that some additional advice is required from another qualified expert (other than a valuer) in order to provide legal advice, then those costs should be compensated under section 59(1)(a).

## 5. Deputy Valuer General

The role of the Deputy Valuer General includes provision of high-level advice on all technical valuation matters, valuation standards and legislation within VGNSW, together with oversight of the policy publication, quality assurance and contract management programs with the 2020-21 contributions detailed below.

### 5.1 Policy publications

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

### 5.2 Quality Assurance

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

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

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

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

checks detailing statistical analysis and valuation outliers are sent to 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;
  - consistency of benchmarks review; and
  - review of consistency of annual values.
- **Localised Reviews** - these are detailed quality assurance reviews undertaken by the Valuation QA Team and are further detailed in section 6.3 of this report. Localised QA activity includes but is not limited to the following:
  - progress reports;
  - contractor monthly meetings;
  - VGNSW Valuer market knowledge;
  - performance issues;
  - objection outcomes;
  - worksheets;
  - components; and
  - media issues.

## 5.3 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 2020-21 reporting year, most contractors performed to the standards established under the contract. Where standards were not met, a performance issue was raised and addressed through a structured process of contract management, with the objective of correcting the issue and preventing reoccurrence.

### 5.3.1 Rating and taxing contracts

There are 18 rating and taxing contracts, with 11 contractor firms providing valuation services. A list of contractors is available on the VGNSW website at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

Rating and taxing contractors provide the following valuation services:

- project management;
- market analysis;
- valuation recommendation and reporting;
- quality assurance;
- land value verification;
- supplementary valuations;
- responding to enquiries about valuations;
- appeal services; and
- sales coding.

Rating and taxing contractors are engaged on 5-year contract terms which commenced on 1 March 2019. As services provided by contractors through the 2020-21 reporting period are provided under the current contract terms, all improvement initiatives which amend provision of services are subject to contract variation.

Improvements undertaken in the reporting period comprised clarification of contractual expectations.

VGNSW continued to liaise closely with contractors during 2020-21 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;
- a series of online contractor forums between contractors and VGNSW;
- online contractor meetings on recent Valuer General publications; and
- updated directions on expectations and safe working for the inspection of properties and analysis of sales during COVID-19 restrictions.

### 5.3.2 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;
- valuation advisory for certificates of land value, special valuations, to act as an expert witness in court matters and general property advice; and
- review of objections to rating and taxing valuations issued under the Valuation of Land Act 1916.

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.

### 5.3.3 Improvements to contracts for objection reviews

During 2020-21, 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.

### 5.3.4 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 is open for an initial term of three years until 18 November 2022 and following review may continue beyond the initial term.

The scheme administrator is VGNSW.

## 6. Valuations for rating and taxing

The role of the Valuations (Quality Assurance) Team is to undertake quality assurance of the contractor provided valuations that comprise the mass valuation system administered by VGNSW. The 2020-21 contributions of the Valuation (Quality Assurance) Team may be summarised as follows:

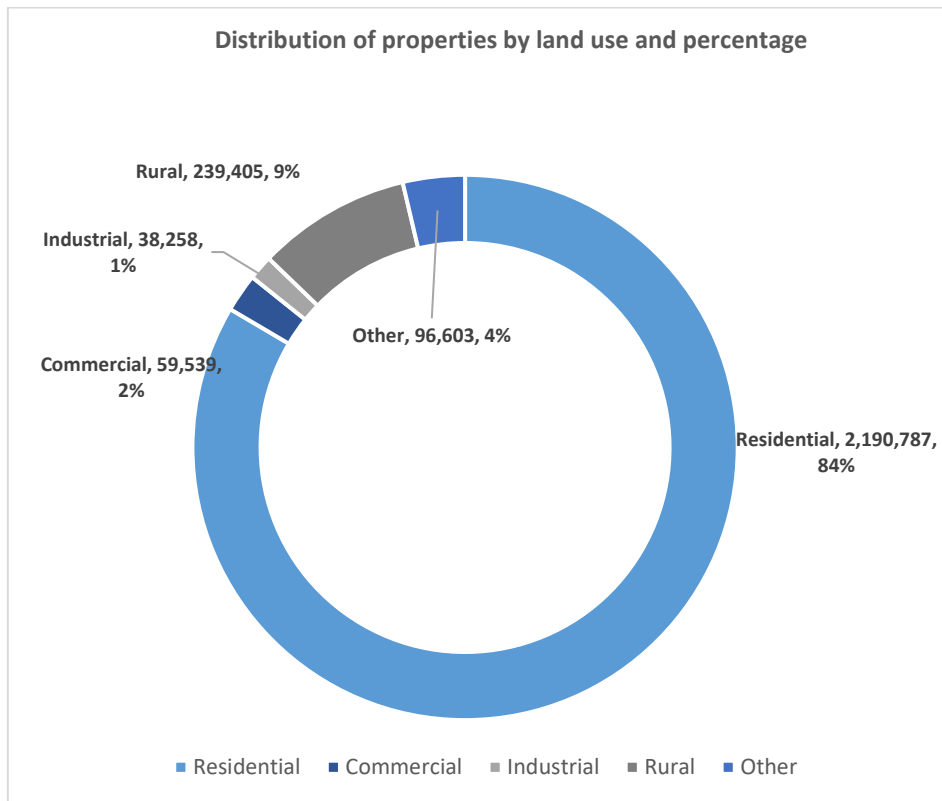
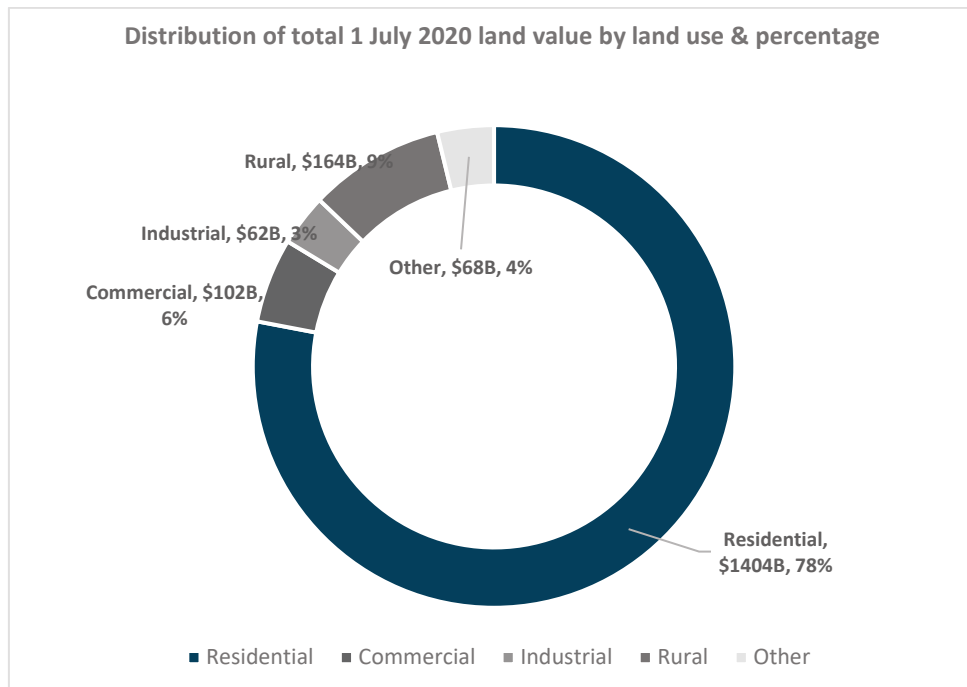
- 6.1 valuation totals and trends;
- 6.2 service delivery;
- 6.3 quality assurance;
- 6.4 objections; and
- 6.5 appeals to the Land and Environment Court.

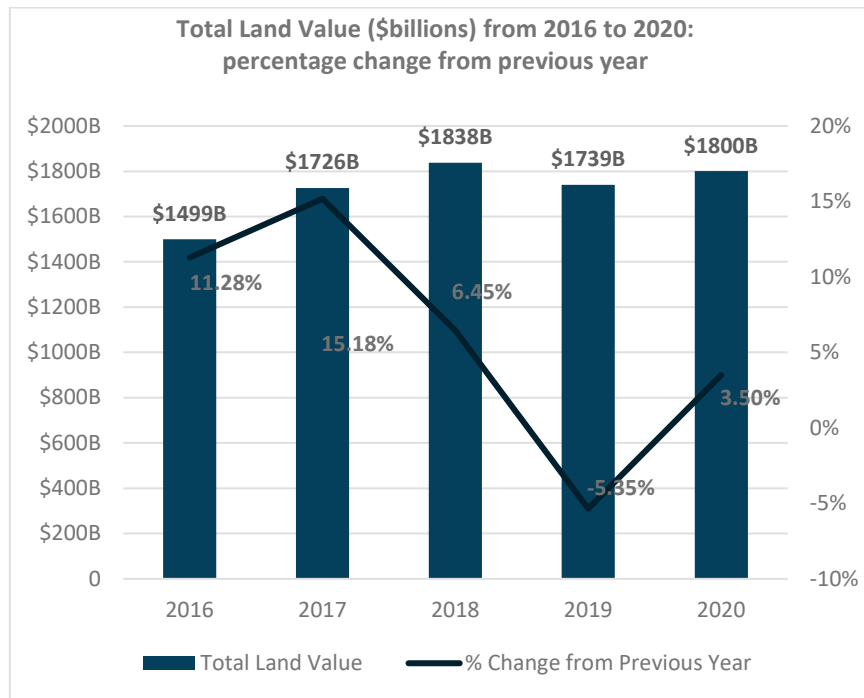
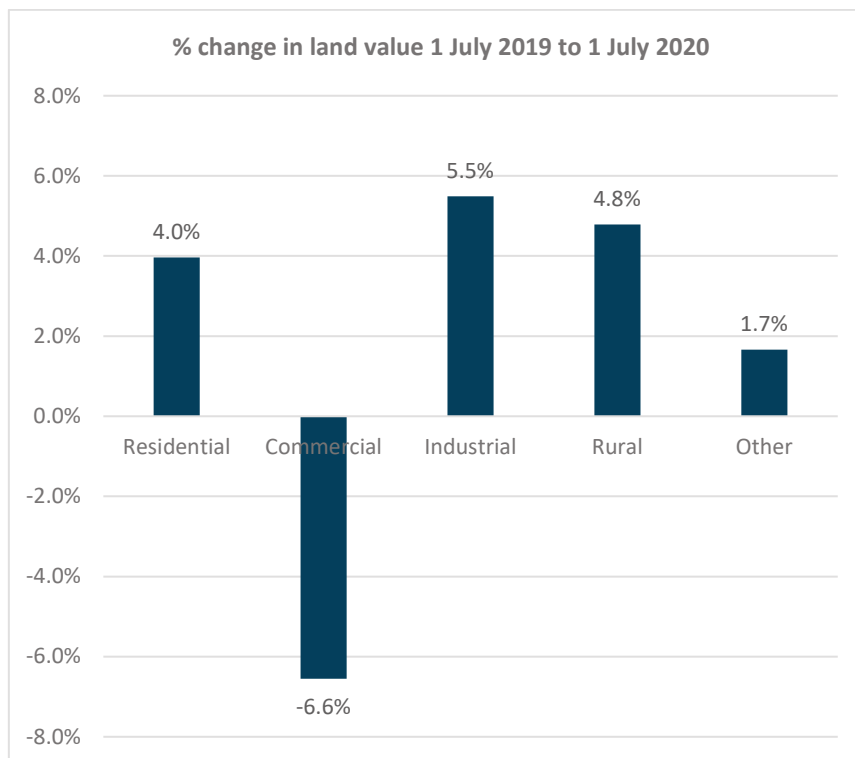
### 6.1 Valuation totals and trends

Over 2.64 million residential, rural, business and industrial land values for properties in NSW were determined as at 1 July 2020.

The total value of land in NSW as at 1 July 2020 increased by 3.6% to approximately \$1.80 trillion in the 12 months to 1 July 2020.

To determine the 1 July 2020 land values approximately 49,000 property sales were analysed across NSW as part of the valuation process.

**Figure 10: Distribution of properties by land use, percentages represent property numbers****Figure 11: Distribution of total land values by land use, percentages represent values**

**Figure 12: Total land value (\$billions) from 2016 to 2020; percentage change from previous year****Figure 13: Percentage change from 1 July 2019 to 1 July 2020 by land use type**  
(Data Extracted 15/11/2020)

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

## 6.2 Service delivery

VGNSW delivered:

- approximately 2.64 million valuations to councils and to Revenue NSW for use in the calculation of land tax; and
- approximately 47,000 supplementary valuations to councils and Revenue NSW when land was subdivided, amalgamated or materially changed.

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

### 6.2.1 Land tax threshold

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

The adjustments to the thresholds are based on the annual movement in average land values of land within residential, commercial, business and industrial zones in NSW. The rate of change of land values in these zones from 1 July 2019 to 1 July 2020 was determined to be 3.183%

The land tax threshold for the 2021 land tax year was determined to be \$755,000 and the premium rate threshold was determined to be \$4,616,000. The new thresholds were published in the NSW Government Gazette No.260 of 9 October 2020.

## 6.3 Quality assurance

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

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

### 6.3.1 Quality assurance program

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

- 1 July 2020 land values;
- sales analysis;
- benchmark component reports;
- added value of improvements tables;
- worksheets;
- monthly progress reports;
- final reports; and
- local government area land value summaries and commentary.

### Improvements

Following the Valuer General's review of the impact of bushfires and COVID-19 on land values, quality assurance was completed to ensure the appropriate application of the findings of these reviews to the 1 July 2020 land values.

## Program outcomes

The quality assurance program identified a number of areas of risk and valuation quality deficiencies that were rectified prior to the acceptance of the annual values and their entry onto the Register of Land Values. This included improvements to contractor's sale selection and analysis, benchmark selection, component structure and the correction of values where the Valuer General's bushfire and COVID-19 reviews had not been correctly applied.

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

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

### 6.3.2 Published valuation reports

The Valuer General published the report on NSW land values at 1 July 2020, which is available on the Valuer General's website at [www.valuergeneral.nsw.gov.au/publications/reports](http://www.valuergeneral.nsw.gov.au/publications/reports).

### 6.3.3 Verification

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

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

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

**Figure 14: Annual verification targets from March 2020**

Data extracted 17 December 2020

Land value verification risk rating	Outcome	Target
<b>Risk Rating of 1</b> high risk verified annually	99.97%	100%
<b>Risk Rating of 2</b> medium risk verified every three years	42.64%	33.3%
<b>Risk Rating of 3</b> low risk verified every five years	26.00%	20%

### 6.3.4 Statistical measures

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

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

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

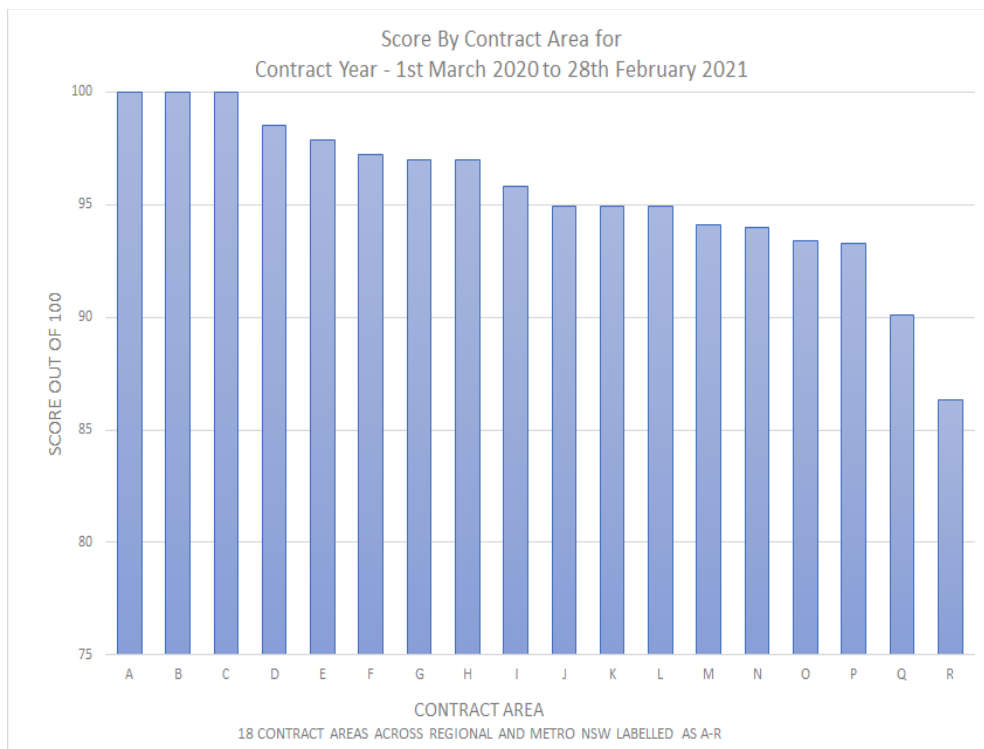
### 6.3.5 Contractor compliance

VGNSW staff monitor the performance of rating and taxing contractors and the quality of their deliverables through an annual risk-based quality assurance 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 dependant on the type and risk level of the identified issue and the overall impact to valuation outcomes.

**Figure 15: Score by contract area for contract year 1 March 2020 to 28 February 2021**



The scoring system is managed by the Contract Management and Quality Assurance 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 scoring and lower scoring contract firms are continually 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.

### 6.3.6 Valuation reviews

During 2020-21, valuation reviews were undertaken for the following areas to ensure the integrity of the valuation system:

- Kingsford Smith Airport
- Western Sydney Aerotropolis
- Blue Mountains
- Snowy Mountains
- Polo Flats
- Avalon and Tullamore
- Kempsey

## 6.4 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.

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.

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

### 6.4.1 Customer Service Improvements

In alignment with the Premier's priority to implement best practice productivity and digital capability in the NSW public sector, VGNSW has introduced a smart web enquiry form to reduce customer effort in contacting VGNSW.

The smart web form performs digital triage to ensure all enquiries are directed to the relevant business area expeditiously. The form improves timeliness in responding to customer enquiries and reduces duplication of effort for staff in assigning enquiries.

## 6.4.2 Objections for different property types

Figure 16: 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	
	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20	2020–21
<b>Business</b>	288	131	9	21	29	17	434	291	1,158	636	1,918	1,096	23.0%	16.6%
<b>Industrial</b>	26	17	1		16		125	60	352	210	520	287	6.2%	4.4%
<b>National parks</b>								3		1		4	0%	0.1%
<b>Non-urban</b>	31	63	25	35	1	9	189	562	245	842	491	1,511	5.9%	22.9%
<b>Open space</b>	4		1	1		1	3	6	15	5	23	13	0.3%	0.2%
<b>Protection</b>	22	28	9	4	6		110	145	179	280	326	457	3.9%	6.9%
<b>Residential</b>	230	315	44	10	93	69	1,114	762	3,473	1,871	4,954	3,027	59.4%	46.0%
<b>Special uses</b>	6	6					29	83	27	25	62	114	0.7%	1.7%
<b>Undetermined, or village</b>	7	6	6	2			9	22	25	47	47	77	0.6%	1.2%
<b>Total</b>	<b>614</b> <b>7.4%</b>	<b>566</b> <b>8.6%</b>	<b>95</b> <b>1.2%</b>	<b>73</b> <b>1.0%</b>	<b>145</b> <b>1.7%</b>	<b>96</b> <b>1.5%</b>	<b>2,013</b> <b>24.1%</b>	<b>1,934</b> <b>29.4%</b>	<b>5,474</b> <b>65.6%</b>	<b>3,917</b> <b>59.5%</b>	<b>8,341</b> <b>100%</b>	<b>6,586</b> <b>100%</b>	<b>100%</b>	<b>100%</b>

### 6.4.3 Comparison of objections based on rating and taxing authority

Land values for 1 July 2019 were issued to approximately 2.6 million landholders on a Notice of Valuation in 2020. Land tax assessments are issued annually and in 2020 Revenue NSW issued 190,044 assessments.

**Figure 17: Percentage of objections registered for all valuation years for land tax compared to council rates**

Item	2019–20 Count	2019–20 Percentage	2020–21 Count	2020–21 Percentage
<b>Council rates</b>	1,520	31.8%	2,330	43.0%
<b>Land tax</b>	3,256	68.2%	3,093	57.0%
<b>Total</b>	4,776	100%	5,423	100%

### 6.4.4 Causes of objections

As in 2019-20, the top five reasons for lodging an objection in 2020-21 were:

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

### 6.4.5 Informal conferences

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

More information on conferences is provided in section 10.3.

**Figure 18: Conferences**

Objections	2019–20	Percentage (of total number of 8,341 completed objections)	2020-21	Percentage (of total number of 6,586 completed objections)
Informal conference undertaken	431	5.2%	160	2.4%
Facilitated conference undertaken	32	0.4%	0	0%

## 6.5 Appeals to the Land and Environment Court

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

The number of appeals lodged in 2020-21 has increased by 11 since 2019-20. In 2019-20 there were 25 matters lodged over 15 properties. In 2020-21 there were 36 matters lodged over 27 properties. Landholders may lodge appeals to the land value for multiple valuing years where they are included in a land tax assessment.

**Figure 19: Matters with the Land and Environment Court**

	2017-18	2018-19	2019-20	2020-21
Outstanding at start of period	23	14	13	18
Lodged during period	17	17	25	36
Allowed during period	6	2	6	12
Disallowed during period	6	6	0	3
Withdrawn by landholder during period	14	10	14	21
Outstanding at end of period	14	13	18	18

### Outcome of appeals

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

**Figure 20: Outcome of appeals 2017-18**

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

**Figure 21: Outcome of appeals 2018-19**

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

**Figure 22: Outcome of appeals 2019-20**

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

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

**Figure 23: Outcome of appeals 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

\* Two matters for *Peter Sleiman Property Investments Pty Ltd 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.*

The two matters allowed at a hearing concerned valuations for the same property in 2016 and 2017 with the Court providing helpful commentary on the valuation concept of highest and best use that has been reflected in Valuer General policy, procedure and training. The reductions to the land values ordered by the Court were not significantly different to the issued land values.

## 7. Valuations for compulsory acquisition

The role of the Just Terms Valuation Team is to undertake valuations and quality assure valuations undertaken by contractors for compulsory acquisition. The 2020-21 contributions of the Just Terms Valuation Team may be summarised as follows:

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

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

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

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

### 7.1 Determinations of compensation issued

The overall number of determinations of compensation decreased to 88 in 2020-2021 from 128 in 2019-20. Major infrastructure projects undertaken during 2020-2021, from which determinations arose, included:

- Metro West Project (24)
- Mulgoa Road Upgrade Stage 1 (5)
- Newell Highway and Mitchell Highway intersection upgrade (10)
- RMS Gateway Project (2)
- Shoalhaven Nowra Bridge Project (1)
- Sydney Metro City and Southwest - Rock Anchors and Scaffolding – Sydney (1)
- Sydney Metro Northwest Corridor (1)

Figure 24: Determinations of compensation issued by the Valuer General

Determinations of compensation made	2017–18 Number	2017–18 Total value (\$million)	2018–19 Number	2018–19 Total value (\$million)	2019–20 Number	2019–20 Total value (\$million)	2020-21 Number	2020-21 Total value (\$million)
Under the <i>Land Acquisition (Just Terms Compensation) Act 1991</i> – for properties above ground (surface land)	149	\$299.8	204	\$281.8	96	\$92.6	77	\$107.2
Under the <i>Land Acquisition (Just Terms Compensation) Act 1991</i> – for land below the surface (includes Treasurer's directions)	774	\$0	385	\$0	0	\$0	3821	\$0
In accordance with Treasurer's Directions (for intergovernmental transfers)	56	\$30.2	50	\$59.9	32	\$31.5	11	\$5.9
<b>Total</b>	<b>979</b>	<b>\$330</b>	<b>639</b>	<b>\$341.7</b>	<b>128</b>	<b>\$124.1</b>	<b>3909</b>	<b>\$113.1</b>

## 7.2 Timeframe for issuing determinations of compensation

The average time taken to issue determinations in 2020-21 was 81 days, a decrease compared to 171 days in 2019-20. Where there were delays, parties were consulted to minimise the impacts.

VGNSW advise that factors impacting on the time taken to issue determinations included:

- matters requiring multiple experts such as town planners, flood engineers, quantity surveyors, etc;
- delays in receiving submissions from landowners and acquiring authorities; and
- the preliminary report process which adds 15 working days.

## 7.3 Quality assurance

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

VGNSW reviews valuation reports before they are accepted and issued. The valuation report is checked 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.

Over 2020-21, further quality assurance controls were implemented including the review by the Valuer General of all draft valuation reports, reference to the Valuer General of all differences between preliminary reports and final reports for review, the use of specialist contract valuers for compensation in excess of \$50 million and the review and updating of all policies and guidelines by the Valuer General.

## 7.4 Proposed acquisitions

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

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

During the reporting period, VGNSW commenced work on 568 matters up from 92 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.

## 7.5 Compulsory acquisition conferencing

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

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

**Figure 25: Compulsory acquisition conferences by type**

Types of conferences	2019–20 Number	2019–20 Percentage (%)	2020-21 Number	2020-21 Percentage (%)
Email	876	56.1%	1237	72.6%
Face to face	119	7.6%	144	8.4%
Mail	2	0.2%	3	0.2%
Phone	564	36.1%	320	18.8%
<b>Total</b>	<b>1,561</b>	<b>100%</b>	<b>1704</b>	<b>100%</b>

## 8. Private valuations

Private valuations of land are undertaken under section 9A of the Valuation of Land Act 1916 on behalf of the Valuer General for the purpose of any agreement or arrangement between parties that provides for the valuation to be made by the Valuer General. In 2020-21 VGNSW undertook five private valuations.

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

### 8.1 Private valuations undertaken during 2020-21

During the reporting period, five private valuations were requested:

**Figure 26: Five (5) private valuations**

Client	No of Valuations	Purpose of Valuation
NSW Ports	2	Valuer General determined the unimproved value of the land in accordance with the lease documents.
Lord Howe Island Board	1	Valuer General determined the current market value in accordance with Section 23(1)(a) of the Lord Howe Island Act, 1953, as amended.
Place Management (part of Property NSW)	1	Valuer General determined the market value of the land for rental review purposes in accordance with the lease document.
Cemeteries and Crematoria NSW	1	Valuer General determined the market value of the land within the meaning of the Valuation of Land Act 1916 and in accordance with Cemeteries and Crematoria Act 2013 (NSW) (2013 Act).

## 9. Register of Land Values

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

The 2020-21 contributions of the Land Data Management Team may be summarised as follows:

- maintaining and updating the information held on the Register of Land Values; and
- provision of specialist customer services and advice relating to data and property information that is held on the Register.

### 9.1 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

**Figure 27: Maintenance of the Register of Land Values**

Register of Land Values	2017–18	2018–19	2019–20	2020-21
New properties created	49,466	45,237	39,578	39,130
Properties where details were amended	24,050	7,191	6,142	26,408
Properties where valuation was altered	3,665	1,458	5,755	8,659
Properties where address for service of notice was amended	145,325	123,715	132,714	135,984

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

## 10. Customer service and stakeholder liaison

The role of the Customer Service Team is to manage the day-to-day customer service and stakeholder liaison functions of VGNSW. The 2020-21 contributions of the Customer Service Team are summarised below.

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.

### 10.1 Customer service

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

**Figure 28: Call Volumes**

In-house /outsourced	2018–19 Number of calls answered	2018–19 Total	2019–20 Number of calls answered	2019–20 Total	2020–21 Number of calls answered	2020–21 Total
In-house (Valuation Services)	19,308	100%	10,179	35%	4,312	26.2%
Contracted outsourced call centre	N/A	N/A	18,950	65%	12,129	73.8%
<b>Total calls</b>	<b>19,308</b>	<b>100%</b>	<b>29,129</b>	<b>100%</b>	<b>16,441</b>	<b>100%</b>

**Figure 29: Breakdown of top five calls by topic**

Topic 2019-20	Number of Calls 2019-20	Percentage of Calls 2019-20 (29,129 calls)	Topic 2020-21	Number of Calls 2020-21	Percentage of Calls 2020-21 (16,441 calls)
ASON address change	5,044	17.32%	Information kit request	1,809	11.00%
Information kit request	3,760	12.91%	Land Value Enquiry	1,765	10.73%
General enquiry	3,425	11.76%	Objection enquiry / status	1,404	8.53%
Land value enquiry	2,758	9.47%	Enquiry type not listed	1,161	7.06%
Objection enquiry / status	2,683	9.21%	Owner address change	1,102	6.70%
<b>Total top five calls</b>	<b>17,670</b>	<b>60.67%</b>	<b>Total top five calls</b>	<b>7,241</b>	<b>44.02%</b>

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

**Figure 30: Written enquiries**

Written enquiries			Percentage completed in 10 business days		
2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
4,378	8,292	6,100	91.3%	81.13%	82.76%

**Figure 31: Breakdown of top five written enquiries by topic 2020-21**

	Number of written enquiries	Percentage of 6,100 written enquiries
Update postal details	1,291	21.16%
Council enquiry	495	8.11%
Amalgamation of land	430	7.05%
Land value enquiry	376	6.16%
Objection enquiry	321	5.26%

### 10.1.1 Engagement with Service NSW

To reduce customer effort and improve overall customer experience, the following initiatives with Service NSW were introduced from 2019-20:

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

### 10.1.2 ICT system and service improvements

The following ICT changes were implemented during the reporting period:

- improvements in the capture of Worksheet Data;
- improvements in reporting based on data captured;
- creation of an interface between Valnet and Crown Land's Crown Tracker;
- replaced the existing web enquiry form and Valuation Enquiry email address with a smart web form; and
- enhanced reporting to assist in managing and tracking compensation matters.

## 10.2 Complaints management

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

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

Over the reporting period, Valuer General NSW received 15 complaints. The average time to resolve a complaint was 13 days. There were six complaints resolved on the day of the complaint.

**Figure 32: Complaints made to VGNSW**

Complaint	Action / Outcome
	<b>Land value and objection process complaints</b>
Complaint about COVID-19 not being accepted as a valid reason for late lodgement of objection.	VGNSW contacted the customer to explain the process in more detail. The customer was satisfied with the outcome and the matter was resolved.
Complaint about difficulties in lodging objection online.	VGNSW assisted the customer by lodging the objection manually.
Complaint about untimely response to objection.	VGNSW contacted the customer, explaining the reasons for the delay and what actions were being undertaken. The customer was satisfied with the outcome and the matter was resolved.
Complaint about online objection form not allowing objection to more than 3 eligible years.	This complaint assisted VGNSW in identifying a system issue, which has now been resolved. The customer spoke with the customer service team and was provided with an alternate solution.
Outcome of objection and the level of service received while attempting to address concerns with the objection process.	VGNSW contacted the customer to address their concerns. Land values were investigated in line with the customers concerns.
Complaint about outcome of objection and land valuation concerns.	Land valuation concerns were investigated, and the objection outcome reviewed. The Valuer General issued a letter of response to the customer.
Complaint about decision not to accept an out of date objection without a valid reason.	VGNSW escalated the matter to the Valuer General for consideration. The Valuer General reviewed the matter and issued a letter of response to the customer.
Complaint about objection outcome and concerns about land valuation inconsistencies.	Land valuation concerns were investigated, and the objection outcome reviewed. The Deputy Valuer General issued a letter of response to the customer.
	<b>Customer service complaints</b>
Complaint about service received while attempting to lodge objection.	The matter was dealt with immediately following the customers phone call and the objection was registered as requested.
Confusing messaging contained with VGNSW telephone IVR.	The messaging in the VGNSW IVR was amended to alleviate any future confusion.
Customer complained that the wording within his objection report was confusing.	New objection report template with clearer messaging has since been introduced for use by VGNSW valuers.

Complaint	Action / Outcome
Customer raised concerns about lack of response to previous contact with VGNSW (2).	Both customers matters were dealt with immediately. In each case VGNSW apologised that the customer had to make a second phone call to have their matters resolved.
Complaint about lack of response in relation to property amalgamation.	VGNSW contacted the customer to provide assistance. The customers concerns were addressed and the customer confirmed they were satisfied with the response.
	<b>Contractor Activity</b>
Conduct of Contract Valuer.	The customer raised concerns over how the contract valuer dealt with their concerns. Investigations showed that valuer was undertaking duties as prescribed by VGNSW. VGNSW reminded the contractor of VGNSW's customer service expectations.

## 10.3 Conference management

Future Initiative 4 for 2020-21 sought to clarify previous Joint Standing Committee recommendations to ensure consistency with law or Court precedent, including Recommendations 11 and 12.

Recommendations 11 and 12 concerned the provision of conferences to land valuation objectors, claimants dispossessed by compulsory acquisition and acquiring authorities after their making of a submission with a period of 30 days to be provided after receiving a preliminary valuation review to make further submissions and be entitled to a conference (oral conversation) to discuss those submissions with the landholder to be provided with written reasons for accepting or rejecting the submissions after the conference.

Government did not legislate to support Recommendations 11 and 12 such that there is no statutory basis for conferences, provision of a preliminary valuation or the making of further submissions. While the Valuer General recognises the benefit of transparency arising from conferences, the provision of an objection valuation or a compensation determination by the Valuer General is for the purposes of information and correction of errors of fact rather than as a starting point for negotiation through further submissions.

Accordingly, the Valuer General incorporated the opportunity for conferences and the provision of a preliminary valuation addressing issues raised by the parties within both Objections 21 and JT21 for the purposes of information and correction of errors of fact only.

## 10.4 Customer survey management

VGNSW undertook a range of surveys in 2020-21 to monitor and inform improvements to our customer service including:

- all landholders following a facilitated conference;
- former landowners following the determination of compulsory acquisition compensation; and

- surveys that monitor customer service across a range of services to measure levels of service, consistency of information, customer support, timeliness, relevancy and accessibility of information.

Customers must opt-in to participate in a survey. A low consent rate continues to impact the number of surveys that can be issued.

#### 10.4.1 Compulsory acquisition survey

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

There were 35 surveys issued during the reporting period and five responses were received, rendering the findings from the surveys of limited usefulness:

- 40% neither agreed nor disagreed the Valuer General acted independently when determining the amount of compensation;
- 80% neither agreed nor disagreed the information they received from the Valuer General clearly explained the compulsory acquisition process;
- 60% neither agreed nor disagreed they were provided the information the valuer considered when preparing the Valuer General's valuation report; and
- 80% neither agreed nor disagreed they had the opportunity to raise any concerns before the Valuer General issued the determination of compensation including the valuation report.

#### 10.4.2 Initial telephone contact survey

Service NSW provided first level call centre service for the 2020-21 reporting period. Surveys were not able to be undertaken on our behalf by Service NSW during the reporting period. A process has since been developed to capture this information and undertake initial telephone surveys on Service NSW calls.

#### 10.4.3 Specialist telephone advice post contact (technical information) survey

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

Surveys were offered to 156 customers and 23 customers participated (15%):

- 78% of respondents agreed that they were treated fairly.
- 78% of respondents agreed that they had with the opportunity to provide information.
- 78% of respondents agreed that their interaction was simple and straightforward.
- 74% of respondents agreed that their questions were clearly answered.
- 74% of respondents agreed that they were provided with consistent information.
- 68% of respondents were satisfied with their overall experience.

#### 10.4.4 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.

Surveys were offered to 2,567 customers and 281 customers participated (11%). To ensure that our customers are not over-surveyed, 801 surveys were identified by our survey platform as customers who had already participated in a recent VGNSW survey:

- 86% of respondents agreed that they had the opportunity to provide information to the valuer.
- 41% of respondents agreed that concerns were addressed in the objection report.
- 58% of respondents agreed that the objection report was clear to understand.
- 40% of respondents agreed that their questions were clearly answered.
- 42% of respondents agreed that they understood how their land value was determined.
- 31% of respondents were satisfied with their overall experience.

The findings of the surveys were considered in the planning and implementation of the Objections 2021 project, with the improvements made through Objections 2021 addressing the matters raised by landholders.

## 10.5 Privacy

Consistent with the recommendation of the Committee's report on the Twelfth General Meeting, the Valuer General provides the following update on privacy issues relating to personal information and adherence to privacy requirements.

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

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

A privacy statement is available on the VGNSW website which explains how VGNSW collects, stores and secures personal information.

## 10.6 Media management

### 10.6.1 Information concerning the 1 July 2020 land values

To assist community understanding, the Valuer General published information on the 1 July 2020 land values on the VGNSW website, including:

- media releases, detailing the issue of land values for the State in ten languages, together with media releases covering different regional areas;
- the Valuer General's report on NSW land values at 1 July 2020;
- interactive summaries for 18 regions and all local government areas;
- contract valuers final reports for each local government area; and
- added value of improvement tables for each local government area.

The information is available at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

## 10.6.2 Publication of valuation reviews

### 10.6.2.1 Review of the impact of COVID-19 on the NSW property market

In March 2020, a worldwide pandemic was declared, called COVID-19. Australia was locked down to limit the spread of the virus, impacting individuals' lifestyles, the working environment and disrupting businesses. Some businesses were forced to close their doors and stand down or lay off staff. In response, the Valuer General reviewed the impact of COVID-19 on the NSW property market. The Valuer General's *Review of the impact of COVID-19 on the NSW property market* is available at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

### 10.6.2.2 Review of land values in Jordan Springs East

In December 2020, the Valuer General published the Review of land values in Jordan Springs East. The aim of the review was to analyse the impact of localised excessive settlement issues on land values in the Jordan Springs East area to determine if the Valuer General's 1 July 2019 and 1 July 2020 land values require amendment.

### 10.6.2.3 Valuer General's report on NSW land values at 1 July 2020

The Valuer General's report on NSW land values at 1 July 2020 outlines the findings of the annual land valuation program. Over 2.6 million properties were valued as at 1 July 2020 with a total land value of approximately \$1.80 trillion. This was an overall increase of 3.6% compared to the 1 July 2019 land values. The land values were determined based on the analysis of over 48,000 property sales and took into consideration the impact of the 2019-20 bushfires and COVID-19 on the property market.

### 10.6.2.4 Review of the impact of rezoning potentiality on land values

The aim of the review was to understand the impact of rezoning potentiality on land values. The review was informed by recent Land and Environment Court cases and used the Western Sydney Aerotropolis as a case study. The review concluded that it is possible to have sufficient and consistent evidence to support upward trends in the assessment of land values reflecting potentiality prior to a rezoning occurring. The review forms the basis for the Valuer General NSW *Valuation of land with rezoning potential* policy. The review and policy are both available at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

## 10.6.3 Newsletters, fact sheets and brochures

VGNSW published the following newsletters and factsheets on the VGNSW website during the reporting period:

- Valuer General's Newsletter July 2020;
- Valuer General's Newsletter January 2021;
- Your guide to the Valuer General's review process (May 2021);
- Objection checklist (May 2021); and
- Property sales Information Data Files user guide (July 2020).

## 10.6.4 Policies

VGNSW published the following policies (including updates to existing policies) on the VGNSW website during the reporting period:

- Compensation following compulsory acquisition (June 2021);

- ### 10.6.5 TV, Radio and Press

- an extensive media campaign regarding the 1 July 2020 land values, which included media releases, media publications and a number of TV and Radio interviews on national and local broadcasts;
- a media release on the Valuer General's Review of the impact of rezoning potentiality on land values, followed by a number of enquiries and media publications;
- a media release on the impact of COVID-19 on 2021 land values highlighting that the annual revaluation program would proceed; and
- a number of media enquiries regarding the Valuer General's Review of land value in Jordan Springs East.

[illegible]

## 10.6.6 Valuer General's website usage

**Figure 34: Valuer General's website usage**

Service type	2017–18 Count	2018–19 Count	2019–20 Count	2020-2021 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 total users <sup>1</sup>	-	-	19,244	131,629
NSW Land Values and Property Sales Map unique users	-	-	15,218	106,266
Regional portal unique visitors	970	950	850	456
LGA portal unique visitors	3,891	6,684	8,133	6,148
Regional portal total page views	3,085	2,225	2,374	1,439
LGA portal total page views	11,301	17,675	22,722	17,160
Land value searches	188,361	257,840	430,758	231,820
Property sales enquiries	41,256	68,103	96,438	108,355
Property address enquiries	109,939	150,527	252,784	86,163
Valuation sales reports	7,726	11,055	11,000	5,132

## 10.7 Multicultural affairs

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

As advised at the Thirteenth General Meeting, VGNSW continued to improve access to information about the valuation system for people of culturally and linguistically diverse backgrounds.

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

Translated media releases were introduced to the media program following the issue of 1 July 2020 land values. The media releases included information on the release of new land values and an overview of the movement of residential, rural, industrial and business land values across the state.

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

## 10.8 Liaison with councils

### 10.8.1 Meetings

During 2020-21, representatives from VGNSW attended:

- Rating Professionals' Group meetings which are held periodically throughout the reporting year. The meetings consist of various rating groups from NSW;
- 24 council meetings to discuss the 1 July 2020 land values; and
- NSW Rating Professionals Executive Committee meetings, which are held quarterly.

## 10.9 Liaison with Revenue NSW

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

# 11. Future initiatives

The Valuer General advised the Joint Standing Committee of six future initiatives for 2021-22 at its meeting on 11 June 2021, which are detailed further below:

- 11.1 website and social media;
- 11.2 responsive valuation practice;
- 11.3 quality assurance review;
- 11.4 risk-based performance management systems;
- 11.5 Valnet III funding; and
- 11.6 automated valuation modelling development with the University of NSW.

## 11.1 Website and social media

The current version of the VGNSW website was released in 2019 and provides a vital source of information on a wide range of issues for landholders in New South Wales and the community generally.

VGNSW does not currently have a social media presence on platforms such as LinkedIn, Facebook or Twitter but is aware of the importance of social media in communicating with the community generally across the State.

However, VGNSW is also aware of the challenges arising when contemplating undertaking major IT projects within Government.

Accordingly, VGNSW proposes to investigate an overhaul of the content of the VGNSW website and the greater use of social media with a view to better understanding the likely cost and feasibility of doing so within the Government's IT management systems.

## 11.2 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. Currently, VGNSW has a separate, dedicated team for each of objections, compulsory acquisition and special valuations. With limited ability to move valuers between teams, VGNSW effectively has highly variable demand for such services with a relatively fixed supply of valuers to provide such services which contributes to delays.

Accordingly, VGNSW proposes to investigate the creation of a flexible workforce to accommodate fluctuating work volumes in objections, compulsory acquisition and special valuations to further assist in meeting the time requirements of the *Valuation of Land Act 1916* and the *Land Acquisition (Just Terms) Compensation Act 1991*.

## 11.3 Quality assurance review

VGNSW is conscious that 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 greater valuation risks may arise in land valuations under the *Valuation of Land Act 1916* and in the determination of compensation for compulsory acquisition under the *Land Acquisition (Just Terms) Compensation Act 1991*.

While the existing quality assurance framework recognises such risks, it is proposed to look closely at how quality assurance is undertaken for land valuation and compensation determinations in high risk and high value areas to identify where the quality assurance framework may be improved.

## 11.4 Risk based performance management systems

The current performance measures for VGNSW address operational issues across the activities of VGNSW but do not address the VGNSW risk management framework. Therefore, it is proposed to introduce a risk-based performance management system, as referred to in the Committee's 13<sup>th</sup> report.

The VGNSW risk management framework acknowledges that the achievement of the Valuer General's vision is fundamental to maintaining the reputation of VGNSW which underpins land and property taxation and compulsory acquisition in New South Wales.

Therefore, the risk management framework is premised on the objectives to be achieved to maintain the reputation of VGNSW which are:

- 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 people measured through performance reviews.

Introducing a risk-based performance management system for VGNSW people is consistent with the DPIE values which comprise daring, collaborative, creative, kind and inclusive, with a characteristic of daring being *I take accountability for my actions*. This is supported by the VGNSW PMES 2020 Action Plan which states that managers will address under performance and poor behaviour through the MyTalent plan process with consideration given to a workplan to improve performance.

A new risk-based performance management system will be developed to facilitate the management of trust, integrity and confidence risks through a greater focus on quality, accuracy and timeliness in business unit level KPIs and My Talent plans for VGNSW people.

## 11.5 Valnet III funding

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

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

Valnet III is VGNSW's proposed replacement platform for the incumbent system. The system would be cloud-based, having the capacity to store mass valuation data, with the capability of performing various forms of valuation and customer interaction. The new system would allow customers and contractors to interface with real-time datasets via web-based protocols, significantly streamlining the present process.

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

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

## 11.6 Automated valuation modelling development with the University of NSW

VGNSW will continue to support the Value Australia project which will run from 2019 to 2022 and seeks to develop AVMs which may be of use for rating and taxing valuation by VGNSW. It is unlikely that AVMs will be capable of application across the entire State. Whilst large homogenous areas of residential property may suit the application of AVMs, they are less likely to be applicable for heterogenous property such as commercial, retail and industrial property.

While the deliverables of the project have evolved since inception, UNSW advise that an initial version of an AVM for land valuation based on the residual method of valuation should be completed by October 2021 and that an initial version of an AVM for land valuation based on machine learning should be completed by December 2021 for testing to evaluate suitability for use by VGNSW.

Based on advice from UNSW, VGNSW should be in a position to advise the Joint Standing Committee of the outcomes of the Value Australia project by June 2022 and the implications thereof for VGNSW.

IPTI advise that, outside Australia, Denmark, Estonia, Lithuania, Latvia and Belarus use land values as the basis for their property tax systems with AVM's understood to be used by some for the mass valuation of land, being mostly internally developed solutions based on generic software (NSCC, SPSS, etc) with the level of automation dependent on the availability of relevant and comprehensive digital data.

The Valuer General's discussions with major AVM software groups has not yet identified an existing AVM product developed for land valuation that could be acquired "off the shelf".

## 12. Finance

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

### 12.1 External engagements

This information is provided in addition to statutory reporting requirements for consultants. Statutory reporting requirements are addressed in the Department of Planning, Industry and Environment 2020-21 Annual Report.

Expenditure on external engagements by VGNSW totalled \$86,000 (excluding GST) in 2020-21.

**Figure 35: External Engagements**

Company	Purpose
IPTI Consulting (\$20,000)	The International Property Tax Institute (IPTI) were engaged to undertake a benchmark comparison study of the NSW Valuation System.
Spatial Information Systems (\$66,000)	Valuer General NSW Classification System

### 12.2 Financial report

The financial report is prepared by DPIE for the Valuer General.

Activity based costing was introduced in response to Recommendation 4 of the Committee's *Interim Report of the Eighth General Meeting with the Valuer General* (October 2012) and Recommendation 27 of the *Report on the Inquiry into the Land Valuation System and the Eighth General Meeting with the Valuer General* (May 2013).

Due to governance and administrative changes, DPIE has had difficulty in precisely reporting on activity based costing for this financial year. DPIE is in the process of reviewing a new activity based costing model.

#### 12.2.1 Financial report by business area

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

Figure 36: Financial report by business area for 2019-20

FY 2019-20 \$'000	Mass Valuation	Valuer General Office	Just Terms & Special Valuation	Total VGNSW
<b>Total Revenue</b>	59,126	0	5,873	<b>64,999</b>
Salaries & on-costs	14,415	990	2,159	<b>17,563</b>
Other staff related	119	3	20	<b>142</b>
Accommodation	1,106	80	138	<b>1,325</b>
Postage	1,926	0	0	<b>1,926</b>
Graphic Services	485	34	3	<b>522</b>
ICT Operational	170	12	21	<b>203</b>
Travel	243	2	34	<b>280</b>
Contractors & consultants	12	73	0	<b>85</b>
Valuation Contracts	25,122	0	2,412	<b>27,535</b>
Other operating costs	159	9	22	<b>189</b>
Depreciation	577	42	72	<b>690</b>
Corporate overheads	2,668	192	334	<b>3,194</b>
<b>Total Expense</b>	<b>47,001</b>	<b>1,437</b>	<b>5,216</b>	<b>53,655</b>

Figure 37: Financial report by business area for 2020-21

FY 2020-21 \$'000	Mass Valuation	Valuer General Office	Just Terms & Special Valuation	Total VGNSW
<b>Total Revenue</b>	53,054	0	6,728	<b>59,782</b>
Salaries & on-costs	10,759	917	1,111	<b>12,786</b>
Other staff related	132	33	2	<b>167</b>
Accommodation	163	11	22	<b>196</b>
Postage	119	1	0	<b>120</b>
Graphic Services	450	22	0	<b>471</b>
ICT Operational	1,529	106	207	<b>1,841</b>
Travel	45	1	30	<b>75</b>
Contractors & consultants	39	99	47	<b>185</b>
Valuation Contracts	20,721	0	2,990	<b>23,711</b>
Other operating costs	395	50	37	<b>482</b>
Depreciation	476	33	64	<b>573</b>
Corporate overheads	1,377	95	186	<b>1,659</b>
<b>Total Expense</b>	<b>36,203</b>	<b>1,367</b>	<b>4,696</b>	<b>42,266</b>

## 12.2.2 Financial report – Comparison analysis

**Figure 38: Comparison analysis**

\$'000	VGNSW 2019-20	VGNSW 2020-21	Variance \$'000	Note Index
<b>Total Revenue</b>	64,999	59,782	-5,218	1
<b>Salaries &amp; on-costs</b>	17,563	12,786	-4,777	2
<b>Other staff related</b>	142	167	25	
<b>Accommodation</b>	1,325	196	-1,129	3
<b>Postage</b>	1,926	120	-1,807	4
<b>Graphic Services</b>	522	471	-50	
<b>ICT Operational</b>	203	1,841	1,637	5
<b>Travel</b>	280	75	-204	6
<b>Contractors &amp; consultants</b>	85	185	100	
<b>Valuation Contracts</b>	27,535	23,711	-3,824	7
<b>Other operating costs</b>	189	482	293	8
<b>Depreciation</b>	690	573	-117	9
<b>Corporate overheads</b>	3,194	1,659	-1,536	10
<b>Total Expense</b>	<b>53,655</b>	<b>42,266</b>	<b>-11,389</b>	

### Notes

- Note 1: Total revenue has decreased by \$5.2m compared with FY2019-20. This is driven by a \$6.5m reduction in contributions from Revenue NSW for anticipated objection costs in FY2019-20. This reduction was offset by higher revenue resulting from local council contributions (\$0.5m) and Just Terms and Special Valuations revenue (\$0.8m).
- Note 2: Salary and on-costs in FY2020-21 is \$4.7m lower than FY2019-20. The variance is due to an adjustment to the Long Service leave provision in FY2019-20 (\$2.6m), changes to the discount rate as provided by NSW Treasury in determining the present value of long service liability (\$1.3m) and a net reduction in costs from the business improvement team (\$0.6m).
- Note 3: Accommodation Expense is \$1.1m lower in FY2020-21 relative to FY2019-20. This is primarily driven by the centralisation of accommodation costs within the Department of Planning, Industry and Environment.
- Note 4: Postage is \$1.8m lower in FY2020-21 as the delivery of 2.6m Land Valuation Notices occur once every 3 years.
- Note 5: ICT operational costs is \$1.6m higher than in FY2019-20. This was driven primarily by the reversal of prior year accruals in FY2019-20. The FY2020-21 ICT Operation costs represents those costs passed on by the Department of Customer Service and the Digital Information Office.
- Note 6: The reduction in travel in FY2020-21 compared with FY2019-20 is primarily driven by the impacts on the current restrictions around movement. This is likely to return closer to previous levels when COVID restrictions ease in the future.

- Note 7: Valuation contracts for FY2020-21 is \$3.8m lower than in FY2019-20. This is primarily driven by the changes implemented by the Valuer General within the objections process.
- Note 8: Other operating expenses for FY2020-21 are \$0.3m higher than in FY2019-20 due to Spatial Services costs.
- Note 9: The \$0.1m reduction in depreciation costs is driven by system enhancements reaching the end of its useful life.
- Note 10: The corporate charge is lower than in FY20 as no DPIE corporate charge was issued in FY21. The finalisation of a new Cluster recharging model is underway.

## 12.3 IPART price setting for valuation services

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

### 12.3.1 FY2020-21 financial result against IPART determination

#### Fees to councils

As demonstrated in the tables below, VGNSW's fees to councils for FY2020-21 are in line with IPART's determination on pricing. The variances are also minimal between the estimated number of valuations (2,610,189) in IPART's determination and the actual number of valuations (2,618,703) for FY2020-21, resulting in a total fee variance of \$50,613 as shown in the table below.

**Figure 39: IPART's determination on VGNSW's fees to councils for valuation services in FY2020-21**

IPART's determination on VGNSW's fees to councils for valuation services in FY2020-21			
Zone	Pricing \$/Valuation	Estimated number of valuations	Fees to Councils \$
Country	\$7.78	588,479	\$4,578,363
Coastal	\$6.62	814,587	\$5,392,569
Metro	\$6.11	1,178,677	\$7,201,174
City of Sydney	\$12.64	28,446	\$359,556
<b>Total</b>		<b>2,610,189</b>	<b>\$17,532,203</b>

**Figure 40: VGNSW's actual fees to councils for valuation services in FY2020-21**

VGNSW's actual fees to councils for valuation services in FY2020-21			
Zone	Pricing \$/Valuation	Estimated number of valuations	Fees to Councils \$
Country	\$7.78	588,684	\$4,579,962
Coastal	\$6.62	816,027	\$5,402,099
Metro	\$6.11	1,185,927	\$7,246,014
City of Sydney	\$12.64	28,065	\$354,742
<b>Total</b>		<b>2,618,703</b>	<b>\$17,582,816</b>

**Figure 41: Variances**

Zone	Number of valuations	Fees to Councils \$
Country	205	\$1,598
Coastal	1,440	\$9,530
Metro	7,250	\$44,300
City of Sydney	-381	-\$4,815
<b>Total</b>	<b>8,514</b>	<b>\$50,613</b>

## Operating cost

Compared to IPART's determination, VGNSW's actual operating expenditure (Opex) is \$12.0m lower in FY2020-21. This is mainly driven by lower costs in labour, Other Valuation Contract, Other Direct costs, Rent and Corporate Support charges.

**Figure 42: Operating cost**

FY2020-21 (\$'000)	IPART's determination	Actual Opex	Variance	Note
Labour	\$16,928	\$11,676	-\$5,252	1
Mass Valuation	\$19,289	\$19,539	\$250	
Other Valuation Contracts	\$5,011	\$1,182	-\$3,829	2
Rent	\$1,252	\$147	-\$1,104	3
Other Direct	\$1,321	\$300	-\$1,021	4
Postage	\$62	\$120	\$58	
Graphic Services	\$188	\$471	\$284	5
DFSI Corporate Support	\$923	\$0	-\$923	6
PAG Corporate Support	\$1,598	\$1,659	\$61	
ICT Operational	\$1,627	\$1,839	\$212	7
Spatial Services	\$774	\$494	-\$281	8
Depreciation	\$1,037	\$573	-\$464	9
<b>Total Opex (incl. Depreciation)</b>	<b>\$50,009</b>	<b>\$37,999</b>	<b>-\$12,010</b>	

- Note 1: the lower labour cost is the adjustments to long service leave costs and vacancies in the organisation structure.
- Note 2: the lower costs in Other Valuation Contracts are driven by a significant reduction in objections in FY21.
- Note 3: the lower cost of Rent is due to the centralisation of a number of key leases within the DPIE Cluster. These costs have yet to be apportioned and may form part of a new DPIE corporate service charge.
- Note 4: the lower Other Direct costs is driven by reductions to travel, contractor and consultant costs and other staff related costs.

- Note 5: Postage costs associated with the annual mail out and VGNSW letter were higher than forecast in the 2019 IPART submission.
- Note 6: After IPART's determination in May 2019, VGNSW joined the Department of Planning, Industry & Environment (DPIE), as the result of machinery of government changes following the state election in March 2019. A review of the new funding model of corporate shared services is currently underway.
- Note 7: ICT costs were higher than the IPART determination due to additional maintenance work on ValNet 2.
- Note 8: FY2020-21 expenditure on Spatial Services was lower than projected
- Note 9: the lower depreciation costs in FY2020-21 are explained by the delayed implementation of ValNet 3. VGNSW is working with NSW Treasury to seek approval to progress the capital works.

## 13. Performance measures

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

**Figure 43: Key performance indicators**

Key performance indicators	2016–17	2017–18	2018–19	2019–20	2020-21	Target
Total valuations issued for rating and taxing purposes <sup>2</sup>	3,592,215 <sup>3</sup>	1,049,937	510,149	3,663,565	1,136,519	N/A
Total valuations on Register of Land Values at 30 June	2,550,147	2,573,853	2,599,650	2,618,214	2,637,986	N/A
Total Notices of Valuation issued	2,668,408 <sup>4</sup>	62,139 <sup>5</sup>	75,945	2,672,380	53,311	N/A

<sup>2</sup> A land value can be counted more than once when used for council rates and land tax.

<sup>3</sup> Notices of Valuation were issued for all LGAs in 2017 to align the valuing year for all properties in preparation for the then proposed Fire and Emergency Services Levy. This increased the number over previous years.

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

<sup>5</sup> Notices of Valuation are issued to landholders on a three yearly cycle effective from FY2016–17, to coincide with general valuations to council. In FY2017–2018, general valuations were provided to one council. The figure provided for FY2018–2019 reflects Notices of Valuation issued to landholders in two council areas, as

Key performance indicators	2016–17	2017–18	2018–19	2019–20	2020-21	Target
<b>Customer Service</b>						
Total number of calls	34,428	18,983	19,308	29,129	13,389	N/A
% of calls resolved on first contact	88%	86%	95%	92%	95%	85%
% of calls responded to within 3 days	83%	77%	95%	91%	90%	90%
<b>Ratepayers</b>						
% Notices of Valuation issued within 31 days of completion	90% <sup>6</sup>	76%	91%	84%	99%	98%
% Notices of Valuation for general valuation issued to landholders by delivery date	100%	No Notices of Valuation for general valuations issued this year	100%	100%	No Notices of Valuation for general valuations issued this year	100%
% general valuation land values issued to relevant council by delivery date	100%	100%	100% <sup>7</sup>	100%	100%	100%
% supplementary valuations to council within 31 days	100%	98%	100%	100%	100%	100%

a result of supplementary valuations, and those that were returned as undelivered and subsequently reissued.

<sup>6</sup> The issuing of supplementary Notices of Valuations for the 2016 valuing year was suspended due to the issue of Notices of Valuation for all properties in preparation for the then proposed Fire and Emergency Services Levy and resulted in the KPI not being met.

<sup>7</sup> One council received general valuation file in FY2017–18.

Key performance indicators	2016-17	2017-18	2018-19	2019-20	2020-21	Target
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#### Revenue NSW

% objections to land values for land tax completed within 90 days	52%	53%	54%	17% <sup>8</sup>	58%	85%
% objections to land values for land tax completed within 120 days	82%	71%	81%	42% <sup>Error! Bookmark not defined.</sup>	73%	90%
% objections to land values for land tax, where land value is greater than \$1m, within 120 days	88%	65%	78%	33%	67%	100%
% of final land values issued to Revenue NSW by delivery date	100%	100%	100%	100%	100%	100%

Objection KPI performance was impacted by large volumes of objections received in 2018-19 and 2019-20 having a carryover effect.

#### Supplementary valuations

Total supplementary valuations issued <sup>9</sup>	52,286	54,146	51,232	44,681	47,218	N/A
Average days to complete	38 days	31 days	37 days	41 days	28 days	<60 days

<sup>8</sup> The unusually high volume of land tax related objections received in 2019 impacted timeliness.

<sup>9</sup> Issued here means issued to Council and Revenue NSW.

Key performance indicators	2016-17	2017-18	2018-19	2019-20	2020-21	Target
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#### Statistical quality measures for land values

Percentage of supplementary valuations completed within 60 calendar days	88%	94%	89%	84%	94%	90%
% Council areas meeting all standards - Residential	98.6%	97.9%	100%	97.0%	100%	90%
% Council areas meeting all standards – Commercial	87.5%	90.7%	93.2%	93.6%	96.6%	85%
% Council areas meeting all standards – Industrial	92.8%	96%	91.2%	93.8%	93.7%	85%
% Council areas meeting all standards – Rural	86.7%	78.5%	79.6%	89.0%	93.1%	75%

#### Objections

Number of objections received for all valuing years	9,306 <sup>10</sup>	5,657	10,719	4,776	5,424	N/A
Number of objections completed for all valuing years	6,275 <sup>11</sup>	9,146	6,988	8,341	6,586	N/A

<sup>10</sup> The issue of Notices of Valuation for all properties in a single year resulted in the increase in the number of objections.

<sup>11</sup> Now excludes incomplete objections with issued preliminary reports.

Key performance indicators	2016–17	2017–18	2018–19	2019–20	2020-21	Target
Number of objections registered <sup>12</sup> as a % of valuations issued	0.26%	0.54%	2.10%	0.13%	0.48%	N/A
% objections to land values completed in 90 days	55%	51%	62%	24% Error! Bookmark not defined.	69%	80%
% objections to land values completed in 120 days	86%	71%	84%	48% Error! Bookmark not defined.	81%	90%
% objections to land values completed in 180 days	94%	90%	94%	76% Error! Bookmark not defined.	95%	98%
Average number of days to complete objections	83 days	108 days	102 days	140 days	71 days	75 days
% of objections that led to a change in land value <sup>13</sup>	22%	21%	17.15%	24.13%	29.36%	N/A

During the period there was a higher rate of objections that led to a change in land value. The auditing process was reviewed from January 2021 to March 2021 resulting in the requirement to audit all allowed objections rather than any significant value changes equal to or greater than 20%. The additional auditing requirements resulted in the targets for the completion of objections not being met.

Following the issue of the preliminary report, landholders have 28 days to respond. Any matters raised by landholders in response to the preliminary report are then addressed via the informal conference process which impacts the completion times and consequently the KPI's. This has been addressed by Objections 2021 through outsourcing informal conferences to objection contractors and releasing internal resources to reduce the backlog.

<sup>12</sup> The word *issued* in this KPI has been changed to *registered* as the numbers mentioned here are derived from the number of objections that were registered during the given financial year.

<sup>13</sup> First reported in 2015–16 annual report.

Key performance indicators	2016–17	2017–18	2018–19	2019–20	2020-21	Target
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### Compensation

% of Just Terms determinations issued on time	21%	26%	38%	54%	34%	100%
% of Treasury Directions issued on time <small>Error! Bookmark not defined.</small>	34%	64%	52%	47%	55%	100%

Issuing determinations within the statutory timeframe of 45 days has been problematic for many years. Government reforms to the compulsory acquisition process with a focus on procedural fairness and the introduction of preliminary reports has extended the time required making this KPI difficult to achieve. JT21 has been introduced to improve this KPI.