



Annual Report 2018 - 2019

Valuer General

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1. From the Valuer General

I am pleased to present the 2018 - 2019 annual report.

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 land owners when their land is compulsorily acquired.

The following report highlights the achievements of the office and provides information on activities and 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.

Continuous improvement

The 2018 - 2019 reporting year has delivered further improvements towards key objectives.

Customer centric and transparent

We have continued to develop new approaches to deliver information for landholders to improve transparency and better address enquiries and concerns.

Following the release of new land values in January 2019, we issued media releases providing information on the issue of the new values and the movement of the land values of different property types across the state. The media releases also encouraged people to visit our website to find more information on land values and the valuation system, as well as trends, medians and typical land values for each local government area.

To improve access to this information for people of culturally and linguistically diverse backgrounds, we translated the information into five community languages and provided it to over 50 multicultural media outlets. The translated media releases are also available on our website.

We are working with a media analytics company to better understand our media penetration and customer feedback.

A recent pilot study, using artificial intelligence software, was conducted to measure and understand customer sentiment through the analysis of mass data sources such as emails. The pilot study is being expanded to provide further insight into customer sentiment.

Following a survey of councils, we have adopted new measures to improve communication and transparency; including more engagement with councils and a new fact sheet about land values and council rates, which is available for councils to link to from their websites.

In the area of compulsory acquisition, we have expanded communication and consultation with stakeholders to improve transparency and timeliness for issuing determinations of compensation. New plain English information about the compensation determination process has been developed and is available on the Valuer General's website.

Accurate valuations

Valuation accuracy is supported by further improvements in quality assurance governance and transparency including the publication of a summary report on the quality assurance program undertaken by Valuation Services for the 1 July 2018 land valuation program.

We recently signed a three year partnership agreement working with the University of New South Wales, FrontierSI and others to develop an automated valuation tool using artificial intelligence. The project is supported by funding from the partners in money and in kind and includes \$2.9 million awarded through a Commonwealth funding grant.

The project is expected to deliver a number of benefits including more information available to landholders through spatial integration.

Spatial information data is also being utilised to automate topographical and ground cover calculations to provide accurate and reportable land classification estimates.

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

- land used for cemeteries and crematoria
- land used for coal mining
- land used for metalliferous mining
- land used for extractive industries.

Cost effective

A state-wide tender for the mass valuation contracts was completed in early 2019 resulting in a reduction in the number of contract areas from 41 to 18. This, together with other initiatives, has resulted in an overall saving of 4.5% in direct contractor costs, with the provision of more deliverables.

IPART completed a review of the Valuer General's monopoly valuation services to local government, setting the Valuer General's fee structure for the next six years from 1 July 2019.

Key outcomes included:

- setting prices for councils that are 2.5 percent lower than in the previous determination period
- reducing councils' share of the Valuer General's efficient costs from 34 per cent to 30.5 per cent
- changing the pricing structure from state-wide residential and non-residential prices, to pricing based on four geographical zones (coastal, country, metro and City of Sydney).

The notional revenue requirement determined by IPART includes funding for a number of major projects that will support the valuation system into the future and lead to further efficiency gains. One project is the development of a new database for land values to replace the current system developed over 20 years ago. The new system is critical to the long term support of the valuation system and will provide agility should changes be introduced to the way rates and or taxes are calculated.

The International Property Tax Institute has been engaged to undertake a benchmark comparison study of the NSW valuation system. The study will consider administration costs for valuation systems and quality assurance. I expect the study to assist us in the delivery of cost efficient services and support the ongoing improvement of quality assurance.

Along with this report you can find more statutory reporting in the annual report of the Department of Finance, Services and Innovation.

Finally, I would like to thank the staff of the Office of the Valuer General, Valuation Services, and our contract valuers for their efforts during 2018 - 2019 which focussed on customer service, transparency and fairness.



Michael Parker

Valuer General

2. Introduction

2.1 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 and services provided to the community by Valuation Services
- monitoring the management of contract valuers by Valuation Services
- providing professional leadership and stewardship to the valuation industry.

2.2 Role of Valuation Services

The operational aspects of the Valuer General's responsibilities are conducted by Valuation Services, a division of Property NSW, part of the Department of Finance, Services and Innovation, under a service level agreement. You can find more information about the service level agreement between the Valuer General and Valuation Services in section 4.4.

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

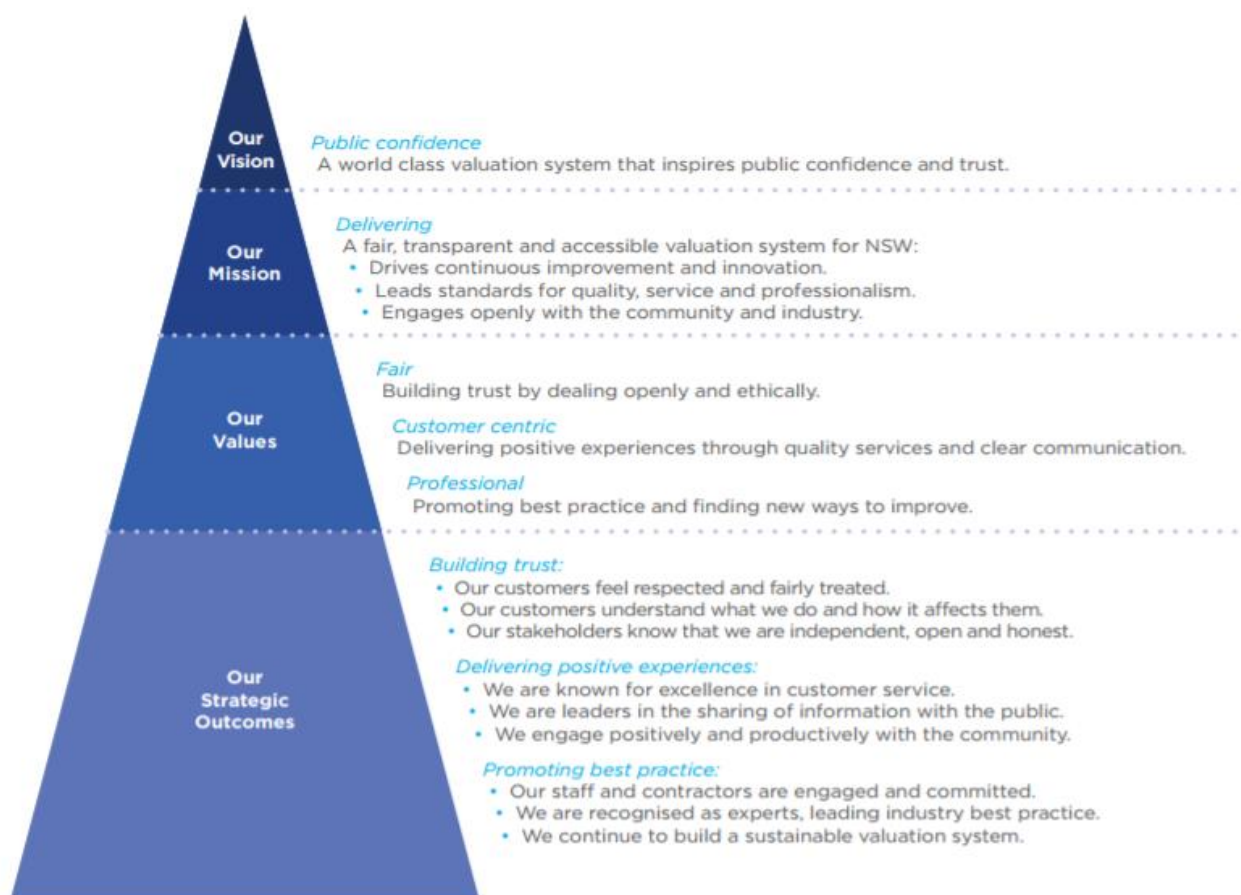
Valuation Services provides a range of services to the Valuer General which include:

- issuing land values to councils, Revenue NSW and landholders

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

3. Organisational summary

The Valuer General's vision is to provide a world class valuation system that inspires public confidence and trust. The Valuer General's strategic plan sets the direction towards the delivery of a fair, transparent and accessible valuation system.



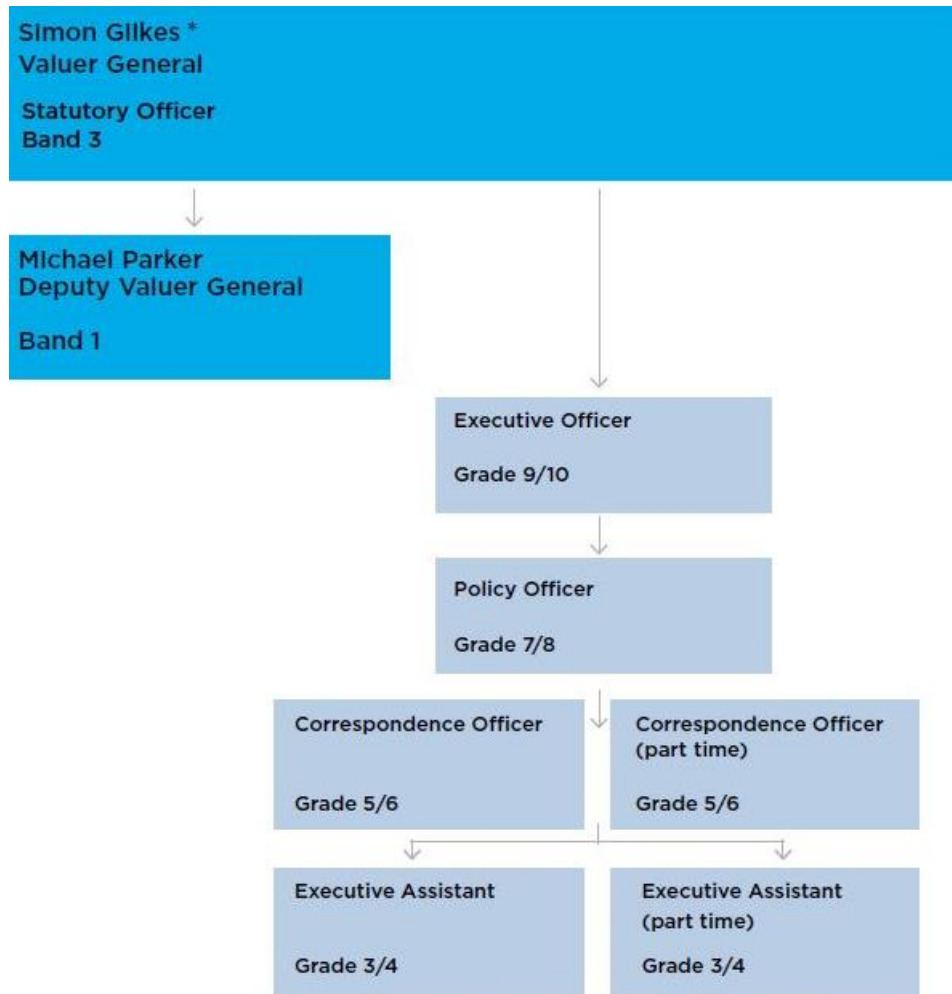
3.1 Legislation under which we operate

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*.

3.2 Office of the Valuer General

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

Organisation chart as at 30 June 2019



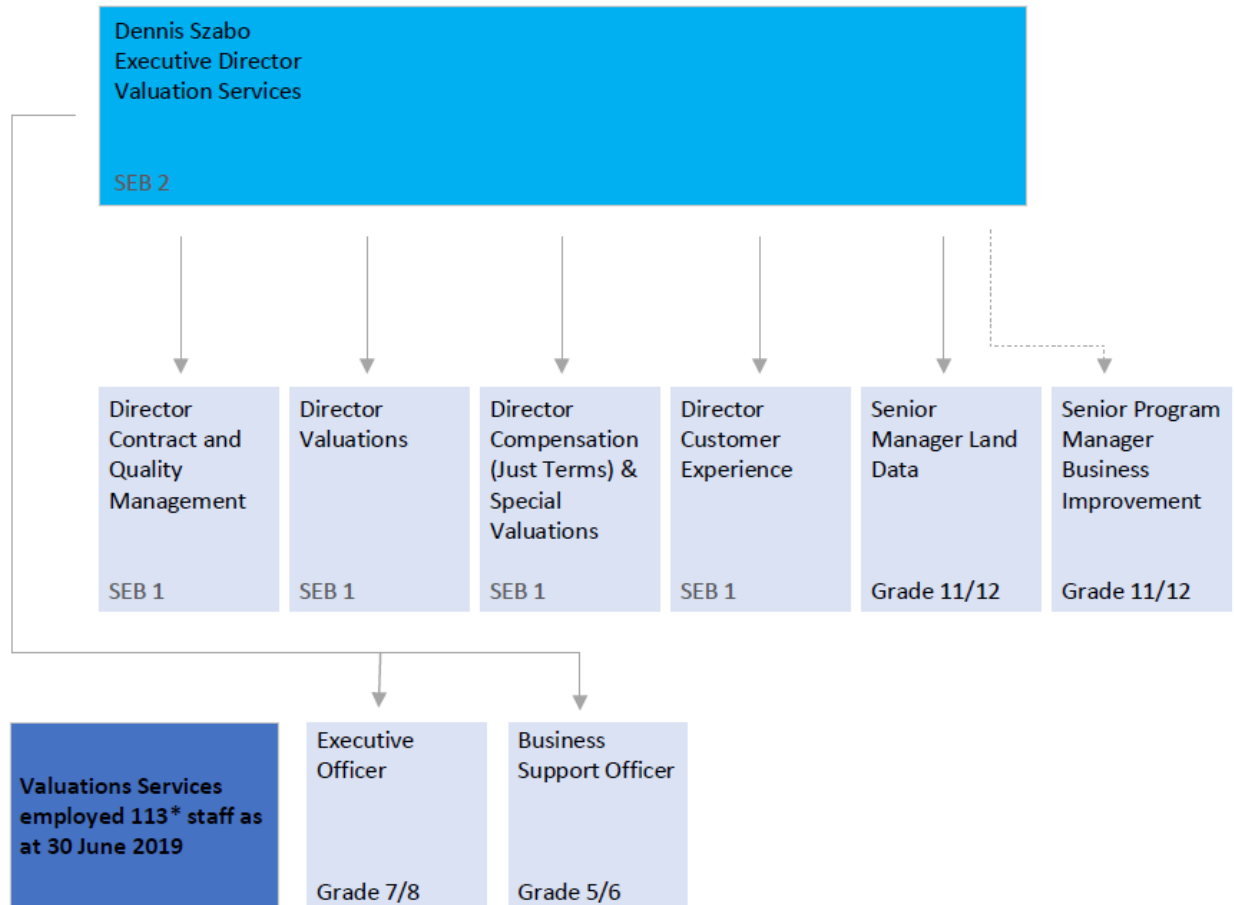
* Michael Parker was Acting Valuer General from 24 September 2018 to 30 June 2019.

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

3.3 Valuation Services, Property NSW

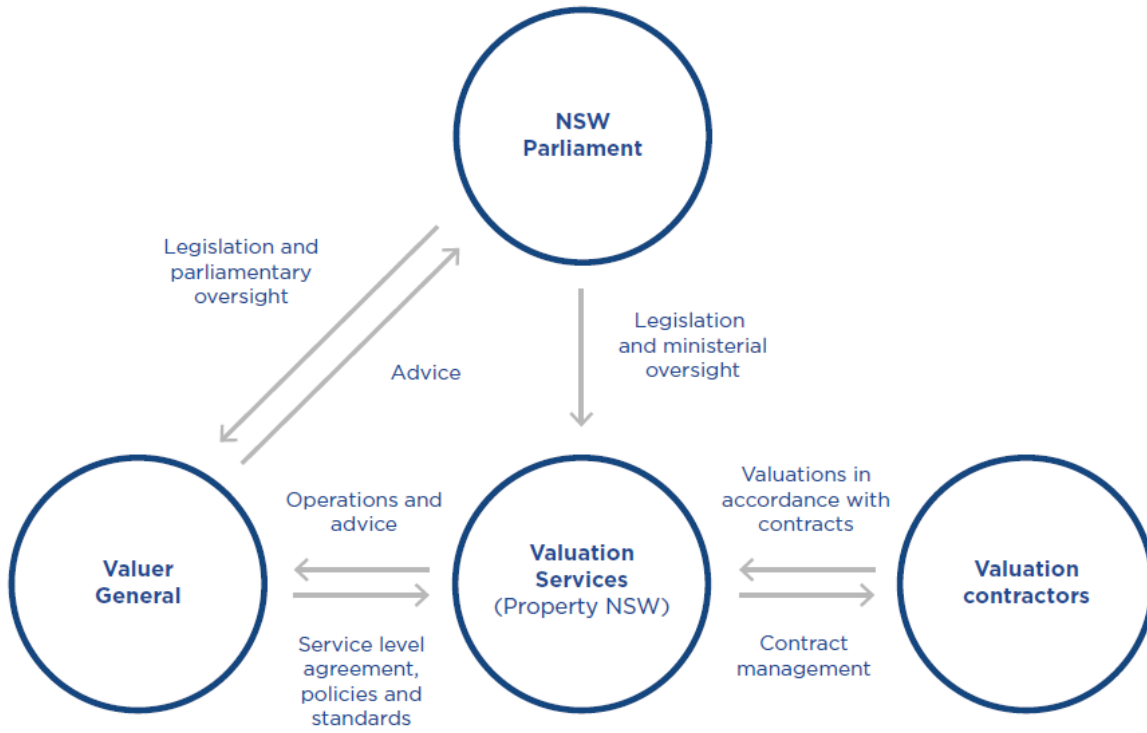
Valuation Services, a division of Property NSW, part of the Department of Finance, Services and Innovation, operates the valuation system on behalf of the Valuer General.

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



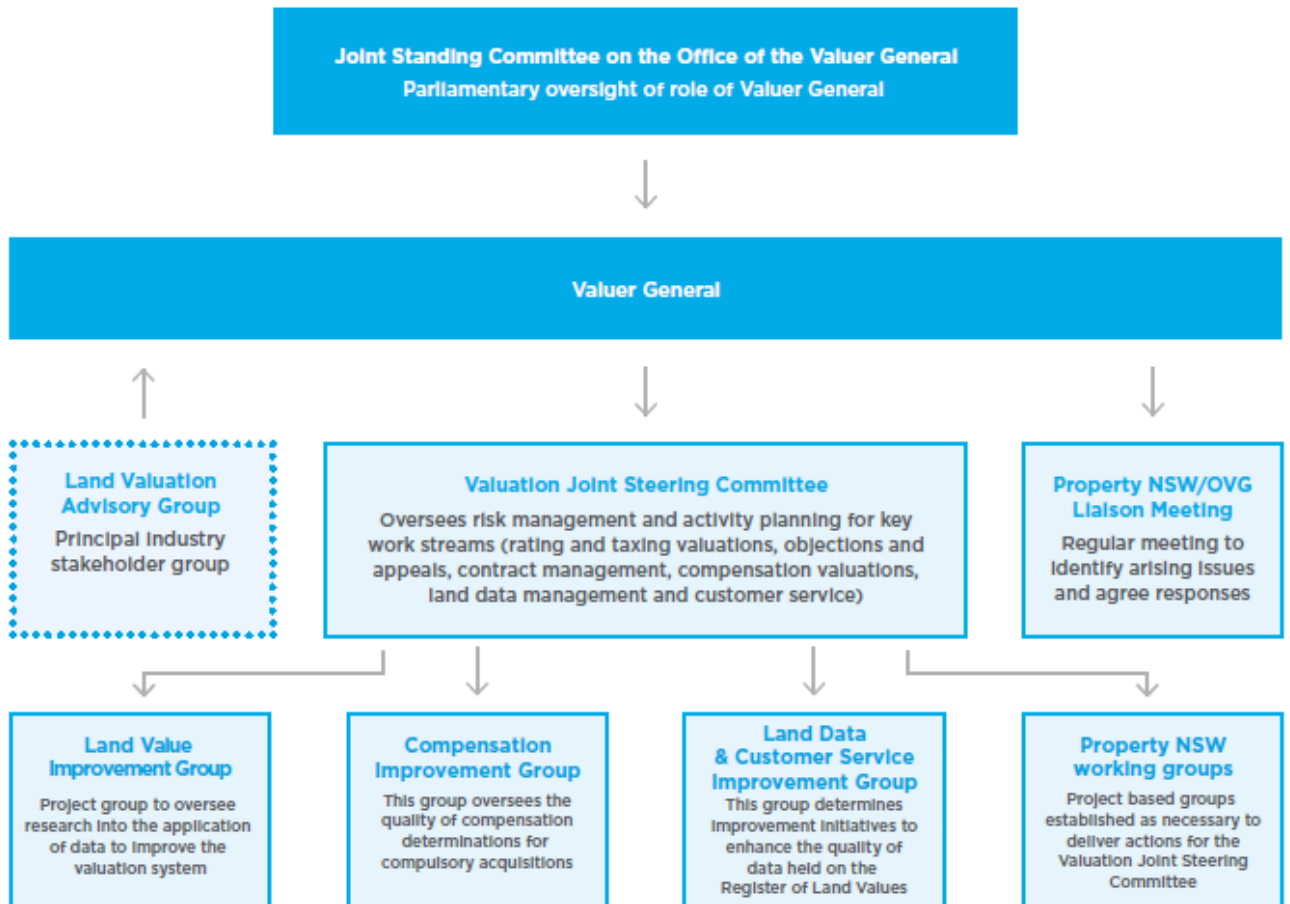
* This figure was reported incorrectly to the Valuer General for the 2017 – 2018 annual report as 124. The correct figure was 116.

3.4 Structure of the valuation system



4. Governance of the valuation system

Governance structure of the valuation system



4.1 Joint Standing Committee on the Office of the Valuer General

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

The Committee tabled its report on the Twelfth General Meeting with the Valuer General on 14 November 2018. For more information see section 5.1.2.

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.

4.2 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.

During the reporting year the group considered:

- value movements across NSW
- factors affecting the property market
- outcomes of objections to land values
- implementing a consultation process to identify areas of risk for methodology and process reviews
- utilising members' organisations to promote the role and functions of the Valuer General
- the new methodology for valuing land used for mining and quarries
- computer generated identification of rural land classification and topography using satellite imagery and lidar technology.

The group met twice during the reporting year.

4.3 Valuation Joint Steering Committee

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

The CEO of Property NSW is an invitee to meetings.

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

4.4 Service level agreement

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

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

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

4.5 External service agreements

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

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

4.6 Conflicts of interest

Conflicts of interest are managed as part of the risk management framework and governance arrangements between Valuation Services and the Valuer General. Valuation Services 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 valuation contractors are managed systematically and embedded into day-to-day practices.

Conflict of interest declarations are managed through the Department of Finance, Services and Innovation's annual staff declaration process, and through declarations specific to individual procurement contracts.

Valuations for property owned by Property NSW are managed under a conflict of interest management plan.

During the reporting year four potential conflicts of interest were recorded and appropriately managed.

4.6.1 Rating and taxing

Property NSW procurement is aware of the potential for conflicts of interest in the rating and taxing function because of the specialist nature of the services and the limited pool of personnel with this specific skill set. These conflicts of interests were handled in the following manner:

- Property NSW procurement managed the procurement process associated with the renewal of the rating and taxing contracts

- the request for tender and request for proposal requires the disclosure of all family and other relationships.

During the tendering of the contracts there was one instance where a tenderer declared a potential conflict of interest because a close relative is an employee of Valuation Services. Valuation Services ensured that the staff member was not involved in the procurement process. With that tenderer now a contractor, Valuation Services has put a plan in place which precludes the staff member from having any involvement in the management of the contractor.

During the year, Valuation Services was made aware that a sub-contractor to a contractor, who had been awarded a contract to undertake objections in an area, was providing advice to property owners within that same area. All objection contractors were briefed that this was not permitted.

4.6.2 Valuations for compulsory acquisition

Where there is an actual or perceived conflict of interest, valuations are managed under a conflict of interest management plan and are immediately referred to the Office of the Valuer General for oversight and approval.

Public Works Advisory, which is part of the Property and Advisory Group, project managed four determinations of compensation on behalf of various acquiring authorities. The Deputy Valuer General approved and issued the final determinations of compensation.

4.6.3 Private valuations

Valuations for property owned by Property NSW are managed under a conflict of interest management plan and are immediately referred to the Office of the Valuer General for oversight and approval.

Place Management, part of the Property and Advisory Group, requested three valuations for rental review purposes. The Deputy Valuer General approved and issued the final reports.

5. Year in review

5.1 Joint Standing Committee on the Office of the Valuer General

5.1.1 Recommendations from the Eleventh General Meeting with the Valuer General

The Eleventh General Meeting with the Valuer General was held on 16 October 2017. The Committee reviewed the Valuer General's annual report for 2015 - 2016 and published their report on 13 February 2018. The Government responded to the report on 11 July 2018. The response is available at www.parliament.nsw.gov.au.

At the time of publication all recommendations had been completed.

5.1.2 Report on the Twelfth General Meeting with the Valuer General

The Twelfth General Meeting with the Valuer General was held on 21 September 2018. The Committee reviewed the Valuer General's annual report for 2016 - 2017 and examined the responses to developments which occurred in the legislative and policy environment since the previous General Meeting.

The Committee made six recommendations in their report on the Twelfth General Meeting which was published on 14 November 2018. The Government response to the report is due by 18 December 2019.

The Committee said "*reports on its General Meetings with the Valuer General provide an essential mechanism for ensuring public accountability and confidence in the integrity and security of the land valuation system. Regular oversight of the functions of the Office of the Valuer General assists in maintaining the strength and stability of property ownership in New South Wales*".

The report noted that "*the Valuer General has a long-established record of providing reliable and highly valued services to all landholders*".

Overall, the Committee was satisfied that "*the Valuer General managed the variety of legislative and administrative challenges facing him in a professional, effective and timely fashion. This includes improvements in educational outreach, public accountability and overcoming shortcomings in the compulsory acquisition process*".

The Committee noted the Valuer General's provision of additional information in a stand-alone annual report ensures greater public access, making its operations more transparent and readily available, which should further

enhance public trust in the fairness and transparency of the valuation system and increase stakeholder satisfaction.

5.2 Significant judicial decisions

5.2.1 The Timber Creek compensation case

It is the first assessment by the High Court of compensation for extinguishment of native title rights and interests under the *Native Title Act 1993*. The court awarded a percentage of freehold value for the loss of non-exclusive use of the land and an amount for the cultural and spiritual loss of native title rights.

5.3 FrontierSI (formerly the Cooperative Research Centre for Spatial Information)

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

5.3.1 FrontierSI - RAISE2 Project

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

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

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

5.3.2 FrontierSI project - Value Australia

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

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

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

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

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

- the NSW Valuer General
- FrontierSI
- the Commonwealth Bank of Australia
- Liverpool City Council
- OMNILINK Pty Ltd
- the University of New South Wales.

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

5.4 Voice of the customer – Valuer General and Meltwater pilot project

In April 2019, the Valuer General partnered with Meltwater, a media monitoring and business intelligence company, to undertake a pilot project to analyse data to gain insights into customer sentiment.

Using a blend of artificial intelligence machine learning automation techniques and human verification, Meltwater identified recurring key feedback topics within anonymised customer email messages, before classifying and assigning sentence-level sentiment. This enabled visualisation of customer sentiment trend hotspots through the lens of geo-location, property and customer type filters.

Following the merits of the insights gained during the pilot, the project has been expanded to map customer sentiment over a six month period.

5.5 Relaunch of the Valuer General's website

The Office of the Valuer General has relaunched the Valuer General's website making it more user friendly. The improvements include:

- adding buttons on the home page to highlight popular functions
- improving navigation to help users quickly find what they need
- clarifying the content with clear and precise language.

The screenshot shows the Valuer General's website homepage. At the top left is the NSW Government logo and the Valuer General title. A search bar is located at the top right. Below the header is a navigation menu with the following items: LAND VALUES, COMPULSORY ACQUISITIONS, COUNCIL RATES, LAND TAX, PUBLICATIONS, ABOUT US, and CONTACT US. The main content area features a grid of service tiles:

- How we value land**: Find information about the valuation process.
- Translated information**: Find translated information about the Valuer General, lands values and compulsory acquisition. Languages listed include English, Hindi, Español, Italiano, العربية, Ελληνικά, and Tiếng Việt.
- Go paperless**: Register to receive your Notice of Valuation electronically by email.
- Find land values**: Search for your land value and land values from across New South Wales.
- Lodge an objection**: Lodge an objection to have your land value or property information reviewed.
- Change your mailing address**: Change the mailing address for your Notice of Valuation.
- Search property sales**: Find property sales from across New South Wales.
- Track your objection**: Track the progress of your objection. Statuses shown include Received, Accepted, With valuer, Returned from valuer, Preliminary report issued, and Objection finalised.
- Frequently asked questions**: Read our frequently asked questions.

Below the grid is a 'What's New' section with three items:

- Council rates and land values**: The Valuer General has published a factsheet on council rates and land values.
- New policies issued**: Valuation of land used for metalliferous mining, Valuation of land used for extractive industries, Valuation of land used for coal mining.
- Interactive land value summaries**: Use our interactive portal to explore land value summaries for each local government area.

5.6 Delegation from the Republic of Korea (South)

In November 2018 the Valuer General hosted a delegation which included representatives from the Seoul Metropolitan Government, Republic of Korea and the Consulate-General of the Republic of Korea in Sydney.

Information covering the valuation system in NSW, including; an overview of the valuation system, valuations for rating and taxing, customers and stakeholders, and current trend was presented.

5.7 Delegation from South Australia

In April 2019, the Valuer General received a delegation from South Australia that included the Deputy Valuer General and senior adviser. The two groups shared views on:

- governance
- rating and taxing procedures
- objection procedures
- geographical information systems and spatial analysis
- compensation and special valuation procedures
- procurement and contract management.

5.8 Australasian Valuers General Conference

Valuer Generals from around Australia and New Zealand meet annually to discuss and brief each other on innovation, risks and market trends.

The Valuer General attended the Australasian Valuers General Conference held in Christchurch in October 2018 and Melbourne in April 2019.

The Valuer General will host next year's conference in NSW.

5.9 Australian Property Institute and International Association of Assessing Officers (API IAAO) International Research Symposium

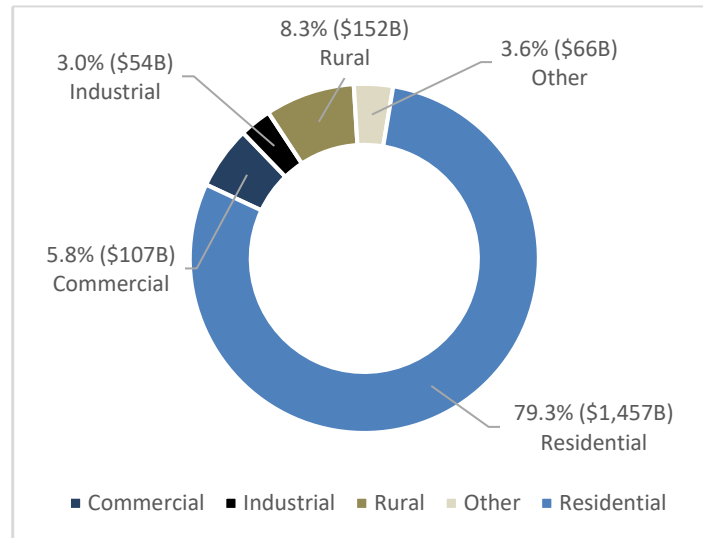
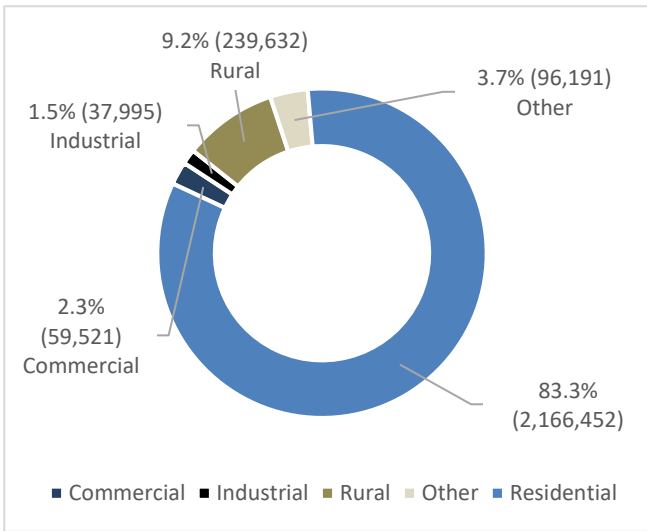
The Valuer General, along with representatives from the Office of the Valuer General and Valuation Services attended the API IAAO International Research Symposium in Melbourne in April 2019. The symposium explored the intersection of public policy and mass appraisal standards, guidance and implementation challenges. Various topics were covered over the two days including:

- spatial valuation
- reimagining global cities
- future trends
- building smarter cities with block chain.

6. Valuations for rating and taxing

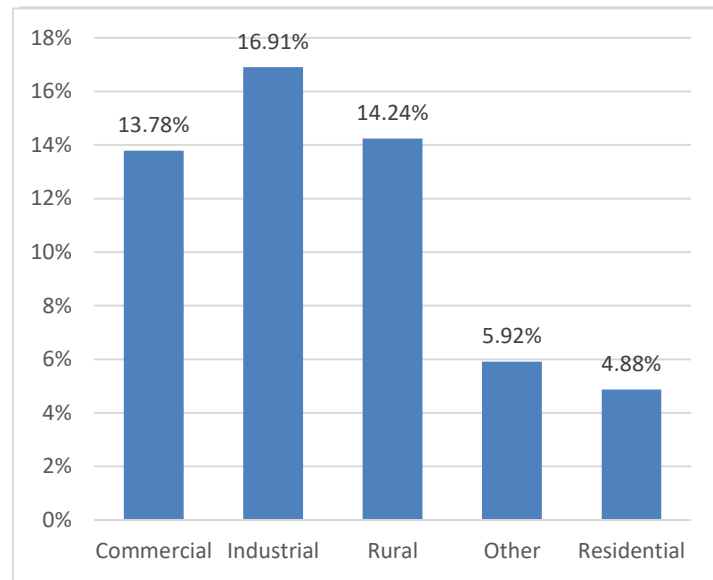
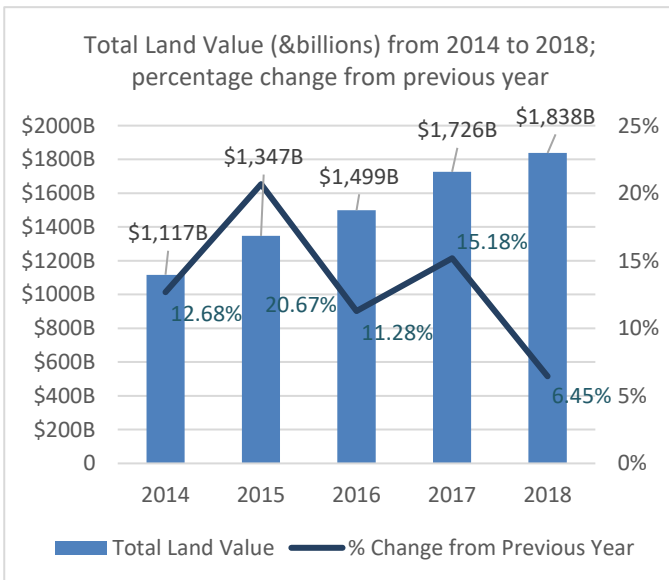
6.1 Valuation totals and trends

General overview of 1 July 2018 land values



Graph 1 - Distribution of properties by land use, percentages represent property numbers

Graph 2 - Distribution of total land values by land use, percentages represent values



Graph 3 - Total land value (\$billions) from 2014 to 2018; percentage change from previous year

Graph 4 - Percentage change from 1 July 2017 to 1 July 2018 by land use type

Note: Data extracted on 3 July 2019.

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

Over 2.58 million residential, rural, business and industrial land values for properties in NSW were determined as at 1 July 2018.

The total value of land in NSW as at 1 July 2018 increased by 5.9% to approximately \$1.83 trillion in the 12 months to 1 July 2018.

To determine the 1 July 2018 land values approximately 46,000 property sales were analysed across NSW as part of the valuation process.

6.2 Service delivery

Valuation Services, on behalf of the Valuer General, delivered:

- approximately 2.58 million valuations to Revenue NSW for use in the calculation of land tax
- approximately 51,232 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 2017 to 1 July 2018 was determined to be 5.559%.

The land tax threshold for the 2019 land tax year was determined to be \$692,000 and the premium rate threshold was determined to be \$4,231,000. The new thresholds were published in NSW Government Gazette No. 105 of 12 October 2018.

6.3 Quality assurance

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

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

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

The level of statistical compliance has been improving over a number of years and is above targets for all major property types. For information on key performance indicators for statistical compliance, see section 14.

6.3.1 Quality assurance program

Valuation Services' quality assurance program is overseen by the Valuation Joint Steering Committee (VJSC). An annual program is approved by the VJSC. Performance is monitored through reporting and regular meetings.

The annual quality assurance program included completion of:

- 43 methodology reviews. These reviews determine the quality of contractors' deliverables, processes and documentation to support the land values provided
- four compliance audits examining an identified risk in one contractor's area
- a review of the quality of the added value of improvements tables prepared by contractors for residential properties in each local government area. These tables are published on the Valuer General's website
- quality assurance of contractor deliverables to determine suitability for publication. Contractors deliver various reporting documents throughout the year to Valuation Services.

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.

A number of system enhancements and procedural changes that improve valuation quality were identified. These included new data integrity checks and delivery exception reports. For more information on the enhancements see section 6.6.

Technical instructions were amended to improve direction to rating and taxing contract valuers.

6.3.2 Complex land value improvement program

Valuation Services undertake an ongoing program of reviews for the valuation of complex land value categories. Reports were prepared for the following types of land use:

- airports
- water infrastructure
- telecommunication sites

- quarries
- cemeteries and crematoria.

Each review considered:

- the methodology to be applied
- methodologies used in other jurisdictions
- the quality of land values currently on the Register of Land Values
- the best sources of information
- Valuer General policies.

The reports for water infrastructure, quarries, and cemeteries and crematoria were completed within this reporting period. The draft reports on telecommunication sites and airports are at the review stage.

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. Over the six year period of the current program 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.

Annual verification targets and outcomes for 2018 - 2019

Land value verification risk rating	Outcome	Target
Risk Rating of 1 high risk verified annually	100%	100%
Risk Rating of 2 medium risk verified every three years	45.3%	33.3%
Risk Rating of 3 low risk verified every six years	29.4%	16.7%

The program was enhanced in 2019 so that all low risk properties will be verified every five years.

For the 2019 rating and taxing contracts, which commenced in March 2019, the verification services changed to a five year program.

Annual verification targets from March 2019

Land value verification risk rating	Target
Risk Rating of 1 high risk verified annually	100%
Risk Rating of 2 medium risk verified every three years	33.3%
Risk Rating of 3 low risk verified every five years	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 14.

6.3.5 Internal Audit

Internal Audit undertook a review of the development of Valuation Services' Contractor Scorecard which is in the process of being refined and then implemented. The Contractor Scorecard is being developed to compare the relative performance of rating and taxing contractors. The key objective of the audit was to determine the effectiveness of the Contractor Scorecard in terms of monitoring contractor performance. The audit made a number of recommendations which Valuation Services are implementing.

6.4 New method for valuing coal mines

The Valuer General introduced a new method for valuing land used for mining from 1 July 2017. The new method of valuation was required following the finalisation of appeals in the matter of *Perilya v The Valuer General* by the High Court of Australia.

6.4.1 1 July 2018 land values issued for Mid-Western Regional Council

The Valuer General issued 1 July 2018 land values for rating to Mid-Western Regional Council on 20 April 2019.

All councils are scheduled to receive new land values for rating as at 1 July 2019, however new land values were issued earlier for the Mid-Western Regional local government area following Council's request for new values made using the new methodology for valuing land used for mining.

The new land values were issued earlier to provide stability and equity for all landholders in the Mid-Western Regional local government area.

Notices of Valuation showing the 1 July 2018 land values were issued to all landholders on 15 April 2019. Mid-Western Regional Council used the new values for rating from 1 July 2019.

6.5 Objections

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

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

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

6.5.1 Objections for different property types

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	
	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019
Business	51	318	28	45	23	21	263	189	1,367	875	1,732	1,448	18.94%	20.72%
Industrial	22	57	16	8	2	-	124	93	242	217	406	375	4.44%	5.37%
National parks	1	1	-	219	-	-	-	-	-	-	1	220	0.01%	3.15%
Non-urban	27	38	47	23	2	1	318	92	584	140	978	294	10.69%	4.21%
Open space	2	6	1	-	4	-	19	11	55	14	81	31	0.89%	0.44%
Protection	7	47	7	12	2	-	166	90	306	139	488	288	5.34%	4.12%
Residential	169	582	62	34	109	19	1,088	667	3,736	2,806	5,164	4,108	56.46%	58.79%
Special uses	8	1	3	1	-	2	77	80	74	92	162	176	1.77%	2.52%
Undetermined, or village	9	10	3	-	-	-	30	7	92	31	134	48	1.47%	0.69%
Total	296	1,060	167	342	142	43	2,085	1,229	6,456	4,314	9,146	6,988	100%	100%

6.5.2 Comparison of objections based on rating and taxing authority

As the majority of 1 July 2018 land values were issued only for the purpose of determining land tax during the reporting period, the majority of objections received were the result of a land tax assessment being issued.

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

	2017 – 2018		2018 – 2019	
	Count	Percentage	Count	Percentage
Council rates	956	16.9%	425	3.96%
Land tax	4,701	83.1%	10,294	96.04%
Total	5,657	100%	10,719	100%

6.5.3 Causes of objections

The top five reasons for lodging an objection were:

- the land value is too high
- land should be valued together
- the land value too high and other
- land should be valued separately
- the land value is too high and land should be valued together.

6.5.4 Informal and facilitated conferences

Landholders can have an informal conference with a valuer following the issue of the preliminary objection report to discuss the report and resolve any concerns.

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

You can find more information on conferences in section 11.3.

Conferences¹

Objections	2017 - 2018	Percentage (of total number of 9,146 completed objections)	2018 – 2019	Percentage (of total number of 6,988 completed objections)
Informal conference was undertaken ²	369	4.04%	220	3.15%
Facilitated conference was undertaken	88	0.96%	45	0.64%

6.6 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 the relevant period has declined since 2016 -17 and then remained steady.

Appeal decisions

	2015 - 2016 ³	2016 - 2017	2017 - 2018	2018 - 2019
Outstanding at start of period	25	20	23	23
Lodged during period	26	32	17	17
Allowed during period	21	1	6	2
Disallowed during period	6	3	6	6
Withdrawn during period ⁴	4	25	14	10
Outstanding at end of period	20	23	14	13

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

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

³ Previous annual report showed appeals based on outcomes in the lodgement year.

⁴ Withdrawn by the landholder.

Outcome of appeals

2015-2016 Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	0	6	0	0	6
Hearing/Decision reserved	0	0	0	0	0
Conciliation	21	0	4	0	25
2016 - 2017 Settlement type	Allowed	Dismissed	Withdrawn	Ongoing	Total
Hearing	0	3	0	0	3
Hearing/Decision reserved	0	0	0	6	6
Conciliation	1	0	25	0	26
2017 - 2018 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
2018 - 2019 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

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

6.7 Land Value Improvement Group

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

The group's objectives are to:

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

The group reviewed and considered:

- the annual quality assurance program to monitor the standard of services and quality of values provided by contract valuers
- the report into annual value statistical analysis of the 1 July 2018 land values
- the complex land value improvement projects on:
 - quarries
 - cemeteries
 - airport lands
 - water infrastructure sites
 - telecommunication tower sites
- the report on land value quartile range analysis
- property value movement information provided to NSW Treasury
- the publication of added value of improvement tables, contractor worksheets and valuation component reports to improve transparency
- the review of significant value movements
- the trial of a new contractor scorecard.

6.8 Improvements

6.8.1 Quality assurance

New initiatives were implemented to ensure the quality of data from valuers and contractors is consistent and of high quality.

Quality assurance improvements included both system enhancements and procedural changes:

- clear separation of requirements between technical specifications and contract conditions
- increased performance management, reporting and visibility
- digital delivery of market evidence to allow for increased data integrity, collection, transparency and increased quality assurance and audit activities
- delivery of data exceptions and reasoning with provisional and final values
- provision of benchmark codes and the inclusion of Australian Valuation Property Classification codes to allow the comparison of benchmark values within and across local government areas that have similar market characteristics.

New file specifications were developed and implemented from 1 March 2019 to ensure appropriate data for individual properties is supplied consistently by all rating and taxing contractors. This included delivery of data records for:

- paired sales
- sale improvements
- benchmark properties
- worksheets
- added value of improvement tables
- sales and supplementary valuations of related/multiple properties
- rental analysis information and commercial lease details.

7. Valuations for compulsory acquisition

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

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

Valuation Services manages the determination of compensation on behalf of the Valuer General.

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

7.1 Determinations of compensation issued

The overall number of determinations of compensation decreased in 2018 – 2019 due to a reduction in the number of acquisitions of land below the surface. If acquisitions of land below the surface are excluded, the total number of determinations issued increased.

Major infrastructure projects included:

- the Northern Road upgrade
- Edmondson Park upgrade
- Parramatta Light Rail
- Mona Vale Road upgrade
- Randwick Hospital Campus Redevelopment
- Sydney Metro Northwest Corridor
- Sydney Metro City & Southwest
 - Martin Place Station
 - Sydenham to Bankstown
- various hardship matters.

Determinations of compensation issued by the Valuer General

Determinations of compensation made	2015 - 2016		2016 - 2017		2017 - 2018		2018 - 2019	
	Number	Total value (\$million)	Number	Total value (\$million)	Number	Total value (\$million)	Number	Total value (\$million)
Under the <i>Land Acquisition (Just Terms Compensation) Act 1991</i> – for properties above ground (surface land)	325	\$390	177	\$468.4	149	\$299.8	204	\$281.8
Under the <i>Land Acquisition (Just Terms Compensation) Act 1991</i> – for land below the surface ⁵ (includes Treasurer's directions)	0	\$0	0	\$0	774	\$0	385	\$0
In accordance with Treasurer's Directions (for intergovernmental transfers)	49	\$55	48	\$6.6	56	\$30.2	50	\$59.9
Total	374	\$445	225	\$475	979	\$330	639	\$341.7

⁵ First reported on in 2017 - 2018

7.2 Timeframe for issuing determinations of compensation

The average time taken to issue determinations was 166 days, an increase compared to the previous year. All of the determinations for land below the surface were issued within the statutory time period. 38% of determinations for all other land were issued within the statutory time period.

Where there were delays, parties were consulted to minimise the impacts.

Factors impacting on the time taken to issue determinations included:

- the complexity of matters
- additional time to allow for improvements to procedural fairness for land owners, including expanded consultation and opportunity to make submissions.

7.3 Quality assurance

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

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

7.4 Proposed acquisitions

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

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

During the reporting period, Valuation Services commenced work on 82 PANs, down from 190 in the previous reporting period, where determinations of compensation were not issued as the acquiring authority reached agreement with the land owner to purchase the property prior to the matter being concluded by the Valuer General.

Valuation Services 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 land owners 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.

Compulsory acquisition conferences by type

Types of conferences	2017 - 2018		2018 - 2019	
	Number	Percentage (%)	Number	Percentage (%)
Email	1,059	55.77%	951	61.28%
Face to face	209	11.01%	242	15.59%
Mail	8	0.42%	12	0.77%
Phone	623	32.80%	347	22.36%
Total	1,899	100%	1,552	100%

7.6 Compensation Improvement Group

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

The group's objectives are to:

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

The group has reviewed and considered:

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

7.7 Improvements

A workshop was conducted to explore options to improve timeframes for issuing determinations of compensation whilst balancing the need to treat land owners fairly. The outcome will see new practices and land owner communications being introduced in the second half of 2019 to formalise timeframes for the provision of information during the compensation determination process.

The new practices encourage timely provision of information from the land owner and acquiring authorities.

The new practices provide for the issue of a preliminary valuation report within 7-14 days from the date the property is compulsorily acquired. Land owners still have the opportunity to provide information and feedback during the 15-day preliminary report response period. The information will be considered prior to finalising the determination.

Other improvements during the reporting period primarily focus on communication with land owners and acquiring authorities:

- improved stakeholder relationship with major acquiring authorities to provide better visibility of upcoming acquisition projects
- improved communication with acquiring authorities to better identify the likelihood of gazettals, and risk
- an emphasise on the need for acquiring authorities to provide all information within seven days of gazettal
- improved communication with acquiring authorities to better explain the role of the Valuer General, the service we provide and associated fees
- website and communications have been re-written in plain English

- the brochure, *Compulsory Acquisition NSW Valuer General's Role*, and website were enhanced to provide land owners with information on what is considered when assessing reasonable costs/fees.

8. Private valuations

The Valuer General can make a private valuation of land under section 9A of the *Valuation of Land Act 1916* for the purpose of any agreement or arrangement between parties that provides for the valuation to be made by the Valuer General.

The Valuer General can delegate the valuation. In most cases private valuations are undertaken by contract valuers and quality assured and issued by Valuation Services.

During the reporting period, eight private valuations were requested:

- NSW Ports requested one valuation. The Valuer General determined the unimproved value of the land in accordance with the lease document
- the Lord Howe Island Board requested three valuations. The 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 NSW, part of Property NSW, requested three valuations. The Valuer General determined the market value of the land for rental review purposes in accordance with the lease documents
- Cemeteries & Crematoria NSW requested one valuation. The Valuer General determined the market value of the land within the meaning of the *Valuation of Land Act 1916* and in accordance with the *Cemeteries and Crematoria Act 2013*.

9. Register of Land Values

The Register of Land Values 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*.

9.1 Land information

Valuation Services manages the Register of Land Values on behalf of the Valuer General and is responsible for ensuring the accuracy and integrity of the information recorded on the register. A team of land data specialists is responsible for the ongoing update, improvement and quality assurance of the land information held in the register.

The ongoing update of the register includes the creation of records for new lots when land is subdivided; amendments to property details including dimensions, area and zoning; and updating addressing information for the service of Notices of Valuation.

Maintenance to the Register of Land Values

Register of Land Values	2016 - 2017	2017 - 2018	2018 - 2019
New properties created	49,156	49,466	45,237
Properties where details were amended	21,479	24,050	7,191
Properties where valuation was altered	1,303	3,665	1,458
Properties where address for service of notice was amended	202,845	145,325	123,715

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

9.2 Land Data and Customer Service Improvement Group

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

The objectives of the group include:

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

9.3 Improvements

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

- improving the quality and relevance of data delivered to councils on supplementary valuation lists
- the automation and delivery of land value variation reports to councils
- improving land data quality assurance processes following the creation and implementation of a new recording and report process for the exceptions (rejected records) that are identified in values files uploaded by rating and taxing contractors.

Automating existing manual land data processes to maintain the Register of Land Values will continue to be explored and implemented wherever possible, including:

- automatic calculation of multiple lot areas within valuations
- automatic population of property description details, ownership and property addresses via Integrated Property Warehouse data, together with automating the sending of supplementary workflows to contractors for processing or valuing.

Register of Land Values improvements

Project	Description	Outcome
<p>Stage 1 - Review of area and dimension mismatches in Register of Land Values</p> <p>Stage 2 - Land value reviews of area and dimension mismatches</p>	<p>Properties where the calculation of the dimensions did not equal the total area recorded on the Register of Land Values were quality assured.</p>	<p>2,112 properties were reviewed.</p> <p>9.47% required no action (details were correct).</p> <p>28.46% required minor formatting & rounding amendments only, resulting in no changes to land values.</p> <p>1.37% properties were cancelled (Lots superseded).</p> <p>2.18% required referral to NSW Land Registry Services to check accuracy of the plan.</p> <p>58.52% areas and/or dimensions were amended, and the land values were reviewed.</p> <p>Notices of Valuation have been issued to advise landholders of amended areas and/or dimensions for all land values that were reviewed.</p>
<p>Review of business rules and work instructions</p>	<p>Key processes were streamlined, and guidance material developed to support future maintenance of the Register of Land Values.</p>	<p>Improved consistency and accuracy of land data processing in accordance with legislation and the Valuer General's policies.</p>

10. Contract management

Valuation Services outsources the majority of valuation services of land to external firms.

Contract valuers:

- determine land values for rating and taxing for defined geographic regions across NSW
- review objections
- undertake valuations for the determination of compensation.

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

The performance and quality of each contractor is monitored on an ongoing basis to ensure time, quality and cost effectiveness are achieved. As well as contractual terms, individual contract valuers are required to comply with legislation, the Valuer General's policies and industry codes of professional conduct. In the 2018 - 2019 reporting year, the majority of contractors performed to the standards established under the contract. Where standards were not met, the issue was addressed through a structured process of contract management, with the objective of correcting the issue and preventing reoccurrence.

10.1 Rating and taxing contracts

Until 28 February 2019, 19 contract firms provided services covering the 41 rating and taxing contracts that were in operation.

From 1 March 2019, the number of rating and taxing contracts reduced to 18, with 11 contractors providing the services. A list of contractors is available on the Valuer General's website www.valuergeneral.nsw.gov.au.

Rating and taxing contractors provide the following valuation services:

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

- sales coding.

10.2 Valuation panel contracts

Valuation Services contracts out a range of valuation services including:

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

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

Contractors are selected from the panel, based on quality and cost, and designated areas where they will undertake objection valuations. The contractor undertaking an objection cannot be the rating and taxing contractor for that area. In January 2017 the use of a single contractor was established to provide objection review services to specific local government areas and zone types. This has been successfully continued for the 2018 - 2019 reporting year. The aims of the single objection contractor program are to improve efficiency, value for money, consistency of objection outcomes and improved contractor performance.

Valuation panel contracts are for one calendar year with an extension option for one additional year. As there are no extension options left in the current terms the current contract will expire on 31 December 2019.

As at 30 June 2019, there were 80 valuation panel contractors.

Prior to negotiating the annual contract extensions in 2018, a performance review was undertaken with each contracted firm to ensure performance standards were met. The review included input from all Valuation Services' business areas.

10.3 Improvements

10.3.1 Contracts for rating and taxing

Valuation Services undertook state-wide procurement of new rating and taxing contracts that reduced the number of contract areas, incorporated all new councils and increased the initial contract term to five years. The contract was reviewed and includes improved valuation quality and valuation data specifications and contract performance measurement and reporting.

Valuation Services undertook consultation activities with contractors during 2018 - 2019, including:

- surveys
- face-to-face consultations
- a contract kick off day.

To improve valuation consistency, quality and transparency, rating and taxing contract specifications have been changed, requiring contractors to upload:

- property worksheet data in new digital format which is easier to access and interrogate. Property worksheets record property information, attributes, valuation calculations and rationale. This digitisation has made it easier to share the property worksheet information with stakeholders and customers
- data into the Valnet database for properties that are part of a single parcel of land
- multiple property sales data into the Valnet database for analysed sales that are over multiple lots
- paired sales property data into the Valnet database for analysed sales that are used in paired sales analysis
- rental analysis property data into the Valnet database where a rental analysis has been completed for the property
- benchmark valuation coding to allow comparison and determine consistency of valuation levels and movements for similar property types in similar markets across the state.

10.3.2 Valuation panel contractors

A successful liaison day was held in February 2019 for contractors that carry out land value objection reviews. There were 53 personnel from 24 firms represented from the valuation panel.

Improvement focus has been on moving the existing valuation panel structure to a whole of Government prequalification scheme. You can find more information in section 10.3.4.

10.3.3 Objection contractors

An electronic quality statement has been introduced and is required to be completed for all objection report recommendations completed by contractors. This statement certifies the quality of the contractor's report.

10.3.4 Whole of Government category management procurement scheme

The Valuation Services Valuation Panel consists of 80 firms pre-approved to carry out contracted services on behalf of Valuation Services. Following a strategic review of the current Panel contract arrangement by several Government businesses, including specialists in procurement, the existing Panel will transition to a whole of Government prequalification procurement scheme.

Valuation Services is taking the lead to develop the scheme which will be in place in the second half of 2019 with full transition of the existing Panel completed by the end of 2019. This scheme will allow greater flexibility to engage with a larger variety of valuation firms, increasing competition and meeting Government requirements to engage with small and medium sized businesses.

11. Customers and stakeholders

The Valuer General sets the standards and values for service delivery and oversees the work of Valuation Services which manages the day-to-day customer service and stakeholder liaison functions of the valuation system.

The Valuer General is committed to providing services that the community can trust, built on the core values of fairness, professionalism and the provision of customer-centric services.

Fairness

We communicate openly with our customers and encourage them to ask questions and make submissions.

We focus on consistency and accuracy in our services.

Customer driven

We ask our customers about their experience of our services and use their feedback to make improvements.

Professional

We promote best practice and find new ways to improve the services we deliver.

11.1 Customer service

Customer service is managed by a specialist customer service team, including an in-house call centre, within Valuation Services.

Call volumes

In-house /outsourced	2016 - 2017 ¹		2017 - 2018		2018 - 2019	
	Number of calls answered	Total	Number of calls answered	Total	Number of calls answered	Total
In-house (Valuation Services)	26,245	76%	13,095	79.6%	19,308	100%
Contracted outsourced call centre ²	8,1833	24%	3,364	20.4%	N/A	N/A
Total calls	34,428	100%	16,459	100%	19,308	100%

Breakdown of top five calls³ by topic

Topic	2017 - 2018		2018 - 2019	
	Number of calls	Percentage of 16,459 calls	Number of calls	Percentage of 19,308 calls
Objection kit request	4,046	24.58%	7,782	40.3%
Land value enquiry	2,289	13.91%	2,819	14.6%
Land tax / Revenue NSW enquiry	1,781	10.82%	1,629	8.4%
General enquiry / overview	1,442	8.76%	1,389	7.2%
Objection enquiry	1,214	7.38%	1,365	7.1%
Total top five calls	10,772	64.46%	14,984	77.6%

Written enquiries

Written enquiries			Percentage completed in 10 business days*		
2016 - 2017 ⁴	2017 - 2018	2018 - 2019	2016 - 2017	2017 - 2018	2018 - 2019
8,074	5,102	4,378	82.7%	93.6%	91.3%

¹ Notices of Valuation were issued for all properties in NSW as part of a three year cycle.

² An outsourced call centre has been used in previous years to supplement the in-house call centre when necessary.

³ The breakdown of top five calls by topic is for all calls received across Valuation Services including the call centre team.

⁴ Notices of Valuation were issued for all properties in NSW as part of a three year cycle

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

Breakdown of top five written enquiries by topic 2018 - 2019

Topic	Number of written enquiries	Percentage of 4378 written enquiries
Update postal details	587	13.4%
Amalgamation of land	488	11.1%
Objection enquiry/status	337	7.7%
Objection kit request	325	7.4%
Preliminary report response	242	5.5%
Total top five written enquiries	1,979	45.1%

11.2 Complaints

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.

11.2.1 Complaints made to the Office of the Valuer General

Complaint	Action / Outcome
Land value and objection process complaints	
Land values and outcome of objections	Valuation Services reviewed the land values and objection outcomes. They found that the 1 July 2017 land values were supported by the market evidence, but that a staff member had reduced the 1 July 2016 values based on an incorrect application of the <i>Valuation of Land Act 1916</i> . Valuation Services reviewed land values in the area for accuracy and found they were supported by market evidence.
Land values and outcome of objections	Valuation Services reviewed the land values and objection outcomes. They found that the 1 July 2015 land value was supported by the market evidence, but reduced the 1 July 2016 and 2017 values.
Outcome of objection and customer service received during objection and conference process	Valuation Services undertook an additional inspection and conference with the landholder. The land value was reduced.

Land value and conduct of staff during objection process.	Valuation Services reviewed the land value and found it was supported by the market evidence. Investigation found: <ul style="list-style-type: none"> Valuation Services thoroughly investigated the concerns the landholder raised during objection process no inappropriate conduct by staff.
Land value and conduct of staff during conference process	Valuation Services reviewed the land value and held an additional conference with the landholder. The land value was reduced. A staff member was counselled to ensure their behaviour reflects the Valuer General's customer service expectations.
Delay in organising conference	Valuation Services implemented new procedures to prevent similar delays.
Customer service complaints	
Conduct of staff while investigating complaint	Investigation showed no inappropriate conduct.
Conduct of staff during objection process	Anonymous complaint. Insufficient information provided for investigation.

11.2.2 Complaints made to Valuation Services

Over the reporting period, Valuation Services received 74 complaints. Two of those complaints were still being investigated by Valuation Services at the end of the reporting year.

The average time taken to resolve a complaint was 7.7 days. There were 48 complaints resolved on the day of complaint.

The main complaint types were:

- issues with online services (24 complaints)
- customer service (11 complaints)
- contractor activity (9 complaints).

Valuation Services has developed a Complaint and Feedback Management System to improve accountability, ensure the timely response to feedback and improve the quality of responses.

11.3 Conferences

A conference is an open exchange of information between customers and valuers, or other experts. A range of conference types are available to landholders to answer questions, discuss concerns and resolve issues. For example, all landholders who lodge an objection to have their land value reviewed are contacted by the valuer undertaking the review to discuss their concerns. Landholders can also have a conference with a valuer following the issue of the preliminary objection report to discuss the report and resolve any concerns.

Facilitated conferences are also available. The facilitator guides the conference process without making decisions. The conference can be face-to-face or by telephone.

Facilitated conferences

Method of conference	Face to face			Telephone			Total conferences		
	2016 - 2017	2017 - 2018	2018 - 2019	2016 - 2017	2017 - 2018	2018 - 2019	2016 - 2017	2017 - 2018	2018 - 2019
Number	43	84	39	11	4	4	54	88	43

Top five reasons for requesting a conference

Reason for conference	Number
Valuation disregarded crucial elements	18
Development constraints	9
Neighbouring property sale value(s) not considered / not comparable	8
Other	8
Understanding of the valuation process	6
Total	49*

* A single conference can be for multiple reasons

11.4 Surveys

We undertake a range of surveys to monitor and inform improvements to our customer service. The Office of the Valuer General directly surveys all landholders following a facilitated conference; and former land owners following the determination of compensation. Facilitated conferences generally concern the outcome of an objection.

Valuation Services undertakes 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.

All customer survey and feedback mechanisms are currently under review as part of project by the Valuer General to evaluate their effectiveness and outcomes; and make recommendations for improvements.

11.4.1 Facilitated conference survey

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

The conference survey was enhanced during the reporting period to provide customers with the opportunity to complete the survey electronically and to better identify the types of properties subject to conferencing. Hard copy surveys remain available.

11.4.2 Compulsory acquisition survey

The Valuer General surveys land owners 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 by Valuation Services and identify where improvements can be made.

There were 106 surveys issued during the reporting period and ten responses were received:

- 80% agreed or strongly agreed the valuer and staff acting on behalf of the Valuer General responded in a timely manner
- 80% agreed or strongly agreed the information they received from the Valuer General clearly explained the compulsory acquisition process and how they could participate in the process
- 89% agreed or strongly agreed they had the opportunity to provide information to the valuer preparing the Valuer General's valuation report
- 67% agreed or strongly agreed they had the opportunity to raise any concerns before the Valuer General issued the determination of compensation including the valuation report.

11.4.3 Initial telephone contact survey

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

Surveys were offered to 1,541 customers and 1,160 customers participated (75%).

- 95.99% agreed that their call was answered in a timely fashion
- 98.44% agreed that the customer service officer was helpful and respectful
- 98.18% agreed that the customer service officer was knowledgeable
- 78.31% of participants were promoters

- the net promoter score (NPS⁵) was 62.34, which is the percentage of promoters less detractors.

11.4.4 Specialist telephone advice post contact (technical information) survey

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

Surveys were offered to 368 customers and 61 customers participated (17%).

- 93% of respondents agreed or strongly agreed that they were satisfied overall with the experience
- 89% of respondents found it moderately to extremely easy in effort
- 65% of respondents agreed or strongly agreed that their questions were fully answered
- 58% of respondents agreed or strongly agreed that they were treated fairly
- 61% of respondents agreed or strongly agreed that they were responded to in a timely manner
- 65% of respondents agreed or strongly agreed that they were provided with consistent information
- 64% of respondents agreed or strongly agreed that they were provided with all the support they needed
- 63% of respondents agreed or strongly agreed that they were listened to
- 95% of respondents agreed or strongly agreed that:
 - the information they received was useful
 - the information was provided in a timely manner
 - the information was easy to understand.

58% of respondents were from regional areas, 42% were from metropolitan areas.

11.4.5 Objection process survey

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

Surveys were offered to 93 customers and 15 customers participated (16%).

- 60% of respondents agreed or strongly agreed that:

⁵ The NPS minimum and maximum range is minus 100 to positive 100.

- they were treated fairly
- they were listened to
- they were responded to in a timely manner
- 47% of respondents agreed or strongly agreed that they were provided with all the support they needed
- 47% of respondents agreed or strongly agreed that they were provided with consistent information
- 57% of respondents agreed or strongly agreed that their questions were fully answered by the valuer who conducted the review
- 46% of respondents agreed or strongly agreed that their concerns were addressed in the valuer's report
- 53% of respondents agreed or strongly agreed that the valuer's report clearly explained the reasons for the decision
- 53% of respondents found it moderately to extremely easy to have their land value reviewed
- 65% of respondents agreed or strongly agreed that they were satisfied with their experience in the land value review process.

11.5 Privacy

Personal information was managed in accordance with the *Privacy and Personal Information Protection Act* (privacy legislation) and the Department of Finance, Services and Innovation's privacy management plan.

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

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

A privacy statement is available on the Valuer General's website which explains how we collect, store and secure personal information.

11.6 Publications

11.6.1 Information for the 1 July 2018 land values

To assist community understanding of land values, the Valuer General published a report on NSW land values as at 1 July 2018 in January 2019. Interactive summaries for 14 regions and all local government areas were also published to support 1 July 2018 land values.

The report and interactive summaries are available at www.valuergeneral.nsw.gov.au.

11.6.2 Valuer General's policies

The Valuer General is responsible for setting the policies for the valuation system. The majority of these policies focus on providing guidance to valuers on a range of valuation methods and practices to achieve accurate, consistent and fair valuations across NSW. The policies are written in plain English to provide transparency and information for landholders.

During the reporting year, a review of all current policies was completed and four new policies were published:

- Valuation of land used for cemeteries and crematoria
- Valuation of land used for coal mining
- Valuation of land used for extractive industries
- Valuation of land used for metalliferous mining.

11.6.3 Newsletters, fact sheets and brochures

The Valuer General published a new factsheet about land values and council rates. A link to the factsheet was provided to councils for inclusion on their website; 23 councils added the link on their website.

11.6.4 Valuer General's website

Valuer General's website usage

Service type	Count		
	2016 - 2017	2017 - 2018	2018 - 2019
NSW Globe total users	89,590	145,477	84,123
NSW Globe unique users	39,489	111,972	38,818
Regional portal unique visitors	746	970	950
LGA portal unique visitors	3,452	3,891	6,684
Regional portal total page views	2,247	3,085	2,225
LGA portal total page views	10,680	11,301	17,675
Land value searches	200,639	188,361	257,840
Property sales enquiries	43,580	41,256	68,103
Property address enquiries	95,097	109,939	150,527
Valuation sales reports	11,043	7,726	11,055

11.7 Multicultural outcomes

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

The Office of the Valuer General continued to improve access to information about the valuation system for people of culturally and linguistically diverse backgrounds.

Translated media releases were introduced to the media program following the issue of 1 July 2018 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 Valuer General's website and provided to 27 Arabic media outlets, 21 Chinese media outlets and five Greek and Vietnamese media outlets.

11.8 Liaison with councils

11.8.1 Meetings

During the reporting year representatives from Valuations Services attended:

- Rating professionals' group meetings which are held periodically throughout the reporting year. The meetings consists of various rating groups from NSW
- 17 council meetings to discuss the 1 July 2018 land values
- NSW Rating Professionals Executive Committee meetings, which are held quarterly.

11.9 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.

11.10 Improvements

11.10.1 Improvements to publications for objections

A landholder can request an objection kit through the Valuation Customer Service team to lodge an objection to their land value on a Notice of Valuation or land tax assessment. The kit has been enhanced to provide an option to include other related publications, including Valuer General policies and fact sheets.

11.10.2 Over \$30,000 procurement warning

An automated message has been added to Valnet's Batch and Tender Management module where any batch exceeding \$30,000 is to be notified to Contract Management and reported against as per NSW Government requirements.

11.10.3 Complaint and Feedback policy and process

A new Valuation Services Complaint and Feedback Policy, instructions and information sheet has been developed. This is supported by a Complaint and Feedback module for the recording and management of all feedback. Benefits of the new policy, information and processes include:

- recording capabilities that will improve Valuation Services management of feedback and reporting to the Valuer General

- improved accountability to ensure timely responses to feedback and improved quality of responses
- refined data capture; 'suggestions' are now specifically identified, previously they were recorded as 'negative' feedback
- the feedback search is restricted to managers and above.

11.10.4 Strata objection process trial

The preliminary objection report process was introduced in 2017 to improve procedural fairness, providing the opportunity for owners to raise concerns, make submissions, provide further information and where possible resolve any issues prior to the finalisation of the objection. Strata properties were excluded from the original preliminary report process due to system limitations. These limitations were removed with a system enhancement.

A trial was implemented in early 2019 which included a change to the way objections to strata properties are registered and allows a preliminary report to be issued to strata unit holders.

The purpose of the trial is to assess the new approach in dealing with objections lodged to strata properties and to allow these customers the same opportunity to participate in the preliminary objection report process.

The trial is to be evaluated from 1 July 2019.

11.10.5 ICT system and service improvements

The following improvements were implemented during the reporting period:

- automated regression testing for all system enhancements to increase the stability and performance
- the Oracle application server was upgraded to a supported version of the platform
- migrating existing ValMap data, the primary spatial tool used to assist in determining land values to ArcGIS Pro software to ensure the service is underpinned by the latest technology
- better governance and traceability of ICT service requests
- developing an automated reporting tool, used internally and integrated within the valuation system, to track the progress of land value objections and appeals, determinations of compensation following the compulsory acquisition of land, and the monitoring of calls and emails managed by the Customer Service team
- creating a detailed ICT onboarding and offboarding process document to streamline system access and promote staff agility across the business.

12. Future initiatives

12.1 Benchmarking study of the NSW valuation system

The Office of the Valuer General has engaged the International Property Tax Institute (IPTI) to undertake a benchmark comparison study of the NSW Valuation System. IPTI is a not-for-profit organisation that provides research and advisory services in property taxation and assessment on an international level. IPTI regularly undertakes studies across valuation jurisdictions.

This study is split into two broad components:

- comparison of operational and governance administration costs across various 'comparable' valuation jurisdictions
- comparison of quality assurance systems across various 'comparable' valuation jurisdictions.

The benchmarking of operational and governance administration costs for valuation systems will assist in supporting the delivery of cost efficient services in NSW.

The benchmarking of quality assurance systems will assist in the ongoing improvement of quality assurance including identification of alternative techniques and measures for effectiveness. The study into quality assurance supports the Joint Standing Committee on the Office of the Valuer General's Recommendation 6 (Twelfth General Meeting with the Valuer General).

The benchmarking study is scheduled to be completed by December 2019.

12.2 Spatial mapping for rural land project

The Valuer General, in partnership with Spatial Services, Department of Customer Service has initiated a project to map rural land classifications to improve the accuracy of rural land values through datasets and satellite imagery. The service will combine soil types, slope, vegetation and land use data. The data will be available to the public.

The tool will improve valuation accuracy and transparency.

The Valuer General would like to acknowledge the sharing of information by the New Zealand Valuer General in the development of the spatial information system for rural land.

12.3 Review of customer surveys and feedback mechanisms

The Valuer General has commenced an independent review and analysis of the suite of current customer surveys and feedback mechanisms. The review is being conducted by expert consultants following a Request for Quotation.

The review will inform improvements to the survey and feedback program.

12.4 Compensation determinations reporting project

In March 2019 work commenced to develop and release a comprehensive suite of Just Terms Manager reports to assist the Compensation team in managing and tracking compensation matters.

The Just Terms Manager was first introduced in June 2015. Since this time, the system has undergone a number of iterative releases that have increased the volume and detail of data captured. This project is designed to update the capabilities of existing reporting functionality and introduce reports that better support the Compensation team for administrative and executive purposes. The scope of work includes a mix of user generated manual reports and automatic system generated reports. The project is due to be completed in late 2019.

12.5 Contractor performance monitoring reports

The Valuations team will prepare a report on the performance of contractors and quality of land values in each contract area for the 2019 valuation program. These reports will include an overview of the performance monitoring activities completed, an assessment of the quality of land values and an assessment of the standard of services provided.

12.6 Engagement with Service NSW

Valuation Services is working with Service NSW on several initiatives to reduce customer effort and improve overall customer experience. This includes first level call centre service, face to face customer service at Service NSW centres and the opportunity to receive a digital Notice of Valuation. The uptake of the digital Notice of Valuation is expected to increase over time.

12.7 ValMap migration

This project will transition ValMap 5.0 to the ArcGIS Pro application, providing a more stable operating environment with faster loading and displaying speeds, and 3D imaging.

The expected benefits will be:

- 64-bit software (up to 10 times faster than original software)
- offline download features
- a web version of ValMap
- a ValMap mobile app
- web based storage, distribution and retrieval system
- web dashboard with statistical data on ValMap usage
- 3D modelling

- an improved licensing management system.

12.8 Improved objection report template

A new objection report template designed to provide clearer and more useful information to the customer is being developed. It is expected this will improve timeframes for objections by reducing the number of queries from customers and reducing overall customer effort. The new template will be trialled, as a pilot project, in two local government areas, commencing in August 2019.

13. Finance

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

13.1 External engagements

This information is provided in addition to statutory reporting requirements for consultants. Statutory reporting requirements are addressed in the Department of Finance, Services and Innovation 2018 – 2019 Annual Report.

13.1.1 Valuation Services

Expenditure on external engagements by Valuation Services totalled \$98,500 (excluding GST) in 2018 – 2019.

Valuation Services' external engagements

Company	Purpose
PricewaterhouseCoopers (PwC)	<p>In September 2018 the Premier asked IPART to determine the maximum prices that the Valuer General may charge councils for land valuation services for a six year period, from 1 July 2019 to 30 June 2025.</p> <p>Valuation Services sought assistance from PricewaterhouseCoopers (PwC) to review the proposed pricing model to ensure:</p> <ul style="list-style-type: none">• the calculations in the model were in all material respects, internally consistent and arithmetically correct• the model's underlying assumptions and the application of these were reasonable• the model's assumptions and output were accurately presented in the Valuer General's submission to IPART.
Information Professionals	<p>Information Professionals were engaged to develop a business case for the replacement of Valuation Services core business systems, including Valnet2, Valent 2i and Valmap, to be used to provide critical inputs into the submission to IPART for their review of the pricing of valuation services.</p>

13.1.2 Office of the Valuer General

Expenditure on external engagements by the Office of the Valuer General totalled \$73,730.68 (excluding GST) in 2018 – 2019.

Office of the Valuer General external engagements

Company	Purpose
IPTI Consulting	The International Property Tax Institute (IPTI) were engaged to undertake a benchmark comparison study of the NSW Valuation System. More information on this project can be found in section 12.1
Meltwater Australia	Meltwater provided an analysis of the Valuer General's annual media campaign to assist the Valuer General to better understand penetration and improve the reach to customers from multicultural backgrounds.
Plain English Foundation	The Plain English Foundation reviewed the Valuer General's publications and the compulsory acquisition information on the Valuer General's website. The aim of the review was to boost the readability, appeal and relevance of the information the Valuer General provides to the public.

13.2 IPART price setting for valuation services

The Valuer General is required to provide land valuation lists and supplementary lists to councils under the *Valuation of Land Act 1916*. These services are declared as government monopoly services under the *Independent Pricing and Regulatory Tribunal Act 1992*. The Independent Pricing and Regulatory Tribunal (IPART) determines the prices that the Valuer General can charge for these services.

The price includes allocated costs for corporate services, operational ICT and access to spatial and titling information. The cost of the valuation system is shared between councils and Revenue NSW.

In 2014, IPART reviewed the pricing of monopoly valuation services and published its report setting prices for the five-year period from 1 July 2014 to 30 June 2019. The prices increased over the five years by the Consumer Price Index. For the 2018 - 2019 year, IPART set the maximum prices to:

- residential land \$5.87
- non-residential land \$12.91.

The Valuer General's charges for valuation services in 2018 - 2019 were set in accordance with the maximum prices allowed under the IPART determination. The overall average cost per valuation was \$20.44. In comparison, the cost per valuation for the 2017 - 2018 reporting year was \$19.37.

13.2.1 Performance against IPART pricing model

In 2018 - 2019, revenues from councils and Revenue NSW were \$17,351,625 and \$34,890,081 respectively and totalled \$52,241,706. Total costs associated with rating and taxing valuation services, including 100% Valuer General Office cost allocation of \$2,873,805, was \$53,110,268. This resulted in a deficit of \$889,773 on net cost of services.

13.2.2 New IPART pricing model for valuation services from 1 July 2019

In September 2018 the Premier asked IPART to determine the maximum prices that the Valuer General may charge councils for land valuation services for a six year period, from 1 July 2019 to 30 June 2025. Following the consideration of submissions to the review IPART made their final determination in May 2019. The key outcomes were:

- set prices for councils that are 2.5% lower than in the previous determination period
- reduced councils' share of the Valuer General's efficient costs from 34% to 30.5%
- changed the pricing structure from state wide residential and non-residential prices to pricing based on four geographical zones (coastal, country, metro and City of Sydney)
- determined that the Valuer General's notional revenue requirement for providing valuation services to all customers (including customers other than councils, such as Revenue NSW) is \$56.1 million per year, on average. This was 2.3% higher than the Valuer General's proposal of \$54.9 million per year.

13.3 Crown Solicitor's Office

Most costs incurred in obtaining services from the NSW Crown Solicitor's Office for valuation related legal services are funded through the Attorney General's core fund. These costs are not recorded in the valuation system financial report 2018 - 2019 as they are not met by the Valuer General and are not included in the charges to rating and taxing authorities.

For the 2018 - 2019 reporting year, there were 27⁶ valuation matters managed by the Crown Solicitor's Office. The total cost of valuation related legal services provided by the Crown Solicitor's Office was \$432,772.44⁷ (\$231,073.69 in fees and \$201,698.75 in disbursements).

⁶ This figure was reported incorrectly to the Valuer General for the 2017 - 2018 annual report as seven. The correct figure was 25.

⁷ This figure was reported incorrectly to the Valuer General for the 2017 - 2018 annual report as \$25,254. The correct figure was \$675,137.89.

13.4 Financial report

13.4.1 Activity based costing

Activity based costing was introduced in response to the Joint Standing Committee on the Office of the Valuer General's recommendations⁸ relating to financial reporting to enhance transparency and accountability.

An activity based costing report was first published in the Valuer General's 2013 - 2014 annual report⁹, and has been ongoing.

A review of activity based costing has been undertaken to provide more detailed information aligned to business functions and improve efficiency in generating the report.

Outcomes of the review:

- activities have been defined and aligned with the current structure of the business
- expense groups and categories have been updated to reflect the new financial system following the move from Land and Property Information within the Department of Finance Services and Innovation to the Department of Planning, Industry and Environment
- timesheet based methodology has been replaced with a more efficient, consistent methodology in generating the report. The new method based on operational areas has been adopted for 2018 - 2019 activity-based reporting
- the activity-based costing report can be generated on a monthly basis with minimal process time
- enables a clear reconciliation and audit trail between the activity-based costing report and the statutory financial report at activity and profit centre level
- substantial administrative savings. The new method replaces the old timesheet system, which required considerable staff time, complex system management and ongoing technique support. In contrast, the new method is low maintenance, flexible to changes, simple to operate and with no additional system requirements.

⁸ Recommendation 4, p5, Report 1/55, October 2012, *Interim Report on the Eighth General Meeting with the Valuer General*.

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

⁹ Financial and administrative enhancement, p80/81, Office of Finance & Services Annual Report 2013/14, https://www.finance.nsw.gov.au/sites/default/files/OFS_Annual_Report_2013-14_section_2.pdf.

13.4.2 Definition of activities

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

QA Program Control

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

QA Program Operations

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

Contract Management

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

Land Values Register Maintenance

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

Objections and Appeals Management

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

Customer Service

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

Business Improvement and Valnet Management

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

General Administration and Executive Office

Costing in relation to the Executive Director's office for Valuation services and other general administrative costs that don't relate directly to any other activities listed above.

13.4.3 Financial report – activity based costing for 2018 – 2019

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

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

13.4.4 Financial report – activity based costing for 2017 – 2018

FY 2017-18 \$'000	QA Program Operations	QA Program Control	Objection Management	Contract Management	Land Value Register Maintenance	Customer Services	Busi. Improvement & Valnet Management	General Admin & Executive Office	Total Mass Valuation	Valuer General Office	Just Terms	Special Valuation	Total Valuation
Total Revenue								48,326	48,326		3,385	1,526	53,237
Salaries & on-costs	4,343	595	1,546	920	3,271	1,196	1,984	1,151	15,006	1,365	2,054	65	18,490
Other staff related	39	5	6	11	5	3	89	22	180	9	12	1	201
Accommodation	260	38	124	81	292	141	173	34	1,144	108	133	5	1,390
Postage	5	1	2	3	4	2	53	123	193	1	1	0	194
Graphic Services	9		1	0	16	1	12	28	68	14	1	0	83
ICT Operational	303	44	144	94	340	164	201	40	1,330	6	154	6	1,496
Travel	143	2	28	4	37	17	8	19	258	1	31	3	293
Contractors & consultants	0		16	4	0	25		248	293	25	25		343
Valuation Contracts	94	457	4,403	19,504					24,457		1,285	922	26,664
Other operating costs	18			0	15	4	0	24	61	33	5		99
Depreciation	120	17	57	37	134	65	80	16	525	2	61	2	591
Corporate overheads	919	134	438	287	1,032	497	612	121	4,040	117	468	19	4,645
Total Expense	6,254	1,291	6,765	20,945	5,145	2,114	3,212	1,827	47,553	1,681	4,231	1,024	54,489

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

13.4.5 Financial report – activity based costing: comparison analysis

	Total Valuation 2017-18 \$'000	Total Valuation 2018-19 \$'000	Variance \$'000	Variance %	Note Index
Total Revenue	53,237	58,634	5,397	10%	1
Salaries & on-costs	18,490	16,203	-2,287	-12%	2
Other staff related	201	136	-66	-33%	
Accommodation	1,390	1,539	149	11%	3
Postage	194	60	-134	-69%	
Graphic Services	83	263	180	218%	
ICT Operational	1,496	2,756	1,260	84%	4
Travel	293	493	200	68%	5
Contractors & consultants	343	1,734	1,392	406%	6
Valuation Contracts	26,664	31,785	5,121	19%	7
Other operating costs	99	643	544	547%	8
Depreciation	591	538	-52	-9%	
Corporate overheads	4,645	4,192	-453	-10%	9
Total Expense	54,489	60,343	5,854	11%	

Notes

- Total revenue growth from FY2017 - 2018 is driven by: (a) \$2,800k additional revenue from Revenue NSW in FY2018 - 2019 to cover higher volume of objection received from land tax notices. (b) \$1,877k increase in Just Terms revenue. (c) 1.8% CPI increase on land valuation fees for local councils as determined by IPART. (d) 2.2% increase on land valuation fees for Revenue NSW as directed by the Treasury. (e) \$375k decrease on Special Valuation revenue.
- Salaries and on-costs is \$1,895k lower than FY2017 - 2018. This is due to: (a) Treasury's revaluation of long service leave (LSL) is significantly lower in FY2018 - 2019 than FY2017 - 2018. (b) Redundancy expense accrual in FY2017 - 2018 was reversed in FY2018 - 2019. (b) Workers compensation cost is lower in FY2018 - 2019 than the previous year.

Valuer General Office Salaries and on-costs increases between FY2017 - 2018 and FY2018 - 2019 due to an adjustment for long service leave and a senior executive on long term leave.

3. Accommodation cost is higher in FY2018 - 2019, a reflection of the current occupancy agreements and market condition for CBD, Sydney metro and regional office leases.
4. Information & Computer Technology (ICT) is \$1,260k higher than FY2017 - 2018 driven by: (a) \$564k ICT cost in FY2018 - 2019 for Property Advisory Group integration project. (b) Higher ICT cost in FY2018 - 2019 in relation to ICT service provider transitioning cost.
5. Higher travel cost in FY2018 - 2019 is driven by: More travel cost incurred as a results of numerous team collaboration workshops and training during the year and increased executive team travel to and from regional office locations.
6. Contractors and Consultants cost increases by \$1,392k from FY2017 - 2018 driven by the digitisation of Notices of Valuation project collaborated with Service NSW.
7. Valuation contracts for FY2018 - 2019 is \$5,121k higher than FY2017 - 2018 primarily driven by: (a) increased objection volumes and associated costs \$3,376k higher than FY2017 - 2018. (b) Just Terms contract fee being \$1,494k higher in FY2018 - 2019 than FY2017 - 2018 commensurate with the higher revenue in FY2018 - 2019. (c) Higher mass valuation contract fee in FY2018 - 2019 driven by CPI increase.
8. Other Operating expenses for FY2018 - 2019 is \$544k higher than FY2017 - 2018 driven primarily by (a) Old filing record remediation and disposal project. (b) Provision for doubtful debt.
9. Corporate Overheads is \$453k lower in FY2018 - 2019 than FY2017 - 2018, driven mainly by the reduction in PAG corporate cost allocation to Valuation Services as a result of change in allocation modelling.

14. Performance measures

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

Key performance indicators

Key performance indicators	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	Target
Total valuations issued for rating and taxing purposes ¹	1,725,392	1,850,887	1,820,393	3,592,215 ²	1,049,937	510,149	—
Total valuations on Register of Land Values at 30 June	2,485,796	2,505,206	2,529,278	2,550,147	2,573,853	2,599,650 ³	—
Total Notices of Valuation issued	827,302	947,666	888,841	2,668,408 ⁴	62,139 ⁵	75,945	—
Customer service							
Total number of calls	31,286	23,641	26,364	34,428	18,983	19,308	—
% of calls resolved on first contact	93%	82% ⁶	85%	88%	86%	95%	85%
% of calls responded to within 3 days	99%	98%	90%	83%	77%	95%	90% ⁷

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

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

³ Data extracted on 30 June 2019.

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

⁵ Notices of Valuation are issued to landholders on a three yearly cycle effective from FY2016 - 2017, to coincide with general valuations to council. In FY2017 - 2018, general valuations were provided to one council. The figure provided for FY2018 - 2019 reflects Notices of Valuation issued: to landholders in two council areas, as a result of supplementary valuations, and those that were returned as undelivered and subsequently reissued.

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

⁷ KPI of 95% was changed to 90% in FY2014 - 2015 to accord with the Service Level Agreement in place between the Valuer General and Land and Property Information.

Ratepayers							
% Notices of Valuation issued within 31 days of completion	92%	96%	96%	90% ⁸	76%	91%	98%
% Notices of Valuation for general valuation issued to landholders by delivery date	100%	100%	100%	100%	No Notices of Valuation for general valuations issued this year	100%	100%
% general valuation land values issued to relevant council by delivery date	100%	100%	100%	100%	100% ⁹	100%	100%
% supplementary valuations to council within 31 days	100%	100%	100%	100%	98%	100%	100%
Revenue NSW							
% objections to land values for land tax completed within 90 days	63%	77%	64%	52%	53%	54%	85%
% objections to land values for land tax completed within 120 days	77%	94%	84%	82%	71%	81%	90%
% objections to land values for land tax, where land value is greater than \$1m, within 20 days	78%	93%	85%	88%	65%	78%	100%
% of final land values issued to Revenue NSW by delivery date	100%	100%	100%	100%	100%	100%	100%

⁸ 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.

⁹ One council received general valuation file in FY2017 – 2018.

Supplementary valuations							
Total supplementary valuations issued ¹⁰	53,767	81,225 ¹¹	53,284	52,286	54,146	51,232	—
Average days to complete	33 days	36 days	36 days	38 days	31 days	37 days	<60 days
Statistical quality measures for land values ¹²							
% Council areas meeting all standards - Residential	97.7%	98.5%	98.6%	98.6%	97.9%	100%	90%
% Council areas meeting all standards – Business / Industrial	86.1%	89.4%	88.5%	87.2%	93.4%	92%	85%
% Council areas meeting all standards – Rural	78.5%	85.2%	84.0%	86.7%	78.5%	80%	75%
Objections							
Number of objections received for all valuing years	4,814	4,933	7,051	9,306 ¹³	5,657	10,719	—
Number of objections completed for all valuing years	5,725	4,346	6,692	6,275 ¹⁴	9,146	6,988	—
Number of objections registered ¹⁵ as a % of valuations issued	0.28%	0.27%	0.39%	0.26%	0.54%	2.10%	—
% objections to land values completed in 90 days	67%	76%	50%	55%	51%	62%	80% ¹⁶

¹⁰ Issued here means issued to Council and Revenue NSW.

¹¹ Increase in supplementary valuations in FY2014 - 2015 was due to new local environmental plans. issued in LGAs. In the Annual Report for 2017 - 18, the footnote for this value was appended as the number to the actual value. This has been corrected for this report.

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

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

¹⁴ Now excludes incomplete objections with issued preliminary reports.

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

¹⁶ KPI of 85% changed to 80% in FY2014 - 2015 to accord with the Service Level Agreement and to recognise the increase in processing times as landholders have more opportunity to raise concerns.

% objections to land values completed in 120 days	80%	92%	73%	86%	71%	84%	90%
% objections to land values completed in 180 days	96%	99%	96%	94%	90%	94%	98%
Average number of days to complete objections	81 days	69 days	80 days	83 days	108 days	102 days	75 days
% of objections that led to a change in land value ¹⁷	—	—	30%	22%	21%	17.15%	—

¹⁷ First reported in 2015 - 2016 annual report.

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