IPART Independent Pricing and Regulatory Tribunal | NSW

Review of Valuer General prices to local government 2025

Final Report

May 2025

Local Government »

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Jonathan Coppel
Sharon Henrick

Enquiries regarding this document should be directed to a staff member:

Sheridan Rapmund	(02) 9290 8430
Albert Jean	(02) 9290 8413
Yvette Bauder	(02) 9113 7720

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Contents

1 Report Summary

IPART sets the maximum price that the Valuer General can charge councils for providing land valuation services. Councils use the land valuations to set rates. Our review aims to ensure that the Valuer General can recover the efficient costs of providing its services, and that councils pay only what is appropriate for the services they receive.

Our decision is to set a single maximum price of $7.93 per valuation across all councils. This will apply, adjusted for inflation, for 4 years from 1 July 2025 to 30 June 2029 (the 2025 determination period). The price in 2025-26 will be $8.12 per valuation after adjusting for inflation.

Our efficient costs were determined by building on the Valuer General's operational and budgeted costs over the last 6 years and providing adjustments, such as increases to reflect growth in valuation volumes. The maximum prices we have determined reflect the efficient costs of providing mass valuation and objection services to councils. The method we used to determine efficient costs is indifferent to whether services are provided in-house or contracted out. How services are provided is a matter for the Valuer General and Value NSW to decide. Our decisions provide the Valuer General with an increase of 7% per valuation in operating costs in real terms, compared to the 2019 determination.

Our Determination sets the maximum amount that the Valuer General can charge councils for land valuation services, not how those funds are to be spent. For example, our efficient cost methodology does not consider or direct whether the Valuer General should use in-house valuers or external contractors to undertake mass valuations.

This report outlines our decisions and explains how and why we reached them.

1.1 Our prices are slightly higher on average than our 2019 determination

We have assessed the proposal from the Valuer General and made decisions to:

- establish a determination period of 4 years
- allocate 30.3% of the Valuer General's efficient costs to local councils
- set a revenue requirement that reflects the Valuer General's efficient costs of $287.4 million
- adopt a single price of $7.93 per valuation for all councils rather than retaining the existing 4 distinct zone prices (Table 1.1)
- increase the price by the Consumer Price Index (CPI) each year.

Table 1.1 Current, Valuer General proposed and IPART prices ($2024-25)

	Current price $/Valuation	Proposed price $/valuation	Impact on council bills	IPART price $/valuation	Impact on council bills
Zone 1 - Country	9.16	11.62	26.8%	**7.93**	**-13.4%**
Zone 2 – Coastal	7.80	10.80	38.4%	**7.93**	**1.7%**
Zone 3 – Metro	7.20	9.44	31.1%	**7.93**	**10.2%**
Zone 4 - Sydney City	14.89	18.09	21.5%	**7.93**	**-46.7%**
Weighted average	7.91	10.45	32.0%	**7.93**	**0.2%**

Note: This table presents averages for each category weighted by the number of valuations conducted in each zone.
Source: IPART analysis.

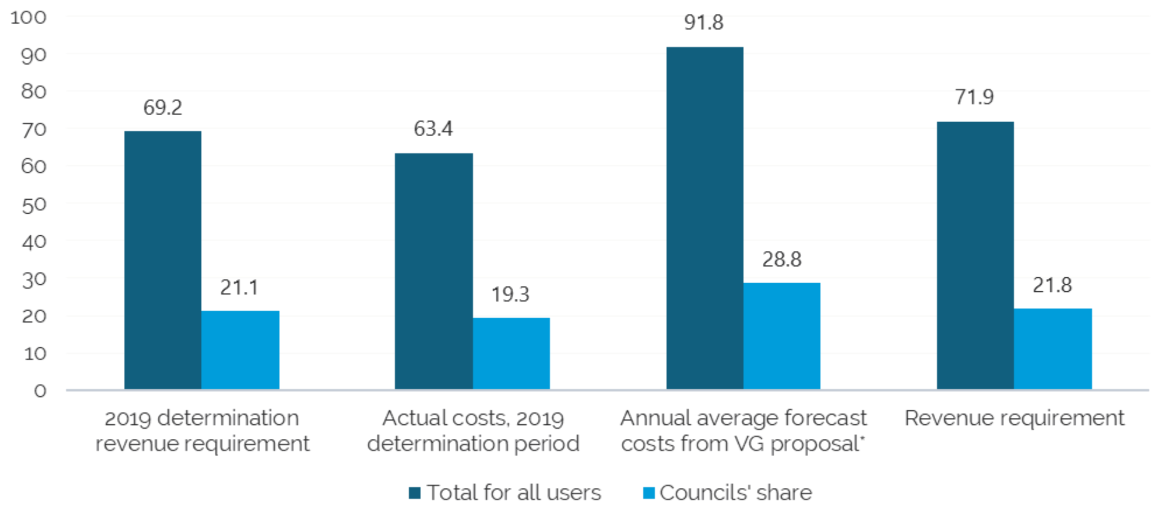
Impact on councils and ratepayers

A single price means that country councils and Sydney City would experience a bill decrease. Coastal and metropolitan councils would experience an increase in bills, although this would be a smaller increase than the increase proposed by the Valuer General. We consider that there is a potential impact on ratepayers, but any impact should be limited. On average rates make up one third of councils' income so costs may be able to be absorbed without impacting rates.[1]

Impact on the Valuer General

The total revenue requirement is $2.6 million per year more than our 2019 determination revenue requirement (Figure 1.1). Councils' share is $0.7 million higher than our 2019 determination.

Figure 1.1 Current determination period, proposed and IPART decision revenue requirement per year, ($ million, $2024-25)



Note: The actual costs are estimated, based on the Valuer General's reported actual operating expenditure and depreciation costs.
Source: IPART analysis. Differences may relate to rounding.

This determination provides an increase of 7%, in real terms, in efficient operating costs per valuation compared to our 2019 determination. IPART's determination provides a notional revenue amount, that covers the efficient costs of providing valuation services. It is the responsibility of the Valuer General and Value NSW to determine the appropriate use of these funds.

1.2 The Valuer General proposed increased revenue to be funded by higher charges to councils

The Valuer General proposed:

- a 6-year determination period from 2025-26 to 2030-31
- an increase in the revenue requirement, driven by higher estimated costs, of 34.8% to $554.14 million over 6 years
- apportioning 31.3% of its operating costs to local councils
- maintaining the existing 4 pricing zones
- raising the maximum prices that it can charge councils for land valuation services (Table 1.2).

Table 1.2 Valuer General's proposed prices ($2024-25)

Zone	2024-25 Price	Proposed 2025-26 Price	Difference ($)	Difference (%)
Country	9.16	11.62	2.46	26.8 %
Coastal	7.80	10.80	3.00	38.4%
Metro	7.20	9.44	2.24	31.1%
Sydney City	14.89	18.09	3.20	21.5%

Source: Valuer General, Pricing Proposal, p 58, IPART Analysis.

The Valuer General identified cost increases across a number of areas such as labour, mass valuation contracts, objections, and postage.

After the 2019 determination, the Valuer General made the following operational changes:

- A hybrid delivery model, where approximately half of mass valuations and objections are completed in-house rather than being contracted out.
- Reverting the general valuation cycle back to issuing one-third of valuations to local government areas each year, instead of once every 3 years to all local government areas.

A summary of the Valuer General's proposal is in Chapter 3 of this report. The complete proposal can be found on our website.

1.3 We have considered all feedback received from stakeholders

As part of this review, we published the Terms of Reference for the review, a 'Call for Submissions paper' and our Draft Report and Determination. We also held a public hearing and invited submissions from stakeholders.

We have identified the following key themes in the 60 submissions[a] we received:

- The proposed cost increases lack efficiency and value for money.
- There are potential financial impacts for councils and ratepayers if the Valuer General's proposed prices are implemented.
- The proposed cost allocation is inequitable for councils, and all users of valuation services should be charged more equitably.
- Councils should bear a smaller share of the cost of objections, if at all.
- Stakeholders raised affordability concerns, including cost of living pressures, and the impact of increasing the cost of valuation services for councils. Some councils suggested that reducing the costs allocated to councils would lessen this burden.
- Service quality and value for money were raised by some stakeholders who considered the increased cost for objections was not justified due to perceived poor processes.

We also received mixed feedback from stakeholders on the 4-zone pricing framework, the Valuer General's proposed hybrid method of delivery, and the quality of valuations.

We have considered all stakeholder feedback in reaching our decisions.

More details on the submissions received can be found in Chapter 3 of this report.

1.4 Changes since our Draft Report

In response to feedback to our Draft Report, we have included additional costs of Value NSW staff and an external consultant in relation to this review. These additional costs have increased the price per valuation from $7.86 to $7.93.

We have also updated the weighted average cost of capital (WACC) and inflation inputs. We have updated the market parameters in the WACC to incorporate data until 31 March 2025. There is no net change to the pre-tax WACC of 3.8%. Updates to IPART's 2024-25 inflation forecast from 2.2% to 2.0% have resulted in small adjustments to the regulatory asset base and some of the historical figures referred to in this report.

[a] We received 15 submissions to the draft Terms of Reference, 30 submissions to our Call for Submissions paper and 15 submissions to our Draft Report.

1.5 IPART's assessment

> We have relied on confidential information supplied by the Valuer General and stakeholders in arriving at our decisions. We are unable to publish this data which was supplied to IPART in confidence.

IPART has been asked to establish the maximum prices that the Valuer General can charge local councils for monopoly services[b] for 6 years.[2] Under the Terms of Reference we received from the Premier on 16 August 2024 we are required to consider:

- and identify the Valuer General's efficient costs of providing the monopoly services
- market-based factors over the determination period
- appropriate interim period adjustments
- the efficient allocation of costs between users of monopoly services
- any other relevant factors.

Land Valuation Services

For the Valuer General to deliver the monopoly services, it is required to undertake *Land Valuation Services*. These include:

- rating and taxing valuations
- objections
- customer experience and land data.

1.6 Our assessment methodology

We assessed the pricing proposal submitted by the Valuer General in September 2024[c]. This contained the Valuer General's proposed expenditure for providing land valuation services, its allocation of costs between users, and its pricing structure. In making our assessment, we considered feedback from stakeholders. Additionally, we engaged an independent expenditure consultant, The Centre for International Economics (The CIE) to provide advice on the efficient costs of land valuation services. Our expenditure consultant's assessment of the Valuer General's pricing proposal can be viewed on our website.

We also issued a section 22 notice under the IPART Act to obtain additional information on mass valuation contracts and minor users of valuation data.

b That is, the service of furnishing valuation lists and supplementary lists under Part 5 of the VOL Act 1916 by the Valuer-General to councils. This investigation has been undertaken under sections 12(1) and (3) of the IPART Act.

c Updated versions of this proposal were provided in October and the data supporting the proposal was updated in November 2024 to correct an error in labour calculations.

Our methodology for setting prices is as follows:

1.6.1 Our decisions

IPART sets maximum prices for valuation services provided by the Valuer General to councils under the *Valuation of Land Act 1916* (VOL Act). The Valuer General cannot charge more than the maximum price determined for land valuation services to councils but may charge less.

Our final decisions result in:

- A 4-year determination period rather than the proposed 6 years
- A single price per valuation of $7.93 ($2024-25) plus annual change in the CPI for all councils
- Efficient operating costs of $63.4 million per year or $253.7 million for the determination period
- The share of costs allocated to councils reduced to 30.3% of efficient costs

Our decision is to set a determination period of 4 years

We have assessed that there is considerable uncertainty regarding land valuation and objection costs for the Valuer General over the referral period of 6 years. The Valuer General has established a new operational model and is yet to retender mass valuation contracts. Our decision is for a 4-year pricing determination.

4 years

Over the next 4 years, the Valuer General will be able to establish the new operational model, undertake external tenders and achieve efficiencies.

The Valuer General will also be able to collect additional information on objections and other users of valuation data.

Our discussion on the length of the determination can be found in Chapter 4 of this report.

We have determined efficient operating costs 7% higher per valuation than our previous 2019 determination

Our decision for efficient operating costs is $63.4 million per year, or $253.7 million for the provision of land valuation services over the 4-year determination period. Overall, our efficient costs are 16% lower than the costs proposed by the Valuer General (excluding unregulated costs), but are an increase of 7% per valuation, in real terms, compared to the 2019 determination.

$63.4m

Forecast efficient costs are based on:

- Average costs over the last 6 years
- Reasonable changes in costs
- Growth in valuations
- A 5% increase in mass valuation costs.

Our discussion on the Valuer General's efficient costs is in Chapter 5 of this report.

Our decision is to allocate a slightly lower share of costs to councils

Costs have been distributed among users following the 'impactor pays' principle. Users are charged based on the extent to which they contribute to the necessity of incurring the cost. However, minor users of the valuation data have been excluded from this cost allocation.

30.3%

Our decision is that 30.3% of the Valuer General's efficient costs are allocated to councils. Our allocation of individual operating cost categories is generally the same as what the Valuer General proposed.

Our overall allocation of 30.3% is lower than the 31.3% proposed by the Valuer General in its pricing proposal.

Chapter 6 outlines the methodology we applied in reaching our decision on the allocation of costs to councils.

Our decision is for councils to pay $87.2 million over 4 years

We have assessed that the Valuer General's required revenue for providing land valuation services over the next 4 years will be $287.4 million, of which $87.2 million will be recovered from councils.

The revenue requirement includes a reduction of $2.8 million over the determination period to ensure that councils are not overcharged for depreciation. This has resulted in a $0.25 per valuation reduction in the price paid by councils.

The total revenue requirement is 24% lower than the revenue requirement proposed by the Valuer General over the 4-year determination.

$87.2m

Over 4 years

The councils' share of required revenue has been adjusted for unused capital expenditure, revenue from minor users, increases in the number of valuations, and working capital.

Chapter 7 discusses our methodology for determining the Valuer General's required revenue.

Our decision is a single price per valuation for all councils

We have reviewed the existing 4-zone pricing structure that the Valuer General proposed to retain. Changes to the Valuer General's operational model have reduced our ability to allocate cost-reflective prices to the 4 zones. All coastal zone valuations will now be done in-house. We investigated a risk rated pricing structure which more closely reflects the costs of carrying out land valuations, but further information is required to develop such a model. We propose that a single price across the state is the most appropriate pricing option at this time.

$7.93

Our decision is to apply a single price of $7.93 ($2024-25) per valuation for all councils.

Chapter 8 discusses our pricing decisions and its impact on councils and ratepayers.

1.7 Our Decisions and Recommendations

We have made the following decisions:

Decisions

1. To set prices for a 4-year period from 1 July 2025 to 30 June 2029. 24
2. We have assessed that the Valuer General's efficient operating costs for providing valuation services over 4-years is $287 million. 27
3. To allocate 30.3% of the Valuer General's efficient operating costs to councils. This is based on allocating to councils 42
   a. 25% of rating and taxing valuation costs 42
   b. 50% of objection costs 42
   c. 50% of customer experience and land data costs 42
   d. 99.7% of postage costs 42
   e. 100% of graphic costs 42
   f. 0% of unregulated costs 42
   g. 100% of IPART's charge for this review plus an allowance for the Valuer General's review costs. 42
4. To set a total revenue requirement for valuation services provided to all users of $287.4 million which is shown in Table 7.1 and comprises: 53
   a. an efficient operating expenditure allowance of $287.0 million 53
   b. a depreciation allowance of -$6.6 million 53
   c. a return on the Regulatory Asset Base of -$2.6 million 53
   d. a working capital allowance of $9.6 million 53
5. To set a revenue requirement to be recovered from councils of $87.2 million, which is shown in Table 7.2 and comprises: 53
   a. an efficient operating expenditure allowance of $87.1 million 53
   b. a depreciation allowance of -$2.0 million 53
   c. a return on the Regulatory Asset Base of -$0.8 million 53
   d. a working capital allowance of $2.9 million 53
6. To subtract $0.08 million for income from minor users from councils' share of the revenue requirement before we set prices, which is shown in Table 7.3. 53
7. To calculate the total revenue requirement by: 53
   a. adopting a building block method with a Regulatory Asset Base, simplified by incorporating the tax allowance into the return on assets component of the revenue requirement. 53
   b. compensating councils for previously overpaid depreciation in prices, with one third repaid over the 4-year determination period. 53
   c. setting the opening Regulatory Asset Base to be -$20.1 million and the closing Regulatory Asset Base to be -$13.4 million, which is shown in Table 7.5. 53
   d. using a weighted average cost of capital (WACC) of 3.8% (pre-tax real) to calculate the return on the Regulatory Asset Base and 6.7% (pre-tax nominal) to calculate the working capital allowance. 53
8. To set a maximum price for all councils of $7.93 ($2024-25) per valuation from 1 July 2025 ($8.12 with inflation). 63
9. To increase the price by CPI on 1 July each year of the determination period. 63

We have made the following recommendations to inform future pricing decisions.

Recommendations

1. The Valuer General to ensure all objections are attributed to either rating or taxation and to publish the split of these costs in future annual reports. 49

2. The Valuer General enhances transparency by gathering information on the specific purposes for which land valuation data is used, alongside any associated revenue generated and costs incurred. 52

3. The Valuer General to take reasonable steps to capture unit mass valuation costs by risk rating to inform future pricing decisions. 65

4. The Valuer General to continue to work with the Local Government sector to provide additional information, for example to clarify the impact of land valuations on council rates, in a timely manner to reduce the number of objections. 72

2 Valuer General's pricing proposal

The Valuer General's pricing proposal[d] was submitted to IPART in September 2024 and the Valuer General updated underlying (labour) assumptions in November. The proposal contains the Valuer General's proposed costs, cost allocation between users, and pricing for councils (Table 2.1).

Table 2.1 The Valuer General's proposed prices for councils in real terms ($2024-25)

Council Zone	2019-20 to 2024-25 Current Price	2025-26 to 2030-31 Proposed Price	Difference ($)	Difference (%)
Country	9.16	11.62	2.46	26.8%
Coastal	7.80	10.80	3.00	38.4%
Metro	7.20	9.44	2.24	31.1%
Sydney City	14.89	18.09	3.20	21.5%

Note: The Valuer General has updated their proposed costs. See section 5.1 of this report.
Source: Valuer General, Pricing Proposal, August 2024, p 58.

2.1 The Valuer General proposed a 35% increase in revenue requirement

The Valuer General proposed a 34.8% increase in revenue requirement to $554.14 million, driven by higher estimated costs over 6-years. Operating expenses are the main driver of the increase accounting for 94% of the proposed revenue requirement. The Valuer General's proposal forecast increased operating expenditure over the 6-year referral period of $522.9 million.

The Valuer General's proposal used a cost-plus margin approach to calculate the total revenue requirement. In addition to operating expenditure the Valuer General forecast depreciation costs of $10.58 million over the 6-year referral period, and an operating margin of 3.8%.

The Valuer General's higher projected costs do not result from greater demand for land valuations from councils. Increased costs are due to:

- **A predicted rise in external contract costs:** The Valuer General expects that significant cost increases will be experienced in the upcoming retendering of mass valuation contracts.
- **An increase in objection costs**: The Valuer General has advised that the cost of objections has risen with demand for valuation services exceeding supply.
- **An increase in in-house valuations**:The Valuer General expects that a greater percentage of valuations being conducted internally will require higher staffing levels.
- **Greater per capita overhead costs:** The Valuer General proposes large increases in corporate overhead charges over the determination period, including ICT costs. These are costs that are required from their overarching Department (The Department of Planning, Housing and Infrastructure).

[d] The Valuer General's pricing proposal is supported by independent consultancy firm Scyne Advisory, who assisted in the delivery and the building of the activity-based costing model.

2.1.1 The Valuer General proposed a new allocation of costs for councils

The Valuer General allocated costs between Revenue NSW and councils (Table 2.2). It also allocated 99.7% of postage and 100% of graphic costs to councils, consistent with previous determinations.

Table 2.2 The Valuer General's proposed apportionment between users

Service Delivery Area	Allocation	Allocation methodology
Rating and Taxing	25.0% to councils 75.0% to Revenue NSW	Based on the number of valuations issued to councils compared to Revenue NSW each year. Methodology is consistent with the last determination.
Objections	50.2% to councils 49.8% to Revenue NSW	Based on the 3-year historical average of general objections (related to councils) proportionate to land tax objections (related to Revenue NSW). Methodology is consistent with the last determination over a shorter period. Split also differs due to a change in objections mix.
Customer Experience and Land Data	50.0% to councils 50.0% to Revenue NSW	Customer Experience and Land Data team undertakes supplementary valuations, with effort equally attributable to councils and Revenue NSW. Methodology is consistent with the last determination.

Note: The Valuer General allocated indirect costs, such as corporate support costs, to these direct cost categories before apportioning total costs between users.

Source: Valuer General, Pricing Proposal, August 2024, p 45.

2.1.2 The Valuer General proposed continuing the pricing structure based on 4 geographic zones

The Valuer General's proposed differential pricing model charges a single price per property valuation within each of the 4 geographic zones.

The geographic pricing zones established in 2019 were designed to reflect the cost of mass valuation contract prices at the time for country, coastal and metropolitan zones and Sydney City. Councils were then charged the price for the zone they were in.

2.1.3 The Valuer General proposal is for a 6-year determination period

The Valuer General proposed a 6-year determination to capture 2 complete 3-year valuation cycles.

2.1.4 Value NSW has made operational changes since the last determination period

Since the last determination, Value NSW (previously known as Valuation Services) has changed its operational model. These changes include:

- Adopting a hybrid delivery model where approximately 55% of mass valuations and 50% of objections will be completed internally or 'in-house'. Previously these services were provided by external contractors.

- Valuations are issued to approximately one-third of local government areas each year, rather than issuing all valuations to all local government areas once every 3 years.

2.1.5 The Valuer General spent less than expected in the previous determination period

Historical operating expenditure was underspent by 4.8% over the determination period. This was largely driven by contingencies in mass valuation contracts that were not realised and due to the transition to a hybrid service delivery approach for mass valuation services.

Historical capital expenditure was 35.3% underspent over the determination period. This was primarily due to delays in the implementation of Val IQ, a new information and communications solution designed to deliver business processes for land valuations. These delays were experienced due to external hurdles in seeking funding and approval for the project's implementation.

2.1.6 The Valuer General has aimed to improve service delivery

Value NSW have sought to improve the quality and efficiency of its services. Through the current determination and into this determination, they have made several changes to their process and system. These initiatives include:

- revised workforce structure and staff engagement
- in-house valuations and valuation process changes
- redistribution of general valuation notices
- modified service delivery and access to information
- objections process review
- improving public education and customer experience.

2.2 The Valuer General oversees the land valuation system

The VOL Act established the Valuer General as the independent statutory authority responsible for the overall management of the land valuation system in NSW.

The role of the Valuer General is to:[3]

- exercise functions with respect to the valuation of land in the State, and
- ensure the integrity of valuations, and
- to be the custodian of the Register of Land Values.

Value NSW, through delegation, completes day to day operations on behalf of the Valuer General. In this report, we use the term Value NSW to refer to the tasks undertaken to meet the Valuer General's obligations under the VOL Act.

2.2.1 The Valuer General offers a range of valuation services to NSW

The Valuer General provides valuation services to councils for rating purposes. It also provides other land valuation services which are outside the scope of this review. The full range of valuation services provided by the Valuer General includes:

- land values for rating and taxing purposes
- the determination of compensation following the compulsory acquisition of land
- an objections and appeals process against valuations
- specialist/private valuations and property advice to government
- valuations completed by NSW Valuer General.

2.2.2 Valuations for Rating and Taxing purposes

The land valuation system helps councils determine what rates to levy in NSW under the *Local Government Act 1993 (NSW)* and in the determination of land tax raised by Revenue NSW.[e] Councils must use the Valuer General to obtain land valuations for rating purposes. The Valuer General charges councils for the land valuation service it provides.

Value NSW uses a mass valuation approach for rating and taxing valuations. Most land valuations are currently performed under contract. Properties with similar attributes such as location, size and amenity are grouped into 'components'. Representative properties are inspected and verified in each component and benchmark properties are selected to monitor for price changes. Price changes are then applied across all the properties in each component.

Land valuations provided to councils are used to charge rates which fund infrastructure and services in their local government areas. Rates income represents around one third of NSW councils' combined total income. Increases in land values change the distribution of rates among ratepayers but not the total amount raised by councils.

Members of the public can search land values for free on the Valuer General's website and request certificates of land value.

[e] Section 48 of the VOL Act requires the Valuer General to provide valuations to councils at least once every 3 years and to Revenue NSW annually.

3 What we heard from stakeholders

We sought stakeholder feedback for this review on 4 occasions. We asked for submissions to our draft Terms of Reference and in response to our Call for Submissions Paper – which we published along with the Valuer General's pricing proposal. We sought feedback on our draft decisions in the Draft Report and held a public hearing to provide an opportunity for stakeholders to provide further feedback. As part of our consultation process, we also held meetings with other users of valuation services, councils and valuation companies.

In total, we received 60 submissions from a mix of stakeholders including members of the public, local councils and industry groups.[f] Fourteen submissions were marked as confidential.[g]

The public hearing was attended by more than 85 non-IPART stakeholders, including:

- the NSW Valuer General, Value NSW CEO and staff
- 41 representatives of local councils
- industry groups such as Local Government NSW, NSW Revenue Professionals, and the Institute of Chartered Surveyors
- private valuation businesses including Quotable Value Australia and Domain Group
- the general public.

[f] We received 15 submissions to the draft Terms of Reference and 30 submissions to our Call for Submissions Paper.

[g] The Tribunal has taken all stakeholder feedback into account in making its decision in accordance with our Submissions Policy, including all confidential submissions. IPART does not publish in our reports any feedback we have received in confidential submissions.

Figure 3.1 Level of stakeholder engagement

15
Stakeholder submissions received on the draft Terms of Reference

9
Stakeholder meetings (online and in-person)

30
Submissions received in response to our Call for Submissions paper

1
Public Hearing on 15 April 2025

85+
Participants attended the Public Hearing

15
Stakeholder submissions received in response to the Draft Report

3.1 The Valuer General responded to the Draft Report

In response to IPART's Draft Report, the NSW Valuer General and Value NSW presented at our public hearing and lodged a submission[h]. The key issues raised in their submission were:[4]

- baseline funding being appropriately calculated
- key benefits realised from the move to a hybrid operating model, including moving 50% of valuations in-house
- corporate costs being included for staff employed to perform in-house valuations
- allocated mass valuation costs not reflecting the current market
- the resulting risk of the Valuer General being unable to meet legislative requirements due to the draft determination.

Additionally, they requested inclusion of $932,580 in efficient costs to compensate for contractor costs and Value NSW staff to undertake this review.

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h A recording of the Public Hearing can be viewed here.
The Valuer General-Value NSW's submission can be found here.

3.1.1 Baseline funding being appropriately calculated to consider staff vacancies

The Valuer General-Value NSW's submission stated that there were significant staff vacancies during a challenging period, and expressed the view that using a 6-year average is not reasonable. This period had significant staff vacancies which have reduced expenditure, leading to a skewed assessment of operating costs.[5]

The Valuer General-Value NSW's submission indicated that during this period, Value NSW failed to meet legislative and service obligations under the VOL Act, highlighting the impact of staff vacancies on NSW valuation system's performance.[6]

Our analysis of efficient costs can be found in Chapter 5 and our analysis on performance indicators in section 9.1.4.

3.1.2 Corporate costs being included for staff employed to perform in-house valuations

The Valuer General submitted that IPART has not accurately accounted for additional corporate costs for staff employed to perform in-house valuations.[7]

Our analysis on corporate overhead costs can be found in section 5.5.5.

3.1.3 Allocated mass valuation costs not reflecting the current market

In its submissions, the Valuer General has stated the allocated mass valuations costs do not reflect the current market.[8]

Our analysis on mass valuation costs can be found in section 5.5.1.

3.1.4 The resulting risk of the Valuer General being unable to meet legislative requirements due to the draft determination.

At the public hearing and in their submission to our Draft Report the Valuer General-Value NSW submitted that the draft determination does not provide adequate funding to service the NSW valuation system and that if finalised as is, there is a risk of failure to meet legislative obligations under the VOL Act.[9] They also submitted that underperformance was a factor when staff resourcing was not at an appropriate level and therefore the baseline funding allocated by IPART puts the Valuer General and Value NSW at risk of reverting to former performance levels.[10]

Our analysis of performance can be found in section 9.1.4.

3.1.5 The Valuer General has requested the inclusion of review costs

The Valuer General has requested that IPART include $932,580 to account for review costs. This consists of consultancy cost for preparing the Valuer General-Value NSW's pricing proposal, the Valuer General's time, Value NSW's senior executives and staff time.[11]

Our analysis of these review costs can be found in section 5.5.8.

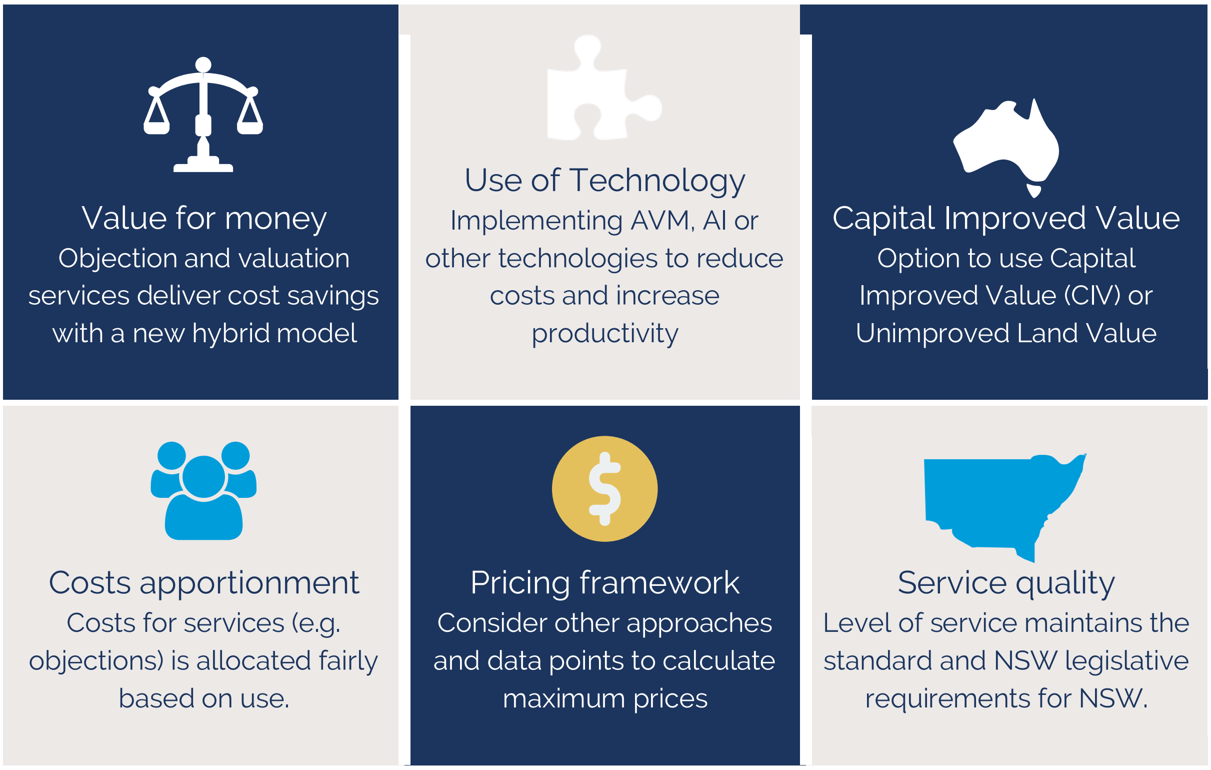
3.2 Other stakeholders were generally supportive of our draft decisions

Submissions from local governments and representative organisations generally supported our draft prices, pricing structure and determination period. These submissions appreciated that we aligned proposed prices with estimated efficient costs. Submissions in support of a 4-year determination period argued that this would allow for future cost uncertainty and changes in technology.

We also received feedback from some stakeholders that proposed changes to our draft decisions. Two submissions proposed that IPART consider applying a similar approach to the rate peg to Valuer General prices.[12] We heard a suggestion that any year-on-year valuation price increases should be in line with the rate peg.[13] The Valuer General and one individual opposed our proposed prices.[14]

We have responded to these submissions in Chapter 8.

Figure 3.2 Key themes raised in our stakeholder consultation



Source: Submissions to the Terms of Reference, Call for Submissions paper, IPART's Draft Report and issues raised at the public hearing

3.3 We received feedback to the pricing framework

In submissions received prior to the Draft Report, there were varied views on whether the zonal pricing structure should be retained. Two councils responded that the current zonal structure should be retained.[15] Five stakeholders questioned whether the hybrid model negated the validity of the zonal pricing model. We heard from some councils that the zonal structure should be retained but with some changes. For example, submissions asked for more detailed categorisation of councils within the pricing framework.[16] One submission proposed that zones should be aligned with the contract areas.[17]

3.3.1 We asked stakeholders if they would support a risk-based pricing structure in the future

We asked stakeholders whether they would support a risk-based pricing structure and for the potential advantages and disadvantages of this approach. We received 5 submissions in support of investigating the merit of a risk-based pricing structure.[18] Blacktown City Council agreed with adopting a risk-based approach, but asked for IPART to be cautious as property risk ratings are not the only factor which can affect the cost of valuation.[19] Local Government NSW were concerned that a risk-based structure may add unnecessary pricing complexity.[20] The NSW Revenue Professionals showed concern for potential additional costs in data collection to support a risk-based approach.[21]

3.3.2 Stakeholders supported our draft decision to move to a single price per valuation

Most submissions supported our proposed single price per valuation. Submissions generally suggested that if a risk-based pricing structure were to replace the flat-fee structure in the future, then there should be strong evidence for its replacement and the potential benefits.

3.4 Stakeholders commented on the allocation of costs

The majority of stakeholders who commented on the Valuer General-Value NSW's proposed allocation of costs indicated that costs should be allocated across all users of land valuation services (including minor users).

Several submissions questioned the Valuer General-Value NSW's proposal to increase the share of costs recovered from councils. Councils generally believed that costs are disproportionally allocated to councils and undercharged to Revenue NSW.

NSW Revenue Professionals suggested that the current apportionment failed to recognise that councils are using the data less (councils receive valuations every 3 years as opposed to Revenue NSW receiving valuations annually).[22]

3.4.1 We asked stakeholders if IPART should change the way it allocates costs to other users of land valuation data

We sought comment from stakeholders on the issue of other users in our Draft Report. We received 4 submissions in support of other users being allocated their fair share of costs.[23] Campbelltown City Council said that ratepayers are not aware that they are burdened with the costs of providing valuation information broadly to other users (e.g. minor users).[24]

We deducted the revenue received from other users (identified as minor users in the Valuer General's proposal) of mass valuation data from the Valuer General's revenue requirement. Our response to these submissions and further details of our decision is in section 6.4.

3.5 Stakeholders raised concerns with objections

3.5.1 Stakeholders argued that councils should bear a smaller share of the cost of objections

Eleven submissions to our Call for Submissions paper noted that councils should not have to pay for objections and that objectors of land valuations should be charged a fee to lodge an objection. We also heard that:

- The process of undertaking analysis of objections was suggested to be a quality assurance cost that should be borne by the NSW Government.[25]
- It is unclear why councils should bear the increased costs related to objections stemming from valuations.[26] Local Government NSW noted in their submission that it is their understanding that objections for land tax-based assessments are naturally more complex, higher in value, and more frequently contested.[27]

3.5.2 Stakeholders disagreed with our draft decision to allocate 50% of objection costs to councils

We received further feedback around objections in response to our Draft Report, including 5 submissions against our draft decision to allocate 50% of objection costs to councils. These submissions proposed a lower allocation to councils to reflect the lower level of objections relating to rates (and councils) compared to those relating to land tax (and the NSW Government).[28]

NSW Revenue Professionals maintained that without strong evidence, the 50:50 split in the costs of objections is unreasonable as is the share in costs associated with ancillary enquiries on land valuations for customer experience, postage and graphic costs.[29]

Our preference is to use objection tender figures, rather than objections lodged, to form the basis of cost allocation because it is related to actual costs incurred. We have responded to the queries of stakeholders and detailed our final decision in section 6.3.2.

3.5.3 We asked stakeholders how to reduce the number of objections

In our Draft Report, we sought comment from stakeholders on whether the Valuer General should investigate ways to reduce the number of objections, given there are rising objections related costs. Submissions were supportive of the Valuer General seeking to reduce objection numbers. We heard from Local Government NSW, Campbelltown, Sutherland and Blacktown Councils, and one individual that education and transparency of the impacts of land valuations (particularly on land rates) should accompany any valuation notices.[30] NSW Revenue Professionals advocated for efficiency savings from ‘simple cutbacks’ such as discontinuing information paper that accompanies every Notice of Valuation.[31]

Councils such as Campbelltown City Council use resources to check outlying valuations prior to calculating and levying council rates. Sutherland Shire Council submitted that it publishes a rates calculator to show the impact of new valuations on rates. They noted that landowners often see their increase in land value as a positive, until they receive their land rates notice many months later – leading to objections.[32]

3.6 Stakeholders commented on the Valuer General-Value NSW’s proposal

3.6.1 Stakeholders argued that the Valuer General-Value NSW’s proposed costs do not represent value

Eighteen stakeholders responded to our Call for Submissions paper, expressing disagreement with the cost increases proposed by the Valuer General.

Overall, these submissions considered the proposal did not represent good value. They submitted that that the level of proposed increases was unsubstantiated. Local Government NSW suggested in a submission to our Draft Report that the Valuer General-Value NSW’s pricing proposal was excessive, unjustified, and lacked essential details.[33]

3.6.2 Stakeholders cited that the proposal lacked efficiency and cost savings

Some submissions pointed to the lack of any demonstrated improvements in efficiencies over the determination period. These included:

- Five councils that expressed concerns that the Valuer General has not identified where it has reduced costs or gained efficiency.[34]
- Four submissions that referred to an article in the Australian Financial Review where Value NSW representatives spoke of $16 million in savings over the determination period, which they considered are not evidenced in the proposal.[i][35]
- Eleven respondents that felt that AI and innovation should result in a decline in manual processing and/or future efficiency gains. These submissions expected that improvements should result from increased application of AI and technology in the valuation process.

[i] Bleby. M, *NSW Valuer General takes half of its 2.7 million valuations in-house*, Australian Financial Review, 3 Sept 2024

- Two submissions to our Draft Report favoured the use of technology in valuations for efficiency gains. The Domain Group argued that shifting to an automated valuation model could improve cost efficiency and avoid excessive labour and ICT expenses.[36] NSW Revenue Professionals suggested that IPART's pricing determination should incorporate an efficiency factor. They supported our proposed shorter determination period to allow for near-future advances in technology.[37]

3.6.3 Individuals are worried about the potential flow on effects of greater costs

Five submissions that we received from individuals raised an issue with the potential impact of the Valuer General-Value NSW's proposed prices on councils. They expressed concerns about the potential flow on effects to the affordability of council rates. They suggested that this would lead to financial hardship for ratepayers and cited cost of living pressures.

Our analysis on the impact on councils is in section 8.6.

3.6.4 We received other feedback around costs

In response to our Call for Submissions paper, stakeholders noted that the Valuer General's operating expenditure during the current determination period has been below the levels approved by IPART. Submitters suggested that this cost saving has not been passed through to councils.

- There was strong support (13 submissions) for phasing in cost increases rather than a step increase.
- Fifteen submissions expressed concerns that the proposed cost increases were out of line with the current rate peg and that councils are unable to raise funds to cover them.
- There was concern that cost shifting from the NSW Government has impacted councils. Submissions noted this cost is not able to be included in the 2025-26 rate peg that has already been set.
- One submission proposed that IPART consider applying a similar approach to the rate peg to Valuer General prices.[38]

Our analysis in section 8.6 is that increasing prices by the rate peg would not reflect the costs of providing the valuation services.

3.6.5 Stakeholders showed mixed support for the hybrid model

We heard mixed levels of support for the Valuer General-Value NSW's proposed shift to a hybrid model. Two stakeholders supported the hybrid model on the basis that the Valuer General had indicated that it would reduce costs.[39] However, respondents were concerned that the hybrid model:

- reduces justification for the 4-zone price model[40]
- would not lead to any cost savings[41]
- would reduce competitive pressure to minimise costs, resulting from the Valuer General in-housing valuations[42]
- would reduce quality controls and lead to higher objection volumes.[43]

3.7 Stakeholders gave mixed feedback around the quality of valuations

We received mixed feedback around the quality of the land valuation service provided by the Valuer General.

- Individuals shared their concerns about the quality and inconsistency of valuations and the impact of pricing on rates. Some submissions expressed dissatisfaction with the process and outcome of objections. We heard this from ratepayers across NSW, but particularly from a cluster of Albury residents.[44]
- We received some feedback that the Valuer General's service quality was positive or neutral, including a submission from Local Government NSW advising that there has been performance improvement over time.[45]

3.8 We heard other matters relevant to the review

We heard several other matters raised in submissions to the review. Some stakeholders considered that:

- IPART should consider reducing the determination period from 6 years to 3 years. Submissions suggested that a shorter referral period would better align with council land valuation cycles and provide for a more accurate reflection of costs.[46]
- There should be an opportunity for councils to engage the services of independent valuers to provide land valuation data.[47]
- Councils should be able to choose between using Capital Improved Values (CIV) and the current land value (unimproved), should the option be feasible.[48] Domain Group submitted that Capital Improved Value (CIV) is the most used rating basis both nationally and internationally. They submitted that Value NSW should move to a fairer, more transparent and more efficient system, in line with other states.[49]
- IPART's review should investigate the potential impacts from any future emergency services funding reforms with the potential introduction of a new broad based property levy.[50]

4 Length of Determination

Decision

1. To set prices for a 4-year period from 1 July 2025 to 30 June 2029.

The Valuer General proposed a 6-year determination period in line with the referral period. However, we found that a 4-year determination period is more appropriate due to the uncertainty regarding costs under the Valuer General's new operational model.

For this report, we have converted the Valuer General-Value NSW's proposal to 4-years to match the length of our determination.

4.1 The Valuer General has proposed a 6-year determination period

The Terms of Reference provide for a 6-year referral period. They are framed flexibly so that IPART can, if it chooses, make one or more determinations that cover, when taken together, a total period of 6 years.

The Valuer General proposed a 6-year determination based on 2 x 3-year valuation cycles. However, under the current determination one third of council valuations will be delivered each year.

IPART has identified that over the 6-year referral period, there is:

- uncertainty around external mass valuation and objection contractor costs
- significant changes resulting from the move to in-house mass valuations
- insufficient information regarding objections and minor user revenues
- a lack of proposed efficiencies, especially around objections
- uncertainty about possible regulatory changes as part of any emergency services funding reform.

4.2 Some stakeholders supported a shorter determination period

Three stakeholder submissions suggested that IPART should conduct shorter interval pricing determinations. One stakeholder submitted that by reducing the length of the determination period, and by IPART conducting reviews more periodically, would lead to more accurate pricing estimations.[51] Another stakeholder suggested that IPART conduct a 3-year pricing review to better align with councils' 3-year land valuation cycles.[52]

Submissions from local governments and local government organisations generally supported our draft decision for a 4-year determination period. These submissions considered that a shorter determination period would allow for future cost uncertainty and changes in technology.

4.3 Our decision is to adopt a 4-year determination period

In our 2019 determination, we supported a 6-year determination because we had confidence in the Valuer General's costs. The Tribunal's reasoning was primarily based on the understanding that mass valuation contracts were structured with a 5-year term and an optional 1-year extension. This ensured that 40% of costs were fixed over the determination period. We were subsequently advised that contracts were established with 5 + 1 + 1 terms. IPART also determined that mass valuation contracts were tendered into a competitive market and therefore were efficient.

However, as discussed in Chapter 5 of this report, the Valuer General has implemented a new operational model. The Valuer General is proposing to tender around half of all mass valuations and objections during the determination period resulting in uncertainty regarding costs.

We have decided on a 4-year determination, as this period will allow Value NSW to:

- embed in-house valuations
- undertake tenders for mass valuations
- develop and implement performance measures that compare efficiencies between in-house and external providers of valuation and objection services
- collect information on objections and minor users
- identify and implement productivity savings around mass valuations and objections.

A 4-year determination will also provide a level of certainty for councils for budgeting purposes.

Under the current Terms of Reference, IPART will be required to make one or more subsequent determinations for the remainder of the referral period (2 years), which would involve a subsequent review.

4.3.1 We are not proposing interim period adjustments during this determination

The Terms of Reference state that IPART should:

> "consider valuation service market-based factors over the determination period and identify where appropriate interim period adjustment parameters where unforeseen or unavoidable external costs may be incurred."

IPART has not previously implemented an interim period adjustment for our determination of Valuer General prices. As part of this review, we have considered the benefits and drawbacks of passing on unexpected costs that will eventually fall on councils.

We have assessed that *unforeseen and unavoidable external costs* cannot be incorporated into the pricing determination. This is because there needs to be a detailed assessment of whether the cost is efficient and how these costs are to be allocated between users of valuations. If costs change materially during the determination period, the Valuer General can propose including these costs at the next price review.

Any *unforeseen and unavoidable external costs* will be assessed in a subsequent review and addressed in the next determination.

4.3.2 IPART can undertake a new review within the determination period

There are areas of uncertainty or potential change that could affect the operations and financial model of the Valuer General and warrant a re-examination by IPART. IPART may choose to undertake a new review within the 4 years if there are events that impact the costs of land valuation services or the apportionment of those costs.

Potential changes may cause IPART to undertake a new determination

There are potential regulatory changes that may alter the services that the Valuer General is required to provide or that change the regulated users of the Valuer General's land valuation services. If these result in changes to the Valuer General's costs or warrant a different apportionment of those costs to users, IPART may undertake a new determination.

For example, if any potential reform of the emergency services levy were to require valuations to use capital improved value, this may change the Valuer General's costs or require revision of the apportionment of costs to users.

5 IPART's assessment of the Valuer General's operating costs

Decision

2. We have assessed that the Valuer General's efficient operating costs for providing valuation services over 4-years is $287 million.

Our decision for efficient operating costs for providing land valuation services averages $71.7 million per year. Over the 4-year determination, efficient operating costs are $287 million (including unregulated costs and the cost of this review). IPART's efficient annual operating costs for this determination are 7% higher per valuation than under the 2019 determination.

The Valuer General-Value NSW has stated that IPART has identified that the in-house model is inefficient.[53] IPART does not have a view on the specific method used to undertake mass valuations or objections. IPART's role is to determine a maximum price which reflects efficient costs; this provides the Valuer General and Value NSW a revenue envelope. The Valuer General and Value NSW determine the appropriate use of these funds.

We engaged The Centre for International Economics (The CIE) as our cost consultants, to assess the Valuer General's efficient operating costs. The CIE's report can be found on our website.

The Valuer General is transitioning to a hybrid business model. Under this model, around half of mass valuations and objection assessments will be conducted in-house by Value NSW which reduces reliance on external contractors.

IPART has considered all the comments raised in the Valuer General's response to our Draft Report (section 3.1). As the independent regulator our role is to ensure that maximum prices for monopoly services are set to reflect efficient costs. Based on our analysis and advice from our cost consultant, we have determined maximum prices that reflect our views on the efficient costs of providing land valuation services.

Future contract costs are uncertain. Historically, rating and taxing valuation costs were determined by public tender. These costs were previously considered efficient as they had been determined through a competitive process.

However, for this review the proposed rating and taxing valuation costs have not been through a tender process. Half of the rating and taxing valuations will be completed in-house. The remaining external mass valuations contracts were extended and have not been retendered and therefore market-tested contract costs are not available. We consider that the results of 2 tenders in 2022 are not necessarily a guide of market outcomes in 2026. Given this uncertainty the Tribunal has decided to set a shorter determination period and to use historical expenses to inform efficient costs.

It is our understanding that under the current Terms of Reference, IPART is authorised to make as many determinations during the 6-year referral period as it sees fit. If there are material changes in costs that result from future market testing, it is open to the Valuer General to request IPART commence its next review and determination earlier than the expiry of the existing determination, although IPART is not obliged to agree to such a request. A request from the Valuer General for a fresh determination is only one of the factors that may lead IPART to issue a new determination.

To allow us to issue a fresh determination and report that responds to emerging issues, we may request that the Premier provide new Terms of Reference in future. We consider the prospect of issuing additional determinations within the referral period to be preferable to setting prices higher than necessary under this determination.

All costs referred to in this chapter are in $2024–25 unless otherwise stated.

5.1 The Valuer General proposed increased operating costs for valuation services

The Valuer General proposed operating costs of $335.2 million over 4 years, including unregulated costs of $33.3 million (Table 5.1)[j]. These proposed cost on a per annum basis ($83.8 million) are 30% higher than our 2019 determination ($64.3 million).[k]

IPART recognises that the transition to a new operational model may result in additional costs initially but would then expect to see cost reductions over time. The Valuer General-Value NSW's proposed operating costs do not indicate they forecast cost savings over time.

Table 5.1 Valuer General's historical and proposed operating costs ($ millions, $2024-25)

Cost Category	2023-24 actual[a]	2024-25 budget	2025-26 forecast	2026-27 forecast	2027-28 forecast	2028-29 forecast	Total 2025-26 to 2028-29	% of OPEX
Labour and valuation	55.7	57	63.3	68.5	68.8	68.8	269.5	78%
Postage	0.0	1.0	1.4	1.4	1.4	1.4	5.5	2%
Graphic	0.8	0.7	0.7	0.7	0.7	0.7	2.8	1%
Other direct	3.2	4.0	4.0	4.0	4.0	4.0	16.1	5%
ICT	2.2	2.5	8.2	8.2	8.2	8.2	32.9	9%
Corporate support	1.2	1.0	5.0	5.0	4.9	4.9	19.8	6%
Total OPEX	**63.2**	**66.2**	**82.6**	**87.8**	**88.1**	**88.1**	**346.6**	**100%**
Adjusted Labour and Valuation[b]	n/a	n/a	61.2	65.4	65.7	65.7	258.1	77%

[j] The figures provided in the Valuer General – Value NSW's submission have an error in labour that overstates labour costs by approximately $2.8 million p.a. These figures were amended in the confidential financial model provided by the Valuer General, but not in the submission on our website.

[k] Unregulated costs were not separately identified in the 2019 determination. These include Valuer General's costs of non-monopoly services

Cost Category	2023-24 actual[a]	2024-25 budget	2025-26 forecast	2026-27 forecast	2027-28 forecast	2028-29 forecast	Total 2025-26 to 2028-29	% of OPEX
Adjusted OPEX	**63.2**	**66.2**	**80.5**	**84.7**	**85.0**	**85.1**	**335.2**	**100%**
unregulated costs	7.1	7.8	8.3	8.3	8.3	8.3	33.3	10%
Adjusted OPEX excluding unregulated cost	**56.1**	**58.4**	**72.2**	**76.3**	**76.7**	**76.7**	**301.9**	**90%**

a. Figures in the historical data in page 26 of the Valuer General-Value NSW's proposal are in $2018-19. This analysis converts those figures to $2024-25 for comparison.

b. The figures provided in the Valuer General-Value NSW's submission have an error that overstates labour costs by approximately $2.8 million per year. We have adjusted labour costs for this error.

Note: Totals may not sum due to rounding
Source: Valuer General, Pricing Proposal, The CIE report, IPART analysis.

The Valuer General underspent operating costs by 4.8% in the current determination (2019-25).

5.1.1 The Valuer General forecast increases in mass valuation contract costs

In its pricing proposal the Valuer General noted changes in its operating environment which have influenced changes to its operations, cost category mix and forecast costs (Box 1):

Box 5.1 Changes to Value NSW's services delivery model

Changes to Value NSW's service delivery model identified in the Valuer General-Value NSW's proposal include:

- an aim to enhance internal capabilities and capacity, and reduce reliance on external contractors, by prioritising the development of internal resources
- significant cost increases experienced in mass valuation contract retenders undertaken during the determination period, which are anticipated to continue as part of the upcoming retender
- a strategy to reduce reliance on contracted mass valuation services and minimise expected contract price increases, with a proactive transition underway to a hybrid service delivery model for mass valuation and objections services, and
- a change in the schedule for issuing land valuations to councils, with approximately one-third of local government areas being issued each year, rather than issuing valuations to all local government areas every 3 years.

Source: Valuer General-Value NSW's proposal p 8

The Valuer General argued in its submission and response to the Draft Report that the hybrid delivery model:[54]

- reduces reliance on external contractors and improves the capacity and capability of the NSW public service
- mitigates overall market capture and increasing contract prices and enhances flexibility in cost management
- better enables service delivery, as overall market capacity constraints have caused delays for individuals interacting with Value NSW
- increases market efficiency
- has already resulted in cost savings and improved efficiency.

5.1.2 The Valuer General has brought approximately 50% of valuations and objections in-house

Historically, rating and taxing valuations and objections were completely outsourced to external providers.

In March 2023-24 mass valuations for 4 contract areas were conducted internally. From March 2025 valuations for another 4 areas were transitioned in-house.[55]

The selection of these contract areas was based on:

- The cost effectiveness for each contract area to be brought in-house (based on an outsourced vs. in-house feasibility analysis).
- The availability of specialist valuers seeking employment, given the land valuation services labour market is niche, technical and competitive.
- The proximity of existing Value NSW offices relative to the contract area to minimise travel costs and simplify operational logistics.[56]

This has resulted in 55% of rating and taxing valuations being undertaken by internal valuers.

The Valuer General has advised that there has been an increase in the volume of objections. It submits that this increase in volumes has put a strain on the capacity of contract valuers responsible for objections. This has led to extended customer response times in some cases and made it more difficult for Value NSW to procure objection valuation services in a timely and cost-effective manner. Value NSW has also adopted a hybrid approach to its objection valuations, with valuations being delivered by a mix of in-house valuers and outsourced contracted valuers. This transition commenced in January 2025 for the 1 July 2024 valuation cycle.[57]

The Valuer General has a goal of assessing 50% of objections in-house.

The decision to move to a hybrid model is forecast to increase labour costs due to a rise in the number of internal staff from 130 in the current (2019) determination period to between 285 and 291 in the next (2025) determination period. This increase includes the additional staff required for the in-house valuation teams (now employing over 200 valuers) and supporting functions.[58] Value NSW is now the largest valuation employer in NSW.[59] While there are reported labour shortages in the NSW valuation market, it is unclear if this shortage has been influenced by the creation of the hybrid model causing a short-term increase in demand for labour.

The Valuer General's cost proposal is based on the hybrid operating model

The Valuer General-Value NSW's pricing proposal did not build on historical costs as it had in previous determinations. Cost categorisation between their historical and the forecast financials are different. The disconnect between the 2 methods has made it more difficult to analyse changes over time and identify and understand the differences between historical costs and proposed costs. The Valuer General-Value NSW's proposed internal labour costs associated with internalising mass valuations are based on the head count specified in external contracts.

In the most recent meeting with the Joint Standing Committee on the Office of the Valuer General, Value NSW stated that the hybrid model will save $28 million over the next 6 years.[60]

5.2 Stakeholders do not support the increased costs

Most submissions that we received did not see the Valuer General-Value NSW's proposal as representative of good value or did not support the level of price increase. In its proposal, the Valuer General said that it had implemented several improvements to enhance the quality and efficiency of its services. Some submissions pointed to the lack of any demonstrated improvements in efficiencies over the determination period. Some stakeholders also felt that the proposed price increases were unsubstantiated. These stakeholders disagreed with the cost increases proposed by the Valuer General.

5.2.1 Stakeholders felt that the proposal did not evidence efficiency improvements and cost savings

We received submissions that the Valuer General has not proposed any efficiency gains. In our stakeholder consultation we heard:

- that the Valuer General has not identified where it has reduced costs or gained efficiency.[61]
- referrals to an article in the Australian Financial Review where Value NSW representatives spoke of $16 million in savings over the determination period, which are not evidenced in the proposal.[l][62]
- a suggestion that IPART's pricing should incorporate an efficiency factor.[63]
- 2 submissions to our Draft Report that favoured the use of technology in valuations for efficiency gains.[64]

[l] Australian Financial Review, NSW Valuer General takes half of its 2.7 million valuations in-house, 3 Sept 2024

5.3 The Valuer General has provided feedback on the Draft Report.

The Valuer General and Value NSW submitted that the funds allocated by IPART in the Draft Report are inadequate to allow them to undertake valuation services to a level required by the VOL Act. They submitted that:

- the baseline used to establish efficient costs is too low, because we have not considered staff vacancies during the last determination period
- staff vacancies in past years led to underperformance and failure to meet legislative obligations and KPIs
- we have not allocated funding to cover the corporate overheads of the additional staff required to undertake in-house valuations
- they believed IPART presented that the in-house hybrid model is less efficient than outsourcing all work to contractors and argued that IPART's 5% increase in the allowance for mass valuation contracts does not reflect the market
- they incurred a cost of $932,580 internally to undertake the review, which they wish to have included in the final determination.

We have addressed these items in the following sections.

5.4 Our decision for efficient operating costs is 7% higher per valuation than our 2019 determination

Our decision for efficient operating costs of $253.7 million. This is 16% (excluding unregulated costs) lower than the Valuer General-Value NSW's proposed costs over a 4-year determination (Table 5.2) and is 7% higher per valuation than the efficient costs in our 2019 determination.

To determine efficient costs, we have:

- assigned costs to business units
- assessed cost drivers of individual business units.

For ease of tracking changes over time, The CIE used the business units Rating and Taxing, Objections, Customer Experience and Land Data, Office of the CEO/ Valuer General, Val IQ and then overheads and other council related costs rather than the cost allocations used by the Valuer General in its submission (Table 5.2).

We have used The CIE's cost categories, which captured the Valuer General-Value NSW's proposed costs in business units. We have used the first 4 years of the Valuer General-Value NSW's proposed costs to match the length of our determination.

Table 5.2 Comparison of the Valuer General's proposed operating costs and IPART's decision on efficient operating costs ($ millions, $2024-25)

Costs	Valuer General proposed	IPART decision	Difference (%)
Rating and Taxing	135.1	128.0	-5%
Objections	34.1	38.9	14%
Customer exp	40.6	19.6	-52%
Office of CEO/VG	18.7	9.9	-47%
Other council related	24.2	13.5	-44%
Val IQ	14.6	14.3	-2%
Overheads	34.6	28.2	-18%
Unregulated costs[a]	33.3	33.3	0%
Charge for IPART review[b]	0.0	1.3	na
Efficient costs	**335.2**	**287.0**	**-14%**
Less unregulated	33.3	33.3	0%
Total Efficient Costs less unregulated	**301.9**	**253.7**	**-16%**

a. These costs are not allocated to councils
b. The cost of IPART undertaking this review ($0.6 million) and an allowance for additional expenditure by the Valuer General ($0.7 million) have been included

Note: Totals may not sum due to rounding
Source: The CIE report, IPART analysis

We have isolated unregulated costs (the Valuer General's costs of non-monopoly services) as these costs are not covered under our Terms of Reference or allocated to councils.

Our determination of efficient operating costs is based on our assessment of the necessary level of expenditure required by the Valuer General to efficiently provide its services.

Our efficient operating costs per valuation is 7% higher than our 2019 determination allowance (Table 5.3).

Table 5.3 Allowed operating costs per valuation ($ per valuation, $2024-25)

	2019 determination	2025 determination	Increase (%)
Total	24.38	26.10	7%
Councils' share	7.43	7.92	7%

Source: IPART calculations

These efficient costs may differ from the actual costs incurred by the Valuer General.

5.5 We determined efficient costs based on average historical costs

We set maximum prices to recover efficient costs. The majority of operating costs relate to rating and taxing valuation, and objection costs. Previously these costs were deemed efficient as they were tendered in a competitive market. The Valuer General determines how it delivers its services and, going forward, will use a hybrid model of both in-house and outsourced contracts.

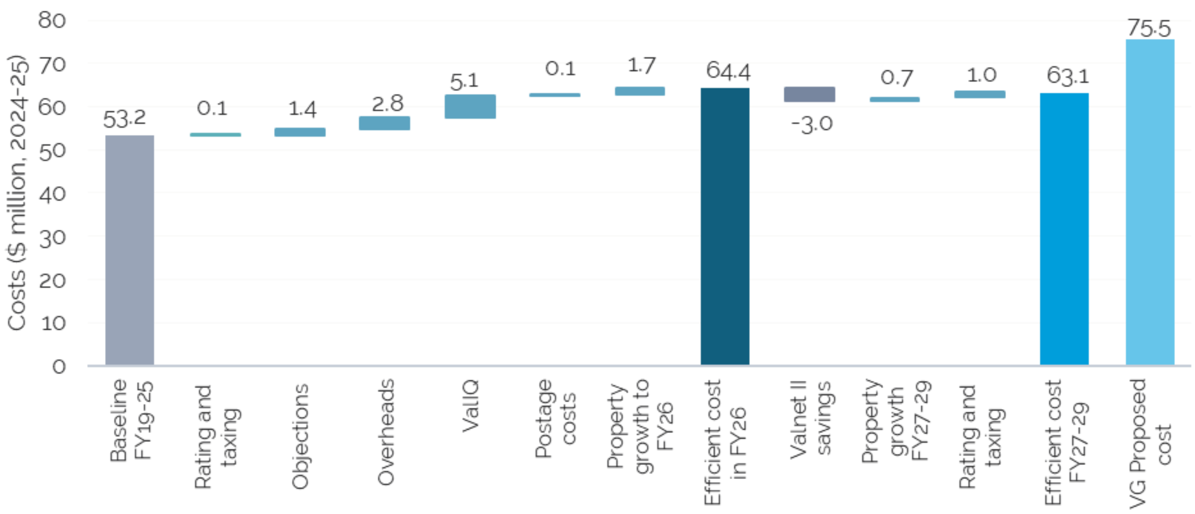
The Valuer General-Value NSW's proposed internal valuation costs are based on the labour requirements identified in individual historical valuation contracts. It has not quantified any proposed savings due to economies of scale resulting from the consolidation of these services in-house, except for the reduction of quality assurance staff.

In its response to the Draft Report, Valuer General-Value NSW advised that cost efficiencies have been realised in the first 12 months of the hybrid model's operation: 'Value NSW delivered around 800,000 internal rating and taxing land valuations savings on current rating and taxing contract prices.'[65] Value NSW noted that these cost savings have been achieved while meeting the quality assurance standards for all local government areas with 100% compliance.[66]

Methodology for estimating efficient operating cost

The CIE, our cost consultant, estimated efficient costs using the average of historical costs for the 2019-2025 determination to establish 'Baseline FY19-25' (adjusted for inflation). Reasonable adjustments in operating costs were then added to establish 'Efficient Costs in FY26' (Figure 5.1). These are based on The CIE's examination of the Valuer General's historical costs and assessment of the assumptions that underpin forecast costs. We have also included adjustments within the determination period to establish 'Efficient Costs FY27-29'.

Figure 5.1 Adjustments to base historical cost to determine the efficient cost of Valuer General services over the 4-year determination period, ($ million, $2024-25)



Source: CIE Report adjusted for 4-year determination period, IPART analysis.

The Valuer General and Value NSW have indicated concerns regarding using the 6 years of the 2019 determination period to establish the baseline due to a high level of reported staff vacancies during that period.

Our analysis indicates that:

- Shortfalls in labour were likely supplemented by outsourced resources during this period and the costs of outsourced resources would already be reflected in the baseline.[67]
- Historically there is no clear relationship between staff levels and objections and supplementary valuation performance indicators (refer to section 9.1.3).
- Our efficient operating cost is 7% higher per valuation than the operating costs provided for in our 2019 determination.

5.5.1 IPART efficient Rating and Taxing costs are 5% lower than forecast by the Valuer General

We have added a net amount of $0.1 million per year to the 'Baseline FY19-25' for Rating and Taxing to reflect:

- the historical increase in mass valuation costs that resulted from the renegotiated contract in 2022
- an adjustment to remove the impact of moving valuations in-house in 2023-24 and 2024-25.

In 2026-27, rating and taxing costs have been increased by 5% to allow for an increase in mass valuation costs when they are retendered.

The combined impact of these decisions is that our estimated costs for the Rating and Taxing is 5% lower than proposed by the Valuer General (Table 5.4).

Table 5.4 Comparison of the Valuer General's proposed and IPART's decision on ratings costs over 4-years ($ millions, $2024-25)

	Valuer General proposed	IPART decision	Difference (%)
Rating and Taxing	135.1	128.0	-5%

We consider a 5% increase in the cost of mass valuations appropriate

Historically, rating and taxing valuation costs were determined by public tender. These costs were considered efficient as they were determined through a competitive tender. The rating and taxing valuation costs for our 2019 determination were based on established contract prices that would apply for the determination period.

However, for this assessment the proposed rating and taxing valuation costs have not been established through a competitive process. This is due to 8 of 19 contract areas being recently brought in-house. The remaining external mass valuations contracts were extended until March 2026. This has created uncertainty around contract prices and the cost of in-house valuations.

Our assessment does not support the Valuer General's assumption that mass valuation contracts will increase in line with the 51.3% observed for the 2022 Sydney West retender.

The CIE undertook benchmarking across other states over multiple years, and cost increases of this magnitude are not evident.[68] IPART concurs with The CIE analysis. Additionally, current costs in NSW appear to be significantly higher than in other states, noting that there may be differences in the scope, quality and other cost drivers across jurisdictions for mass valuations.

The Valuer General has indicated that they have made significant savings on in-house mass valuations. This was further reiterated by Value NSW in the Joint Standing Committee on the Office of the Valuer General: 'Over that 12-month period on current contract costs that we would have otherwise incurred had we extended those contractors in those areas that we took in-house, we have saved $1.7 million.'[69]

The Valuer General-Value NSW's submission to the Draft Report identifies 4,000 data points as indicative of significant increases in mass valuation contract prices. These data points refer to the cost of objections. Value NSW has pointed to cost escalation in objections as a rationale to support higher mass valuation costs.

We observe that the markets mass valuations and objections are different. For mass valuations, there were 8 suppliers for the 19 mass valuation contracts over 6 years. For 2023-24, we note there were around 5 times the number of suppliers providing thousands objection assessments of individual property valuations[70].

For 2026-27, we have increased the Valuer General's historical mass valuation costs by 5%, or $1 million (this applies across all mass valuation work – both externally contracted and in-house). We increased mass valuation costs by 5%, based on uncertainty regarding mass valuation costs and the increasing costs associated with contract compliance. However, over time we would expect costs to decrease in line with economy-wide productivity.

The uncertainty around mass valuation costs, the outcome of the new tenders for the remaining external contracts, and the costs of in-housing were significant factors in IPART's decision to reduce the determination period to 4 years.

Further information on Rating and Taxing costs can be found in Chapter 5 of The CIE's cost report.

5.5.2 IPART objection costs are higher than proposed by the Valuer General

Our assessment of efficient costs for undertaking objections is 14% higher than proposed by the Valuer General (Table 5.5). Over the determination period, compared to the Valuer General-Value NSW's proposal we have used:

- a lower volume of objections
- a higher per unit cost for assessing objections.

Table 5.5 Comparison of the Valuer General's proposed and IPART's decision on objection costs over 4 years ($ millions, $2024-25)

	Valuer General proposed	IPART decision	Difference (%)
Objections	34.1	38.9	14%

Additionally, our allocation of costs to business areas differs from that used by the Valuer General. This has resulted in some costs that were allocated by the Valuer General to areas such as administration being included in our objection costs.

The Valuer General has advised that they are achieving significant cost efficiencies by conducting objections in-house. The submission to the Draft Report identifies 20 objections where Value NSW undertook objections for over 60% less than externally quoted.[71] These valuations are also reported to have been conducted in less time, indicating greater efficiency and improved service to landowners.

We estimate a lower volume of objections

We did not find evidence that suggested a trend of increased volume of objections over time as predicted by the Valuer General. The Valuer General averaged the number of objections over the last 8-years. However, our analysis is based on the number of objections over the last 6-years, or 2 rating valuation cycles.[m]

We have forecast annual objection volumes based on a 6-year average, to correspond with 2 historical valuation cycles, including full year objection volumes for 2023-24. Our forecast objection volumes are lower per annum than the Valuer General's forecast volumes. Objections are then increased to grow in line with property volumes over the 4 years of the determination.

This variation in the number of objections annually will likely decrease as in 2025 the Valuer General began issuing one-third of rating valuations each year. The Valuer General and Value NSW also noted that this change may help avoid peaks in objections volumes and flow onto lowering contract costs for objections.[72] We acknowledge that other factors, such as size and direction of land values changes can impact the volume of objections.

We estimate a higher per unit cost for assessing objections

The Valuer General-Value NSW's proposal highlights the introduction of the single supplier program in 2019, aimed at improving the timeliness and consistency of objections.

The Valuer General-Value NSW's proposal identifies several changes designed to improve services and efficiency, such as the introduction of a new online objection process but did not quantify cost reductions over the determination period. The Valuer General-Value NSW has also begun the process of assessing approximately 50% of objections in-house.

Our analysis of objection costs shows that the per unit cost of objections has risen over the last 2 years. The CIE has determined the efficient cost of assessing an objection based on a regression analysis of objection tender costs over the last 6 years.

We considered lowering the unit cost of objections due to the savings identified by the Valuer General in its submission to the Draft Report. However, we consider that the evidence provided is inadequate to apply an adjustment across all internal objections (50%) and it is too early to identify the level of cost savings.[73] Recognising the uncertainty around costs associated with the shift to the hybrid model, we have continued to apply our per objection cost.

[m] Rating valuations are required to be issued at least once every 3 years under s 48(2)(b) of the VOL Act.

It is possible that this process will result in quantifiable efficiencies over time as the objections assessment processes is embedded. This is one of the reasons why our determination has been limited to 4 years.

Further information on objection costs can be found in Chapter 6 of The CIE's cost report.

5.5.3 IPART efficient customer experience costs are 52% lower

The Valuer General has proposed increases in customer experience costs. These costs are associated with how customers access their land data and deal with the Valuer General.

We have estimated that the efficient cost of providing customer experience to be the average, adjusted for the increase in valuations, cost over the last 6 years. Our efficient costs are 52% below the Valuer General-Value NSW's proposal (Table 5.6)

Table 5.6 Comparison of the Valuer General's proposed and IPART's decision on customer experience costs ($ millions, $2024-25)

	Valuer General proposed	IPART decision	Difference (%)
Customer experience	40.6	19.6	-52%

Additional discussion of Customer Experience costs can be found in Chapter 7 of The CIE's cost report.

5.5.4 IPART efficient costs for Office of the CEO/Valuer General are 52% lower

The Valuer General has proposed increases in the Office of the CEO/Valuer General costs.

We have estimated the Office of the CEO/Valuer General's efficient costs to be the average cost over the last 6 years. Our efficient costs are 47% below the Valuer General-Value NSW's proposal (Table 5.7)

Table 5.7 Comparison of the Valuer General's proposed and IPART's decision on Office of the CEO/Valuer General costs ($ millions, $2024-25)

	Valuer General proposed	IPART decision	Difference (%)
Office of CEO/Valuer General	18.7	9.9	-47%

Chapter 7 of The CIE's cost report discusses Office of the CEO/Valuer General costs.

5.5.5 IPART efficient overhead costs are 18% lower

Value NSW operates as a business unit of The Department of Planning Housing and Infrastructure (DPHI) and is allocated operational costs. The Valuer General projects a 178% higher corporate overhead charge for the determination period compared to the historical period. They argue support costs are charged by Value NSW's overarching agency DPHI and are outside of the control of the Valuer General. The increase is likely to be reflective of:

- higher per full-time equivalent (FTE) charges
- higher FTE counts to which the FTE charges apply
- higher ICT support costs.

We have assessed per FTE overhead costs charged by DPHI to be appropriate. However, we have calculated efficient overhead costs based on the number of FTEs prior to the Valuer General's hybrid operating model. By calculating the efficient costs based on historical expenditure, we have used the total cost of external contract costs (which would incorporate overheads in costings). To include additional overheads for in-house valuation staff as proposed in the Valuer General-Value NSW's submission would result in double counting of overhead expenses. Our efficient overhead costs are 18% lower than proposed by the Valuer General (Table 5.8).

Table 5.8 Comparison of the Valuer General's proposed and IPART's decision on corporate overheads ($ millions, $2024-25)

	Valuer General proposed	IPART decision	Difference (%)
Overheads	34.6	28.2	-18%

Further information on overhead costs can be found in Chapter 7 of The CIE's cost report.

5.5.6 IPART efficient Val IQ costs are 2% lower

Value NSW expects to roll out a new technological system from 2025-26 – Val IQ – which will support the delivery of land valuation services.[74] The system has been in development since 2022-23 and will take over the outdated Valnet II system. The annual costs of Val IQ are around 40% higher than the previous Valnet II.

The CIE adjusted the historical base by $6.1 million for the new system and to allow for the transition to the new system. Value NSW has advised that in the transition to the new technology, the 2 systems will run concurrently in 2025-26, and the costs for both systems will be incurred in that year. We have included the cost of both systems in 2025-26 (Table 5.9).

Table 5.9 Comparison of the Valuer General's proposed and IPART's decision on Val IQ costs ($ millions, $2024-25)

	Valuer General proposed	IPART decision	Difference (%)
Val IQ	14.6	14.3	-2%

Chapter 7 of The CIE's cost report also discusses Val IQ costs.

5.5.7 Postage costs have been increased to reflect expected price rises

Costs for postage have increased over the historical period and are proposed to increase to $1.70 per stamp by July 2025.[n] We have included a one-off increase on the baseline average of postage costs to account for changes in the postage price from 2019-20 to 2025-26.

Changes to the method of delivering ratings notices, such as by email, could reduce postage costs. We note that the current proposal advises that the take up of electronic Notices of Valuation is between 5-6%.[75]

5.5.8 The cost of this review has been included in efficient costs

Our decision includes IPART's fees for undertaking this review as these expenses were solely incurred by the Valuer General because of this review. The costs of the review include the costs associated with IPART staff working on the review and the costs associated with our expenditure review.

In response to the Valuer General-Value NSW's submission to the Draft Report, IPART has also included $716,000 for the costs of employing a consultant and an allowance for 2 staff to prepare its pricing proposal for the review and the response to the Draft Report.

This decision will add $1.3 million to efficient cost.

5.5.9 Cost efficiencies over the determination period.

Some stakeholders were concerned at the lack of efficiencies in the Valuer General's proposal. Ten submissions referenced the possibility of artificial intelligence and automated valuation models (AVMs) leading to efficiency gains. Given the approach undertaken to establish efficient costs by The CIE, we do not propose a continuing efficiency factor. The Valuer General could achieve efficiencies over the determination period, such as increasing digital delivery of valuation notices. IPART expects that while not evident in the Valuer General's cost model, Val IQ should lead to efficiency gains and reduced costs.

5.5.10 Automated valuation models and artificial intelligence impacts on the functions of the Valuer General.

We assess that artificial intelligence (AI) and automated valuation models (AVM) are unlikely to deliver substantial efficiency gains within the next 4 years. In our discussions with Australian Valuers General and valuation companies, current AVMs need further development to achieve transparency and contestability requirements. AVMs need to be trained to determine unimproved land values from land characteristics and sales data.

IPART will consider industry-wide efficiencies, including the impact of AI and AVMs, in our next review as it is part of our standard practice for establishing efficient costs.

n Australia Post, Pricing updates

An analysis of the impact of AI and AVMs can be found in Chapter 8 of The CIE's cost report.

6 Allocation of operating costs to councils

Decisions

3. To allocate 30.3% of the Valuer General's efficient operating costs to councils. This is based on allocating to councils
   a. 25% of rating and taxing valuation costs
   b. 50% of objection costs
   c. 50% of customer experience and land data costs
   d. 99.7% of postage costs
   e. 100% of graphic costs
   f. 0% of unregulated costs
   g. 100% of IPART's charge for this review plus an allowance for the Valuer General's review costs.

Efficient operating costs are allocated between the users of the Valuer General's valuation services. The Valuer General proposed councils bear 31.2% of operating costs. We have decided to allocate 30.3% of efficient operating costs to councils. We have included unregulated costs in our total costs figure to ensure that our decision share is comparable to the Valuer General's proposed share.

We have not allocated cost to other users of the valuation data but have deducted the revenue from these other (minor) users from efficient costs before proposing prices, as we have done in previous determinations. We sought stakeholder feedback on the future treatment of 'minor' or other users.

6.1 We have allocated costs in a similar method to our previous determination[o]

The Valuer General has proposed an allocation of 31.2%[p] of costs to councils, which is 0.8% higher than the 2019 determination (Table 6.1).

Table 6.1 Previous determination and the Valuer General's 2025 proposed and IPART's decision allocation of costs

Allocation of NRR	2014 Determination	2019 Determination	2025 Valuer General proposed	2025 decision
Councils	34%	30.5%	31.2%	30.3%
Revenue NSW	66%	69.5%	68.8%	69.7%

[o] Refer to section 6.3 for an explanation of the difference between the allocation here and in the Valuer General's proposal.

[p] The Valuer General's published proposal allocated 31.3% of costs to councils. However, as discussed in Chapter 5, we discovered an error in their cost model which overstated their labour costs by around $2.8 million per year. Correcting the error reduced the allocation of costs to councils to 31.2% (0.1% less).

6.2 Stakeholders gave us feedback on cost allocation

6.2.1 Some stakeholders disagreed with the Valuer General's proposed cost allocation

A number of submissions questioned the Valuer General's proposal to increase the share of costs recovered from councils. Some councils consider that costs are disproportionally allocated to councils and undercharged to Revenue NSW. For example, we heard that the current apportionment does not appropriately recognise that councils receive valuations every 3 years as opposed to Revenue NSW receiving valuations annually. [76]

The majority of stakeholders who commented on the allocation of costs also felt that costs should be allocated across all users of land valuation services (including unregulated or minor users).[77]

We heard in submissions that councils should not have to pay for objections and that objectors of land valuations should be made to pay for objections.[78]

6.2.2 Stakeholders disagreed with our draft objection cost allocation.

Objection costs were raised as an area that has been unfairly allocated to councils. We received 5 submissions against our draft decision to allocate 50% of objection costs to councils. Submissions asked for a lower allocation to councils to reflect the lower level of objections relating to rates (and councils) compared to those relating to land tax (and the NSW Government).[79]

6.3 Our decision is to allocate 30.3% of costs to councils

Our decision is to allocate 30.3% of the Valuer General's efficient cost of providing rating and taxing valuation services to councils. In making our decision, we have applied our funding hierarchy (see Box 6.1).

Box 6.1 IPART's funding hierarchy to allocate costs

Across a range of industries, IPART has applied the following funding hierarchy when allocating costs between different entities:

- Preferably, the impactor or risk creator should pay – i.e., those ultimately creating the costs, or the need to incur the costs, should pay the costs.
- If that is not possible, the beneficiary should pay (direct beneficiaries before indirect beneficiaries) – where users pay charges on the basis of benefitting from the service.

Box 6.1 IPART's funding hierarchy to allocate costs

- As a last resort, taxpayers pay - taxpayers may be considered as a funder of last resort where risk creators or beneficiaries have not been clearly identified; or where it is not administratively efficient or practical to charge impactors or beneficiaries.

We have applied this framework to our analysis of the apportionment of costs between Revenue NSW and councils.

For the Valuer General's rating and taxing valuations, there are two clear impactors: Revenue NSW and councils. In this case, both are impactors and beneficiaries.

Source: IPART

To ensure an efficient allocation, we:

- identified the users of the rating and taxing valuations
- established the purpose for which the valuations are used
- attributed costs based on usage.

Our decision on the percentage allocated for each business unit is generally in line with the Valuer General's proposal, except for objection costs which we have apportioned at 50% instead of 50.2% proposed by the Valuer General (see Table 6.3).

Our allocation of costs across business units (refer to section 5.3) results in a smaller share of total costs allocated to councils (30.3%) than the Valuer General's proposed share (31.2%). This is because a larger share of the efficient costs is apportioned at a lower rate to councils. For example:

- Rating and taxing, which is proposed to be apportioned at 25%, forms a larger portion of total costs under our decisions for costs (58.5%) when compared to the Valuer General's proposed costs (56.6%).
- Customer experience and land data which are proposed to be apportioned at 50% is a smaller portion under our decision costs (7.9%) when compared to the Valuer General's proposed costs (14.4%).

Our allocation includes the $620,000 cost of the IPART review and $716,000 for the Valuer General's costs allocated to councils.

Table 6.2 IPART's allocation of costs to councils over the determination period

Business Unit	Efficient Costs $ millions	Share of total costs %	Councils' share %	Cost Allocation $ millions
Rating and taxing (including indirect costs)	168.0	58.5%	25.0%	42.0
Objections (including indirect costs)	49.6	17.3%	50.0%	24.8
Customer experience and land data (including indirect costs, excluding postage and graphics)	22.6	7.9%	50.0%	11.3
Postage	5.6	1.9%	99.7%	5.6
Graphics	2.1	0.7%	100.0%	2.1
Unregulated	37.8	13.2%	0.0%	0.0
Cost of IPART review [a]	1.3	0.5%	100.0%	1.3
Decision costs	**287.0**	100.0%		**87.1**
Total Allocation				**30.3%**

a. The cost of IPART undertaking this review ($0.6 million) and an allowance for additional expenditure by the Valuer General ($0.7 million) have been included
Note: Totals may not sum due to rounding
Source: IPART analysis

The apportioned business unit costs include both direct and indirect costs (e.g. Val IQ and corporate costs). The Valuer General and IPART used a similar methodology to allocate indirect costs to the business units (i.e. Taxing and Rating, Objections and Customer experience and land data and unregulated costs).[q] The combined costs are then apportioned between councils and Revenue NSW.

Table 6.3 Valuer General's proposed allocation of costs to councils over the determination period

Business Unit	Valuer General proposed costs	Share of total costs	Councils' share	Cost Allocation
Rating and taxing (including indirect costs)	189.7	56.6%	25.0%	47.4
Objections (including indirect costs)	47.9	14.3%	50.2%	24.0
Customer experience and land data (including indirect costs, excluding postage and graphics)	48.1	14.4%	50.0%	24.1

q The Valuer General's methodology allocates indirect costs to the service areas based on the number of staff (FTE) in each service area. Our methodology allocates costs based on the proportion of direct costs used in each area.

Business Unit	Valuer General proposed costs	Share of total costs	Councils' share	Cost Allocation
Postage	5.9	1.8%	99.7%	5.9
Graphics	3.0	0.9%	100.0%	3.0
Unregulated	40.5	12.1%	0.0%	0.0
Proposed Cost Total	**335.2**	100.0%		**104.5**
Total Allocation				**31.2%**

Note: Totals may not sum due to rounding
Source: Value NSW cost model, IPART analysis

6.3.1 Our decision is to allocate 25% of the cost of rating and taxing to councils

Our decision is to allocate 25% of the cost of rating and taxing to councils. The Valuer General produces 4 valuation lists, or 'products', every 3 years. Councils receive one of these lists and Revenue NSW receives 3. Applying the beneficiary pays principle (Box 6.1), councils receive 1 in 4 of the Valuer General's 'products' and should therefore pay 25% of the costs.

While there are a number of ways the costs could be apportioned between councils and Revenue NSW, IPART has historically allocated 25% of costs to councils for rating and taxing valuation services. There have not been significant changes in the rating and taxing services delivered to councils and Revenue NSW since the last determination and we consider a 25% share, based on the proportional use of the service, remains reasonable.

In its submission to this review, NSW Revenue Professionals suggested that taxing and rating costs should be apportioned 16.7% to councils and 83.3% to Revenue NSW. The submission argues that the costs for one of 3 years should be split 50:50 between the 2 parties, and the costs for 2 years of the 3-year cycle should be borne by the NSW government (Revenue NSW) (Table 6.4).

Table 6.4 Alternative proposed valuation split

	Year 1	Year 2	Year 3	Total over 3 years
Council	50%	0%	0%	16.7%
Revenue NSW	50%	100%	100%	83.3%
Total	**100%**	**100%**	**100%**	**100%**

We assessed NSW Revenue Professionals' proposal in our 2019 review, and decided not to adopt it on the grounds that:

- Councils receive some benefit from having updated lists available to them each year. For example, the Valuer General can issue a new general valuation list to any council on request and there is no additional charge levied to the council.
- The stand-alone cost (i.e. the cost if councils were the Valuer General's only customer) would be higher than 16.7%.[r]

[r] *IPART, Review of prices for land valuation services provided by the Valuer General to councils from 1 July 2019 to June 2025*, pp 43-44

We consider these reasons still hold. The Valuer General has confirmed that councils can, and from time to time do, request an updated list at no cost. The Valuer General also issues supplementary valuations throughout the 3-year cycle and some of the associated costs are captured in taxing and rating. Further, if councils were the only customer, (stand-alone) costs would likely be more than 33% of current costs (and close to 100% under current legislative requirements).

6.3.2 We have allocated 50% of objection costs to councils

The Valuer General proposed 50.2% of objection costs be allocated to councils. This is based on a 3-year historical average of general objections (council rates) compared to land tax objections (Revenue NSW).

Our decision is to allocate 50% of objection costs to councils. This is slightly lower than the 50.2% proposed by Value NSW, but higher than our 2019 determination of 38%. Our decision is based on our analysis of the proportion of objections categorised as relating to councils or Revenue NSW considering:

- the volume of objections over time
- number of objections for each category over time
- the relative costs of each objection.

We allocated objection costs based on historical volumes

Like the Valuer General, IPART used the average volume of objections over time as a method of allocating costs to councils. The Valuer General used a 3-year average while we have extended our analysis to consider both long and short term trends.

We have reviewed council related objection volumes over time to estimate future levels of objections. The former practice of council valuations being issued once every 3 years (a general valuation year), created cyclical levels of objections. High proportions of general objections in the recent past have corresponded with a general valuation year. The Valuer General has stated that this coincided with a weakening in the property market between the valuation date and issuing valuations notices.[s]

Because of this variability in objection volumes, the choice of timeframe used to review objections greatly influences the proportion of objections allocated to councils.

We considered allocation based on the proportion of historical costs over time, but there are many aspects of objections that impact the variability of objection costs over time. In the new hybrid model the cost of objections will also be influenced by which objections are completed in-house, and which are contracted out.

[s] NSW Valuer General, Yearly Insights 2023-24, November 2024, p 23

General objections appear to make up a larger share of total objections

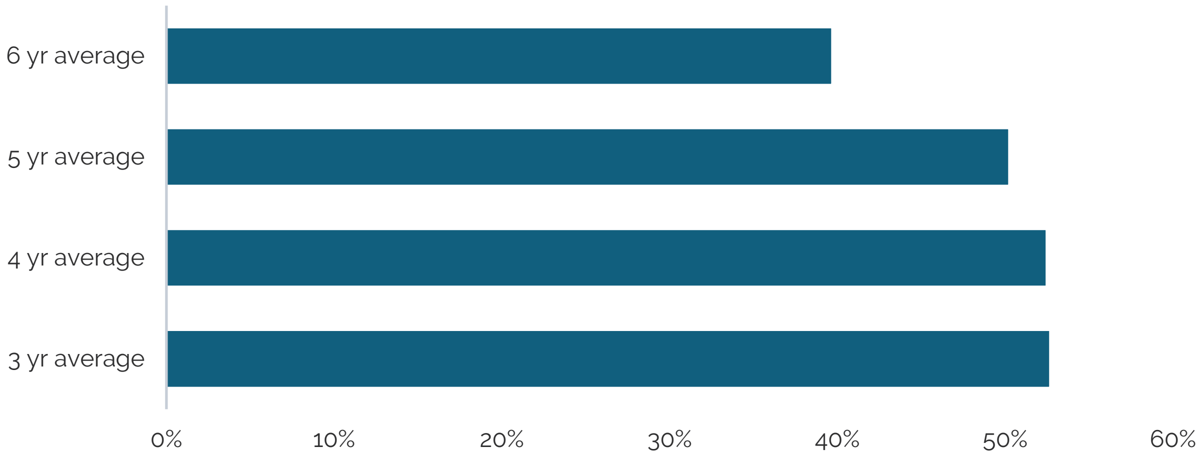
The proportion of general objections, for rating purposes, to total objections, varies significantly year to year. For example, they varied from 4% in 2018-19[80] to 58% in 2020-21.[81] General objections make up a larger share of total objections in general valuation years.

Submissions to our Draft Report

Submissions questioned why councils were allocated 50% of objection costs. We heard arguments that the Valuer General's 2023-24 Annual Report showed that objections lodged for rating purposes were 27% with the remaining 73% for land tax. However, we note that the objection tender data provided by Value NSW did not correspond with the figures in the Valuer General's 2023-24 Annual Report published in November 2024. A revised Annual Report was published on 12 May 2025 on the Valuer General's website which included an increase in the number of rating objections lodged for 2023-24 from 1,336 to 2,795.

Our preference is to use objection tender figures, rather than objections lodged, to form the basis of apportionment because it is related to actual costs incurred (Figure 6.1). We note that for some years, a large number of objections were not identified as either relating to rating (general) or taxing (land-tax) in the data supplied to IPART; significant numbers are unallocated in some years. This gap in accurate data limits fair cost allocations. We recommend that for future reviews all objections are attributed to either rating or taxing.

Figure 6.1 Average portion of rating objections tendered over different period lengths



Source: IPART Calculations

Additionally, submissions also provided anecdotal evidence which indicated that objections for land tax were more costly when compared to rating purposes. This is not confirmed by our analysis of the data provided by Value NSW but we note that there is a variance of objection costs over time. We recommend that the Valuer General ensures that all objections are allocated to either rating or taxation and publishes the split of these costs in future annual reports.

Recommendations

> 1. The Valuer General to ensure all objections are attributed to either rating or taxation and to publish the split of these costs in future annual reports.

A number of council submissions also made the argument that land tax objections form a high proportion of properties that have been issued land tax. Therefore, Revenue NSW should be apportioned a higher percentage of objection costs. However, Revenue NSW are provided the whole valuation list, and not just the properties they raise land tax on, because they use all property values to determine if the property meets the land tax threshold. This is why Revenue NSW is allocated 75% of mass valuation costs. On this basis, Revenue NSW uses the entire property list and therefore should not be apportioned a higher portion of objection costs.

Our assessment of objections over different timeframes is that, on balance, 50% is an equitable apportionment to councils.

6.3.3 We have allocated 50% of customer experience and land data costs to councils

The Valuer General advise that the customer experience and land data team undertakes supplementary valuations and work on objections. Both councils and Revenue NSW receive supplementary valuation lists each year. We agree with this 50% split to councils. This split is consistent with both impactor and beneficiary pays principles.

6.3.4 Postage and Graphic costs are predominantly allocated to councils

Graphic and postage costs are incurred by Value NSW to distribute land valuation for rating purposes only. Revenue NSW undertakes its own notification process. Therefore 99.7% of postage (there are some minor non-council postal costs) and 100% of graphic costs are attributed by Value NSW to councils as they are the impactor.

We heard from stakeholders who did not support our apportionment approach

NSW Revenue Professionals' submission noted that the Valuer General is constantly improving its website for both land tax and council rate purposes and therefore graphic costs should not be 100% allocated to councils.

The Valuer General's proposal states that 99.7% the postage costs and 100% of the graphic service costs are related to the distribution of general valuation notices.[82] We therefore maintain our proposed allocation of these costs.

6.3.5 We have allocated the cost of the review to councils

We included the cost of IPART's review and Value NSW staff costs in the calculation of the Valuer General's efficient costs.[t] We consider including these costs is reasonable, because it is an unavoidable cost of providing valuation services to councils due to the legal requirement for IPART to conduct this review.

Our decision is that the full cost of the review be apportioned to councils. While the Valuer General provides land valuations for rating and taxing to councils and to Revenue NSW, IPART's Terms of Reference (Appendix A) require us to review the monopoly services of the Valuer General to councils. We do not have power under the IPART Act or the Terms of Reference to set prices for other users of the Valuer General's services.

As such, councils are both the impactor and the beneficiaries of IPART's services. Inclusion of the costs of this review increase the price to councils by 13 cents per valuation (around 1.7% of the total price).

6.4 Minor (or other) users of mass valuations

We will deduct the revenue received from other users (identified as minor users in the Valuer General's proposal) of mass valuation data from the Valuer General's revenue requirement (Chapter 7). This is consistent with our previous reviews and the Valuer General's proposal. This is so that councils are not paying the marginal costs of services provided to other (minor) users.

The Valuer General has advised that the revenue received from these other users of land valuation data changes from year to year: average income over the last 5 years has been $60,000 p.a. and peaking at $78,000 in 2020-21 (approximately 0.1% of costs). Revenue for these services is set by the Valuer General on a fee for service basis and generally covers the cost of providing existing data. In the past it has been argued that the data is used because it exists, and that other users are not impactors in the creation of costs.[u]

6.4.1 Accounting for other users of land valuation services

In our 2014 determination, the following methodology was identified to determine if other users should be allocated a portion of total valuation costs.

- **Similar use** - the users should use the valuation services in a similar way to councils and Revenue NSW – i.e., for a revenue or commercial related purpose.
- **Materiality** – the quantity of valuations used by these users as a percentage of total yearly valuations should be significant in order for them to contribute towards the Valuer General's fixed costs and be charged on an average cost rather than marginal (i.e. incremental) cost basis.

[t] The Valuer General did not include the fee in its proposal.

[u] IPART Public Hearing on the Review of Prices for Land Valuation Services Provided by the Valuer-General to Councils, 25 February 2014, p 44

As part of this review, we consulted on whether this approach for assessing other users of the rating and taxing data continues to be appropriate, or whether we should consider assessing other users against different criteria.

Who are the other users

Other users of mass valuation data have included:[83]

- private brokers and the general public
- Other government agencies such as NSW Fire and Rescue, Transport for NSW, NSW Crime Commission, NSW Police Force, NSW Crown Lands and Local Government Grants Commission.

From October 2024, the ability for the general public and private brokers to download mass valuation data has been removed from the Valuer General's website.

We have assessed the users identified as minor users by the Valuer General and determined that their use cases do not meet the current similar use and materiality thresholds.

Box 6.2 Fire and Rescue case study

NSW Fire and Rescue is required to use aggregated valuation data to set levies for metropolitan councils. It is one of the largest and regular other users of mass valuation data.

Under the *Fire and Rescue NSW Act 1989* (ss 51(3) and (6)), councils for each fire district must contribute 11.7% of the fire brigade's funding target. For the Sydney Metro area, the contribution is based on the average of the previous 5 years aggregated rateable land values. For the country districts contributions are calculated differently and do not use mass valuation data.

The contributions made by councils in NSW for 2022-23 were $99.4 million.[v]

We assessed that Fire and Rescue did not use the valuations in:

- **Similar** way as the revenue is raised from councils which is ultimately passed on to landowners who are the beneficiaries of Fire and Rescue's services. Whereas councils and Revenue NSW receive income directly from landowners.
- **Materially** the same way as the data is an aggregated total rather than individual land valuations.

[v] Fire and Rescue NSW, Annual Report 2022-23, p 139

Stakeholders provided comment on allocating costs to minor users

We heard from NSW Revenue Professionals and some councils that while NSW Fire and Rescue receive aggregate land valuations from the Valuer General, it is based on individual land values and therefore should be apportioned part of the costs.

However, we stand by our analysis that Fire and Rescue do not use land valuations in materially the same way as councils or Revenue NSW. The Valuer General is not likely to undertake individual land valuations for council areas as it is not the most efficient method to meet Fire and Rescue's requirements.

Process improvements to increase transparency around other users of rating and taxing valuation data

Historically, the Valuer General did not track the total costs that it incurs for providing valuation services to other users. Revenue from these users appears to be charged and recorded in different ways over time. We are aware that the Valuer General is currently updating these processes.

With the removal of the previously publicly available mass valuation data, it is possible that there may be an increase in the number of users who will be charged for accessing the data.

To effectively review efficient costs and apportion them to the users of the rating and valuation information, IPART requires transparent and complete data. We expect that information on the use of this data will be made available by the Valuer General at the next review including:

- the users
- the contact details
- the purpose of the data
- the revenue derived
- the costs incurred in providing the information.

Recommendation

2. The Valuer General enhances transparency by gathering information on the specific purposes for which land valuation data is used, alongside any associated revenue generated and costs incurred.

7 Revenue requirement

Decisions

Our decisions on the total revenue requirement are:

4. To set a total revenue requirement for valuation services provided to all users of $287.4 million which is shown in Table 7.1 and comprises:
   a. an efficient operating expenditure allowance of $287.0 million
   b. a depreciation allowance of -$6.6 million
   c. a return on the Regulatory Asset Base of -$2.6 million
   d. a working capital allowance of $9.6 million

5. To set a revenue requirement to be recovered from councils of $87.2 million, which is shown in Table 7.2 and comprises:
   a. an efficient operating expenditure allowance of $87.1 million
   b. a depreciation allowance of -$2.0 million
   c. a return on the Regulatory Asset Base of -$0.8 million
   d. a working capital allowance of $2.9 million

Our decision on revenue from minor users is:

6. To subtract $0.08 million for income from minor users from councils' share of the revenue requirement before we set prices, which is shown in Table 7.3.

Our decisions to arrive at the total revenue requirement are:

7. To calculate the total revenue requirement by:
   a. adopting a building block method with a Regulatory Asset Base, simplified by incorporating the tax allowance into the return on assets component of the revenue requirement.
   b. compensating councils for previously overpaid depreciation in prices, with one third repaid over the 4-year determination period.
   c. setting the opening Regulatory Asset Base to be -$20.1 million and the closing Regulatory Asset Base to be -$13.4 million, which is shown in Table 7.5.
   d. using a weighted average cost of capital (WACC) of 3.8% (pre-tax real) to calculate the return on the Regulatory Asset Base and 6.7% (pre-tax nominal) to calculate the working capital allowance.

IPART's determined total revenue requirement of $287.4 million is 22% lower than that proposed by the Valuer General, and the amount of $87.2 million allocated to councils is 24% lower than proposed.

In making our decision, we:

- used a building block method with a regulatory asset base (RAB)
- adjusted for depreciation in prices, so that councils are not overcharged for depreciation.

Under our decision, we subtract $0.08 million for revenues from minor users from councils' share of the revenue requirement before we set proposed prices.

7.1 We determined a revenue requirement that is 22% lower than the Valuer General's proposal

The revenue requirement is the efficient total costs of the Valuer General providing valuation services over the determination. In general, we set prices to recover councils' share of the total revenue requirement, minus councils' share of the revenue the Valuer General receives from minor users of mass valuation data. We deduct the revenue from minor users before we set prices because we have not allocated costs to the minor users.

IPART determined the total revenue requirement to be $287.4 million over 4 years and councils' share to be $87.2 million (30.3%). This amount is 22% lower than the $367.2 million proposed by the Valuer General over 4 years, and 24% lower than the $115.1 million allocated to councils.

Table 7.1 shows the Valuer General's proposed and our decision total revenue requirement and Table 7.2 shows councils' share of the revenue requirement.

Table 7.1 Revenue requirement per annum ($ millions, $2024-25)

	Average over 2019 determination period	2025-26	2026-27	2027-28	2028-29	Total
Total revenue requirement proposed by Valuer General	**69.2**	**86.5**	**93.3**	**93.7**	**93.7**	**367.2**
IPART decision (cost build-up components)						
Operating expenditure	64.3	74	70.5	71.0	71.5	287
Depreciation [a]	2.3	-1.6	-1.6	-1.6	-1.6	-6.6
Return on RAB [b]	0.7	-0.7	-0.7	-0.6	-0.6	-2.6
Return on working capital	1.9	2.5	2.4	2.4	2.4	9.6
Total revenue requirement (IPART decision)	**69.2**	**74.1**	**70.6**	**71.1**	**71.7**	**287.4**
Difference between the proposed and IPART decision total revenue requirement	na	-12.4	-22.7	-22.6	-22.0	-79.8
Difference between the proposed and IPART decision total revenue requirement (%)	na	-14%	-24%	-24%	-24%	-22%

a. In this table, the regulatory depreciation is a mid-year value (i.e. the RAB roll-forward depreciation amount is discounted by half a year of WACC).
b. The return on assets includes an allowance for tax.

Note: Valuer General's proposal over a 4-year determination period. Totals may not sum due to rounding.
Source: Valuer General proposal, IPART analysis.

Table 7.2 Revenue requirement to be recovered from councils before subtracting revenue from minor users per annum ($ millions, $2024-25)

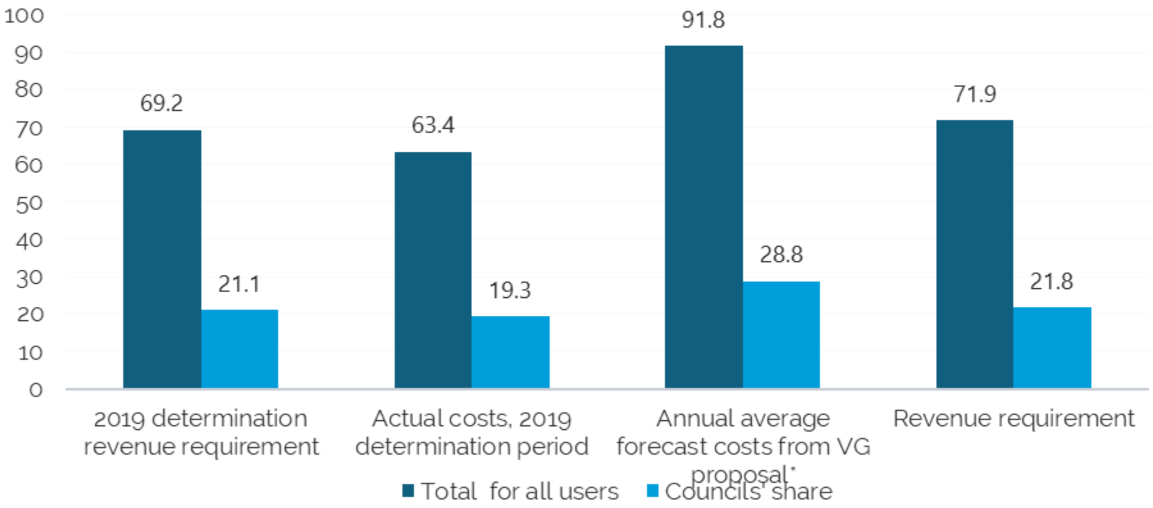
	Average over 2019 determination period	2025-26	2026-27	2027-28	2028-29	Total 2025-29	Councils' share (%)
Total revenue requirement proposed by Valuer General	**21.1**	**27.3**	**29.2**	**29.3**	**29.3**	**115.1**	**31.4%**
IPART decision (cost build-up components)							
Operating expenditure	19.6	23.2	21.1	21.3	21.4	87.1	30.3%
Depreciation [a]	0.7	-0.5	-0.5	-0.5	-0.5	-2.0	30.5%
Return on RAB [b]	0.2	-0.2	-0.2	-0.2	-0.2	-0.8	30.5%
Return on working capital	0.6	0.8	0.7	0.7	0.7	2.9	30.3%
Total revenue requirement (IPART decision)	**21.1**	**23.3**	**21.1**	**21.3**	**21.5**	**87.2**	**30.3%**
Difference between the proposed and IPART revenue requirement	na	-4.0	-8.1	-8.0	-7.8	-27.9	na
Difference between the proposed and IPART revenue requirement (%)	na	-15%	-28%	-27%	-27%	-24%	-1.1%

a. In this table, the regulatory depreciation is a mid-year value (i.e. the RAB roll-forward depreciation amount is discounted by half a year of WACC).
b. The return on assets includes an allowance for tax
Note: Valuer General's proposal over a 4-year determination period. Totals may not sum due to rounding.
Source: Valuer General proposal, IPART analysis.

Operating expenditure accounts for more than 99% of our revenue requirement. The Valuer General also incurs capital expenditure and requires working capital. Operating expenditure is discussed in Chapter 5 and councils' share in Chapter 6. This chapter explains the other components of the revenue requirement.

The Valuer General underspent the required revenue allowance over the 2019 determination period. In the 2019 determination approximately $21.1 million per year was allocated to councils. Our decision for this determination is for a total revenue requirement of $21.8 million per year to be allocated to councils. Our decision results in councils paying a similar amount to our 2019 determination amount (Figure 7.1).

Figure 7.1 Current determination period, proposed IPART decision for revenue requirement per year, ($ million, $2024-25)



Note: The actual costs are estimated, based on the Valuer General's reported actual operating expenditure and depreciation costs.
Source: IPART analysis.

7.2 Our decision is to subtract forecast revenue from minor users from efficient costs

Once we have calculated the revenue requirement and allocated a share to councils, we have deducted councils' share of revenue from minor users then set prices to recover the remaining amount.

The Valuer General expects to collect around $66,750 from minor users each year over the 2025 determination period. We propose to allocate 30.3% of this amount to councils (around $20,250 per year), in line with their share of the revenue requirement. This reduces the revenue required from prices by around $81,000 (0.1%) over the determination period (Table 7.3).

Table 7.3 Forecast revenue from minor users and revenue to be recovered from prices per annum ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total 2025-29
Councils' share of revenue requirement	23.3	21.1	21.3	21.5	87.2
Councils' share of revenue from minor users	0.02	0.02	0.02	0.02	0.1
Revenue to be recovered from prices	23.3	21.1	21.3	21.5	87.1
Reduction in revenue requirement (%)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%

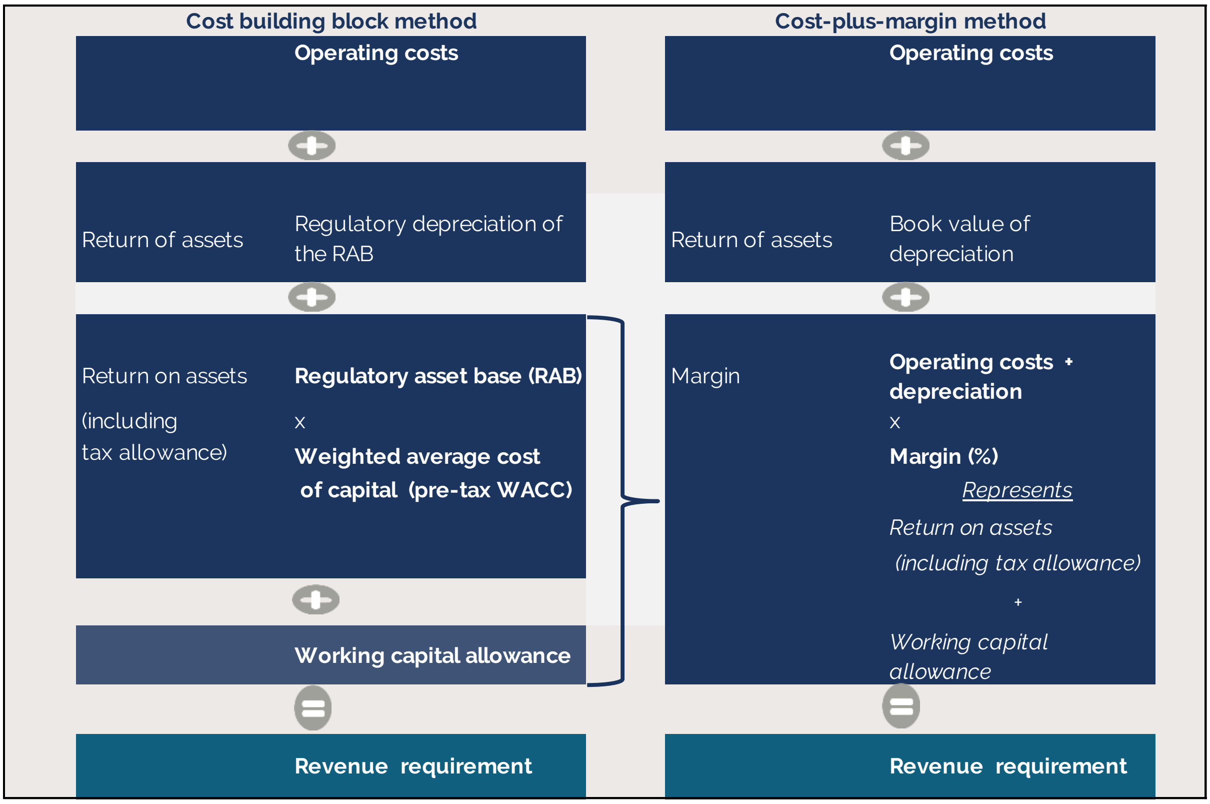
Note: Totals may not sum due to rounding.
Source: IPART analysis

7.3 Our decision is to adopt a building block method

Previous determinations used a building block method with a RAB to calculate the revenue requirement. However, the Valuer General's sole remaining asset is software, and its costs are mainly operating costs. After preliminary discussions with the IPART Secretariat, the Valuer General's proposal used a cost-plus-margin method with a 3.8% margin applied to its proposed operating costs plus expected depreciation.

For reasons explained in section 7.6 below, we consider a cost-plus-margin method would be less accurate than a building block method. Our decision is to continue to use a building block method with a RAB, simplified by incorporating the tax allowance into the return on assets component of the revenue requirement. Figure 7.2 shows the relationship between the 'cost building block method' and a 'cost-plus-margin method'.

Figure 7.2 Comparison of building block and cost-plus-margin methods



Source: IPART

7.4 Our decision is to not overcharge councils for depreciation

Our standard RAB method automatically ensures that customers are not overcharged for depreciation.

When we roll forward a RAB to the start of a new determination period, we begin with the opening RAB in the year before the start of the current determination period.[w] Then we:

- add the capital expenditure the business actually incurred each year
- subtract any capital grants the business received each year
- subtract the depreciation that we expected they would incur each year (adjusted for inflation), based on the forecast of capital expenditure at the time we set the prices, i.e. 'allowed' depreciation
- subtract actual disposals (if any)
- add RAB indexation to maintain the real value of the RAB.

Subtracting 'allowed' depreciation (instead of actual depreciation) means the RAB will be reduced by the amount of depreciation that customers have already paid in prices. This mechanism ensures that customers are not overcharged for depreciation when the business spends less than the forecast amount of capital expenditure.[x]

When the depreciation allowance exceeds actual capital expenditure, the RAB can turn negative.

7.4.1 Councils will not contribute to the capital costs of Val IQ

The Valuer General underspent its capital expenditure allowance over the 2014 and 2019 determination periods. The only capital expenditure it has undertaken since 2022-23, and plans to undertake over the 2025 determination period, is on Val IQ. It expects to spend a total amount of $19.8 million (nominal) on this project, and this amount will be fully funded by means of a capital grant from the Digital Restart Fund.

Under our building block method, we exclude from the RAB any capital expenditure that is funded by means of capital grants. The reason for doing so is that customers should not be required to pay the business for assets that have been externally funded (since the business has not spent its own money). This means that councils will not be required to contribute to the capital cost of Val IQ.

7.4.2 Our decision is to depreciate the negative RAB over 12 years

The Valuer General's capital underspend over 2 consecutive determination periods, combined with grant funding for Val IQ, means it will have an expected closing RAB value of -$20.1 million on 30 June 2025 (Table 7.4).

w We start from the last year of the previous determination period because, when we set the prices for the current determination period, we used forecasts of capital expenditure and inflation. Our method ensures that we aways replace forecast with actual values.

x Similarly, the RAB method allows us to recover underpaid depreciation from customers if actual prudent and efficient capital expenditure exceeds allowed expenditure. In other words, it ensures that customers pay for the depreciation of assets, but only once.

Table 7.4 Regulatory Asset Base to 30 June 2025 per annum ($ millions, nominal)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening RAB	-3.8	-5.4	-5.7	-7.1	-9.3	-12.7	-16.4
plus capital expenditure	0.0	0.6	0.0	0.0	3.6	5.9	7.5
minus capital grants	0.0	0.0	0.0	0.0	3.6	5.9	7.5
minus allowed depreciation	1.6	0.9	1.1	1.8	2.8	3.2	3.4
plus indexation	-0.1	0.0	-0.2	-0.4	-0.6	-0.5	-0.3
Closing RAB	**-5.4**	**-5.7**	**-7.1**	**-9.3**	**-12.7**	**-16.4**	**-20.1**

Note: Totals may not sum due to rounding.
Source: IPART analysis

We will depreciate the (negative) closing RAB over 12 years and recover the (negative) depreciation and return on the RAB amounts in the revenue requirement. We decided to depreciate the RAB over 12 years because that is the time it took for the Valuer General to build up a negative RAB. Recovering the full amount over 4 years would also mean the average price would fall by 5.2%. Depreciating the RAB over 12 years promotes price stability between determination periods.

Table 7.5 shows the expected value of the RAB over the 2025 determination period.

Table 7.5 Regulatory Asset Base from 1 July 2025 per annum ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29
Opening RAB	-20.1	-18.4	-16.8	-15.1
plus capital expenditure	2.8	0.0	0.0	0.0
minus capital grants	2.8	0.0	0.0	0.0
minus allowed depreciation	-1.7	-1.7	-1.7	-1.7
plus indexation	0.0	0.0	0.0	0.0
Closing RAB	**-18.4**	**-16.8**	**-15.1**	**-13.4**

Note: Totals may not sum due to rounding.
Source: IPART analysis.

7.5 The revenue requirement includes capital allowances

Under our building block approach, in addition to operating costs the revenue requirement includes allowances for:

- depreciation
- return on RAB
- working capital (i.e. a return on working capital).

7.5.1 Depreciation and return on RAB

The depreciation and return on RAB amounts in the revenue requirement are negative numbers, which show how much the Valuer General would be required to return to all its customers over the next 4 years ($9.2 million, shown in Table 7.6).

Table 7.6 IPART decision on total depreciation and return on RAB per annum ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
Depreciation [a]	-1.6	-1.6	-1.6	-1.6	-6.6
Return on RAB [b]	-0.7	-0.7	-0.6	-0.6	-2.6
Total	**-2.4**	**-2.3**	**-2.3**	**-2.2**	**-9.2**

a. The return on assets includes an allowance for tax.
b. In this table, the regulatory depreciation is a mid-year value (i.e. the RAB roll-forward depreciation amount is discounted by half a year of WACC)

Note: Totals may not sum due to rounding.
Source: IPART analysis.

Councils will receive only a proportion of this amount in prices. Our decision is to allocate 30.5% of the amount to councils ($2.8 million), consistent with their share of allowed depreciation over the 2019 determination period (Table 7.7). This results in a $0.25 per valuation reduction in the proposed price paid by councils.

Table 7.7 IPART decision on councils' share of depreciation and return on RAB per annum ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total over 2025 DP	Council share
Depreciation [a]	-0.5	-0.5	-0.5	-0.5	-2.0	30.5%
Return on RAB [b]	-0.2	-0.2	-0.2	-0.2	-0.8	30.5%
Total	-0.7	-0.7	-0.7	-0.7	-2.8	30.5%

a. The return on assets includes an allowance for tax.
b. In this table, the regulatory depreciation is a mid-year value.

Note: Totals may not sum due to rounding.
Source: IPART analysis.

7.5.2 Working capital allowance

The working capital allowance (i.e. the return on working capital) represents the return the business could earn on the net amount of working capital it requires each year to meet its service obligations. It ensures the business recovers the cost it incurs due to the time delay between providing a service and receiving the money for it (i.e. when the bills are paid). The Valuer General invoices its customers once a year, which results in a working capital allowance of $9.6 million over 4 years. Councils will be allocated 30.3% of this amount ($2.9 million over 4 years), consistent with their share of the total revenue requirement. Table 7.8 shows the working capital allowance.

Table 7.8 IPART decision on the working capital allowance per annum ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total over 2025 DP	Council share
Total allowance	2.4	2.4	2.4	2.4	9.6	na
Councils' share	0.8	0.7	0.7	0.7	2.9	30.3%

Note: Totals may not sum due to rounding.
Source: IPART analysis

7.5.3 The rate of return used to calculate the return on RAB and working capital

We use a weighted average cost of capital (WACC) to calculate the return on RAB and the working capital allowance.

We applied our standard 2018 WACC methodology to calculate the WACC, using Valuer General-specific risk-related parameters.[y] Our decision is to use a rate of return before inflation (real pre-tax WACC) of 3.8% to calculate the return on RAB and a nominal rate of return of 6.7% (nominal pre-tax WACC) to calculate the return on working capital.

In setting the WACC, we consider that the Valuer General's cash flows are known with a fair degree of certainty because they are driven by statutory requirements for its main customers (Revenue NSW and councils). A fair degree of certainty leads to a lower WACC than for businesses whose cash flows are more uncertain, such as water and electricity businesses. Our decision is consistent with our 2019 review of prices.[84]

As previously indicated, the only departure from our previous method is to include an allowance for tax in the return on assets component of the revenue requirement. We do so by using a rate of return that includes provision for tax (i.e. a pre-tax WACC) to calculate the return on assets and working capital. The impact on prices of the change in our approach is immaterial.

7.6 We have used a building block model with a pre-tax WACC rather than a cost-plus-margin approach

The Valuer General's proposal used a cost-plus-margin method, with a 3.8% margin based on the allowances for the 2019 determination period. It applied this margin to its proposed operating costs plus depreciation of Val IQ software.

y The Valuer General-specific risk-related parameters are the equity beta, which measures volatility (0.45) and the gearing ratio (45%) which is the assumed share of capital that is debt-funded. Our Draft Report WACC can be reproduced using our online model, with the appropriate selections. To make the selections, on the 'WACC Calculator' worksheet select the Valuer General 'Industry' (row 14) for a 4-year determination period (row 36) and a sampling date of 31 March 2025 (row 18).

The main difference between the cost building block and a cost-plus approach is the method used to calculate a return on fixed assets and working capital. Under the building block approach the value of the return is determined by the rate of return (WACC) and the value of the assets (RAB and working capital, respectively). Specifically:

- return on RAB = RAB x real WACC
- return on working capital = working capital x nominal WACC.

Under the margin approach, we typically use an earnings before interest and tax (EBIT) margin based on the financial statements of similar businesses in the market, The Valuer General is a monopoly business with very stable and predictable cash flows, unlike businesses in the private market.

An EBIT margin would likely include a reward for a higher level of risk than faced by the Valuer General (due to more unstable cash flows than the Valuer General). In addition, it may include a return on capital expenditure which these businesses would have funded from their own resources. Using an EBIT margin would implicitly compensate the Valuer General for capital expenditure that has been grant funded. We estimate that a margin of more than 3.3% would overcompensate the Valuer General.

8 Pricing structure and prices

Decisions

8. To set a maximum price for all councils of $7.93 ($2024-25) per valuation from 1 July 2025 ($8.12 with inflation).

9. To increase the price by CPI on 1 July each year of the determination period.

Under the 2019 determination, different prices were charged to councils based on which of 4 geographic zones the council is in: country, coastal, metropolitan and Sydney City. The zonal structure was designed to reflect the difference in mass valuation costs between zones at that time. Our ability to allocate cost-reflective prices across 4 zones has been reduced due to changes to the Valuer General's operating model to bring some valuations in-house, and the uncertainly around mass valuation contract costs over the 4-year determination period.

We have adopted a single pricing structure from 1 July 2025, where all councils pay the same price. We have made this decision in the absence of an alternative, more cost-reflective pricing structure that could be implemented by 1 July 2025.

We sought comments on whether a pricing structure based on the risk-ratings used by the Valuer General could provide a suitable cost-reflective alternative to zone-based prices.

8.1 The Valuer General proposed zone-based prices

The Valuer General proposed to continue the zone-based pricing structure introduced in 2019. It proposed price increases of between 21% and 38% before inflation, as shown in Table 8.1. It proposed to increase prices by CPI on 1 July each year from 2026.

Table 8.1 Valuer General's Proposed Prices ($2024-25)

Zone	Current price 2024-25	Proposed price from 1 July 2025	Difference (%)
Country	9.16	11.62	26.8%
Coastal	7.80	10.80	38.4%
Metro	7.20	9.44	31.1%
Sydney City	14.89	18.09	21.5%
Weighted Average	7.91	10.45	32.0%

Note: This table presents averages for each category weighted by the number of valuations conducted in each zone.
Source: Valuer General proposal, p.9 IPART analysis.

8.2 Stakeholders expressed concerns with the proposed price increases and had mixed views on the pricing structure

Submissions expressed varied views on whether the zonal pricing structure should be retained. Some councils, mostly in the metro zone (which currently has the lowest prices), responded that the current zonal structure should be retained. Several stakeholders questioned whether the hybrid model negated the validity of the zonal pricing model.[85] We heard from some councils that the zonal structure should be retained but with some changes. For example, submissions asked for more detailed categorisation of councils within the pricing framework.[86]

Submissions to our Draft Report showed general support for our proposed single price. They suggested that if a risk-based pricing structure were to replace the flat-fee in the future, then there should be strong evidence for its replacement and a potential benefit. [87]

8.3 We have set a single (postage stamp) price

The price per valuation is determined by dividing the revenue requirement by the number of valuations each year.

Our decision is to adopt a single price for all councils. Our prices are on average the same as current prices (before inflation). Metropolitan and coastal councils will face increases of 10.2% and 1.7% respectively, while country councils and Sydney City will experience decreases (Table 8.2).

Table 8.2 Current and final decision prices before inflation ($2024-25)

	Current price $	IPART price before inflation $	Difference before inflation %
Zone 1 - Country	9.16	7.93	-13.4%
Zone 2 – Coastal	7.80	7.93	1.7%
Zone 3 – Metropolitan	7.20	7.93	10.2%
Zone 4 - Sydney City	14.89	7.93	-46.7%
Weighted Average	7.91	7.93	0.2%

Note: This table presents averages for each category weighted by the number of valuations conducted in each zone.
Source: IPART analysis.

8.3.1 Ability to allocate cost-reflective prices across 4 zones has been reduced

When considering pricing structures, we aim to ensure that prices allocate the costs of the services between councils in line with the costs generated by each council. A cost reflective price structure should result in councils that impose similar costs on the system, paying similar prices. In addition to cost reflectivity, we have taken into account the ease of implementation, transparency and price stability of potential price structures.

The 2019 determination zonal structure was designed to reflect the difference in mass valuation costs between zones, which was known with a high degree of certainty based on market tested outcomes.[88] Mass valuations were contracted out and the market-tested contract prices were known in advance.[89]

In contrast, for prices from 1 July 2025 there is uncertainty around the mass valuation costs in different pricing zones.

To set zone-based prices, we would need to know how much of (councils' share of) the total allowance should be recovered from each pricing zone. There is uncertainty around this due to the Valuer General's hybrid valuation model, where some areas will be valued in-house and others by external contractors (see Chapter 2). In addition, external contracts are due for renewal over the course of the 4-year determination period and the relative contract prices in the 3 remaining zones are unknown.

8.3.2 Risk-based pricing could provide a future approach

We consider a risk-based pricing structure may provide an alternative cost-reflective approach to pricing.

All properties valued by the Valuer General are assigned a risk rating.[90] Risk Rating 1 (RR1) properties are the highest risk, most complex and therefore most costly to value. Risk Rating 3 (RR3) properties are the lowest risk and least costly to value. In addition. while all properties need to be valued every year, their risk rating determines how often the values need to be verified (reviewed). RR1 properties need to be verified each year; RR2 properties need to be verified every 3 years, and RR3 properties need to be verified every 5 years. In our 2019 report, we found that RR1 properties can cost more to value than RR3 properties because of the complexity and frequency of valuations.[91]

Risk ratings are not the only driver of the cost of valuing different areas of land. Cost is also influenced by location and other property aspects.

A risk rating price model would be cost reflective to the extent that it would capture a key driver of the cost of valuations in each council area, based on the property mix. However, the accuracy of this approach depends on the quality of the information we would use to calculate the cost differential between the risk ratings (RR1 versus RR2 versus RR3 costs). While the Valuer General can provide accurate information on the risk rating profile of each council, we do not have good information on the relative ratings cost of RR1, RR2 and RR3 properties. Before we could set risk-based prices we would need to better understand the costs underlying the different risk ratings.

As mentioned above, submissions to the Draft Report identified possible problems with this model, and more information is required.

If we adopted a risk-based pricing structure in the future, we may require Value NSW to provide an annual list of properties to each council with risk ratings. The list should also include an explanation of any changes in the risk ratings from the previous list.

Recommendations

3. The Valuer General to take reasonable steps to capture unit mass valuation costs by risk rating to inform future pricing decisions.

8.3.3 A single price is the best available option at this time

On balance, our decision is to adopt a single price because risk-based pricing is not feasible at this time and we have reduced confidence in the continuing cost-reflectivity of zone-based prices.

A single price has the advantage of being simple. Under the Local Government Act, councils are required to use the mass valuations from the Valuer General to set rates. Councils are price takers and have little capacity to reduce the costs associated with providing a valuation.

8.4 We propose a step change on 1 July 2025 then increase by CPI

We will implement a postage stamp pricing structure in full on 1 July 2025, rather than transition from current prices to postage stamp prices over the determination period. We assess that the gains for country councils are greater than the impacts on metropolitan councils (see Table 8.3). Metropolitan councils remain better off under IPART's pricing proposal compared to the Valuer General's proposal

Our decision is to hold maximum prices constant in real terms over the determination period. After the initial price change on 1 July 2025, prices will increase by CPI on 1 July each subsequent year of the determination period. To increase prices, we will use the Australia-wide CPI[z] over the year to March, lagged by one year. For example, prices from 1 July 2025 will be increased by

(1) $$\$7.93\ x\ (CPI\ to\ March\ 2025\ \div CPI\ to\ March\ 2024) = \$7.93 \text{ x } 1.024 = \$8.12$$

8.5 We accept the Valuer General's forecast valuation quantities

Our decision is to accept the Valuer General's forecast of 0.75% increase in property valuations per annum. The Valuer General based this assumption on the historical increase in the number of properties over the last determination period. Our 2019 determination forecasted a 0.71% increase in property valuations, which is similar to the 0.75% that occurred over the period.

Our prices are on average slightly higher than current prices in real terms (before inflation) despite an increase in average annual costs because valuations are forecast to grow more rapidly than costs (0.75% per year compared to around 0.53% per year, on average).

We do not have other sources of data to forecast changes in the number of properties valued by the Valuer General. The NSW Government issues a population forecast with an implied dwelling demand each year.[aa] However, increases in dwellings are not necessarily correlated with the increase in properties valued by the Valuer General. For example, in medium and high-density residential development such as an apartment building, there may be only one property but many dwellings. Furthermore, this forecast does not account for growth in other property types such as industrial, commercial, and agricultural properties.

[z] The Australia-wide CPI measures inflation across 8 capital cities, including Sydney. We use it in preference to the Sydney CPI because we consider non-metropolitan councils may have more in common with the smaller capital cities. The CPI is available on the Australian Bureau of Statistics' website.

[aa] Department of Planning, Housing and Infrastructure 2024 NSW Population Projections

8.6 Our prices impact councils

We investigated the impact on councils of our pricing decisions by evaluating the increase to each council's bill. Under our prices, the council groupings that experience bill increases[bb] are coastal (1.7%) and metropolitan councils (10.2%) (Table 8.3). We also estimated how much the valuation bill represents of each councils' income from rates.[cc]

A detailed breakdown of this analysis per council is in Appendix D.

For coastal councils the valuation bill as a share of rates income ranges between 0.3% and 0.6%, and for metropolitan councils it ranges between 0.1% and 0.5% (Table 8.3). Therefore, the average 1.7% increase in the valuation bill for coastal councils will increase the valuation bill's share of rates income by at most 0.01%. For metropolitan councils, the bill increase of 10.2% will increase the valuations bill's share by at most 0.05%.

For example, in Appendix D, the coastal council with the highest 2024-25 valuation bill as a percentage of its rates income is Nambucca Valley Council - with 0.61%. Under our pricing decision, the share remains unchanged at 0.61% (rounded). The metropolitan council with the highest 2024-25 valuation bill as a percentage of its rates income is The Hills Shire Council - with 0.50%. Under our pricing decision, the share will increase to 0.53% (rounded).[dd]

Country councils will all be better off because bills will fall by 13.4% (before inflation, see Appendix D).

Table 8.3 Impact on average council bills of IPART prices (before inflation)

	Average bill with current price $2024-25	Average bill with IPART price $2024-25	Impact on council bills %	Bill as a share of rates income – range %
Zone 1 - Country	79,109	68,486	-13.4%	0.2%-1.6%
Zone 2 – Coastal	261,936	266,302	1.7%	0.3%-0.6%
Zone 3 – Metro	282,839	311,515	10.1%	0.1%-0.5%
Zone 4 - Sydney City	418,915	223,103	-46.7%	0.1%

Note: We show the impact on councils' bills due to the change in price only (i.e. for the same number of valuations). We use councils' TPI as a variable for income from rates. The bill as share of rates incomes is for 2025-26, using our draft prices. Rates income in 2025-26 has been adjusted down for inflation.
Source: IPART analysis

In Table 8.4 we extract the top 3 councils with the greatest bill impacts as a share of their income from rates. The impact of our decisions means that some councils – especially country - will have bill reductions of up to 0.30% of their rates income.

The highest bill increase is 0.04% of rates income, for Fairfield City Council.

bb We assess the impact on councils' bills for a constant number of valuations.

cc For our calculations including rates income we have used Total Permissible Income (TPI) – this is equivalent to a council's income from rates as varied under the rate peg and/or a special variation. It includes other small fees and charges.

dd Numbers may not sum due to rounding.

Table 8.4 Overview of impacts on Councils' bills ($nominal)

	Zone	Current Bill $	2025-26 Bill $	Difference $	Difference %	Change in bill share of rates income %
Top 3 councils with bill decreases						
Central Darling	Country	17,212	14,900	-2,311	-13.4%	-0.30%
Coolamon	Country	28,790	24,924	-3,866	-13.4%	-0.17%
Narrandera	Country	35,055	30,348	-4,707	-13.4%	-0.16%
Top 3 councils with bill increases						
Fairfield	Metro	389,038	428,482	39,444	10.1%	0.04%
Hawkesbury	Metro	188,510	207,623	19,113	10.1%	0.03%
Hills	Metro	449,532	495,110	45,578	10.1%	0.03%

Note: We show the impact on councils' bills due to the change in price only (i.e. for the same number of valuations). We use councils' total permissible income (TPI) as the measure income from rates. The bill as share of rates incomes is for 2025-26, using our prices. Rates income in 2025-26 has been adjusted down for inflation to maintain consistency between prices and rates income.
Source: IPART analysis

Implementing a single price will reduce the valuation bill for Sydney City by around $196,000 (47%, before inflation). Sydney City was charged a much higher price than other council groupings under the 4-zone price model due to valuation complexities relating to its property types and uniqueness. We consider that including Sydney City in the single price applied to all councils would not significantly impact other councils. The bill reduction that Sydney City experiences will be spread across all other councils. The bill impact as a share of Sydney City Council rates income remains relatively steady at -0.06% (Table 8.5).

Table 8.5 IPART price impact on Sydney City bill ($nominal)

	Zone	Current Bill $	2025-26 Bill $	Difference $	Difference %	Change in bill share of rates income %
Sydney City	Sydney City	418,915	223,103	-195,813	-46.7%	-0.06%

Note: We show the impact on councils' bills due to the change in price only (i.e. for the same number of valuations). We use councils' TPI as a variable for income. The bill as share of rates incomes is for 2025-26, using our draft prices. Rates income in 2025-26 has been adjusted down for inflation.
Source: IPART analysis.

We heard from stakeholders that price increases should be limited to the rate peg

Strathfield Council has recommended that step price increases for 2025-26 be limited to the rate peg. We have not agreed to this as this would not reflect the costs of providing the valuation services. We note that income from rates make up roughly one third of councils' income.[92]

Stakeholders were concerned about the impact of the Valuer General's pricing proposal on their rates

In our consultation, ratepayers expressed concerns about the potential flow on effects of the Valuer General's pricing proposal to the affordability of council rates. They suggested that these would lead to financial hardship for ratepayers and cited cost of living pressures.

8.6.1 Our prices may affect ratepayers depending on council decisions

In coming to our decision, we have considered the social impacts and effect on general price inflation, as required by the IPART Act. We have evaluated the impact of the single price on rates and the ability for councils to provide services. We consider that there is a potential impact on ratepayers, but any impact should be limited.

Councils are responsible for managing their income and costs to achieve their obligations within budget. On average rates make up one third of councils' income so costs may be able to be absorbed without impacting rates.

For ratepayers there is no immediate impact on rates because the 2025-26 rate peg has already been set.[ee] Beyond 2025-26, under our new rate peg methodology[93] the rate peg may include an adjustment factor for Valuer General prices. This potentially could have an impact on rates.

We consider that the potential impact on services and/or rates is minimal, because the share of the valuation bill in rates income under our pricing decision is small. For example, the share varies between 0.2% to 1.6% for country councils and 0.1% to 0.5% for the metropolitan councils. The average valuation bill for each council grouping, as a percentage of rates, is between 0.1% and 0.6% (Table 8.3 and Appendix D).

The potential impact on services and/or rates under our single price is smaller than under the Valuer General's proposed prices.

However, we are aware of issues around the financial sustainability of councils and the recent Parliamentary Inquiry into the ability of councils to fund infrastructure and services.

[ee] IPART usually sets the rate peg in the September or October before implementation on 1 July. The rate peg for 2024-25 is available on our website.

9 Other Relevant Matters

While setting maximum prices for land valuation services to councils, we have identified a number of matters that may have an impact on future costs. We consider these under our Terms of Reference[ff] and section 13(4)[gg] of the IPART Act.

These include issues raised by stakeholders that are not required for IPART to deliver this pricing determination. However, these areas require more information and clarity, as their importance may increase, and they may warrant consideration in a subsequent determination.

Issues raised by stakeholders include:

- possible double charging for the valuation of Commonwealth land
- increasing numbers of objections leading to increased costs.

The Valuer General-Value NSW's submission raised the issue of being unable to meet legislative requirements due to our draft determination.

9.1 Issues raised by stakeholders

9.1.1 Valuation of Commonwealth land

Our Draft Report discussed the issue of possible double charging for the valuation of Commonwealth land. In its submission to the Draft Report, Value NSW requested that we omit any Commonwealth lands commentary from our Final Report, on the basis that the Valuer General has no statutory role in relation to Commonwealth lands. Having considered the Valuer General-Value NSW's submission, we have not made any recommendations in relation to valuation of Commonwealth lands. We have summarised the stakeholder feedback received on the issue for completeness.

We understand that historically, these valuations were provided to councils as part of the standard valuation register. They have also previously been included in IPART's calculation of efficient costs and considered part of the monopoly service provided to councils.

These Commonwealth properties include homes owned by Defence Housing Australia, whose residents benefit from full council services. We have been advised that these valuations were used by some councils, ex gratia, to receive rate-equivalent income from the Commonwealth.[hh]

Under s 7D(2A) of the VOL Act, the Valuer General is not required to make any valuation if it appears to the Valuer General at the time that the valuation would otherwise be made that the valuation would not be used for the purpose of a rate or tax.

[ff] TOR advise that IPART may 'take into account any other matters it considers relevant'

[gg] Tribunal may also report to the Minister on any matter it considers relevant that arises from an investigation

[hh] Competitive neutrality requires that government business activities should not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership. Commonwealth Competitive Neutrality Policy Statement June 1996.

Since July 2024, the Valuer General has ceased to provide councils with valuations for Commonwealth-owned properties in mass valuation lists on the basis that they are not rateable. In response to IPART's raising of the Crown lands issue in the Draft Report, the Valuer General has submitted that this change took place after Value NSW determined that Commonwealth-owned land should be removed from the Register of Land Values under the VOL Act.

We understand that the Valuer General has commenced charging councils individually for each Commonwealth property within their area as a private valuation under s 9A of the VOL Act. This has resulted in some councils incurring additional costs.

9.1.2 Stakeholders gave feedback on recent changes to Commonwealth Land Valuations

In our Draft Report, we invited councils to provide information on their experiences with recent changes to services provided for Commonwealth land valuations.

We received feedback from councils around the impact of changes to Commonwealth land valuation services that have affected their valuation costs. We received 4 submissions expressing their disappointment with the lack of notice and communication from the Valuer General around these changes.[94]

NSW Revenue Professionals submitted that the VOL Act mandates providing determined land values for all rateable land. They said that land subject to ex gratia rates qualifies as rateable land, and therefore, valuations should be supplied for Commonwealth land.[95] NSW Revenue Professionals indicated that they are continuing to communicate on this issue with the Valuer General.[96]

NSW Revenue Professionals, Blacktown City Council and Sutherland Shire Council are concerned that the Valuer General is now offering to value these same parcels of land at a separate price to the mass valuation price set by IPART:[97]

- Sutherland Shire Council shared that its 21 Commonwealth land valuations to be completed in the last financial year, were cancelled without any correspondence from the Valuer General. They had since used resources to discover the cause of the cancellation, before receiving an estimated cost of $7000 for the valuations.[98]
- NSW Revenue Professionals submitted that Councils have informed them that private valuations range in price from around $100 to $20,000 each, based on the complexity and size of the site.[99]
- Blacktown City Council noted that they have sought close to 100 Commonwealth land valuations this financial year.[100]

The Valuer General indicated it is now offering to value these same parcels of land at a separate price to the mass valuation price set by IPART.[101]

Local Government NSW acknowledged many councils rely on separate valuations for Commonwealth lands subject to ex-gratia rates, with costs potentially reaching thousands of dollars, while questioning the Valuer General's stance on not being legally required to provide these valuations under the VOL Act.[102]

9.1.3 Increased objection costs

Objections are a landowner right under the VOL Act. Landowners can object because land values are incorrect, or because there are errors in the land valuations such as apportionment or allowances. Objections are generally less than 1% of valuations annually. Objection costs have increased as a percentage of operating costs from 7% in 2014 to 14% in the current review.[103]

Under section 35B of the VOL Act, the Valuer General must accept all objections that are duly made and must allow or disallow an objection. IPART is not aware of a legal mechanism in the VOL Act for the Valuer General to directly charge objectors for objections. We are not aware of any other state charging for objections.

On a yearly basis between 12% to 30% of all registered objections result in a land revaluation although it is unclear how many objections seek a revaluation each year.[104]

IPART has been advised that there are instances where some parties lodge an objection each year. Being able to lodge an objection is an important safeguard to landowners. However unnecessary objections can lead to increased costs.

In our Draft Report, we asked stakeholders for their views on how to reduce the number of objections. Stakeholders were supportive of the Valuer General seeking to reduce objection numbers. We heard from 5 stakeholders that education and transparency around the impacts of land valuations (particularly on land rates) should accompany any valuation notices.[105] We note that increases in land valuation do not necessarily result in increased rates for landowners.

We agree with submissions and consider that there may be opportunities for the Valuer General to reduce the costs incurred through the objections process. These may include:

- information provided to landowners
- increased data and transparency on objections
- investigate regulatory change that would allow the Valuer General to charge a nominal fee for repeat objections (akin to an application fee under the GIPA Act).

With the rise in objection costs, improving transparency is seen as essential for monitoring expenses and understanding the reasons behind these increases.

Recommendations

4. The Valuer General to continue to work with the Local Government sector to provide additional information, for example to clarify the impact of land valuations on council rates, in a timely manner to reduce the number of objections.

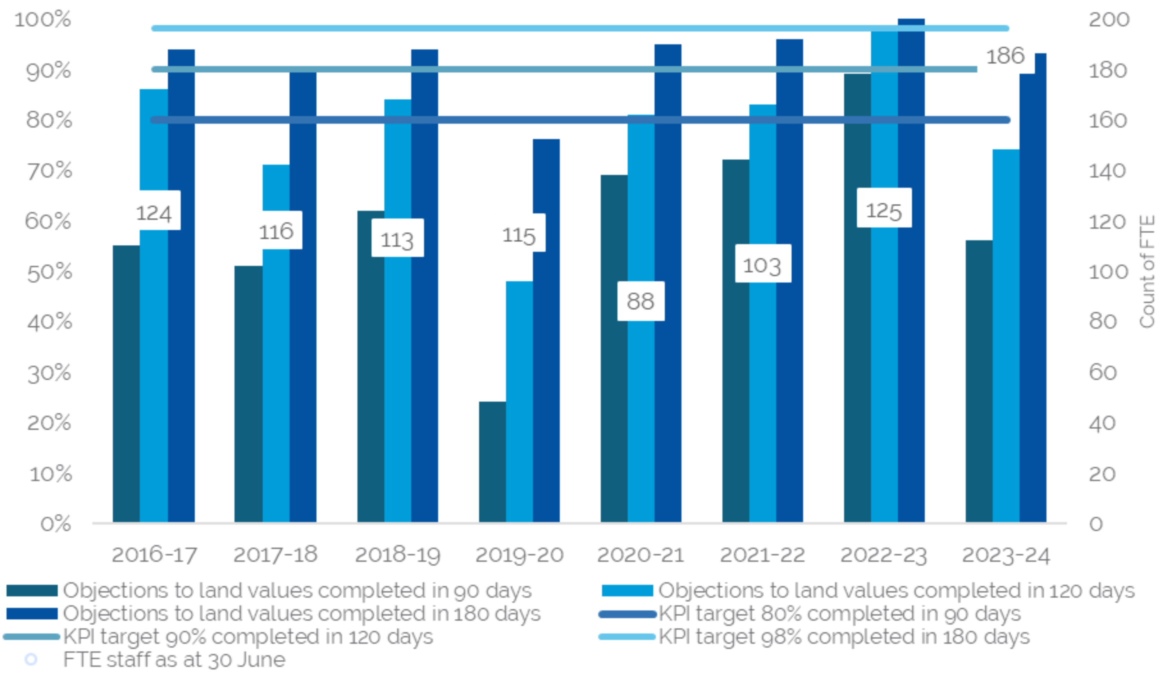
9.1.4 Reporting against Key Performance Indicators (KPI)

The Valuer General-Value NSW's submission stated there was a risk of the Valuer General being unable to meet legislative requirements due to the draft determination. In the public hearing and it's written submission, the Valuer General presented a selection of performance indicators for objections assessments and supplementary valuations. The Valuer General indicated staff vacancies for the first 3 years of the 2019 determination resulted in poor performance in objections and supplementary valuations.

We reviewed the number of staff (FTE reported in the Valuer General's Annual reports and pricing proposal) and compared this to the reported KPI on objections and supplementary valuations.

Our analysis does not provide clear evidence of a relationship between Value NSW FTE, as at 30 June, and objection KPIs (Figure 9.1), or supplementary valuation KPIs (Figure 9.2) We note FTE numbers are at a point in time while objection data relates to a 12-month time period. Our overall conclusion is that there is no clear evidence of a relationship between FTEs and KPIs that would justify an increase in the Valuer General's expenditure allowance.

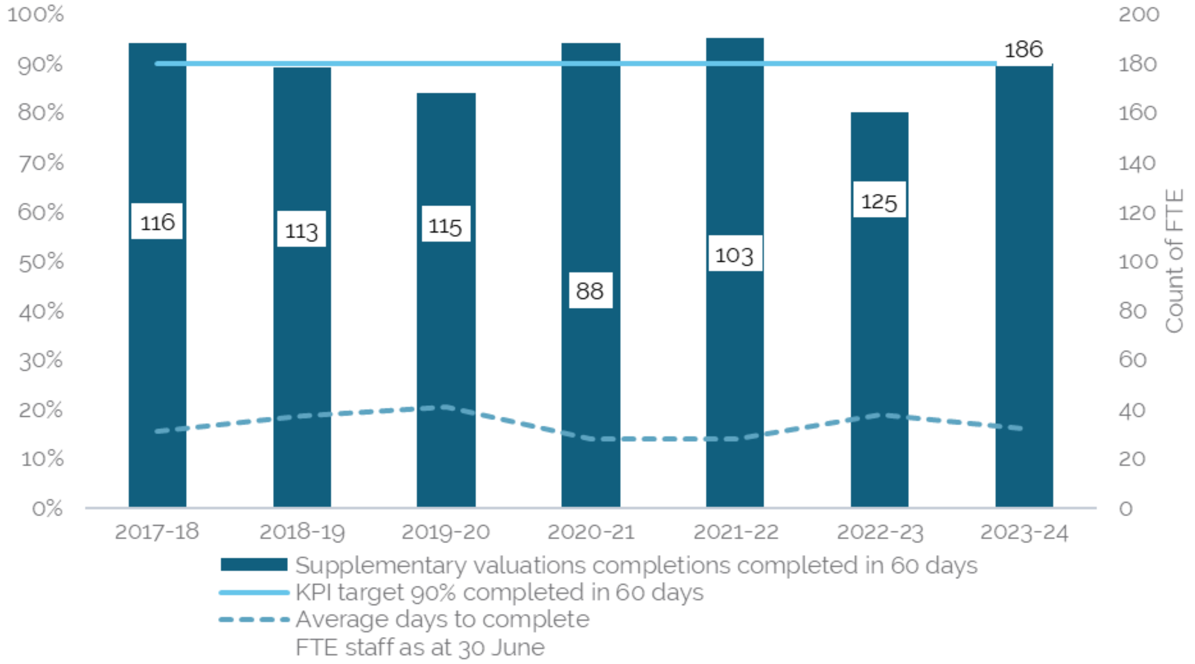
Figure 9.1 Comparison of FTE staff, objection volumes and performance indicators between 2016 – 2024



Note: Numbers in the white boxes refer to estimated employees based on published information in the annual reports as at 30 June, except for 2020-21 and 2023-24 which are referred to in the Valuer General-Value NSW's submission to IPART on page 27.

Source: Valuer General annual reports 2016-17 to 2023-24, Valuer General proposal 2024.

Figure 9.2 Comparison of FTE staff, supplementary valuation volumes and performance indicators between 2017-2024



Note: Numbers in the white boxes refer to estimated employees based on published information in the annual reports as at 30 June, except for 2020-21 and 2023-24 which are referred to in the Valuer General-Value NSW's submission to IPART on page 27.

Source: Valuer General annual reports 2016-17 to 2023-24, Valuer General proposal 2024

Prior to financial year 2023-24, objection and supplementary valuations were predominantly undertaken by external valuers.[ii] The ability to achieve objection targets can be influenced by the volume of objections in the year at any point of time, and outstanding objections from previous years, staff numbers and availability of contractors. Factors, other than employee numbers, can have an impact on Value NSW meeting performance indicators.

For example, in 2020-21 the Valuer General undertook initiatives to improve the timeliness of the objection process and compulsory acquisition process. The objection change program included '[changing] contractual arrangements, IT upgrades, rewriting of policies, manuals and guidelines and both contract valuer and VGNSW staff training with significant IT changes, contract valuer changes and process changes.'[jj] Changes including the introduction of the single contractor were expected to influence both completion times and costs. The annual report credits these initiatives with almost halving the time to complete an objection from 2019-20 to 2020-21.

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ii Valuer General, Annual Report 2018-19, p 47, Valuer General, Annual Report 2019-20, pp 24-25, Valuer General, Annual Report 2020-21, p 26-27, Valuer General Annual Report 2021-22, pp 19-20, Valuer General, Annual Report 2022-23, pp 14-17, Valuer General, Annual Report 2023-24, p 11

jj Valuer General, Annual Report 2020-21, October 21, p 20

We note that Key Performance Indicators (KPI) reported in the Valuer General's annual reports refers to the KPIs being imposed by the Valuer General and Value NSW through a Service Level Agreement.[106] The report from the Fifteenth General Meeting with the Valuer General, Joint Standing Committee on the Office of the Valuer General (December 2022) found that 'The Office of the Valuer General NSW has fulfilled its functions and followed the principles specified in the Valuation of Land Act 1916 and the Land Acquisition.'[107]

Appendices

A Terms of Reference

Price review of rating valuation services provided by the Valuer General to Local Government – Terms of Reference

I Chris Minns, Premier of New South Wales, under section 12 of the Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act), refer the matter set out in these 'terms of reference' to the Independent Pricing and Regulatory Tribunal (IPART) for investigation and report.

Background

By the Government Pricing Tribunal (Valuer-General's Services) Order dated 11 August 1993 made under section 4 of the IPART Act, the following services provided by the Valuer-General were declared as government monopoly services:

> "Furnishing valuation lists and supplementary lists under Part 5 of the Valuation of Land Act 1916 by the Valuer-General to a council of an area under the Local Government Act 1993" (**Monopoly Services**).

In October 2018, the Premier requested that, pursuant to section 12 of the IPART Act, IPART make a determination of the pricing for the provision of the Monopoly Services to apply for a period of 6 years.

In May 2019, IPART released its determination of maximum prices for the Monopoly Services provided by the Valuer General. These maximum prices apply until 30 June 2025.

Reference to the Tribunal

IPART is requested by the Premier, under sections 12(1) and (3) of the IPART Act, to investigate and report on the determination of the maximum prices for the Monopoly Services provided by the Valuer-General to apply in total for a period of 6 years (**Referral Period**). Under section 12(3) of the IPART Act, this referral may extend to an annual or other periodic determination of the pricing of the Monopoly Services during the Referral Period.

Matters for consideration

In its investigation, IPART should:

A consider and identify the Valuer-General's efficient costs of providing the Monopoly Services over the relevant determination period or periods;

B consider valuation service market-based factors over the determination period and identify where appropriate interim period adjustment parameters where unforeseen or unavoidable external costs may be incurred; and

C consider the efficient allocation of the costs of the Monopoly Services between the users of those services in accordance with relevant economic and pricing principles.

In addition, IPART may take into account any other matters it considers relevant.

Consultation

IPART must undertake such consultation as is required under the IPART Act and may undertake such further consultation as it considers appropriate, including with key stakeholders such as government agencies responsible for management of the land valuation and rating systems.

Reporting

IPART is to submit its final report and determination to the Premier within 9 months of the receipt by IPART of the final Terms of Reference and is to submit any subsequent reports and determinations to the Premier on such other date or dates as agreed.

Determination commencement

It is intended that the determination or, in the event of a periodic determination of pricing, the first determination, will commence on 1 July 2025.

B Matters to be considered by IPART under section 15(1) of the IPART Act

IPART is required under section 15(1) of the IPART Act to have regard to the following matters in making determinations and recommendations:

a. the cost of providing the services concerned

b. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services

c. the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales

d. the effect on general price inflation over the medium term

e. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers

f. the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the *Environmental Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment

g. the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets

h. the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body

i. the need to promote competition in the supply of services concerned

j. considerations of demand management (including levels of demand) and least cost planning

k. the social impact of the determinations and recommendations

l. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

Furthermore, under section 13(4), IPART may also report to the Minister on any matter it considers relevant that arises from this investigation.

Table B.1 Consideration of section 15(1) matters by IPART

Section 15(1)		Report reference
a.	Cost of providing the services	Chapter 5 sets out IPART's draft decision of the Valuer General's total efficient costs to deliver its regulated services over the determination period. Further detail is provided in Chapter 2 on historical and forecast expenditure,
b.	Protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services	Our decisions will protect consumers from abuses of monopoly power, as they reflect the efficient costs the Valuer General requires to deliver its regulated services to councils. This is addressed throughout the report, particularly in Chapter 5 (where we establish the efficient expenditure) and Chapter 8 (where we set out our pricing decisions and impacts).

Section 15(1)		Report reference
		Our draft decision to set a 4 year determination will enable an assessment of the impact of the hybrid model to be made on the valuation market and on the service being provided to councils.
c.	Appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales	Chapter 7 outlines our analysis of the regulatory asset base and costs of capital. The Valuer General's sole remaining asset is software, and the majority of its costs are operating costs. We use a weighted average cost of capital (WACC) to calculate the return on RAB and the working capital allowance.
d.	Effect on general price inflation over the medium term	Chapter 8 outlines that we estimate the impact of our prices on general inflation is negligible.
e.	Need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	Chapter 5 set out our decisions on the Valuer General's efficient costs. These decisions should promote greater efficiency in the supply of Valuer General's regulated services.
f.	The need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment	Chapter 5 sets out the Valuer efficient historical and forecast expenditure that allows it to meet all its regulatory requirements, including its environmental obligations.
g.	The impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets	Chapter 7 explains how we have provided the Valuer General with an allowance for a return on and of capital; and our assessment of its capital needs.
h.	The impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body	Chapter 2 and Chapter 5 discuss the shifts in the Valuer General's mode of operation. We have recommended a shorter determination to address uncertainty in the costs estimates. The new mode of operations has created uncertainty in predicting future costs.
i.	The need to promote competition in the supply of the services concerned	In determining efficient costs, we were mindful of relevant principles such as competitive neutrality (e.g. we included a tax allowance for the Valuer General as set out in Chapter 7).
j.	Considerations of demand management (including levels of demand) and least cost planning	The Valuer General is not subject to fluctuating demand in valuations, but objections are variable over time. Chapter 5 discusses the changes in the objections cycle and recommends that there may need to be consideration to manage objection costs.
k.	The social impact of the determinations and recommendations	Chapter 8 considers the potential impact of our pricing decisions on councils and ratepayers. The impact on rate payers and councils is likely to be minor.
l.	Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	Chapter 4 details our discussion on the decision to reduce the determination period to 4 years. A shorter determination should allow the Valuer General to embed new processes and structure. IPART will be able to review the performance of the operation at that stage.

B.1.1 Considerations under section 16 of the IPART Act

Section 16 of the IPART Act provides:

> If the Tribunal determines to increase the maximum price for a government monopoly service or determines a methodology that would or might increase the maximum price for a government monopoly service, the Tribunal is required to assess and report on the likely annual cost to the Consolidated Fund if the price were not increased to the maximum permitted and the government agency concerned were to be compensated for the revenue foregone by an appropriation from the Consolidated Fund.

Under section 16 of the IPART Act, we must report on the likely impact on the Consolidated Fund if prices are not increased to the maximum levels permitted.

If the Valuer General decided to maintain the 4-zone pricing structure and prices, it will be limited by our maximum price as set out in this determination. We have assessed that the impact will be a reduction of income of $4.1 million over the determination period (before inflation) as shown in .

Table B.2 Impact on revenue of maintaining the 4-zone pricing structure ($2024-25)

	Current price $/valuation	Maximum Price $/valuation	Price charged $/valuation	Difference $	Reduced Income $ millions
Zone 1 - Country	9.16	7.93	7.93	-	0.0
Zone 2 – Coastal	7.80	7.93	7.80	-0.13	-0.4
Zone 3 – Metro	7.20	7.93	7.20	-0.73	-3.6
Zone 4 - Sydney City	14.89	7.93	7.93	0.00	0.0
Total	na	na	na	na	-4.1

Note: This is just one of the ways that the Valuer General could implement a pricing structure beneath the maximum level allowed.
Source: IPART analysis.

C Glossary

Term	Description
2019 Determination	Refers to the current price period – i.e. prices from 1 July 2019 to 30 June 2025 under *IPART's Review of prices for land valuation services provided by the Valuer-General to councils from 1 July 2019 to 30 June 2025*
2025 Determination	Refers to the upcoming price period – i.e. prices from 1 July 2025 to 30 June 2029 (unless the 2025 Determination is replaced by a subsequent determination during the referral period)
ABS	Australian Bureau of Statistics
Council	Councils has the meaning given to that term under the Local Government Act 1993
Declared services	The services declared to be government monopoly services under the Government Pricing Tribunal (Valuer-General's Services) Order 1993 (Gazette No. 89, 13 August 1993, page 4571): "Furnishing valuation lists and supplementary lists under Part 5 of the Valuation of Land Act 1916 by the Valuer General to a council of an area under the Local Government Act 1993
DPHI	Department of Planning Housing and Infrastructure
Efficient costs	The effective use of resources for the lowest cost that allows for the delivery of quality products.
Determination	The period that IPART sets prices for
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IPART Act	Independent Pricing and Regulatory Tribunal Act 1992 (NSW)
Local Government Act	Local Government Act 1993 (NSW)
Mass valuation	Method used to value bulk properties, where similar properties are grouped into components.
Mass valuation contract	External contracts to undertake mass valuations for the Valuer General
NRR	Notional revenue requirement
Objections	A lodgement disagreeing with a land valuation
RAB	Regulatory asset base
Rating and Taxing Valuations	Business area that undertakes mass valuations and supplementary valuations.
Referral period	The period over which the determination(s) is to apply – i.e. from 1 July 2025 to 30 June 2031. The ToR require that new determination(s) of maximum pricing for the Valuer General's land valuation services to councils apply in total for a period of 6 years.
Required revenue (notional revenue requirement)	This is the amount of revenue that must be earnt to cover efficient costs.
Supplementary valuations	A valuation outside the usual 3-year cycle when changes to properties are recorded on the Register of Land Values.
Total Permissible Income (TPI)	Total Permissible Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council under the rate peg or a special variation, as adjusted for supplementary valuations and estimates of increases in land value from the Valuer-General.
VOL Act	Valuation of Land Act 1916 (NSW)
Valuer General (VG)	An independent statutory officer appointed by the Governor of New South Wales to oversee the valuation system.
WACC	Weighted average cost of capital

D Council impacts

Table D.1 Council Impacts ($2024-25)

Council	Zone	Valuation bill ($'000, $2024-25)			Prices ($/valuation, $2024-25)			Valuation bill as % Total Permissible Income (TPI)		
		Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)
Albury	Country	226	287	196	9.16	11.62	7.93	0.45%	0.56%	0.38%
Armidale Regional	Country	121	153	104	9.16	11.62	7.93	0.50%	0.56%	0.38%
Ballina	Coastal	132	183	134	7.80	10.80	7.93	0.46%	0.63%	0.46%
Balranald	Country	15	19	13	9.16	11.62	7.93	0.44%	0.54%	0.37%
Bathurst Regional	Country	184	233	159	9.16	11.62	7.93	0.58%	0.72%	0.49%
Bayside	Metro	238	312	262	7.20	9.44	7.93	0.23%	0.29%	0.24%
Bega Valley	Coastal	152	210	154	7.80	10.80	7.93	0.55%	0.75%	0.55%
Bellingen	Coastal	50	69	50	7.80	10.80	7.93	0.50%	0.66%	0.49%
Berrigan	Country	48	61	41	9.16	11.62	7.93	0.80%	1.00%	0.68%
Blacktown	Metro	897	1,177	988	7.20	9.44	7.93	0.43%	0.54%	0.46%
Bland	Country	41	51	35	9.16	11.62	7.93	0.54%	0.68%	0.46%
Blayney	Country	39	50	34	9.16	11.62	7.93	0.39%	0.46%	0.32%
Blue Mountains	Metro	268	352	295	7.20	9.44	7.93	0.35%	0.45%	0.38%
Bogan	Country	20	25	17	9.16	11.62	7.93	0.61%	0.76%	0.52%
Bourke	Country	19	24	16	9.16	11.62	7.93	0.90%	1.11%	0.76%
Brewarrina	Country	11	14	9	9.16	11.62	7.93	0.90%	1.11%	0.76%
Broken Hill	Country	96	122	83	9.16	11.62	7.93	0.55%	0.68%	0.47%
Burwood	Metro	56	73	61	7.20	9.44	7.93	0.19%	0.23%	0.19%
Byron	Coastal	109	150	110	7.80	10.80	7.93	0.37%	0.50%	0.36%
Cabonne	Country	68	86	59	9.16	11.62	7.93	0.59%	0.73%	0.50%
Camden	Metro	329	431	362	7.20	9.44	7.93	0.42%	0.53%	0.44%

Council	Zone	Valuation bill ($'000, $2024-25)			Prices ($/valuation, $2024-25)			Valuation bill as % Total Permissible Income (TPI)		
		Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)
Campbelltown	Metro	415	544	457	7.20	9.44	7.93	0.39%	0.50%	0.42%
Canada Bay	Metro	131	172	144	7.20	9.44	7.93	0.26%	0.34%	0.28%
Canterbury-Bankstown	Metro	644	845	709	7.20	9.44	7.93	0.31%	0.39%	0.33%
Carrathool	Country	19	24	17	9.16	11.62	7.93	0.51%	0.64%	0.43%
Central Coast	Coastal	1,003	1,389	1,020	7.80	10.80	7.93	0.47%	0.64%	0.47%
Central Darling	Country	17.2	21.8	14.9	9.16	11.62	7.93	1.88%	2.32%	1.58%
Cessnock	Country	269	341	233	9.16	11.62	7.93	0.56%	0.70%	0.47%
Clarence Valley	Coastal	211	292	214	7.80	10.80	7.93	0.51%	0.69%	0.51%
Cobar	Country	30	38	26	9.16	11.62	7.93	0.67%	0.83%	0.57%
Coffs Harbour	Coastal	227	315	231	7.80	10.80	7.93	0.43%	0.58%	0.42%
Coolamon	Country	28.8	36.5	24.9	9.16	11.62	7.93	1.05%	1.29%	0.88%
Coonamble	Country	25	32	22	9.16	11.62	7.93	0.47%	0.58%	0.40%
Cootamundra-Gundagai Regional	Country	61	78	53	9.16	11.62	7.93	0.55%	0.68%	0.46%
Cowra	Country	69	88	60	9.16	11.62	7.93	0.88%	1.10%	0.75%
Cumberland	Metro	369	484	407	7.20	9.44	7.93	0.34%	0.42%	0.35%
Dubbo Regional	Country	227	289	197	9.16	11.62	7.93	0.52%	0.65%	0.45%
Dungog	Country	50	63	43	9.16	11.62	7.93	0.48%	0.60%	0.41%
Edward River	Country	48	61	41	9.16	11.62	7.93	0.58%	0.71%	0.49%
Eurobodalla	Coastal	196	271	199	7.80	10.80	7.93	0.56%	0.77%	0.56%
Fairfield	Metro	389	510	428	7.20	9.44	7.93	0.41%	0.54%	0.45%
Federation	Country	72	92	63	9.16	11.62	7.93	0.66%	0.81%	0.55%
Forbes	Country	51	65	44	9.16	11.62	7.93	0.60%	0.74%	0.51%
Georges River	Metro	258	339	285	7.20	9.44	7.93	0.31%	0.39%	0.33%
Gilgandra	Country	24	30	21	9.16	11.62	7.93	0.42%	0.52%	0.36%
Glen Innes Severn	Country	50	63	43	9.16	11.62	7.93	0.64%	0.79%	0.54%
Goulburn Mulwaree	Country	152	193	131	9.16	11.62	7.93	0.64%	0.79%	0.54%

Council	Zone	Valuation bill ($'000, $2024-25)			Prices ($/valuation, $2024-25)			Valuation bill as % Total Permissible Income (TPI)		
		Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)
Greater Hume	Country	66	83	57	9.16	11.62	7.93	0.65%	0.81%	0.55%
Griffith	Country	104	132	90	9.16	11.62	7.93	0.53%	0.62%	0.42%
Gunnedah	Country	60	76	52	9.16	11.62	7.93	0.39%	0.49%	0.33%
Gwydir	Country	31	39	26	9.16	11.62	7.93	0.34%	0.43%	0.29%
Hawkesbury	Metro	189	247	208	7.20	9.44	7.93	0.41%	0.52%	0.44%
Hay	Country	18	22	15	9.16	11.62	7.93	0.64%	0.80%	0.54%
Hilltops	Country	108	137	93	9.16	11.62	7.93	0.71%	0.89%	0.61%
Hornsby	Metro	299	392	329	7.20	9.44	7.93	0.36%	0.46%	0.38%
Hunters Hill	Metro	27	35	29	7.20	9.44	7.93	0.24%	0.30%	0.25%
Inner West	Metro	371	486	408	7.20	9.44	7.93	0.28%	0.36%	0.30%
Inverell	Country	82	104	71	9.16	11.62	7.93	0.52%	0.65%	0.45%
Junee	Country	29	37	25	9.16	11.62	7.93	0.56%	0.68%	0.47%
Kempsey	Coastal	118	163	120	7.80	10.80	7.93	0.50%	0.61%	0.45%
Kiama	Coastal	76	105	77	7.80	10.80	7.93	0.36%	0.50%	0.37%
Ku-ring-gai	Metro	242	317	266	7.20	9.44	7.93	0.32%	0.41%	0.34%
Kyogle	Coastal	43	59	44	7.80	10.80	7.93	0.51%	0.70%	0.51%
Lachlan	Country	41	52	36	9.16	11.62	7.93	0.50%	0.62%	0.42%
Lake Macquarie	Coastal	665	921	676	7.80	10.80	7.93	0.42%	0.57%	0.42%
Lane Cove	Metro	56	74	62	7.20	9.44	7.93	0.19%	0.24%	0.20%
Leeton	Country	48	62	42	9.16	11.62	7.93	0.59%	0.73%	0.50%
Lismore	Coastal	147	204	150	7.80	10.80	7.93	0.43%	0.58%	0.43%
Lithgow	Country	111	141	96	9.16	11.62	7.93	0.51%	0.63%	0.43%
Liverpool	Metro	486	637	535	7.20	9.44	7.93	0.40%	0.50%	0.42%
Liverpool Plains	Country	42	53	36	9.16	11.62	7.93	0.44%	0.55%	0.38%
Lockhart	Country	25	31	21	9.16	11.62	7.93	0.89%	1.10%	0.75%
Maitland	Country	343	435	297	9.16	11.62	7.93	0.41%	0.50%	0.34%
Mid-Coast	Coastal	417	577	423	7.80	10.80	7.93	0.45%	0.61%	0.45%

Council	Zone	Valuation bill ($'000, $2024-25)			Prices ($/valuation, $2024-25)			Valuation bill as % Total Permissible Income (TPI)		
		Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)
Mid-Western Regional	Country	138	174	119	9.16	11.62	7.93	0.44%	0.55%	0.38%
Moree Plains	Country	62	79	54	9.16	11.62	7.93	0.24%	0.30%	0.20%
Mosman	Metro	50	65	55	7.20	9.44	7.93	0.22%	0.28%	0.24%
Murray River	Country	81	103	70	9.16	11.62	7.93	0.65%	0.80%	0.55%
Murrumbidgee (new)	Country	24	30	21	9.16	11.62	7.93	0.49%	0.61%	0.42%
Muswellbrook	Country	72	91	62	9.16	11.62	7.93	0.32%	0.41%	0.28%
Nambucca	Coastal	77	107	79	7.80	10.80	7.93	0.61%	0.83%	0.61%
Narrabri	Country	66	83	57	9.16	11.62	7.93	0.44%	0.55%	0.38%
Narrandera	Country	35.1	44.5	30.3	9.16	11.62	7.93	0.63%	0.70%	0.48%
Narromine	Country	33	42	29	9.16	11.62	7.93	0.51%	0.63%	0.43%
Newcastle	Coastal	460	637	468	7.80	10.80	7.93	0.25%	0.34%	0.25%
North Sydney	Metro	74	98	82	7.20	9.44	7.93	0.13%	0.16%	0.14%
Northern Beaches	Metro	495	649	545	7.20	9.44	7.93	0.26%	0.34%	0.29%
Oberon	Country	36	46	31	9.16	11.62	7.93	0.69%	0.85%	0.58%
Orange	Country	177	225	153	9.16	11.62	7.93	0.45%	0.56%	0.38%
Parkes	Country	77	98	67	9.16	11.62	7.93	0.49%	0.61%	0.42%
Parramatta (new)	Metro	353	463	389	7.20	9.44	7.93	0.21%	0.26%	0.22%
Penrith	Metro	485	636	534	7.20	9.44	7.93	0.32%	0.41%	0.34%
Port Macquarie-Hastings	Coastal	270	374	275	7.80	10.80	7.93	0.45%	0.62%	0.45%
Port Stephens	Coastal	247	342	251	7.80	10.80	7.93	0.47%	0.60%	0.44%
Queanbeyan-Palerang Regional	Country	233	296	202	9.16	11.62	7.93	0.45%	0.50%	0.34%
Randwick	Metro	192	251	211	7.20	9.44	7.93	0.19%	0.25%	0.21%
Richmond Valley	Coastal	82	114	84	7.80	10.80	7.93	0.51%	0.69%	0.51%
Ryde	Metro	190	250	210	7.20	9.44	7.93	0.23%	0.29%	0.24%
Shellharbour	Coastal	224	310	227	7.80	10.80	7.93	0.38%	0.52%	0.38%
Shoalhaven	Coastal	474	656	482	7.80	10.80	7.93	0.52%	0.72%	0.53%

Council	Zone	Valuation bill ($'000, $2024-25)			Prices ($/valuation, $2024-25)			Valuation bill as % Total Permissible Income (TPI)		
		Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)
Singleton	Country	101	129	88	9.16	11.62	7.93	0.40%	0.50%	0.34%
Snowy Monaro Regional	Country	132	167	114	9.16	11.62	7.93	0.65%	0.77%	0.52%
Snowy Valleys	Country	86	109	74	9.16	11.62	7.93	0.68%	0.85%	0.58%
Strathfield	Metro	53	70	59	7.20	9.44	7.93	0.20%	0.23%	0.19%
Sutherland	Metro	448	587	493	7.20	9.44	7.93	0.30%	0.38%	0.32%
Sydney	Sydney City	419	509	223	14.89	18.09	7.93	0.12%	0.15%	0.06%
Tamworth Regional	Country	268	340	232	9.16	11.62	7.93	0.63%	0.71%	0.48%
Temora	Country	36	45	31	9.16	11.62	7.93	0.79%	0.98%	0.67%
Tenterfield	Country	51	64	44	9.16	11.62	7.93	0.73%	0.90%	0.62%
The Hills	Metro	450	589	495	7.20	9.44	7.93	0.50%	0.63%	0.53%
Tweed	Coastal	249	345	253	7.80	10.80	7.93	0.33%	0.45%	0.33%
Upper Hunter	Country	74	93	64	9.16	11.62	7.93	0.59%	0.74%	0.51%
Upper Lachlan	Country	64	81	55	9.16	11.62	7.93	0.74%	0.91%	0.62%
Uralla	Country	29	37	25	9.16	11.62	7.93	0.67%	0.83%	0.56%
Wagga Wagga	Country	267	339	232	9.16	11.62	7.93	0.54%	0.67%	0.46%
Walcha	Country	18	22	15	9.16	11.62	7.93	0.34%	0.42%	0.28%
Walgett	Country	47	60	41	9.16	11.62	7.93	0.75%	0.93%	0.64%
Warren	Country	19	24	17	9.16	11.62	7.93	0.35%	0.44%	0.30%
Warrumbungle	Country	58	74	51	9.16	11.62	7.93	0.64%	0.80%	0.55%
Waverley	Metro	95	124	104	7.20	9.44	7.93	0.19%	0.24%	0.20%
Weddin	Country	26	32	22	9.16	11.62	7.93	0.81%	1.00%	0.69%
Wentworth	Country	42	53	36	9.16	11.62	7.93	0.69%	0.86%	0.58%
Willoughby	Metro	125	164	138	7.20	9.44	7.93	0.23%	0.30%	0.25%
Wingecarribee	Coastal	193	268	197	7.80	10.80	7.93	0.33%	0.45%	0.33%
Wollondilly	Coastal	173	240	176	7.80	10.80	7.93	0.38%	0.52%	0.38%
Wollongong	Coastal	553	766	562	7.80	10.80	7.93	0.29%	0.39%	0.29%

Council	Zone	Valuation bill ($'000, $2024-25)			Prices ($/valuation, $2024-25)			Valuation bill as % Total Permissible Income (TPI)		
		Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)	Current (2024-25)	Proposed (2025-26)	Decision (2025-26)
Woollahra	Metro	96	126	106	7.20	9.44	7.93	0.20%	0.25%	0.21%
Yass Valley	Country	77	98	67	9.16	11.62	7.93	0.61%	0.76%	0.52%

1 IPART, Review of rate peg methodology – Issues Paper, September 2022, pp 10-11
2 Price Review of Rating Valuation Services Provided by The Valuer-General to Local Government - Terms Of Reference, August 2024.
3 Section 8 of the VOL Act.
4 Value NSW Submission to IPART Draft Report, May 2025.
5 Value NSW Submission to IPART Draft Report, May 2025, p 4
6 Value NSW Submission to IPART Draft Report, May 2025, p 4
7 Value NSW Submission to IPART Draft Report, May 2025, p 9
8 Value NSW Submission to IPART Draft Report, May 2025, p 9
9 Value NSW Submission to IPART Draft Report, May 2025, p 3
10 Value NSW Submission to IPART Draft Report, May 2025, p 11
11 Value NSW Submission to IPART Draft Report, May 2025, p 11
12 NSW Rev Professionals submission to IPART Call for Submissions Paper, November 2024, p 7
13 Strathfield Council submission to IPART Draft Report, April 2025, p 1
14 Value NSW Submission to IPART Draft Report, May 2025, p2; Individual submission to IPART Draft Report, April 2025, p 1
15 Campbelltown City Council submission to IPART Call for Submissions paper, November 2024, p 3; Blacktown City Council submission to IPART Call for Submissions paper, November 2024, p 2
16 Nambucca Valley Council submission to IPART Call for Submissions paper, November 2024, p 1
17 Albury City Council submission to IPART Call for Submissions paper, November 2024, p 2
18 Sutherland Shire Council submission to IPART Draft Report, May 2025, p 1; Campbelltown City Council submission to IPART Draft Report, April 2025, p 3; Blacktown City Council submission to IPART Draft Report, May 2025, p 1; Albury City Council submission to IPART Draft Report, May 2025, p 1; NSW Rev Professionals submission to IPART Draft Report, May 2025, p 3
19 Blacktown City Council submission to IPART Draft Report, May 2025, p 1
20 Local Government NSW submission to IPART Draft Report, April 2025, p 5-6
21 NSW Rev Professionals submission to IPART Draft Report, May 2025, p 3
22 NSW Rev Professionals submission to IPART Call for Submissions paper, November 2024, p 5
23 NSW Rev Professionals submission to IPART Draft Report, May 2025, p 3; Local Government NSW submission to IPART Draft Report, April 2025, p 5; Campbelltown City Council submission to IPART Draft Report, April 2025, p 2; Sutherland Shire Council submission to IPART Draft Report, May 2025, p 1
24 Campbelltown City Council submission to IPART Draft Report, April 2025, p 2
25 Campbelltown City Council submission to IPART Call for Submissions paper, November 2024, p 4; Tamworth Regional Council submission to IPART Call for Submissions Paper, November 2024, p 6; NSW Rev Professionals submission to IPART Call for Submissions Paper, November 2024, p 9
26 Bega Valley Shire Council submission to IPART Call for Submissions paper, November 2024, p 2
27 Local Government NSW submission to IPART Draft Report, April 2025, p 8
28 Campbelltown City Council submission to IPART Draft Report, April 2025, p 4; Blacktown City Council submission to IPART Draft Report, p 1; Sutherland Shire Council submission to IPART Draft Report, May 2025, p 2; Albury City Council submission to IPART Draft Report, May 2025, p 1
29 NSW Rev Professionals submission to IPART Draft Report, May 2025, p 2
30 Local Government NSW submission to IPART Draft Report, April 2025, p 6; Campbelltown City Council submission to IPART Draft Report, April 2025, p 3; Sutherland Shire Council submission to IPART Draft Report, May 2025, p 2; Blacktown City Council submission to IPART Draft Report, May 2025, p 2; Individual submission to IPART Draft Report, April 2025, p 1
31 NSW Rev Professionals submission to IPART Draft Report, May 2025, p 2
32 Sutherland Shire Council submission to IPART Draft Report, May 2025, p 2
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