

19 November 2024

Independent Pricing and Regulatory Tribunal NSW

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Dear Committee,

Submission for Review of prices for the Valuer General land valuation services to councils

We welcome the opportunity to provide comment on the costs, allocation of costs, valuation service delivery options and how price increases may be introduced across categories.

1. Efficient costs

a. Do you consider the Valuer General's pricing proposal represents good value? Why/why not?

Response: We believe the pricing proposal does not represent good value for the size of our shire. There is a limited amount of development in our community and the proposed increase of between 27-38% in an environment that is restricted by rate pegging further burdens ratepayers in our community.

Bega Valley Shire Council primarily engages with the Valuer General in general revaluations and do not have significant interaction or input into the valuation process. This lack of engagement diminishes the perceived value of the proposed pricing structure for our council.

b. Has there been any material change to the land valuation process that has impacted the cost of undertaking valuations (e.g. contract costs)?

We expect that the decision for the Valuer General to transition to a hybrid model incorporating internal and outsourced valuations would have been to generate efficiencies or contain costs by an agency that primarily provides a service to other government services. The same risks that are faced by the VG are also being experienced by local councils and the cost burdens should not just be expected to be transferred to local government. It is important that this review includes scrutiny of the costs associated with this proposal, implementing the changes and how efficiency and effectiveness of the valuation process will be measured.

c. How might the Valuer General's costs of providing land valuation services change over the next 6 years, considering the impact of digital technology, AI and innovation?

We would expect that there will be changes due to advancements in digital technology, artificial intelligence (AI), and innovation would generate efficiencies in delivery of valuation services. Key processes would be improved in data analysis such as property sales, market trends, and geographic information.

AI is expected to play a crucial role in reducing the need for manual data entry and customer engagement that may impact staffing requirements and associated labour costs, however this is noted with caution given costs in managing cyber security and data integrity may increase.

AI is likely to enhance the mass valuation process by streamlining data analysis and improving accuracy, ultimately leading to more efficient operations and therefore expected to put downward pressure on pricing policies for the service. These technological advancements could result in cost savings that may benefit both the Valuer General and the government agencies it supports.

Bega Valley Shire council supports investment in using technology advances that benefit the operations of government agencies, including accurate open access data that could improve our communities access to information.

2. Cost Allocation between users

a. How should the Valuer General's costs be allocated between users of valuation services?

The allocation of the Valuer General's costs for valuation services should be reconsidered to reflect the diverse range of users accessing these resources. The discussion paper notes that only Revenue NSW and councils are funding these services, despite numerous other NSW government agencies benefiting from them. This raises questions about fairness and equity in cost distribution.

Additionally, the reference to the significant number of objections and their associated costs is pertinent. It is unclear why councils should bear the increased costs related to objections stemming from valuations provided by the Valuer General. We recommend that the Valuer General consider implementing a fee structure for customers who file objections. This fee for service approach would reduce the financial burden for users of the valuation services.

3. Pricing Framework

a. What is the impact on councils of the Valuer General's proposed price increases?

The proposed price increases for valuation services would have a significant impact on Bega Valley Shire Council. A **38% increase** amounts to **\$58,338** from our general fund. This increase represents approximately 3% of the council's allowable rate increase.

Given that valuation services account for only 0.11% of Bega Valley Shire Council's total costs, this substantial rise would have negative financial impacts. To accommodate this increase, the council would likely be forced to reduce services to the community, adversely affecting local residents and their access to essential services.

b. Should the current four pricing zones be retained or is there a more appropriate pricing model for land valuation services such as a single price?

It is worth reconsidering the current four pricing zones for land valuation services. Given the varying complexities and demands across regions and expecting that technology advances will standardise practices and the land valuation process across regions.

We recommend a single price structure model that reflects the actual costs and services provided, rather than relying on geographic distinctions that may not accurately represent the value of the services rendered. This approach could promote fairness and transparency, ensuring that all councils are treated equitably regardless of their location.

c. If a price increase is necessary, should it be implemented in the first year, or gradually over a few years?

If a price increase is deemed necessary, we advocate for a gradual implementation over a few years rather than a sudden increase in the first year. Councils are restricted in their ability to raise costs above the rate peg, and an incremental approach would help mitigate the financial shock that a one-time increase would impose.

This gradual increase would not only ease the burden on our budget but also allow us to incorporate the changes into our long-term financial planning. By doing so, we can better assess

the impact on the services we provide to our community and ensure that we continue to meet their needs effectively.

4. Government Regulation

a. What potential impacts does the bringing in-house of mass valuations by the Valuer General have on the long-term viability of the valuation market participants and the level of competition in the valuation market?

The decision to bring mass valuations in-house by the Valuer General may have significant implications for the long-term viability of valuation market participants and the overall level of competition.

One major concern is the potential for reduced competition in the valuation market. Centralising these services may limit opportunities for private firms to participate leading to a lack of diversity in valuation approaches and methodologies. Reducing competition in the market might also result in increased prices for valuation services, as fewer providers could lead to less incentive for cost efficiency and innovation.

These changes could undermine the sustainability of existing market participants, making it challenging for them to compete effectively. It is crucial to consider these factors to ensure a balanced and competitive valuation market that serves the interests of all stakeholders.

5. Service Quality

a. Is the quality of service provided by the Valuer General meeting expectations?

The quality of service provided by the Valuer General has generally improved over the years, particularly in terms of response times. However, there are still areas that require attention. Specifically, the processing of split properties following sales remains slow, which impacts timely decision-making and planning for councils.

While we appreciate the advancements made, it is essential for the Valuer General to address these delays to ensure that all aspects of the valuation process meet the expectations and needs of councils and the communities they serve.

b. If you have been involved with the Valuer General's land valuation dispute process, what has been your experience?

The last general revaluation for Bega Valley Shire Council was undertaken in FY2024. Our recent experience with the Valuer General's land valuation dispute process, we noted 71 objections. Unfortunately, we faced significant delays and poor communication from the Valuer General's office to the ratepayers throughout this process.

These communication delays not only created frustration among ratepayers but also resulted in additional administrative workload for our team while we managed the high volume of objections without timely updates or guidance.

Improving communication and response times would greatly enhance the overall experience for councils and ratepayers alike.

6. General

a. Are there any other matters you would like us to consider as part of our review of the Valuer General's Monopoly Services?

We would like to highlight a significant concern regarding information requests from the Valuer General, specifically, the recent request for postal address updates for over 300 properties. We are expecting that there will be an expectation for an additional 400 updates in the coming weeks. These requests relate to properties from the FY2024 valuation that have been returned to the Valuer General but are only now being pursued. This has been received at a time when councils are preparing for the next general valuations.

These information requests place a considerable burden on councils, especially when we are simultaneously managing changes related to Emergency Services categorization. There seems to be a lack of consideration for the impact of these large information requests on our resources. Furthermore, councils do not have the ability to charge the Valuer General for this work, despite multiple agencies benefiting from the information provided.

We thank you for the opportunity to make a submission on the improvements that can be made to enhance the efficiency and effectiveness of the valuation process but importantly, implement a pricing policy that does not continue to place financial burden on local councils and our ratepayers.

Yours sincerely



Anthony McMahon
Chief Executive Officer