

18 NOVEMBER 2024

IPART
PO Box K35
Haymarket Post Shop
NSW 1240

Sent via web portal: <https://councilportal.ipart.nsw.gov.au>

Submission: NSW Valuer General Pricing Proposal

QPRC welcomes the opportunity to provide feedback to IPART on the NSW Valuer General's new pricing proposal. The proposed fee changes will directly impact services and costs to all NSW ratepayers for the next six-years, and beyond.

Overall, the NSW Valuer-General (VG) provides an efficient and timely service to councils and we receive positive, helpful two-way communication to support any ratepayer queries and valuation queries.

However, the proposed price increase of 27% is unaffordable and the VG has not conducted any community consultation to advise our ratepayers of the impact. This would necessitate a budget adjustment of an additional \$170,000 per annum over and above the CPI increases by the end of year 6. The increase would have to be added into Council's budget by reducing other budget allocations for the provision of local services.

In making this submission, we acknowledge that Queanbeyan-Palerang ratepayers are being subjected to an 18% rate increase per annum for 3 years due to the Special Rate Variation (SRV), that we are using to 'catch-up' after many years of operating deficits. Council has no opportunity to increase its general rates revenue beyond the SRV that it has set with its community.

A series of recent inquiries have highlighted that, as a sector, local government spends more delivering services to their communities than it receives in revenue. QPRC has made submissions to previous IPART and government enquiries that calls for all three levels of government to work together in supporting local government to address its long-term financial sustainability crisis. At a minimum, this would require fee increases to remain within the rates cap set by IPART.

We have set out below our responses to each of the matters discussed in the information paper.

1. Do you consider the VG's pricing proposal represents good value?

No. The figures quoted do not appear to be independently quantified or supported by any audit process.

The VG's proposal does not provide any evidence of efficiency savings incorporated into previous results or considered to improve future results. As one example, we would expect that new technologies would lead to reductions in pricing over the six-year contract term.

Whilst there has been some media regarding efficiency savings within the VG service, there is no evidence that these forward savings have been incorporated into the figures used to justify this proposed price increase.

The VG has been quoted in an article published in the [REDACTED] on [REDACTED]

[Extract of newspaper article not published due to copyright reasons]

The inconsistency between media releases and this fee proposal has not been explained. Further, the VG's financial report 2022-23 indicates that the total revenue exceeds expenses by \$25 million. We do not believe the VG has demonstrated a financial necessity to increase costs to ratepayers.

2. Has there been any material change to the land valuation process that has impacted the cost of undertaking valuations?

Other than the statements issued by the VG, we are not aware of any material change in the land valuation process that has impacted valuation costs.

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

Cost savings in reduced administration, streamlined workflows, report writing, and other predictive process automation enables humans more time to focus on business process improvement, leading to increased efficiency.

4. How should the VG's costs be allocated between users of valuation services?

We do not believe the cost allocation is equitably distributed between councils, the NSW Government, and other beneficiaries. We agree that providing information and access to land valuation data is important however we do not believe that ratepayers are being charged a fair share.

The VG has proposed an increase in the proportion of costs recovered from Councils from 30.5% to 31.3%. This shift will benefit Revenue NSW and disadvantage ratepayers.

The IPART discussion paper notes that other users of valuations are not allocated a share of costs, and we believe that ratepayers are unaware that they are funding these uses. These include NSW Fire and Rescue, NSW Roads and Maritime, NSW Crown Lands, Local Government Grants Commission, and other customers in the private sector.

It is important to reflect that councils receive new valuations only one year of a 3-year cycle and Revenue NSW receives valuations annually. We support the separate work that Revenue Professionals NSW have submitted on the cost of valuation inputs and a fair cost recovery model from the various users.

Additionally, we would like to see the VG demonstrating any ideas to broaden its revenue base to include other users of valuation services.

5. What is the impact on councils of the VG's proposed price increases?

QPRC is unable to increase its rates revenue beyond the SRV that it has previously agreed with its community. Therefore, any unplanned cost increases will directly impact the level of service that Council is able to provide for local ratepayers.

6. Should the current four pricing zones be retained or is there a more appropriate pricing model?

The decision to adopt the VG's previously proposed zonal pricing structure, with a price per property within four geographical zones (Country, Coastal, Metro and City of Sydney) is logical.

However, we note that the VG has identified certain areas as having been brought in-house. The VG claims this will *"mitigate overall market capture and increasing contract prices and enhance flexibility in cost management."* This indicates that areas being brought in-house should be less costly over time.

Whilst the VG has discretion over which areas benefit from those lower costs, we advocate that the benefits be tracked and reported, and cost savings be shared across all groups of ratepayers.

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

Council has no way of planning ahead for this type of price rise, which cannot be used in any way to increase other revenues. It is more important that the cumulative increase is minimised, regardless of any phase-in period.

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

It is difficult to conclude what the impacts of transitioning away from contract valuers will have based on the information available. However, we make the following observations:

- Competitive tendering creates competition between contractors which is a healthy outcome from the process.
- Land valuation is a specialist skill and retention of staff with those skills would be considered an essential objective for the VG. It is important to retain insight and continue investment in improved technology and work practices.
- The VG has referenced savings of \$16 million over 7 years through halving the number of annual valuations performed by contractors and boosting in-house

capabilities. These savings should lead to cost savings passed on to our communities.

- Quality controls must also remain in place regardless of the resourcing decision to maintain consistency across NSW and maintain or reduce the current level of objections.

9. Is the quality of service provided by the VG meeting expectations?

Yes. The level of service provided by the Valuer-General has generally been timely and accurate. We continue to collaborate with the Valuer-General on improvements in communications with landowners, particularly regarding the impacts changes in land valuations have on land rates. Issues raised are dealt with in a timely manner and it appears that changes are proactively implemented to prevent recurrence.

We have some concerns with the proposed own-source valuation standards and with the cost of objections being split 50/50 with Revenue NSW. Costs incurred in quality assurance and improvements in land valuations should not be simply passed down the line.

QPRC is not able to increase its rates revenue beyond the SRV that it has previously agreed with its community. Therefore, any unplanned cost increases will directly impact the level of service that Council is able to provide for local ratepayers.

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

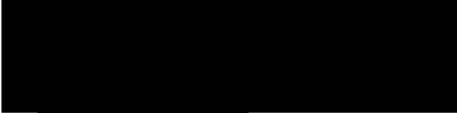
We have not been involved in the process, and instead refer our ratepayers directly to the VG's office with land valuation objections and queries.

11. Are there any other matters you would like us to consider as part of our review of the VG's monopoly services?

We would be interested in further discussions with the NSW VG to discuss rising costs of valuations and any alternate approaches.

Thank you for the opportunity to provide our submission to this enquiry.

Yours sincerely,


Director Corporate Services
Queanbeyan-Palerang Regional Council