

**Value NSW**

[dpie.nsw.gov.au](http://dpie.nsw.gov.au)

[valuergeneral.nsw.gov.au](http://valuergeneral.nsw.gov.au)



# Review of prices for land valuation services provided by the Valuer General to councils

Further submission to the Independent Pricing and Regulatory Tribunal by the Valuer General and Value NSW

May 2025

# Executive summary

---

Following the publishing of the draft determination by the Independent Pricing and Regulatory Tribunal (IPART) and the public hearing, the Valuer General and Value NSW provide this submission with further supporting information and evidence for IPART's consideration.

The *Valuation of Land Act 1916* establishes the Valuer General as the independent statutory authority responsible for the overall valuation system. The Valuer General regulates the system by setting standards and policies as well as independently overseeing the quality of its outcomes. This responsibility includes ensuring that legislative requirements outlined in the *Valuation of Land Act 1916*, are met.

The key themes of this submission relate to:

- 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 probable risk of the Valuer General being unable to meet legislative requirements due to the draft determination.

As highlighted in the Valuer General's presentation at the public hearing, the Valuer General and Value NSW are concerned that IPART has taken a broad-brush approach in applying a baseline calculated by averaging expenditure over the determination period. This approach has not reviewed or considered individual years, and any associated reasons for spending deviations that would otherwise be considered out of line, which resulted in significant impacts to the valuation system and legislative compliance.

Specifically, the broad-brush approach negatively skews the averaged baseline due to a significant underspend in the staffing budget in the first three years of the determination period. As the Valuer General explained at the hearing and as further captured in this submission, the early years of the determination period were extremely challenging from an operational perspective. This resulted in Value NSW not meeting key performance indicators and requirements as outlined in the *Valuation of Land Act 1916*.

The Valuer General and Value NSW consider IPART's methodology of averaged expenditure, to disregard the challenging period and in turn compromise the operation of the NSW valuation system and legislative compliance.

Over the past 24 months the Valuer General and Value NSW have transitioned to a hybrid valuation model where approximately 50% of mass and objection valuations are carried out by Value NSW staff and the remainder contracted to valuation firms in the private sector. The IPART draft determination and consultants

report carried out by the Centre for International Economics (CIE), has indicated that this transition to a hybrid model is considered less efficient than the sole contractor model.

On this basis, IPART's draft review has not allocated corporate funding to in-house valuation staff, equating to future corporate costs not being considered for 135 staff (approximately \$3.6 million per year). As outlined in our previous submissions and at the hearing, the Valuer General and Value NSW have provided extensive benefits already being realised through the hybrid operating model, and strongly refute the conclusions drawn without objective evidence.

In-house valuations in the first full year, has delivered savings, but more importantly, has strengthened the delivery model and overall quality of the valuation system which underpins \$14 billion in rates and taxes per annum. Importantly, and as explained in the hearing, growing the capability and capacity of Value NSW in line with expressed NSW Government positioning, has also allowed Value NSW to intervene in the market where competitive tenders and/or market failure occurs. Further evidence to support the transition to a balanced delivery model has also been included in this submission and should be appropriately weighed in any final determination.

Lastly, CIE and IPART in their draft report have proposed a 5% increase in mass valuation fees from the previous 2019 determination. The Valuer General and Value NSW consider a 5% increase to be well below current market indicators and the conclusion provided in the draft review based on CIE's report, does not utilise representative data points in a NSW market that has documented evidence of identified valuation labour shortages. In comparison, our analysis found that contractor prices have increased in the order of 30-50% based on more than 4000 data points, including a specific example of a contract renegotiation which saw fees go up around 50% across two separate tenders.

The overall concern from our collective perspective is that the draft determination does not provide adequate funding to service the NSW valuation system and that if finalised as is, there is a high probable risk of failure to meet legislative obligations under the *Valuation of Land Act*. With this in mind, we request that IPART review the evidence provided and appropriately reflect the current state regarding valuation costs, staffing requirements and legislative obligations – including time and quality constraints in its determination.

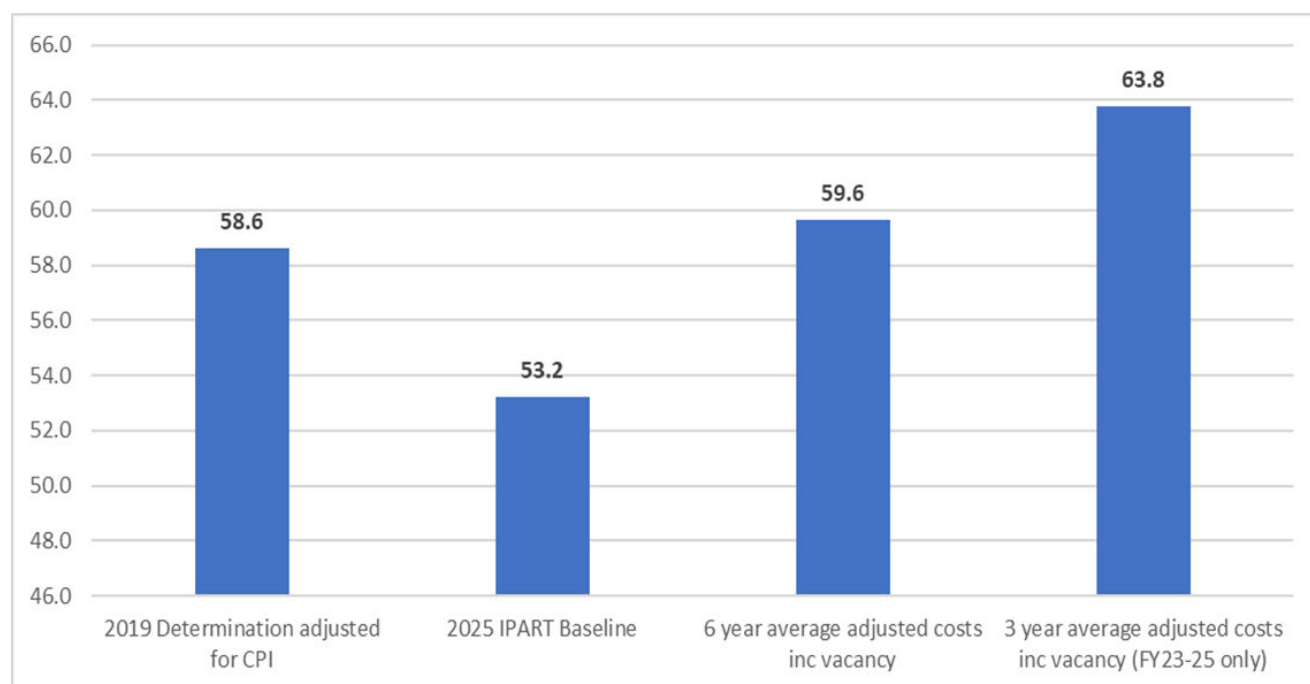
---

## Baseline funding

The original Valuer General's submission to IPART, used an activity-based costing methodology which identifies the costs and resources required to undertake each of Value NSW's services. This required a deep understanding of the organisation and its requirements, building costs up block by block for each of Value NSW's services. Extensive analysis of each cost element, cost drivers, and stakeholder engagement across the business underpinned the submission.

As also highlighted by the Valuer General in the public hearing, the below graph shows that the baseline funding allocated by IPART in the draft determination is \$5.4 million lower than the current determination, even though there is agreement between both Value NSW and IPART that both workload and prices have increased over the period. This figure proposed by IPART is \$4 million (or \$9 million in the most recent 3-year expenditure average) under the Valuer General's proposed baseline (see **Figure 1**).

Figure 1: Baseline funding

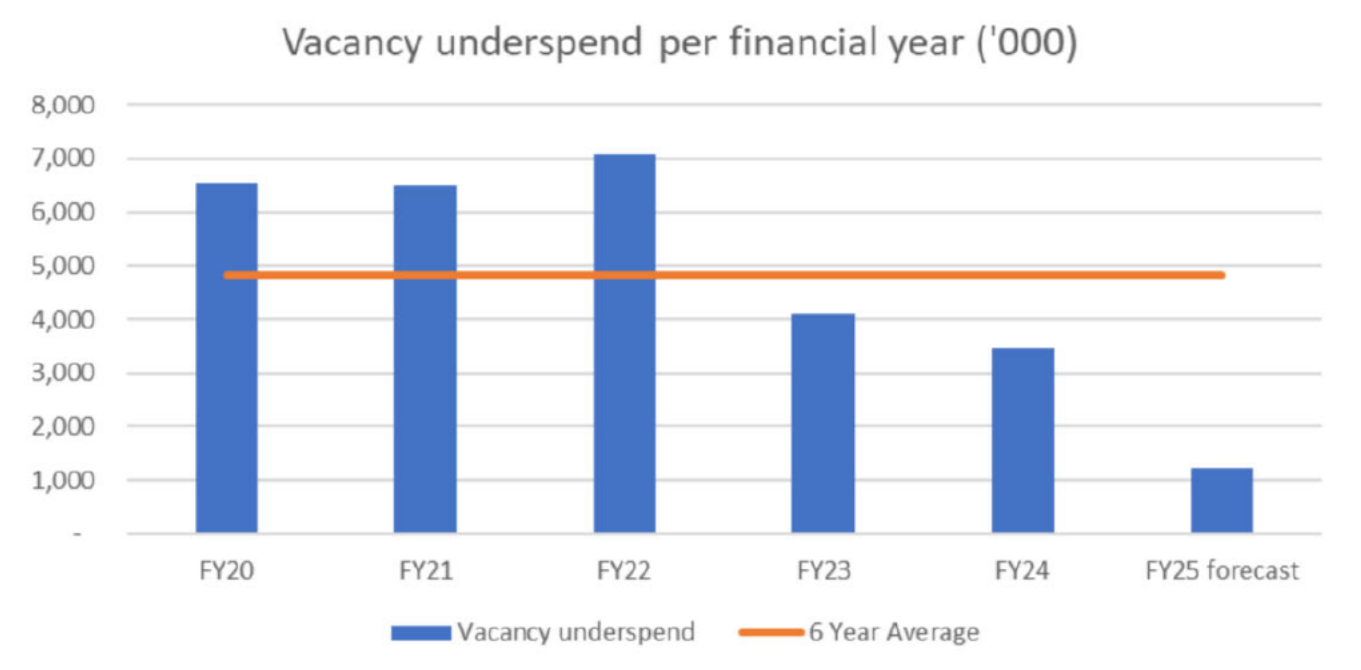


**Staff vacancies impacting the allocated baseline of funding:**

IPART determined their 2025 baseline by taking the historical six-year average over the current determination period. The problem with measuring the average over the six-year period, as outlined in previous correspondence and in the hearing, is that it includes significant staff vacancies during an exceptionally challenging time which has been publicly documented in both Parliament and the media.<sup>1</sup> Specifically, that whilst in theory, baselining expenditure off six years might be considered reasonable, when there are known vacancies over the period that at its worst equated for nearly 50% of a budgeted labour force, or 60 out of 130 roles, and almost \$7 million in under expenditure (see **Figure 2**) without adjustment, such an exercise is not reasonable and skews normalised expenditure for the Valuer General's function. More importantly during these periods of underspend and significant vacancy, the Valuer General through Value NSW, also failed to meet legislative and service obligations outlined in the *Valuation of Land Act 1916*.

<sup>1</sup> <https://www.parliament.nsw.gov.au/ladocs/inquiries/2879/Report%20-%20Fifteenth%20General%20Meeting%20with%20the%20Valuer%20General.pdf>

Figure 2: Vacancy underspend FY20 to FY25



The following graphs (see **Figure 3** and **4**) demonstrate that when the staffing levels were under budget, performance was significantly impaired, impacting both key performance indicators and legislated timeframes, versus the current operating model where performance is now at optimal levels. The *Valuation of Land Act 1916* stipulates objections be completed within 90 days. After 90 days, an objector may proceed to the Land and Environment Court as if the objection is deemed refused. Where this occurs, significant additional expenses are incurred. The graphs below show that early in the determination period, when Value NSW was significantly understaffed, only 20% of objections were hitting the 90-day target. In 2024-25 with limited vacancies, the 90-day target is being achieved over 80% of the time with this number further improving over time.

Figure 3: Objections performance 2019/20 versus 2024/25

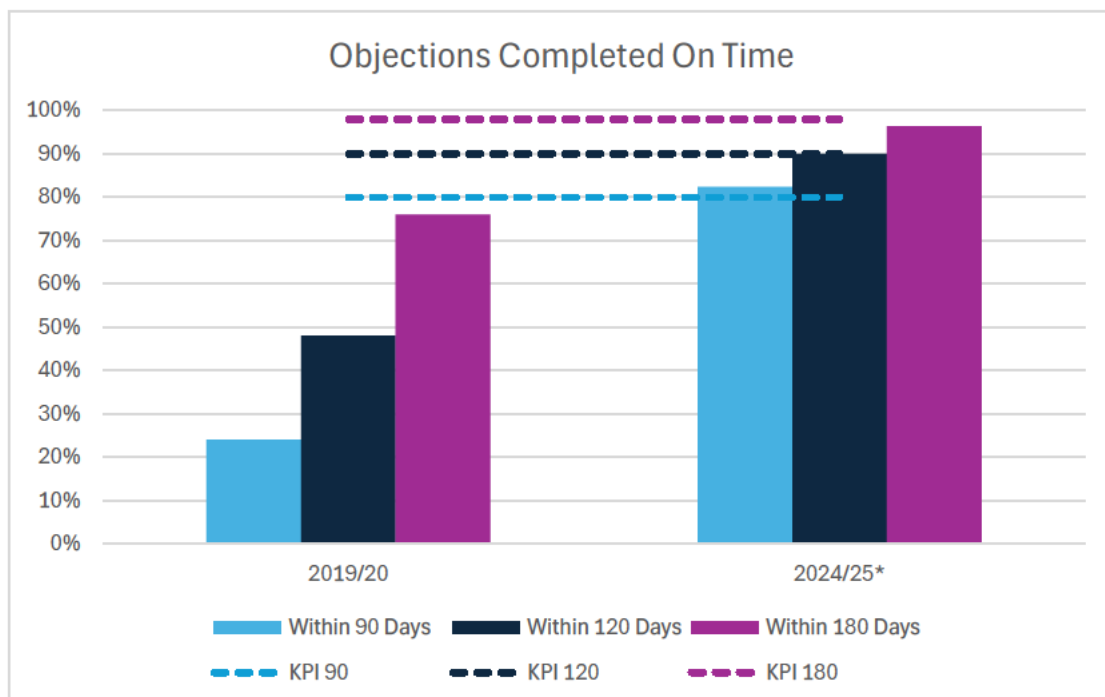
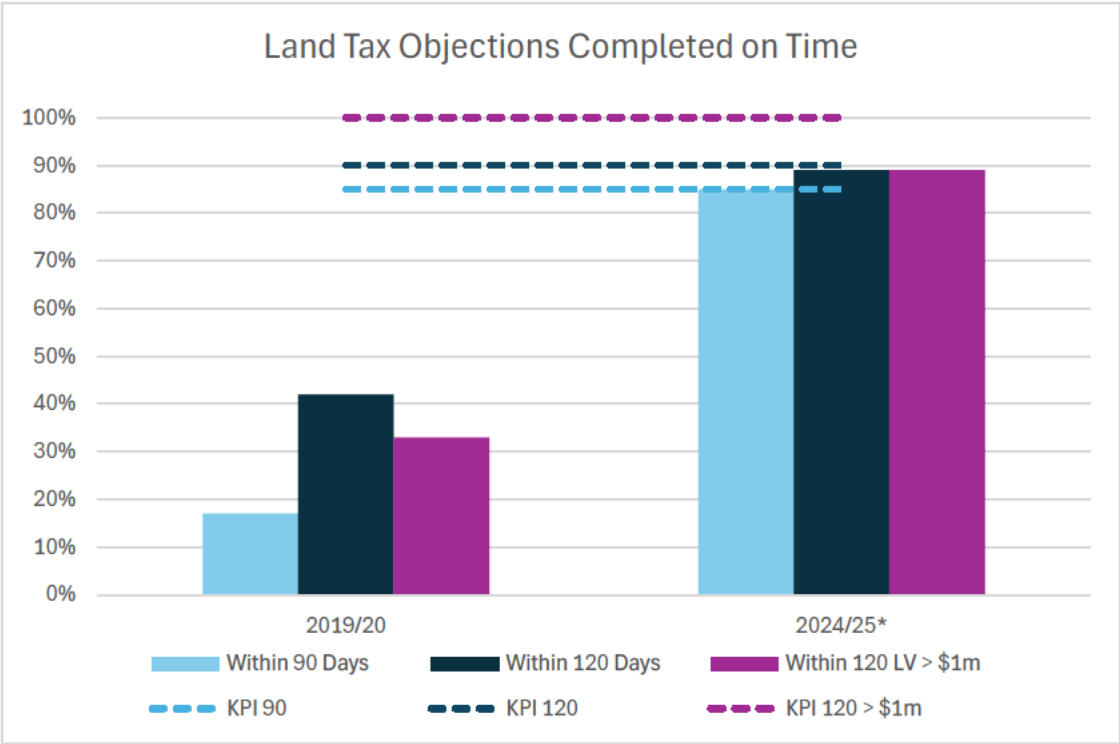


Figure 4: Land tax objections performance 2019/20 versus 2024/25

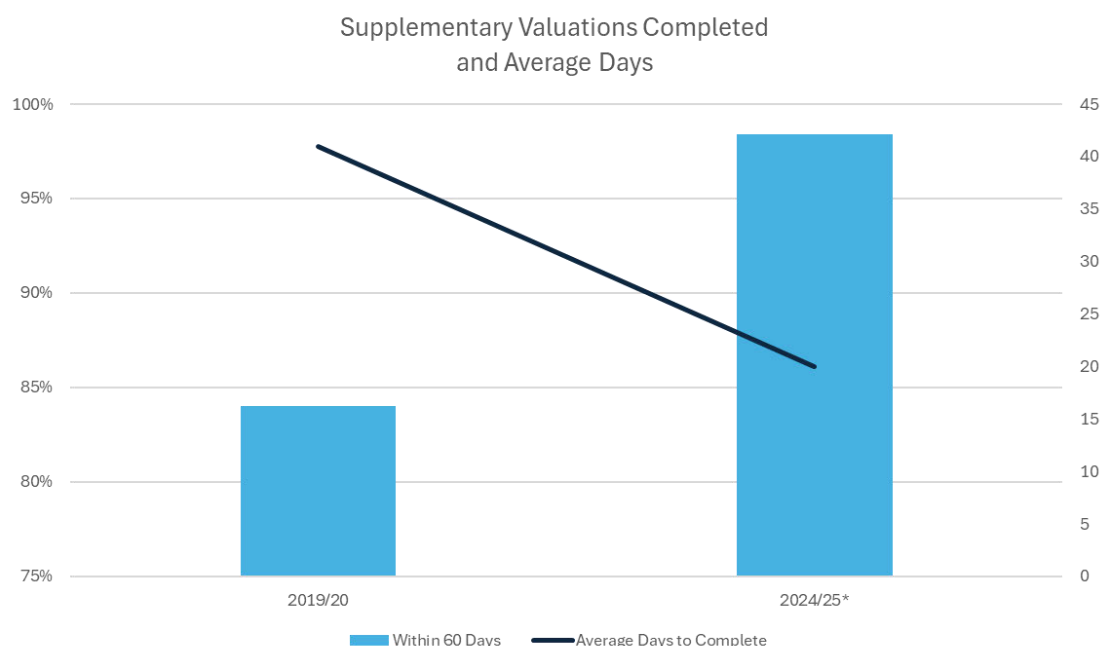


Supplementary valuations

The below graph provides a comparison between the first and last year of the determination period on supplementary valuations completed, including the number of days to complete. As evident in **Figure 5** below, supplementary valuations completed in 2019-2020 were completed within the bracket of the key performance indicator less than 85% of the time. In 2024-25, where vacancies have now significantly improved, supplementary valuations are now being delivered around 98% of the time within the same expected timeframes. Supplementary valuations are also being delivered 21 days faster in 2024-2025 compared to 2019-2020.

In summary, when staff vacancies are low, performance is optimal, and Value NSW can perform to legislative requirements and long-standing key performance indicators. Cost efficiencies need to be considered in line with legislative and service delivery requirements, ensuring that the Valuer General and Value NSW are able to provide valuation services to a satisfactory standard.

Figure 5: Supplementary valuations completed and average days



## In-house benefits realised

Since the last IPART determination, Value NSW has experienced shifts in its operating landscape, which has influenced how the organisation has structured its operations to deliver services. As a result, there have been changes made to the service delivery model. The hybrid delivery model, including the in-house function, was adopted by Value NSW in March 2024. The decision to move to a hybrid operating model was implemented to:

- Increase Value NSW's capacity and capability to deliver valuation services
- Mitigate constraints and increased costs in mass valuation (which was evident through the tender process that occurred in 2022 seeing an increase in costs of around 50%) in preparation for contract retenders which are due to occur in early 2026
- Increase market competition
- Reduce reliance on contractors, including overinflated prices to complete valuations – see **Figure 6** for recent examples
- Increase public service capability and capability - reduce reliance on external contractors and have more public service work being principally done by public servants in line with NSW Government commitments.

In the first 12 months of the hybrid model, Value NSW delivered around 800,000 internal rating and taxing land valuations savings on current rating and taxing contract prices. In addition to the cost savings that were realised, Value NSW delivered improved quality of valuations, completed supplementary valuations two






days faster with the same resourcing as private valuation firms, and mitigated expenditure on current objections. When measured objectively against the core statistical quality assurance measures, VNSW met the standards for all local government areas with 100% compliance, whereas contractors only achieved an average 98.6% compliance score.

In its draft determination, IPART presented in their report that the in-house hybrid model is less efficient than outsourcing all work to contractors. However, statistics show and demonstrate that there have been significant efficiencies with the introduction of the hybrid model. There is sufficient evidence and data that supports the in-house model as currently being stronger for delivery, with the flexibility to avoid significant cost increases and drive competition. IPART predominately derive the 5% on the basis that the market is more competitive with less work when: examples show in objection valuations that prices are continuing to escalate (see **Figure 6**); and had a hybrid delivery not otherwise occurred, greater escalation would have occurred in theory with a less competitive market (utilising IPART's and CIE's analysis). Despite these factors, IPART have applied no 5% cost escalation to internally delivered valuations when making cost comparison arguments.

### In-house cost efficiency

The table below at **Figure 6** provides analysis of 20 examples from quarter one 2025, where Value NSW competitively tendered objection valuations, and the prices that were provided by those respective valuation firms were considered excessive. Due to the increased capability and capacity, Value NSW was able to intervene and complete these valuations with significant cost savings.

Figure 6: Cost efficiency examples for Objections from Quarter 1, 2025

 Suburb	 Number of valuations	 Contractors quote	 In-house price	 Savings
Environa	3	\$9900 - \$29,700	\$3500	\$6400 - \$26,200
Hamlyn Terrace	4	\$4400	\$1600	\$2800
Luddenham	3	\$9900	\$3100	\$6800
Liverpool	2	\$8800	\$3000	\$5800
Werrington and Penrith	3	\$13,200	\$4700	\$8500
Hoxton Park and Edmondson	4	\$14,300	\$4100	\$10,200
Gordon	1	\$6600 - \$9000	\$2550	\$4050 - \$6450
<b>TOTAL</b>	20	\$67,100 - \$89,300	\$22,550	<b>\$44,550 - \$66,750</b>

In addition to the cost effectiveness of bringing work in-house, Value NSW is currently delivering objection preliminary reports more than 50% faster than contractors, meaning a faster service for landholders and greater adherence to the legislative requirement of 90 days.

Regarding supplementary valuations, VNSW delivered these on average two days faster when compared to external valuation firms.



---

## Corporate costs

In its draft determination, IPART has not allocated any corporate costs for work being undertaken in-house. This cost, which equates to around \$3.6 million per year (or \$27,000 x 135 staff), is required to be met by Value NSW every financial year. IPART has only allocated costs for 150 people, not taking into account any of the 135 in-house staff employed by Value NSW. As outlined above, the Valuer General and Value NSW have provided extensive benefits that have been realised through the transition to a hybrid operating model, including the transition of valuations being completed in-house, and strongly refute the conclusions drawn without objective evidence or consideration of legislative requirements that must be met. In-house valuations in the first full year have delivered savings, but more importantly, have strengthened the delivery model of valuations and the overall quality of the valuation system which underpins \$14 billion in rates and taxes. Value NSW has no control over the allocation of corporate costs and these should be included in any finalised determination.

---

## Increase in contractor valuation fees

IPART determined in its report that mass valuation and objection contracts have increased by 5% based on advice provided by CIE in its report. It is unclear what data points were used to conclude that 5% was an appropriate estimate and what weight, if any, has been afforded to NSW being the only valuation market with identified valuation labour shortages. In addition, other State jurisdictions are not comparative in terms of legislative requirements but also in terms of labour supply, both key price determinants.

One specific example provided in the Valuer General's original submission, was the retendering that occurred in 2022 for a contract in Western Sydney. This specific contract example saw an increase of around 50% in costs across two separate tenders, significantly higher than the 5% which has been allocated by IPART in the draft determination.

The transition to in-house has in the short-term, increased labour costs whilst minimising the anticipated increase that would have otherwise been experienced in mass valuation and objection contract costs.

Alos, when reviewing business generally across Australia, the Australian Bureau of Statistics has reported that businesses have confirmed that there has been an increase in the cost of doing business, with 21% in 2022 reporting a "great extent" increase, including fuel and energy costs (83%), and costs of products and services used by the business (82%).<sup>2</sup> The ABS has further advised that to manage these rising costs, some businesses have adjusted their operations, renegotiated payment terms, or increased prices. The allocation of a 5% increase in costs for mass valuation contracts is unrealistic and does not:

1. Reflect the current market for valuation prices in NSW, or
2. Cater for the increased cost of running a business more broadly – inclusive of labour supply shortages.

---

<sup>2</sup> <https://www.abs.gov.au/statistics/economy/business-indicators/business-conditions-and-sentiments/apr-2022>

---

## Other comments and considerations

### Education initiatives:

In the public hearing, there were comments made regarding the need for education initiatives to educate the public about the land valuation system. In 2024, the Valuer General released the Education Roadmap 2024-29 designed to improve communication and public engagement. The Education Roadmap is currently 12 months into its implementation and so far, has delivered:

- A revised Valuer General website designed to be more easily accessible for the public
- updated policies and fact sheets providing easier to understand information
- educational animated videos on how the system works with more educational videos to come later this year around objections
- improved council engagement, with positive feedback from councils on changes to our annual information sessions.

### Feedback from stakeholders on the Valuer General's submission

Throughout the IPART report and the presentation provided by IPART at the public hearing, there was no acknowledgement or mention of the positive feedback provided by stakeholders (including councils and NSW Revenue professionals) about the work undertaken by Value NSW on behalf of the Valuer General. Although councils did express their dissatisfaction regarding the price increase, several councils noted in their feedback that the quality of work completed by Value NSW and its contractors was strong and that they were satisfied with the work being undertaken. It is important to note that if Value NSW is not adequately funded to provide appropriate valuation services, service levels and quality will likely be impacted as demonstrated above where there were periods of underspend.

### Commonwealth lands

In IPART's draft determination, it called on stakeholders to provide feedback on their views regarding changes implemented in 2024 about the valuing of Commonwealth lands. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

It is requested that IPART remove any Commonwealth lands commentary from any final determination,

### Cost of regulation

[REDACTED]

[REDACTED]

[REDACTED]

The Valuer General and Chief Executive Officer, Value NSW raised concerns with the Chief Executive Officer, IPART regarding the cost of work associated with the determination internally, and the additional cost of IPART and its consultants, CIE which has been quoted at \$620,000. The cost model that was prepared for the determination, submission from the Valuer General and subsequent meetings and information collected for IPART, required input from many areas of Value NSW including the Executive team,

Strategy & Advice, Customer Experience & Land Data, Business Improvement and Val IQ, as well as support from external contracting firm, Scyne Advisory. Overall, this project has taken approximately 18 months from planning to final determination at a cost to the agency of approximately \$932,580 (not including the quote provided by IPART). It is requested that funding in the amount of \$1,552,580 be included in the final determination as a cost of regulation, noting that a similar exercise would be required to commence in 2.5 years' time on the basis of the proposed 4-year determination.

### **Engagement and conflicts**

We are aware that CIE met with several valuation firms who have in the last 12 months lost contracts with Value NSW due to the transition to in-house. It is the collective view that any feedback provided by previously engaged valuation firms presents significant conflict risk and it remains unclear how this was addressed.

Further, CIE also met with Valuer Generals across Australia but failed to meet with the NSW Valuer General, whose determination they were reviewing. In our view the NSW Valuer General is considered the most appropriate stakeholder, and any such engagement may have led to more informed conclusions.

Appropriate stakeholder engagement is suggested as an improvement opportunity for future determinations where consultation with equivalent statutory officers of other jurisdictions occurs.

---

## **Risk of appropriate determination not being made**

As outlined in the hearing by the Valuer General and as indicated in this submission, without the allocation of appropriate funding through this determination, the Valuer General through Value NSW is at high risk of underperforming and not meeting legislative responsibilities as outlined in the *Valuation of Land Act 1916*. As the above graphs and information shows, 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.

Further, if not corrected, the Valuer General and Value NSW's and external contractors' ability to meet legislative requirements and customers' and stakeholders' expectations is at significant risk, noting these issues did materialise in the period of significant vacancy and underspend as identified and shown above.

The Valuer General and Value NSW has worked incredibly hard over the last 3 years to rebuild trust across NSW in the valuation services delivered internally and externally. Appropriate funding needs to be allocated to ensure quality work delivered by Value NSW and our contract workforce can continue in line with legislative requirements and obligations.