

Draft Report - Review of prices for land valuation services provided by the Valuer General to councils

2 April 2019



WHAT

IPART is reviewing prices that the Valuer General can charge councils for land valuation services from 1 July 2019 to 30 June 2025.

The Valuer General may charge councils a fee for valuing land. Land valuations are the basis on which councils issue rates notices to ratepayers.

We have released a [Draft Report](#) and [Draft Determination](#) and invite stakeholder feedback.



WHY

The Premier asked IPART to determine the maximum prices the Valuer General may charge councils for valuing land for a 6-year period, from 1 July 2019 to 30 June 2025.

IPART last set these prices in May 2014, for a 5-year period. The current determination expires on 30 June 2019.

We released our Issues Paper in October 2018, received the Valuer General's pricing proposal in November 2018 and public submissions in January 2019. We held a Public Hearing in February 2019 to provide further opportunity for stakeholder feedback.

We have now made our draft decisions after considering stakeholder feedback. We are seeking feedback on our draft decisions.



WHO

Our Draft Determination regulates the prices that councils pay for the Valuer General's valuation services. We are interested in feedback from local councils, other users of the Valuer General's services, the Valuer

General, and interested stakeholders from the general community.



HOW

Our Draft Report sets out our draft decisions and rationale for these decisions. These include:

- ▼ Draft prices that are around 4.6% lower than the 2014 determination and around 5.6% lower than those proposed by the Valuer General
- ▼ A draft allocation of 30.1% of the Valuer General's efficient costs to councils, which is lower than the 2014 determination allocation of 34.0% and the Valuer General's proposal of 32.6%
- ▼ Changing from state-wide residential and non-residential prices, to pricing based on four geographical zones with a single and different price for each zone.

We seek stakeholder comments on our draft decisions. All stakeholder views will be considered prior to releasing our Final Report and Determination in May 2019.



WHAT NEXT

Submissions are due by **24 April 2019**.

We prefer submissions via our online [form](#). You can also send comments by mail to:

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

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Unless identified as confidential, we plan to publish all submissions on our website soon after the closing date.

KEY DRAFT DECISIONS IN OUR REPORT

Key elements of our draft decisions are set out below.

Level of draft prices

We have made a draft decision for the 2019 determination to set prices as presented in Table 1. We estimate that the draft prices we have set over the 2019 determination period will be 4.6% lower than the 2014 determination period, based on the average annual price per valuation over the respective referral periods. While we increased the Valuer General's total notional revenue requirement (NRR) by 0.5% relative to the proposal, we reduced the share of total NRR allocated to councils. Our prices are therefore around 5.6% lower than those proposed by the Valuer General

Allocation of costs to councils

We have reduced the share of the Valuer General's efficient costs allocated to councils from 34.0% in the 2014 determination to 30.1%. In the March 2019 submission, the Valuer General proposed that 32.6% of total costs be allocated to councils for the 2019 determination. The main reductions we made relative to the Valuer General's proposal were:

- ▼ An allocation of 30.6% of labour costs to councils rather than the 36.5% allocated by the Valuer General
- ▼ An allocation of 28.9% for indirect costs (eg, rent, corporate overhead, ICT operating costs) rather than the 33.0% allocated by the Valuer General.

Draft price structure

We have made a draft decision to move away from the current 2-price structure (one for residential and one for non-residential properties), uniformly applied across all councils, to a zonal pricing model with one price for each of four geographical zones, Country, Coastal, Metro and City of Sydney (see Table 1). This was the price structure proposed by the Valuer General.

Table 1 IPART's draft decision on the Valuer General's maximum charges to councils (\$/valuation, \$2018-19)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
IPART's draft decision							
Country	5.87 for residential	7.42	7.42	7.42	7.42	7.42	7.42
Coastal	12.91 for non-residential	6.32	6.32	6.32	6.32	6.32	6.32
Metro	across all NSW councils	5.83	5.83	5.83	5.83	5.83	5.83
City of Sydney		12.07	12.07	12.07	12.07	12.07	12.07

Source: IPART calculations.

Summary of Draft Decisions

Table 2 presents a summary of our draft decisions compared to the 2014 determination and the Valuer General's proposal.

Table 2 Comparison of IPART draft decision with 2014 determination and Valuer General proposal (\$2018-19)

Issue	Current 2014 Determination	Valuer General's Proposal	IPART Draft Decision
Determination period	Five year determination	Six year determination to capture two complete valuation cycles of three years each	Six year determination to capture two complete valuation cycles of three years each
Average annual NRR	50.2m (allowed)	\$54.9m	\$56.2m
Average annual operating expenditure	\$47.3m (allowed)	\$51.6m	\$52.2m
Average annual capital expenditure	\$1.9m (allowed)	\$4.6m	\$4.57m
Allocation of VG NRR to councils	34.0%	32.6%	30.1%
Council share of VG's NRR	\$17.1m (allowed)	\$17.9m	\$16.9m
Price Model	Uniform 2-price structure (residential/non-residential split) applied across all NSW councils	Single prices for each of 4-geographical zones (Country, Coastal, Metro and City of Sydney) with no residential/non-residential split.	As per Valuer General's proposal, ie Single prices for each of 4-geographical zones (Country, Coastal, Metro and City of Sydney) with no residential/non-residential split.
Prices (\$/valuation, \$2018-19)	\$5.87 for residential properties \$12.91 for non-residential properties-	Country: \$7.87 Coastal: \$6.70 Metro: \$6.18 City of Sydney: \$12.79	Country: \$7.42 Coastal: \$6.32 Metro: \$5.83 City of Sydney: \$12.07

Source: NSW Government, *Revision of the Valuer General's pricing submission on 30 November 2018*. Submission to IPART by the Valuer General, 27 March 2019, IPART, *Review of Prices, for land valuation services provided by the Valuer-General to councils – From 1 July 2014 to 30 June 2019*, Final Report, May 2014 and IPART calculations.