

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

28 May 2019



WHAT

IPART has completed its review of 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 calculate rates and issue rates notices to ratepayers.

We have now released a Final Report and Determination.



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.

The Final Report and Determination sets out our decisions for the next determination period.



WHO

Our Final Determination regulates the prices that councils pay for the Valuer General's valuation services from 1 July 2019.



HOW

In releasing our Final Report, we considered stakeholder comments on our Issues Paper, Draft Report and feedback at the Public Hearing.

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

- ▼ Final prices that are around 2.5% lower than the 2014 determination and in aggregate 4.5% lower than those proposed by the Valuer General
- ▼ An allocation of 30.5% of the Valuer General's efficient costs to councils, which is lower than the 2014 determination allocation of 34.0%
- ▼ Changing from state-wide residential and non-residential prices, to pricing based on four geographical zones – Coastal, Country, Metro and City of Sydney – with a single and different price for each zone.



WHEN

New prices will take effect on 1 July 2019 and will apply for a 6-year period to 30 June 2025.



LEARN MORE

All materials relating to our review are available on our website, including our reports, determinations, stakeholder submissions and transcript from the public hearing.

KEY DECISIONS IN OUR FINAL REPORT

Key elements of our final decisions are set out below.

Level of prices

We have made a decision for the 2019 determination to set prices as presented in Table 1, to more accurately reflect the underlying costs of providing valuations to councils and improve transparency. We estimate that the prices we have set over the 2019 determination period will be 2.5% lower than the 2014 determination period, based on the average annual price per valuation. While we increased the Valuer General's total notional revenue requirement (NRR) by 2.3% relative to the proposal, we reduced the share of total NRR allocated to councils. Our prices are therefore around 4.5% 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 30.5% for the 2019 Determination. In the March 2019 submission, the Valuer General proposed that 32.6% of total costs be allocated to councils. The main reductions we made relative to the Valuer General's proposal were:

- ▼ An allocation of 31.8% of labour costs to councils rather than the 36.5% allocated by the Valuer General
- ▼ An allocation of 29.3% for indirect costs (eg, rent, corporate overheads, ICT operating costs) rather than the 33.0% allocated by the Valuer General.

Price structure

We have made a final 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 structure with one price for each of four geographical zones, Country, Coastal, Metro and City of Sydney (see Table 1). This was based on the zonal pricing structure proposed by the Valuer General.

Table 1 IPART's final 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 final decision							
Country	5.87 for residential	7.51	7.51	7.51	7.51	7.51	7.51
Coastal	12.91 for non-residential	6.40	6.40	6.40	6.40	6.40	6.40
Metro	across all NSW councils	5.90	5.90	5.90	5.90	5.90	5.90
City of Sydney		12.21	12.21	12.21	12.21	12.21	12.21

Source: IPART, Review of prices for land valuation services provided by the Valuer General to councils, Final Determination May 2014, p 4; and IPART analysis.

Summary of Final Decisions

Table 2 presents a summary of our final decisions compared to the 2014 determination and the proposal from the Valuer General in March 2019.

Table 2 Comparison of IPART final decision with 2014 Determination and proposal from the Valuer General (\$2018-19)

Issue	Current 2014 Determination	Proposed by Valuer General	IPART Final 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	\$49.7 million (allowed)	\$54.9 million	\$56.1 million
Average annual operating expenditure	\$46.8 million (allowed)	\$51.6 million	\$52.2 million
Average annual capital expenditure	\$1.9 million (allowed)	\$4.6 million	\$4.6 million ^a
Allocation of VG NRR to councils	34.0%	32.6%	30.5%
Council share of VG's NRR	\$16.9 million (allowed)	\$17.9 million	\$17.1 million
Price Structure	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: \$7.51 Coastal: \$6.40 Metro: \$5.90 City of Sydney: \$12.21

^a The Valuer General's proposed average annual capital expenditure is \$4.64 million and IPART's final decision is \$4.57 million.

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.