FACT SHEET

Valuer-General's prices for land valuation services provided to councils

Based on *Determination and Final Report: Review of prices for land valuation services provided by the Valuer-General to councils from 1 July 2014 to 30 June 2019*
May 2014

The Valuer-General is required to provide land valuation lists and supplementary lists to councils of areas under the *Local Government Act 1993* (NSW) for their rating purposes. These land valuation services are declared as government monopoly services under section 4 of the IPART Act.[1]

On 30 May 2014, IPART released its Determination and Final Report on the prices that the Valuer-General can charge for providing these services to councils during the 5 years from 1 July 2014 to 30 June 2019.

Our final decisions are consistent with those of the Draft Report, released for consultation in April 2014.

This fact sheet summarises the key decisions in our Determination.

Prices

Our prices reflect our assessment of the Valuer-General's efficient costs of providing land valuation services to councils.

Under our Determination, the Valuer-General's maximum prices to councils for land valuation services increase by 2.3% in 2014/15, compared to current prices. This includes our estimate of 2.9% for inflation. Prices will increase by inflation every year thereafter until 2018/19 (see Table 1).

1 *The Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

Key decision – cost allocation to councils

The difference between our determination and the Valuer-General's proposal (which would have resulted in a 2.8% real increase in prices) is due mainly to our decision to lower the allocation of costs to councils to 34% from the 40% proposed by the Valuer-General. This means that, despite the increase in the Valuer-General's costs, prices remain relatively constant in real terms.

Table 1 IPART's decision on the Valuer-General's prices to councils ($/per valuation)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
IPART's decision						
$2012/13 – we have set prices in real terms						
Residential	5.37	5.34	5.34	5.34	5.34	5.34
Non-Residential	11.81	11.75	11. 75	11. 75	11. 75	11. 75
% change[a]		-0.5%	0%	0%	0%	0%
$ nominal - prices in nominal terms for comparison[b]						
Residential	5.37	5.50	5.63	5.77	5.92	6.07
Non-Residential	11.81	12.09	12.39	12.70	13.02	13.34
% change[a]		2.3%	2.5%	2.5%	2.5%	2.5%

[a] Based on pre-rounded results.

[b] Prices for 2014/15 are based on CPI of 2.9%, as per March14/March13 indices for 8 capital cities as published by the ABS. CPI of 2.5% is assumed for following years.

In setting prices, we used the 'building block' approach to calculate the Valuer-General's notional revenue requirement of providing land valuation services for both *rating* and *taxing* purposes. We then determined the portion of this revenue required by the Valuer-General to service councils (ie, land valuations for rating purposes only).

In allocating costs to councils, we considered how much and how frequently the Valuer-General's services are used by councils. In particular, we applied an allocation approach based on:

1. **usage share of mass valuations** - allocating *mass valuation contract costs* based on the number of valuations received by councils as a portion of the total number of valuations *issued* by the Valuer-General annually
2. **direct costs to councils** - allocating *other costs* on an activity basis or client specific basis, where possible
3. **frequency of valuations** - allocating *remaining costs* based on the number of valuations received by councils as a portion of valuations *conducted* by the Valuer-General.

Over the 5-year determination period, the difference between the amount which the Valuer-General proposed to be recovered from councils and our decision is about $14.8 million:

- Approximately $13.7 million of this difference is due to our decision to allocate 34% of costs to councils, rather than the Valuer-General's proposed 40%.
- The remaining amount, about $1.1 million, is due to our decisions on the Weighted Average Cost of Capital (WACC) and treatment of depreciation, tax and working capital.

The $13.7 million difference in revenue due to the lower allocation of costs to councils should not be lost to the Valuer-General, but will need to be recovered from the Office of State Revenue (OSR), the Valuer-General's other customer.

We note that changing the allocation between councils and OSR has budget implications for the NSW Government. This is because funding from OSR for the valuation services provided by the Valuer-General is based on a grant from NSW Treasury.