



Dr Paul Paterson  
Chair  
Independent Pricing and Regulatory Tribunal  
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Dear Dr Paterson

**Valuer General's response to draft report on review of prices for land valuation services**

Thank you for providing the opportunity to respond to IPART's draft report on the review of prices for land valuation services provided by the Valuer General to councils.

After reviewing the draft report, we make the following recommendations.

1. FTEs for the compensation team be removed from the labour cost allocation.
2. Labour costs for all FTEs in the land data management team be split 50:50 between councils and Revenue NSW.
3. Labour costs allocation be adjusted to 33.9%.
4. Other indirect costs allocation be adjusted to 30%.
5. Overall allocation of costs to councils be adjusted to 31.1%.
6. Year one prices be indexed by CPI.

Information on these recommendation is below.

**1. FTEs for the compensation team be removed from the labour cost allocation**

Table 5.3 in IPART's draft report includes FTE and labour allocation for the compensation team.

The compensation team determines the amount of compensation an acquiring authority must offer a landowner when land is compulsorily acquired, on behalf of the Valuer General. The compensation team's functions are excluded or 'ring fenced' from the cost of providing land valuation services to councils and were not included in the Valuer General's submissions to IPART.

As the compensation team's functions are not included in the cost of providing land valuation services to councils, we recommend that FTE for the compensation team be removed from the labour cost allocation.

The Valuer General's submissions of 30 November 2018 and 27 March 2019 did not include FTE for compensation staff.

**2. Labour costs for FTEs in the land data management team be split 50:50 between councils and Revenue NSW**

IPART's draft report recommends allocating 25% of the labour costs for 7 FTEs in the land data management team to councils. We believe that this allocation does not accurately reflect the workload required to manage supplementary valuations.

As outlined in the Property NSW's response to IPART on "supplementary list and cost share" on 25 February 2019, there are 28 FTEs in the land data management team. Twenty one (21) of the land data management team's FTEs attribute 100% of their workload to supplementary

valuations. The remaining seven FTEs attribute 95% of their workload to supplementary valuations and 5% to general valuation work.

As supplementary valuations benefit councils and Revenue NSW equally, we recommend that the labour costs for the 28 FTEs in the land data management team are split 50:50 split between councils and Revenue NSW.

### 3. Labour costs allocation be adjusted to 33.9%

After adjusting the allocation percentages for compensation and land data staff as outlined above we recommend the labour costs allocation be adjusted to 33.9%, as shown in the table below.

*Table 1: Adjusted calculation on labour costs allocation*

		FTE	Council share
<b>Direct valuations related staff</b>	Compensation	0	0.0%
	Contract	10	25.0%
	Valuation Operation	41	25.0%
	Land data	21	50.0%
		7	50.0%
		79	33.9%
<b>Support Teams</b>	Executive	3	33.9%
	Customer experience	21	33.9%
	Business improvement	18	33.9%
		42	33.9%
<b>Total Staff</b>		121	33.9%

### 4. Other indirect costs allocation be adjusted to 30%

The recommended labour cost allocation of 33.9% results in an adjusted other indirect costs allocation of 30%, as shown in the table below.

*Table 2: Adjusted other indirect cost allocation*

Operating costs	IPART draft decision	Revised VG submission
Top 3 Opex Items	Council Allocation %	
Labour	30.6%	33.9%
Mass Valuation	25.0%	25.0%
Other Valuation Contracts	38.0%	38.0%
Weighted Average	28.9%	30.0%

## 5. Overall allocation of costs to councils be adjusted to 31.1%

The recommended changes to the labour and other indirect cost allocations result in an adjusted allocation of costs to councils of 31.1%, as shown in the table below.

*Table 3: Adjusted overall allocation of costs to councils*

<b>Cost items</b>	<b>IPART draft decision</b>	<b>Revised VG submission</b>
Mass valuation contract costs	25.0%	25.0%
Labour costs	30.6%	33.9%
Other valuation contracts costs	38.0%	38.0%
Other direct costs	100.0%	100.0%
Other indirect costs	28.9%	30.0%
<b>Total</b>	<b>30.1%</b>	<b>31.1%</b>

## 6. Year one pricing be indexed by CPI Indexing of year one prices

IPART's draft report does not appear to index year one prices (commencing 1 July 2019). The Valuer General's submission is in real terms (2018/2019 base year). We recommend that the prices in the draft report should be indexed by CPI for year one of the referral period.

Should you wish to discuss these recommendations, please contact me on [REDACTED] or  
e: [REDACTED]

Yours sincerely

[REDACTED]

Michael Parker  
Acting Valuer General

Date 24 April 2019