

THE HILLS SHIRE COUNCIL

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14 February 2014

Independent Pricing & Regulatory Tribunal
PO Box Q290
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Dear Sir/Madam,

**REVIEW OF PRICES FOR LAND VALUATION SERVICES PROVIDED BY THE
VALUER-GENERAL TO COUNCILS**

Thank you for the opportunity to lodge a submission on IPART's review of prices for land valuation services provided by the Valuer-General to Councils. Comments by The Hills Shire Council are itemised below and based on the questions raised in the Issues Paper:

1 Should IPART set one 5-year determination or undertake multiple periodic determinations over the 5-year referral period?

The current methodology of averaging CPI indexes (all groups) within a fixed 5 year time frame is probably the cheapest outcome for NSW councils rather than determining and fixing an annual price. Currently valuations are carried out on a 3 year turnaround using a mass valuation process. A change to multiple periodic determinations, (for example a determination of pricing structure annually) when the frequency of the valuation cycle remains at 3 years, may not be in Council's best interests.

2 In what circumstances should IPART consider making a new determination?

Circumstances such as changes to the frequency cycle of valuations supplied (e.g. annually instead of 3 year cycles), or any change of relativities between charges to authorities such as Local Government, Office of State Revenue, NSW Fire Brigades and/or other NSW agencies.

3 Have the land valuation services provided by the Valuer-General changed since the 2009 Determination?

The quality of service is higher and supplementary valuations are being received in a much timelier manner, than prior to 2009. Overall valuation services have improved.

4 Is the quality of land valuation services provided by the Valuer-General meeting customers' expectations?

The quality of service has improved in all areas: - accuracy of valuations, timely receipt of new valuations following a trigger such as a subdivision or objection, reporting, reconciliation of valuations, information provided to stakeholders such as newsletters; etc.

5 What is an appropriate rate of return for the Valuer-General's assets?

Council has no comment to make on this question.

6 What is the appropriate equity beta and gearing ratio on which to calculate the Valuer-General's rate of return?

Council also has no comment to make on this question.

7 Is there a case for changing the methodology for allocating costs to councils? If so, on what basis should costs be allocated?

The average cost approach, using the current pricing structure is considered to be more equitable by this Council. However, under the current marginal cost approach, fixed costs are borne by the principal users of the service and the provision of valuation services is split 40:60 between councils and the OSR. OSR valuations are conducted annually, whereas councils are every 3 years. Further, 50% of the costs of processing valuation objections are allocated to councils; all costs of printing, graphic services and postage services are fully allocated to councils. This seems to be quite disproportionate, considering the OSR is on an annual and more frequent cycle and would also incur printing, graphic services and postage services costs. In regard to valuation objections, it would be more appropriate to research exactly how many objections per annum are attributable to councils as opposed to OSR and charge accordingly.

8 Should the current price structure of residential and non-residential prices be retained, or is there a more appropriate pricing structure for land valuation services (e.g., a single price)?

The current price structure of residential and non-residential prices is considered to be fair and equitable. It is also more cost effective for some council's, particularly those with a very low non-residential component, such as The Hills. The current price structure is therefore appropriate in that there are higher costs involved in valuing non-residential properties due to their complex nature. It is both equitable and practical.

9 What is the impact on customers (i.e. councils) from the proposed change in price structures?

The proposed structure of one fixed cost per valuation would impact the Hills Shire adversely, with the total costs being much higher than under the current structure, as we have such a low proportion of non-residential properties. We would be subsidising those councils with much higher non-residential ratios.

10 Is there new evidence that would warrant differential pricing for councils and a move away from a common charge across all councils?

Apart from comments in the Issues Paper regarding the City of Sydney, I am not aware of any new evidence warranting differential pricing. In any case, differential pricing may not be as transparent as the current pricing and may also increase the cost of services. Each council would have to be treated uniquely and the successful valuation contractor's prices (relative to the LGA) may also have to be considered in setting the differential price. For example, the successful contractor's prices may be higher in one LGA than in another, which leads to an overall inequity, for councils. These factors may all drive up the price. It may also be cumbersome to administer and have negative impacts on both time and cost effectiveness.

11 Should an indexation approach be used to set the maximum prices for the Valuer-General's land valuation services to councils?

The current indexation approach works well and is fair overall. It is a steady increase and based on the CPI all groups index.

The proposed indexation may set prices according to an index based on projections and the composition of efficient costs over the determination period and expected efficiency savings.

This may not be an accurate measurement as projections may be overstated and unnecessarily drive up the cost. The weightings for cost items in any index developed would be that cost items' percentage share of total costs. Weightings could be considered to be subjective and therefore disproportionate or unfair depending on the organisation concerned.

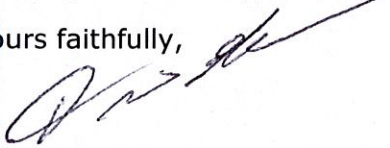
12 How should the price path account for customer impacts?

The impact on a council's costs could be quite adverse depending on the pricing structure put in place. Any increases should be "stepped", or at least have some relativity to CPI.

If you need an explanation of any of our responses, please contact our Manager – Finance, Michael Spence or Rates Team Leader, Robyn Josephson

Thank you for the opportunity to provide comments.

Yours faithfully,



Dave Walker

GENERAL MANAGER