

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

Presentation to IPART public hearing by the Valuer General
25 February 2014



Office of the NSW Valuer General

Presentation overview

- Overview of the Valuer General's business
 - The role of the Valuer General
 - Governance and relationships
- Performance over current determination period
 - Service efficiency
 - Service quality
- Forecasts for reference period
 - Significant changes from previous determination
 - Changes in the cost base
 - Proposed prices and price path



The Valuer General's role

- The Valuer General is an independent statutory officer established under the Valuation of Land Act 1916 (the Act)
- Primary function is to make valuations for rating and taxing purposes:
 - Maintaining the Register of Land Values
 - Making valuations of land under the Act
 - Dealing with objections and appeals against valuations made under the Act
 - Entering into, managing and monitoring valuation service contracts

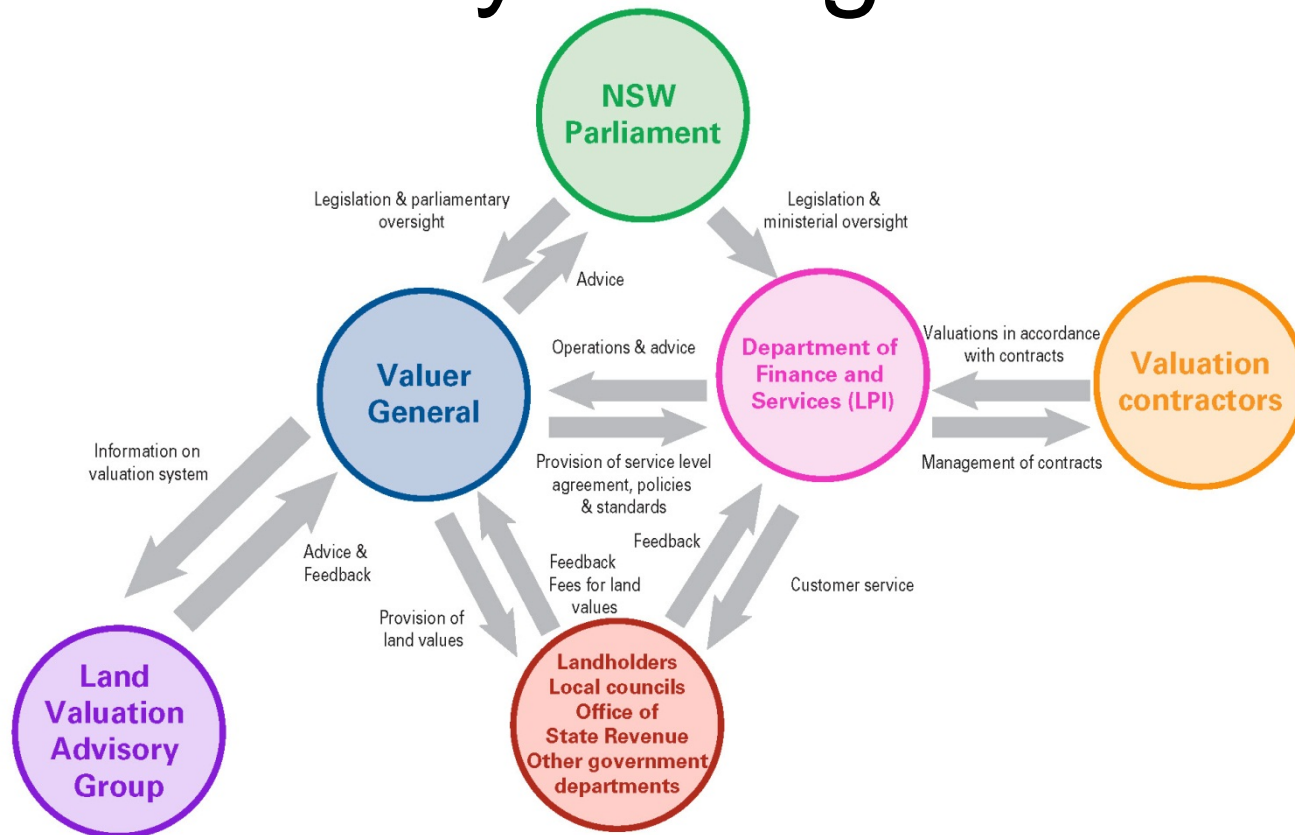


The Valuer General and LPI

- The Valuer General delegates operation of the system to Land and Property Information
 - Services regulated by a service level agreement
 - LPI manages all operations with the bulk of valuation services outsourced
 - The Valuer General directs and monitors LPI's performance



Valuation system governance



Financial performance 2009-10 to 2013-14

- Cumulative actual operating costs for rating and taxing valuations were within 1% of the estimated cumulative efficient operating costs over the current determination period
- Total 2012-13 actual operating costs for rating and taxing valuations were within 1% of the estimated efficient operating costs

Note:

- Efficient operating costs for each year were estimated based on the efficient 2007-08 operating costs determined by IPART, escalated by CPI



Service efficiency

- The JSCOVG found that “the valuation system is currently extremely cost effective”
- The Valuer General was a ‘low-cost’ service provider on the basis of a 2007 benchmarking study undertaken by the International Property Tax Institute (IPTI)
- The Valuer General's cost per property was approximately 78% of the average cost of respondents to the 2010 IPTI survey



Benchmarking

- 90% of costs in 2014-15 either market tested or comparable to benchmarks
 - Costs were accepted by IPART as efficient in 2008
 - Almost half of these costs are still market tested
- Graphic, IT, finance and HR services were benchmarked in 2008 and found to be efficient
 - These costs have fallen over the current determination period, and are expected to fall in real terms over the referral period
- High-level benchmarking of labour costs suggests that these costs continue to be efficient



Service quality

- The Valuer General monitors service quality through a range of measures which demonstrate:
 - A high level of compliance with internationally accepted measures of valuation quality
 - Low level of overall change to the total value of the Register of Land Values
 - High levels of service satisfaction demonstrated in a range of landholder and council surveys



Changes in cost drivers

- Valuation services are provided by contract valuers
 - Contract costs increased by 11% over the past two years
- The Joint Standing Committee on the Office of the Valuer General issued its report on the valuation system in May 2013 with 29 recommendations
 - 18 recommendations agreed by Government; 9 others for further investigation and consultation
 - Proposed to absorb costs of implementing these recommendations within this pricing proposal, if possible
- 1% annual growth in the Register of Land Values
 - Growth was 0.55% over the determination period but market and subdivision activity is strengthening



Efficient cost forecasts 2014-15 to 2018-19

- Forecasting methodologies used in 2008 submission are still considered to be appropriate and have been used with 2013-14 base year
- Operating costs forecast to be stable in real terms from 2015-16 to 2018-19
 - Most costs are at or below previous forecasts and forecast to increase by CPI over referral period
 - Step changes in some cost elements in 2014-15 followed by normal growth



Cost base changes

- 5% nominal increase in mass valuation contract costs over 2013-14 level
- Increase in labour costs in 2014-15 due to filling 5 vacant positions to total EFT of 125
 - Total EFT fell from 143 (2009-10) to 120 (2013-14)
 - Management roles reduced to allow for technical staff
- Inclusion of allocated costs for spatial services and title and image searches
- Adoption of IPART methodologies for return of and on capital and tax equivalents



Basis of proposed prices

- Common pricing model for all councils
- Current structure and relativity of prices for Residential and Non-residential valuations retained
- Allocation of efficient costs for rating and taxing valuations - 60% to OSR & 40% to councils
 - Current price path recovers 36.9% of efficient costs
 - Proposed price path to achieve full recovery of 40% of efficient costs from councils by 2018-19
- Minimise impacts on councils through a smooth price path



Proposed prices

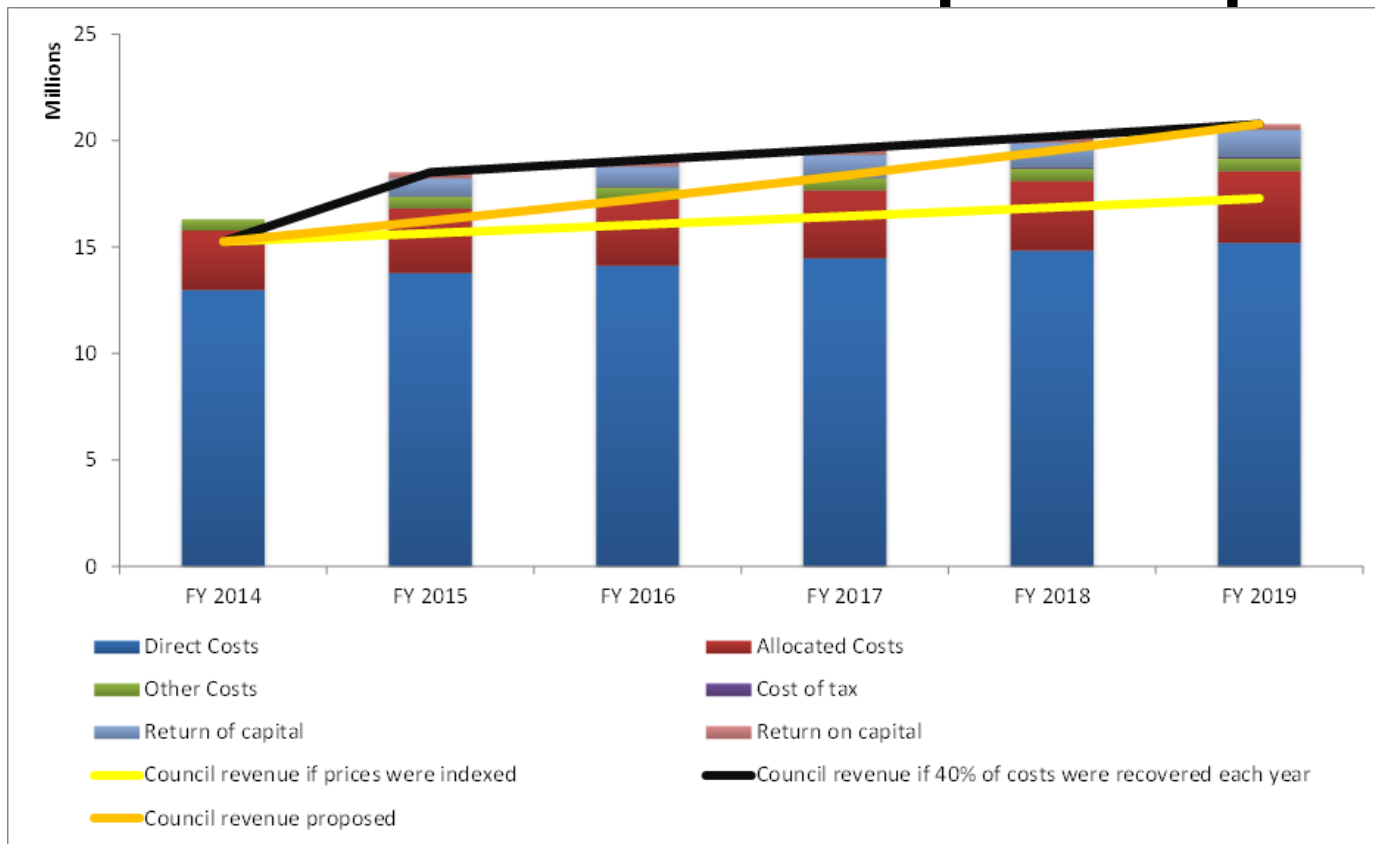
	Current Prices	Proposed prices in dollars of the day (\$ per property)				
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Residential	\$5.37	\$5.65	\$5.95	\$6.27	\$6.60	\$6.95
Non-residential	\$11.81	\$12.44	\$13.10	\$13.79	\$14.52	\$15.29
Total revenue (\$m)	\$15.3	\$16.2	\$17.3	\$18.4	\$19.5	\$20.8

Note:

- Prices include assumed escalation of 2.5 % per annum for inflation
- Price escalation represents 2.8% per annum in real terms (i.e. excluding impact of inflation)



Efficient costs and price path



Proposed price path recovers 93.9% of council revenue requirement over the referral period

