

Review of prices for the Valuer General's land valuation services to councils

8 October 2024

IPART has been asked to review the maximum prices that the Valuer General can charge for land valuation services to councils from 1 July 2025 for a 6-year period. The NSW premier provided the [Final Terms of Reference](#) on 16 August 2024.

The Valuer General is an independent officer appointed by the Governor of NSW to oversee the valuation system which provides land values for rating, taxing and determinations of compensation when land is compulsorily acquired.

Value NSW, under the Valuer General's direction, is the NSW Government department that manages and supports the valuation system used by councils. In this review, the terms 'Value NSW' and 'Valuer General' are used interchangeably.

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. IPART determines the maximum price that the Valuer General can charge councils for this service.

Since our 2019 review, Value NSW has changed how it delivers valuation services. It is transitioning to a hybrid model where it delivers valuation services through a mix of in-house and contracted valuers. Value NSW (within the Department of Planning, Housing and Infrastructure) is the government agency that supports the Valuer General.

We are interested to hear what you think about the maximum prices the Valuer General can charge councils for land valuation services in the future. This paper sets out some of the issues we will consider during the review and asks for your feedback

What has IPART been asked to do?

The [Terms of Reference](#) for this review ask us to:

- consider and identify the Valuer-General's **efficient costs** of providing the Monopoly Services^a over the relevant determination period or periods
- consider **valuation service market-based factors** over the determination period and identify where appropriate interim period adjustment parameters where unforeseen or unavoidable external costs may be incurred; and
- consider the **efficient allocation of the costs of the Monopoly Services** between the users of those services in accordance with **relevant economic and pricing principles**.

In addition, IPART may take into account any other matters it considers relevant.

As part of this review, we will consider market-based factors such as the use of digital technology and Artificial Intelligence (AI), property prices, environmental or regulatory changes

Additionally, inflation and other economic indicators may lead to a significant change in costs over the determination period, and how these changes could be reflected in prices.

What is the Valuer General proposing?

The Valuer General is proposing a step change price increase of between **21%** and **38%** depending on the pricing zone^b plus inflation, and to maintain the existing 4 pricing zones based on geographical location. The Valuer General also proposed that prices be set for a 6-year period.^c

The proposal also outlines changes to the Valuer General's operating environment, including the transition to a hybrid model which is a mix of undertaking valuations in-house and using external third-party contractors.^d

The Valuer General's pricing proposal can be found on our [website](#).

The Valuer General's proposed prices per property valuation for each zone are outlined in the table below.

a Monopoly Services refers to Furnishing valuation lists and supplementary lists under Part 5 of the Valuation of Land Act 1916 by the Valuer-General to a council of an area under the Local Government Act 1993" (Monopoly Services)

b Value NSW 'Review of prices for land valuation services provided by the Valuer General to councils', September 2024, pg. 9

c Value NSW 'Review of prices for land valuation services provided by the Valuer General to councils', September 2024, pg. 7

d Value NSW 'Review of prices for land valuation services provided by the Valuer General to councils', September 2024, pg. 8

Valuer General's current prices and proposed prices in real terms (\$ 2024-25)

Zone	Current price (2019-2025)	Proposed price (2025-2031)	Change from current determination (%)
Country	9.16	11.62	27%
Coastal	7.80	10.80	38%
Metro	7.20	9.44	31%
City of Sydney	14.89	18.09	21%

Note: Ratepayers are not directly charged for these valuations. These valuations costs are billed to councils and are paid out of general income.

Source: Value NSW Table 9-3 Variances in prices in real terms (\$2024-25), 'Review of prices for land valuation services provided by the Valuer General to councils', September 2024, pg. 58

Number of valuations and fees to councils in 2022-2023

Zone	Number of valuations in 2022-23	Fees to councils in 2022-2023 (\$)
Country	600,050	4,956,413
Coastal	827,494	5,825,558
Metro	1,202,429	7,803,764
City of Sydney	28,163	378,229

Source: Valuer General, Table 10 IPART's determination on VNSW fees to councils for valuation services, Annual Report 2022-23, pg. 36

What will we consider when calculating maximum prices?

This section sets out the key issues we will consider as part of this review to set the Valuer General's maximum prices to councils for land valuation services.

Pricing Issues



Determining the Valuer General's efficient costs



How the Valuer General allocates costs to user groups



Prices for specific councils or groups of councils

The efficient cost of providing mass valuation services and the long-term trends in the valuation industry

We will need to establish the efficient costs on which to base prices. The Valuer General has indicated that higher costs, mainly through increased labour costs, will drive price increases to councils. Previously, the Valuer General conducted valuations using external third-party valuers. We will review the cost impact of the Valuer General's proposed hybrid valuation model where some of the valuations will be undertaken by in-house valuers and the remainder will be completed by external valuers.

We will also investigate how valuation costs are impacted by market trends, market structure, the increased use of technology, market dynamics, and the Valuer General's proposed capital investments over the determination period.

The allocations of costs between different users of land valuations

Currently, valuation services are paid for by two key customers; NSW councils, who use the valuations to calculate rates, and Revenue NSW who use the valuations for taxation purposes. As part of this review, we must identify what proportion of valuation service costs to allocate to councils. Generally, we consider that where feasible, costs should be allocated to users according to the contribution they make to the costs being incurred. Currently 30.5% of costs are recovered from councils. The Valuer General has proposed a slight increase in the share of costs allocated to councils to 31.3% of costs.

There are also other users of valuations that are not allocated a share of the costs. These include NSW Fire and Rescue, NSW Roads and Maritime, NSW Crown Lands, Local Government Grants Commission and other customers in the private sector. We will consider whether this is appropriate.

The pricing framework for local government users over the determination period

Currently there are different prices charged to councils based on which of four geographic zones the council is in: Country, Coastal, Metropolitan and City of Sydney. This zonal structure was designed to reflect the difference in valuation costs for these zones. The Valuer General has proposed maintaining this pricing model. We will investigate whether this pricing model is reasonable, and whether there are alternative pricing models that are more appropriate. In doing so, we will need to consider any proposed pricing models in terms of:

- cost reflectivity
- impact on council costs
- equity and the implications on councils' ability to pay, and
- simplicity and transparency (the ease with which councils and ratepayers are able to understand the pricing model).

The Valuer General has proposed that the full increase in prices takes place in the first year of the determination period, with prices increasing each year after that by inflation only. If price increases are necessary, we will consider whether to set prices so they increase gradually.

We will also consider how long we should set prices for. The Valuer General has proposed a determination period of 6 years.

Other issues

The impact of government regulations

The Valuer General has stated that one of the reasons for implementing the hybrid model is the NSW Government's move towards less reliance on external contractors.^e We will consider whether this approach may have an impact on the long-term viability of market participants in providing mass valuations and the level of competition in the valuation market.

The performance and customer satisfaction of the valuations and objections completed by the Valuer General

The Valuer General is required to assess objections raised by owners on the valuation of their properties. The Valuer General is proposing to apportion the cost of assessing these objections equally between councils and Revenue NSW.

We want to hear from you

We want to hear from all interested parties, including councils, ratepayers, users of land valuation services, valuation service providers and others.

Efficient Costs



1. Do you consider the Valuer General's pricing proposal represents good value? Why/why not?
2. Has there been any material change to the land valuation process that has impacted the cost of undertaking valuations (e.g. contract costs)?
3. How might the Valuer General's costs of providing land valuation services change over the next 6 years, considering the impact of digital technology, AI and innovation?


Cost allocation between users




4. How should the Valuer General's costs be allocated between users of valuation services?

^e Value NSW 'Review of prices for land valuation services provided by the Valuer General to councils', September 2024, pg. 20


Pricing framework

-  5. What is the impact on councils of the Valuer General's proposed price increases?
- 6. Should the current four pricing zones be retained or is there a more appropriate pricing model for land valuation services such as a single price?
- 7. If a price increase is necessary, should it be implemented in the first year, or gradually over a few years?


Government regulation

-  8. What potential impacts does the bringing in-house of mass valuations by the Valuer General have on the long-term viability of the valuation market participants and the level of competition in the valuation market?

Service quality

-  9. Is the quality of service provided by the Valuer General meeting expectations?
- 10. If you have been involved with the Valuer General's land valuation dispute process, what has been your experience?

General

-  11. Are there any other matters you would like us to consider as part of our review of the Valuer General's Monopoly Services?

Review process and timeline May 2025.



IPART is currently seeking stakeholder views on the above issues, with submissions open to the 19 November 2024. You can make a submission via the [Have your say](#) page on our website.

We will consider all stakeholder feedback when preparing our Draft Report, which we expect to release in February 2025. There will be further opportunities to provide input on our draft recommendations at a public hearing.

Our Final Report will also be informed by stakeholder consultation. We will release our Final Report in May 2025.

Stakeholders who would like to be notified by IPART of updates to this review can subscribe on our [website](#).