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

Submission to the Independent Pricing and Regulatory Tribunal by the Valuer General Via Have your say | IPART in November 2024

1. **Do you consider the Valuer General's pricing proposal represents good value? Why/why not?**

   The proposed price for 2025-26 is $11.62 per unit, and [redacted] Council is classified under the 'Country' zone. This represents a 27% increase from the price of $9.16 in 2024-25. This cost increase is substantial and is anticipated to be approximately $75,000 higher in 2025-26. While the service delivery enhancements are very marginal, the price increase proposed does not provide commensurate value and is out of line with the rate peg limited income of Council.

2. **Has there been any material change to the land valuation process that has impacted the cost of undertaking valuations (e.g., contract costs)?**

   The shift to a hybrid model, incorporating both in-house and external valuers, is a significant change. This transition will result in significant increase in labour costs but could potentially create some savings in future in contractor costs. However, from the forecasted operating expenditure for the next six years as given in Table 7-1 (Page 42 & 49), there are no savings forecasted from this change. The report does not show the costs estimates for labour and contractors separately.

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?**

   The adoption of digital technology and AI could streamline the valuation process, reduce manual labour, and improve accuracy. These innovations may lead to reduced costs over time, although initial investments in technology and training will be necessary. However, the report suggests that AI usage is currently restricted for quality assurance to identify inconsistencies in valuation and not actively used in the valuation process. ICT cost estimates for the next six years is estimated to be $42.296 million. There is a risk that the anticipated savings or benefits from Val IQ may not be realised and valuation costs may continue to increase in future.

Cost Allocation Between Users

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

   Councils currently bear 32.5% of the costs. The proposed percentage allocation in the referral period is 31.3% which is welcoming, although it is a small reduction. However, other users such as NSW Fire and Rescue, NSW Roads and Maritime, and private sector customers should also contribute to the costs to ensure a fair distribution.

Pricing Framework

5. **What is the impact on councils of the Valuer General's proposed price increases?**

   The rate peg for [redacted] is 4.7% for 2025-26 whereas the increase expected in the cost of valuation services is 27% in 2025-26. This is one of the many real time examples for the budget strains faced by councils. There is a misalignment between the income growth and cost escalation that impact our ability to maintain balanced budgets and deliver essential services effectively.

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?**

   The current zonal pricing model reflects the varying costs of valuations in different geographic areas. Retaining this model seems appropriate, as it ensures cost reflectivity. However, it is worth considering to change [redacted] Council's category to that of 'Coastal' considering the proximity to the coast and the regional characteristics we share with our coastal neighbours, as we are charged 7.5% more than our coastal neighbours.

7. **If a price increase is necessary, should it be implemented in the first year, or gradually over a few years?**

   Gradual implementation of price increases over a few years would be more manageable for councils, allowing them to adjust their budgets.

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?**

   NIL

Service Quality

9. **Is the quality of service provided by the Valuer General meeting expectations?**

   [redacted] Team is happy with the services provided by Valuer General. Feedback from councils and ratepayers on the quality of service shall be collected and reviewed.

10. **If you have been involved with the Valuer General's land valuation dispute process, what has been your experience?**

    Not involved with any land valuation dispute process.

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?**

    Bulk valuations are undertaken by contractors once in three years. But councils are charged per unit rate for all the assessments in the local government area every year. Are the contractors mass valuation costs to be charged to Council once in every three years? It is noted that the historical mass valuation contract costs for the past five years remained same at around $18mn to $19mn per annum.