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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

August 2024

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Glossary

Abbreviation	Long form
AVM	Automated valuation model
CPI	Consumer Price Index
DCCEEW	Department of Climate Change, Energy, the Environment and Water
DCS	Department of Customer Service
DFSI	Department of Finance, Services and Innovation
DPHI	Department of Planning, Housing and Infrastructure
DPIE	Department of Planning, Industry and Environment
FTE	Full-time equivalent
IPART	Independent Pricing and Regulatory Tribunal
JSCOVG	Joint Standing Committee on the Office of the Valuer General
MVC	Mass valuation contract
NRR	Notional revenue requirement
NSW	New South Wales
OVC	Other valuation contract
OVG	Office of the Valuer General
RAB	Regulatory asset base
TPG23-21	NSW Treasury's Policy and Guidelines 23-21
WFH	Work from home
$2018-19	Denotes in 2018-19 dollars
$2024-25	Denotes in 2024-25 dollars

1 Executive Summary

1.1 Context of this review

The *Valuation of Land Act 1916* establishes the Valuer General as the independent statutory authority responsible for the overall valuation system. The Valuer General regulates the system by setting standards and policies as well as independently overseeing the quality of its outcomes.

The Valuer General delegates operational responsibilities under the *Valuation of Land Act 1916* to Value NSW, an agency within the Department of Planning, Housing and Infrastructure (DPHI), that provides technical, operational and customer service support to the Valuer General in producing and recording land values across New South Wales (NSW).

Councils use land valuations as one factor in determining how much they charge ratepayers. The Valuer General provides councils with these land valuations and charges councils for the service it provides. These charges represent a principal source of Value NSW's revenue. The Independent Pricing and Regulatory Tribunal (IPART) sets the prices councils pay for the Valuer General's services.

IPART last set the prices for land valuation services provided by the Valuer General to councils in 2019. These prices applied for the period of 1 July 2019 to 30 June 2025 (referred to as 'the current determination period'). IPART has subsequently been requested by the Premier to undertake a new determination of the maximum price for monopoly services provided by the Valuer General to apply from 1 July 2025 (referred to as 'the referral period').

This price service proposal:

- Describes the business and the services the Valuer General provides to councils (section 3), including significant changes (section 4) and improvements (section 6) since the last determination.
- Analyses and reviews the financial performance of Value NSW over the current determination period of 2019-20 to 2024-25 (section 5).
- Outlines the efficient costs of providing those services to councils (for the six years of the referral period 2025-26 to 2030-31), following a building block approach (section 7).
- Forecasts the volume of land valuations that Value NSW expects to complete over the referral period (section 8).
- Proposes the prices the Valuer General would charge councils to recover the efficient costs (section 9).

1.2 Significant changes to Value NSW's service delivery model

Since the last IPART determination, Value NSW has experienced shifts in its operating landscape, which have influenced how the organisation structures its operations to deliver services. As a result, there have been a number of changes to the service delivery model.

These include:

- a NSW Government aim to enhance internal capabilities and capacity, and reduce reliance on external contractors, by prioritising the development of internal resources;
- significant cost increases experienced in mass valuation contract retenders undertaken during the determination period, which are anticipated to continue as part of the upcoming retender;
- a strategy to reduce reliance on contracted mass valuation services and minimise expected contract price increases, with a proactive transition underway to a hybrid service delivery model for mass valuation and objections services; and
- a change in the schedule for issuing land valuations to councils, with approximately one-third of local government areas being issued each year, rather than issuing valuations to all local government areas every three years.

This has resulted in a significant change in the cost category mix of Value NSWs operations over the referral period.

1.3 Forecasted notional revenue requirement for providing rating valuation services to councils and associated valuation quantities

The forecast notional revenue requirement (NRR) for Value NSW over the referral period has been calculated as the net sum of its operating expenditure, return of capital (depreciation), a margin that captures non-operating expenditure, minus the revenue received from minor users of valuations. The NRR for the six-year period of 2025-26 to 2030-31 is $554.143 million, representing a 34.8 per cent increase in real terms (adjusted to 2024-25 dollars) compared to the previous determination period.

This increase is primarily driven by a significant rise in observed costs over the determination period and resulting costs over the referral period for mass valuation and objections contracts, which has been partly mitigated by the transition to a hybrid service delivery model. This transition has increased labour costs while minimising the resulting cost increases that would have otherwise been experienced in mass valuation and objections contract costs. Other contributing cost drivers are detailed in section 7 of this report.

Forecast valuation quantities over the referral period have been determined for each zone based on the average growth rate observed within each zone over the last six years (the current determination period). The overall forecast growth rate for property volumes is 0.75 per cent per annum, broken down across each zone. This growth rate closely aligns to the previous submission's forecast growth rate of 0.71 per cent, noting that the experienced growth rate for the previous submission was marginally higher than forecast.

1.4 Proposed prices for councils

The Valuer General is proposing to maintain the existing pricing structure and mechanics from the 2019 determination, including:

- The six-year determination period.
- The differential pricing model based on four geographical zones.
- The price cap methodology.
- Indexing prices each year by the CPI, while holding prices constant in real terms over the referral period.

The proposed prices ensure full recovery of the Valuer General's efficient economic costs of service provision to councils in the referral period, and efficiently and equitably allocate the costs of valuation services between the users of those services.

The proposed prices per property valuation in real terms for each zone are outlined in the table below.

Table 1-1 Proposed prices over the referral period in real terms ($2024-25)

Zone	Proposed referral period prices (2025-26 to 2030-31)
Country	11.62
Coastal	10.80
Metro	9.44
City of Sydney	18.09

Proposed prices have increased between 21 to 38 per cent in real terms ($2024-25) depending on zone, with increases due largely to market changes, and variances in zone increases due to variances in costs to service these zones (discussed further in sections 4, 7 and 9).

On average, prices would recover 31.3 per cent of Value NSW's efficient economic costs of service provision, which is 0.8 per cent higher than the 2019 determination.

2 Introduction

2.1 Overview

The *Valuation of Land Act 1916* establishes the Valuer General as the independent statutory authority responsible for the overall valuation system. The Valuer General regulates the system by setting standards and policies as well as independently overseeing the quality of its outcomes.

The Valuer General delegates operational responsibilities under the *Valuation of Land Act 1916* to Value NSW, an agency within the Department of Planning, Housing and Infrastructure (DPHI), that provides technical, operational and customer service support to the Valuer General in producing and recording land values across New South Wales (NSW).

Under the *Local Government Act 1993 (NSW)*, councils use land value data to determine the council rates that ratepayers pay. Individual councils update the rates they charge ratepayers to reflect changes in land values, generally every three years.

The Valuer General charges councils for the service it provides, and these charges comprise a principal source of its revenue. The Independent Pricing and Regulatory Tribunal (IPART) sets the prices councils pay for the Valuer General's services.

2.2 Context for this price review

In July 2019, IPART released its determination of maximum prices for the Monopoly Services provided by the Valuer General. These maximum prices apply until 30 June 2025. IPART has subsequently been requested by the Premier, under sections 12(1) and (3) of the *Independent Pricing and Regulatory Tribunal Act 1992*, to undertake a new determination or determinations of the maximum price for monopoly services provided by the Valuer General to apply from 1 July 2025.

2.3 Approach to this submission

This price service proposal:

- Describes the business the Valuer General engages in and the services the Valuer General provides to councils (section 3), including significant changes (section 4) and improvements (section 6) since the last determination.
- Analyses and reviews the financial performance of Value NSW over the current determination period of 2019-20 to 2024-25 (section 5).

- Outlines the efficient costs of providing those services to councils (for the six years of the referral period 2025-26 to 2030-31), following a building block approach (section 7)[1].
- Forecasts the volume of land valuations that Value NSW expects to complete over the referral period (section 8).
- Identifies the prices the Valuer General is proposing to charge councils to recover the efficient costs (section 9).

For the referral period, the Valuer General recommends maintaining the existing pricing structure, including:

- The six-year determination to capture two complete valuation cycles.
- The differential pricing model for each of four geographic areas.
- The price cap methodology for setting prices.

The submission uses estimates and assumptions to present the costs of providing valuation services to councils. Every effort has been made to present information in a clear, concise, consistent and accurate manner.

In developing this submission, Value NSW sought assistance from an independent firm, Scyne Advisory (Scyne). Scyne were engaged to develop an activity-based cost model to inform this submission. The objective for the engagement was to develop a model that reflected Value NSW's updated business model and ensure the calculations in the model are in all material respects, internally consistent and arithmetically correct, and that the model's underlying assumptions and the application of these are reasonable. Further, that the model's assumptions and output are accurately presented in the Valuer General's submission to IPART.

2.3.1 The terms of reference

The Terms of Reference[2] require IPART to make:

> ...a new determination of the maximum pricing for the rating valuation services provided by the Valuer General to apply in total for a period of six years from 1 July 2025.

In so doing, IPART is requested to:

- Consider and identify the Valuer General's efficient costs of providing the monopoly services over the relevant determination period or periods.
- Consider valuation service market-based factors over the determination period and identify where appropriate interim period adjustments parameters where unforeseen or unavoidable external costs may be incurred.
- 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.

[1] The components of the building block approach are outlined in more detail in section 7.

[2] IPART, Draft Terms of Reference - Pricing determination for Land valuation services, May 2024

IPART has been asked to consult with key stakeholders, including government agencies responsible for the management of the land valuation and rating systems. IPART is to submit its final report and determination to the Premier by 31 January 2025 and will submit any subsequent reports and determinations to the Premier as agreed.

It is intended that the determination, or in the event of a periodic determination of pricing, its first determination, will commence on 1 July 2025.

3 Understanding the Valuer General's role and services

The Valuer General oversees the valuation system which provides land values for rating and taxing, as well as determinations of compensation when land is compulsorily acquired by government.

The Valuer General sets the objectives and standards for the valuation system which is operated by Value NSW. Value NSW takes responsibility for all operations including the provision and quality assurance of land values, management of the objection process, maintenance of the Register of Land Values, customer service, and contract and financial management.

This section describes the services that Value NSW, via delegation of the Valuer General, provides to councils for rating purposes including the role of the Valuer General, how the services are obtained, how service standards are detailed and how the operation of the valuation system is governed.

3.1 The IPART Act 1992

Pursuant to an Order dated 11 August 1993 made under section 4 of the *Independent Pricing and Regulatory Tribunal Act 1992*, the valuation services provided to councils are declared government monopoly services:

> "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*."

Under the *Independent Pricing and Regulatory Tribunal Act 1992* (section 14A) IPART must, in making a price determination, have regard to the following:

A determination of the Tribunal of the methodology for fixing the price for a government monopoly service may be made in any manner the Tribunal considers appropriate, including, for example, by reference to maximum revenue, or a maximum rate of increase or minimum rate of decrease in maximum revenue, for a number of categories of the service concerned.

In making such a determination, the Tribunal may have regard to such matters as it considers appropriate, including, for example, the following:

a. *the government agency's economic cost of production,*
b. *past, current or future expenditures in relation to the government monopoly service,*
c. *charges for other monopoly services provided by the government agency,*
d. *economic parameters, such as:*
   i. *discount rates, or*
   ii. *movements in a general price index (such as the Consumer Price Index), whether past or forecast,*
e. *a rate of return on the assets of the government agency,*

f. *a valuation of the assets of the government agency,*
g. *the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the Environment Administration Act 1991) by appropriate pricing policies that take account of all the feasible options available to protect the environment,*
h. *the need to promote competition in the supply of the service concerned,*
i. *considerations of demand management (including levels of demand) and least cost planning.*

In any report of such a determination, the Tribunal must indicate what regard it has had to the matters set out in subsection (2) in reaching that determination.

3.2 The Valuer General

The Valuer General is an independent officer appointed by the Governor of NSW to oversee the valuation system which provides land values for rating and taxing, and determinations of compensation when land is compulsorily acquired by government. The Lieutenant-Governor of NSW most recently appointed Ms Sally Dale as NSW's Valuer General for a four-year term, from 1 June 2024 until 31 May 2028.

The independence of the Valuer General ensures a clear separation between the impartial land valuation process and how state and local government use the valuations for levying rates and taxes, or for determining compensation following the compulsory acquisition of land.

The Valuer General's responsibilities include:

- Setting standards and policies for the valuation system through the publication of the Valuer General's policies and guidance notes. The policies and guidance notes assist landholders to better understand the valuation process and provide clear guidance to valuers on valuation methodology.
- Monitoring the quality of land values and services provided to stakeholder and the community by Value NSW.
- Monitoring the management of contract valuers by Value NSW.
- Providing professional leadership and stewardship to the valuation industry.

The specific functions of the Valuer General outlined in the *Valuation of Land Act 1916* include:

- Maintaining the Register of Land Values.
- Making valuations of land under the *Valuation of Land Act 1916*.
- Dealing with objections and appeals against valuations made under the *Valuation of Land Act 1916*.
- Entering into, managing and monitoring valuation service contracts.

Section 8(5) of the *Valuation of Land Act 1916* authorises the Valuer General to delegate any functions outlined in the Act, with the exception of the power of delegation.

The Valuer General's mission is to provide a world leading valuation system that inspires public confidence and trust. To realise this mission and foster buy-in, Value NSW co-developed its Game Plan, incorporating feedback from Value NSW's staff, Executive and the Valuer General. The Game Plan is central to Value NSW's operations, guiding strategic projects and performance measures to achieve organisational goals and continuous improvement. It is built on three pillars:

Valuation: Delivering consistent and transparent valuations with a customer-centric approach focused on response timeliness.

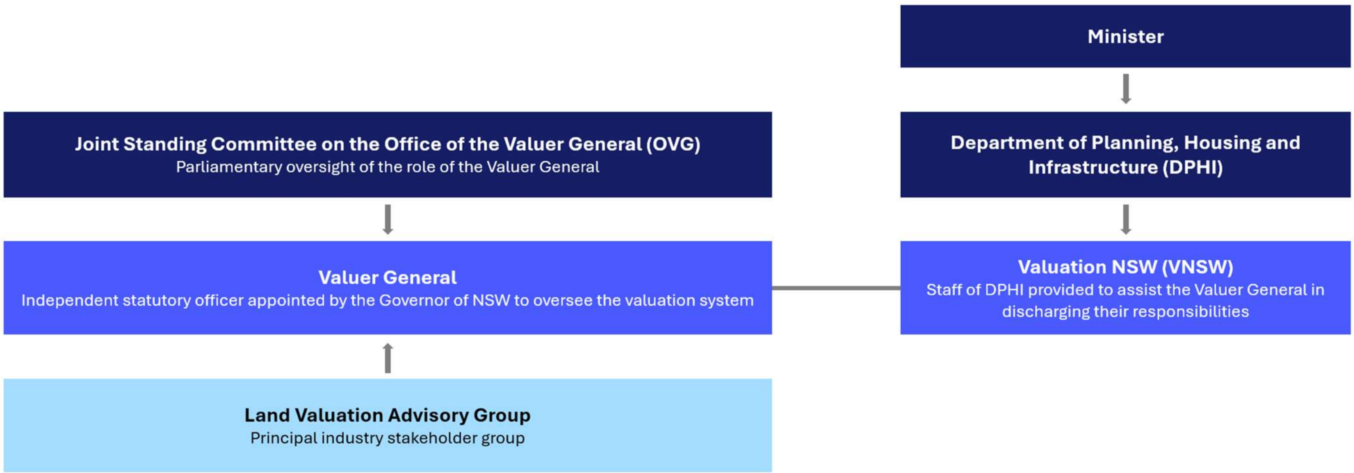
Innovation: Harnessing the latest technology and seeking opportunities to continuously improve the valuation system and implement best practice valuation techniques.

People: Empowering our people by striving to create opportunities and providing the tools for success.

3.3 Governance of the valuation system

This section describes the governance of the NSW valuation system, shown in Figure 3-1 below.

Figure 3-1 Governance of the NSW valuation system



A short summary of each of the groups in Figure 3-1 and their functions is provided below.

3.3.1 Joint Standing Committee on the Office of the Valuer General

The Joint Standing Committee on the Office of the Valuer General (JSCOVG) was established in 2004 to monitor and oversee the functions of the Valuer General, and reports to the NSW Parliament.

The Committee tabled its report on the fifteenth General Meeting with the Valuer General on 7 December 2022. The Government responded to the Committee's recommendation on 7 June 2023, supporting all recommendations. These include:

- Office of the Valuer General (OVG) to align the processes for managing conflicts of interest for internal staff and contract valuers, to ensure the transparent and timely management of these conflicts.
- OVG to continue to work with DPHI to improve communication with the public about land valuations and related matters.
- OVG to monitor the community response to, and implementation of, the cultural loss review, and provide a summary of findings in future annual reports.

3.3.2 Land Valuation Advisory Group

The Land Valuation Advisory Group comprises representatives from valuation industry groups and stakeholders. It was formed in 2000, following the 1999 Walton Report[3].

The primary focus of the group is to monitor and improve the ongoing quality of land values and provide advice to the Valuer General on the application of mass land appraisal techniques.

3.4 The role of Value NSW under Department of Planning, Housing and Infrastructure

From 1 January 2024, The NSW Department of Planning, Industry and Environment (DPIE) reassembled as the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and DPHI. Value NSW (formerly known as Valuation Services) sits under DPHI.

The Valuer General formally delegates operational functions under Section 8(5) of the *Valuation of Land Act 1916*, to officers within Value NSW. Delegates must comply with all Valuer General policies and exercise the functions in a manner consistent with the aims and objectives of the Valuer General.

Value NSW provides a range of services to, or on behalf of, the Valuer General which include:

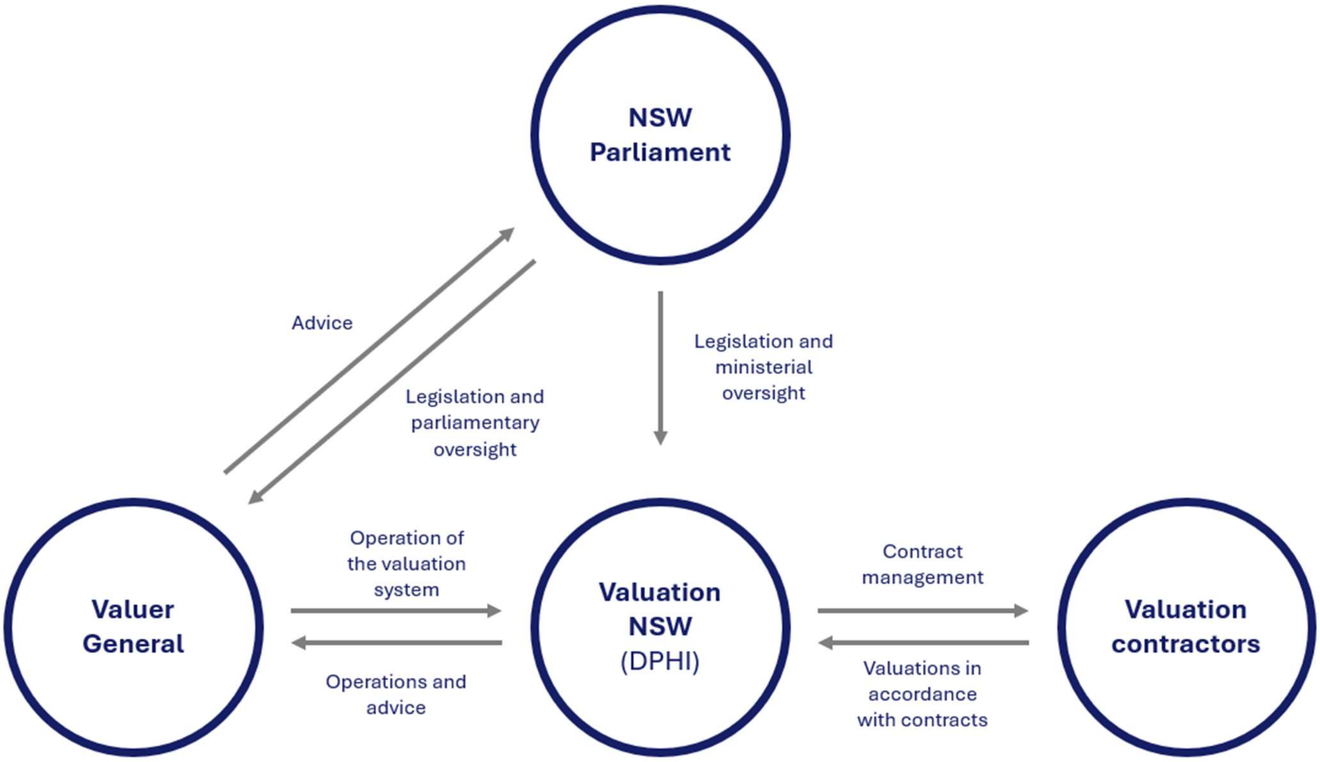
- Issuing land values to councils, Revenue NSW and landholders.
- Making land values under the *Valuation of Land Act 1916*.
- Managing objections and appeals when landholders object to the land values and / or information shown on their Notice of Valuation or land tax assessment.
- Undertaking determinations of compensation in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*, and the Valuer General's policies and operational procedures.
- Maintaining the Register of Land Values.
- Ensuring fair and transparent resolution of objections or requests for review.
- Managing valuation contracts, the valuation procurement process and the performance of contractors, including compliance with legislation, policies and operational procedures.
- Customer service and positive engagement with the community, stakeholders, courts and the NSW Parliament.
- Supporting the Valuer General in addressing ministerial and parliamentary enquiries, developing information, responding to public enquiries and investigating complaints.
- Provision of property information and data to valuation contractors, government and the community.
- Technical advice and support to the Valuer General.
- Quality assurance of all services.
- Financial and budget management.

[3] Inquiry into the Land Valuations System in NSW, Walton Inquiry, 1999

Value NSW delivers its land valuation services through a hybrid approach, currently outsourcing approximately 70 per cent of land valuations to external valuation firms through an open tender process and performing the remainder inhouse. This hybrid approach will continue over the referral period, however the proportion of outsourced vs inhouse delivery is likely to change (discussed further in section 4.3). Contract valuers provide land values for defined geographic regions across NSW which are quality assured by Value NSW. A panel of contract valuers is also available to review objections to land values, prepare valuation reports for the determination of compensation when land is compulsorily acquired, and provide advisory services for quality assurance and property assets valuations. Value NSW also provides valuations for compulsory acquisitions (under the *Just Terms Compensation Act 1991*) and private valuations. The costs associated with compulsory acquisitions and asset valuations are ring-fenced and are not included in the calculation of prices charged to councils.

Figure 3-2 below illustrates the interactions between key stakeholders in the valuation system.

Figure 3-2 Structure of the valuation system



3.4.1 Implications for the Valuer General

Value NSW operates as a self-funded business unit of DPHI. The key implications of its status are as follows:

- DPHI expects its business units (including Value NSW) to achieve, or work toward achieving, the same outcomes that are required of the business as a whole. In particular, it expects Value NSW to achieve full recovery of its economic costs, noting it is fee for service provider and does not receive consolidated funding allocation. The remainder of DPHI's businesses or areas are predominately funded by consolidated funding for specific purposes or duties.
- The Valuer General understands that this objective is consistent both with IPART's Terms of reference for the Review of Prices for Land Valuation Services provided by the Valuer General to councils and its obligations under the *Independent Pricing and Regulatory Tribunal Act 1992* in relation to price reviews.
- Value NSW is incentivised to ensure that the costs allocated to it (and thereby to the Valuer General) by DPHI reflect a robust assessment of efficient costs and fair and reasonable cost allocation procedure.

3.5 Valuer General's service levels

The Valuer General formally delegates operational functions under section 8(5) of the *Valuation of Land Act 1916* to representatives within Value NSW. Services provided include valuation contract management, financial and budget management, audit of valuations, processing objections, provision of data, and customer service. Prior to the merger of the OVG and Valuation Services on 20 January 2020, these provisions were formed under a Service Level Agreement. These provisions continue to apply with services provided to the Valuer General by VNSW and are monitored through performance measures and reported annually to the JSCOVG.

4 Changes in Value NSW's operating landscape since the prior submission

Since the last IPART determination, Value NSW has experienced shifts in its operating landscape, which have influenced how the organisation structures its operations to deliver services. This section outlines the changes to Value NSW's business model in response to these operational landscape shifts.

4.1 Government priority to build internal capability and reduce reliance on contractors

The NSW Government is aiming to enhance internal capabilities and capacity of the public service, and reduce reliance on external contractors, by prioritising the development of internal resources. This strategic shift involves reducing expenditures on external labour, actively seeking opportunities for direct employment, investing in training and hiring skilled personnel, and creating diverse and engaging work experiences.

Since 2007, Value NSW has operated under an outsourcing arrangement with most mass valuations undertaken by contract valuation firms. Value NSW has proactively taken action to reduce reliance on contracted mass valuation services and is building the capability for these services within the organisation where it makes sense to do so and with endorsement of the Valuer General (discussed further in section 4.3).

4.2 Changing market supply dynamics and increasing contract prices

Over the determination period, mass valuation services were largely outsourced through a competitive tendering process. The 18 contracts for these services, initiated in March 2019, were expected to continue to February 2024, with some extension options available.

In March 2022, the contract for the Sydney West contract area was terminated and subsequently retendered as two distinct contract areas – Sydney Central West and Sydney South West (resulting in a total of 19 contract areas).

4.3 Hybrid service delivery approach for mass valuation services

In alignment with the government agenda, Value NSW has commenced transitioning to a hybrid service delivery model for mass valuation services. Under this approach, valuation services will be delivered by a mix of internal and contracted valuers, with distinction based on current contract areas.

Starting in March 2024, Value NSW transitioned four contract areas inhouse, being Central Tablelands, North Coast NSW, Hunter Coast and Sydney Coast North. The selection of these contract areas was based on:

- The cost effectiveness for each contract area to be brought inhouse (based on an outsourced vs. inhouse feasibility analysis).
- The availability of specialist valuers seeking employment, given the land valuation services labour market is niche, technical and competitive.
- The proximity of existing Value NSW offices relative to the contract area to minimise travel costs and simplify operational logistics.

From March 2025, Value NSW will transition another four contract areas inhouse. These four areas are Sydney Coast South, South Coast NSW, Sydney Central West and South East Regional NSW and have been selected using the same rationale specified above. The remaining contract areas will either have their extension options exercised or be retendered and renegotiated.

This shift to a hybrid service delivery model serves to:

- Align Value NSW with the Government's expressed position on reducing reliance on external contractors and improving the capacity and capability of the NSW public service.
- Mitigate overall market capture and increasing contract prices and enhance flexibility in cost management.
- Better enable service delivery, as overall market capacity constraints have caused delays for individuals interacting with Value NSW.

4.4 Other changes

In addition to the significant changes outlined above, there are also other changes that have impacted, or will impact, Value NSW.

4.4.1 Redistribution of general valuation notices

Value NSW, on behalf of the VG, currently issues new land valuations for councils for approximately 2.7 million properties during a general valuation year, which occurs once every three years, with the most recent being in 2022-23. During this year, Value NSW faced an unprecedented volume of enquiries and objections, resulting in longer response times. Additionally, there was an increase in the average cost of an objection valuation, primarily due to high demand for valuation services exceeding supply and the valuation labour market cost increase outlined in section 4.2. To address these challenges, following approval of the VG, Value NSW have adjusted the schedule for issuing land valuations to councils. Under the new approach, approximately one-third of local government areas will receive new land valuations each year, with each area receiving new valuations once every three years. This change will reduce the number of valuations issued annually to approximately 900,000, spreading out the associated enquiries and objections. This approach will help manage the demand for objection valuations more evenly and improve Value NSW's responsiveness to customer enquiries and objections.

4.4.2 Increasing objections to land valuations

Landholders receive annual land tax assessments and triennial Notices of Valuation informing them of their land values. They may lodge an objection to have their land values independently reviewed within 60 days from the issue date of their Notice of Valuation or land tax assessment. Over recent years, Value NSW has seen significant increase in the volume of enquiries and objections, driven by:

- Significant increases in property prices.
- Fluctuating interest rates, combined with the time lag between receiving a land value notice and the date at which the property was valued.
- Increased awareness of the property market and option to object.
- Greater understanding of the impact of land values on land taxes and rates.

This increase in volumes has put a strain on the capacity of contract valuers responsible for objections, leading to extended customer response times in some cases and an increased difficulty for Value NSW to procure objection valuation services in a timely and cost effective manner.

To address this challenge, Value NSW is implementing various service improvements with the aim to streamline processes and expedite the objection review timeframe, with the objectives of an enhanced customer experience and the ability to manage these increased volumes on an ongoing basis.

Similar to mass valuation contracts, Value NSW is also adopting a hybrid approach to its objection valuations, with valuations being delivered by a mix of inhouse valuers and outsourced contracted valuers. This transition is scheduled to commence in January 2025 for the 1 July 2024 valuation cycle.

5 Financial performance over the current determination period (2019-20 to 2024-25)

This section compares the actual revenue, valuation quantities, operating expenditure and capital expenditure of the Valuer General over the current determination period (2019-20 to 2024-25) against targets determined by IPART in the 2019 determination. For 2024-25, the actuals represent the budget for this year. It explains the basis of significant variances and provides further analysis where required.

Figures presented in the subsequent tables are in real terms in 2018-19 dollars (denoted as '$2018-19') and have been deflated by the Consumer Price Index (CPI) using the same methodology as that used to adjust prices year-on-year (see CPI rates in Appendix 11.1). Nominal values are presented in Appendix 11.2 – 11.4.

In summary:

- Historical revenue tracked broadly in line with target, with cumulative actual revenue totalling 0.3 percent above target over the determination period.
- Historical valuation quantities were similarly broadly in line with target, with cumulative actual quantities 0.4 per cent higher than their target. This coherently aligns with historical revenue given revenue was largely driven by the number of valuations completed.
- Historical operating expenditure was underspent by 4.8 per cent over the determination period, largely driven by variances in mass valuation contract costs due to the transition to a hybrid service delivery approach.
- Historical capital expenditure was 35.3 per cent underspent over the determination period, primarily due to delays in the implementation of Val IQ, Value NSW's new ICT solution designed to deliver business processes for land valuations. These delays were experienced due to external hurdles in seeking funding and approval for the project's implementation.

5.1 Historical revenue over 2019-20 to 2024-25

Total actual revenue has closely tracked target revenue in real terms throughout the determination period, with cumulative actual revenue totalling $0.329 million (0.3 per cent) above the target revenue.

Target revenue was established based on two factors:

Forecasted valuation quantities for each zone agreed by IPART in 2019.

Unit prices set by IPART for each zone to ensure that the target revenue aligned with the efficient building block costs of the determination period.

Since actual unit prices are escalated in line with CPI, variances in revenue over the current determination period have been driven by minor variances in valuation quantities.

Revenue in nominal terms can be found in Appendix 11.2.

Table 5-1 Actual vs target revenue in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Zone	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target							
Country	4,390	4,423	4,452	4,482	4,514	4,546	**26,808**
Coastal	5,175	5,210	5,245	5,288	5,322	5,359	**31,599**
Metro	6,910	6,958	7,011	7,054	7,108	7,158	**42,197**
City of Sydney	345	347	350	352	355	357	**2,106**
Total	**16,820**	**16,938**	**17,057**	**17,177**	**17,298**	**17,420**	**102,710**
Actual							
Country	4,387	4,421	4,457	4,506	4,553	4,604	**26,927**
Coastal	5,188	5,214	5,254	5,296	5,329	5,368	**31,649**
Metro	6,946	6,991	7,047	7,094	7,139	7,187	**42,405**
City of Sydney	342	342	344	344	343	343	**2,058**
Total	**16,863**	**16,969**	**17,101**	**17,240**	**17,364**	**17,502**	**103,039**
Variance							
Country	3	2	(5)	(23)	(39)	(58)	**(120)**
Coastal	(13)	(5)	(10)	(8)	(7)	(9)	**(50)**
Metro	(36)	(34)	(36)	(40)	(32)	(29)	**(207)**
City of Sydney	3	5	6	8	11	14	**48**
Total	**(43)**	**(31)**	**(44)**	**(63)**	**(66)**	**(82)**	**(329)**
Total (%)	**(0.3%)**	**(0.2%)**	**(0.3%)**	**(0.4%)**	**(0.4%)**	**(0.5%)**	**(0.3%)**

5.2 Historical valuation quantities over 2019-20 to 2024-25

Total valuation quantities were broadly in line with target, with cumulative actual valuation quantities totalling 0.063 million (0.4 per cent) above the target, over the determination period. This was largely driven by slightly higher than expected valuation quantities in the Metro zone.

Figures in Table 5-2 below are as at 1 July of each financial year, as used to determine council billings for that respective year.

Table 5-2 Actual vs target valuation quantities over 2019-20 to 2024-25 ($'000)

Zone	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target							
Country	584	588	593	597	601	605	**3,568**
Coastal	809	815	820	826	832	838	**4,940**
Metro	1,170	1,179	1,187	1,195	1,204	1,212	**7,147**
City of Sydney	28	28	29	29	29	29	**172**
Total	**2,592**	**2,610**	**2,629**	**2,647**	**2,666**	**2,684**	**15,828**
Actual							
Country	584	589	594	600	607	613	**3,586**
Coastal	811	816	822	827	834	840	**4,950**
Metro	1,177	1,185	1,194	1,202	1,210	1,218	**7,186**
City of Sydney	28	28	28	28	28	28	**169**
Total	**2,600**	**2,618**	**2,638**	**2,658**	**2,679**	**2,699**	**15,891**
Variance							
Country	-	-	(1)	(3)	(6)	(8)	**(18)**
Coastal	(2)	(1)	(2)	(1)	(2)	(2)	**(10)**
Metro	(6)	(7)	(7)	(7)	(6)	(6)	**(39)**
City of Sydney	-	-	1	1	1	1	**4**
Total	**(8)**	**(8)**	**(9)**	**(11)**	**(13)**	**(14)**	**(63)**
Total (%)	**(0.3%)**	**(0.3%)**	**(0.4%)**	**(0.4%)**	**(0.5%)**	**(0.5%)**	**(0.4%)**

5.3 Historical operating expenditure over 2019-20 to 2024-25

Historical operating expenditure incurred over the determination period was $297.854 million, creating a variance of $15.146 million (4.8 per cent) compared to the target of $313.000 million. This variance was the result of underspends in mass valuation costs, offset by overspends in labour and other valuation contract costs. Collectively, these three cost categories constituted 84.2 per cent of Value NSW's operating expenditure over the six years.

Mass valuation contract costs were underspent due to contingencies for scope of service and quality of service changes built into the target which were not realised and due to the transition to a hybrid service delivery approach for mass valuation services (previous discussed section 4.3 and discussed further in section 5.3.2).

Variances in rent, corporates spatial, labour and other direct costs constituted the remainder of the underspend. The primary driver of each major underspend is listed below:

- **Rent:** Increased work from home (WFH) arrangements and changing office structures favoured smaller offices over larger buildings thereby reducing rental costs. Additionally, the revised corporate service arrangements with DPHI led to lower rental costs compared to those held with the Department of Finance, Services and Innovation (DFSI) (now known as Department of Customer Service (DCS)).
- **Corporate:** Simplification of the corporate cost allocation approach in 2021-22 identified efficiencies and reduced the charges Value NSW pays to DPHI.
- **Spatial:** Spatial costs were no longer incurred for individual licenses and were instead a component of an internal cost allocation between Value NSW and DPHI. Additionally, fewer licenses were required for Valmap due to the lower than forecasted FTE for part of the determination period.

Other valuation contracts, ICT, postage and graphic services costs constituted the overspends. The primary driver of each is listed below:

- **Other valuation contracts:** Variances largely driven by an unprecedented number of enquiries and objections (previously discussed in section 4.4.2).
- **ICT:** Higher than anticipated expenditure on contact centre and data line costs, as well as additional expenditure on ICT peripherals and software licences for the inhouse valuation team.
- **Postage and graphic services:** Lower than expected uptake of the digitised delivery of land valuation notifications amongst Value NSW customers (discussed further in section 5.4.2) resulted in higher postage and graphic services costs than expected.

Table 5-3 below compares the actual operating expenditure over 2019-20 to 2024-25 by key cost category against targets as per the 2019 determination.

Table 5-3 Actual vs target operating expenditure in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Cost category	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target							
Labour	17,337	17,537	17,137	17,537	16,487	16,087	**102,123**
Mass valuation	19,514	19,905	20,508	21,112	21,678	22,055	**124,772**
Other valuation	6,492	5,203	5,005	6,630	5,313	5,111	**33,754**
Postage	1,857	64	65	1,238	66	66	**3,356**
Graphic	610	194	196	464	199	200	**1,863**
Rent	1,277	1,298	1,319	1,341	1,365	1,390	**7,990**
Spatial	802	802	802	802	802	802	**4,813**
Other direct	1,454	1,369	1,368	1,454	1,369	1,368	**8,381**
DCS corporate support	956	956	956	956	956	956	**5,735**
DPHI corporate support	1,655	1,655	1,655	1,655	1,655	1,655	**9,932**
ICT	1,545	1,717	1,889	1,710	1,710	1,710	**10,281**
Total	**53,500**	**50,700**	**50,900**	**54,900**	**51,600**	**51,400**	**313,000**
Actual							
Labour	15,371	10,978	13,347	13,883	19,371	28,975	**101,925**
Mass valuation	19,016	18,860	19,214	19,688	17,608	12,566	**106,952**
Other valuation	8,080	4,027	5,530	9,753	9,419	5,139	**41,947**
Postage	1,899	110	2	2,125	29	850	**5,014**
Graphic	515	532	136	94	655	569	**2,502**
Rent	1,657	543	748	560	679	684	**4,871**
Spatial	324	325	329	321	307	304	**1,910**
Other direct	993	275	2,219	785	1,717	2,281	**8,270**
DCS corporate support	839	847	860	839	804	796	**4,985**
DPHI corporate support	1,780	2,942	2,524	231	193	35	**7,705**
ICT	511	4,466	1,746	1,182	1,829	2,037	**11,772**
Total	**50,985**	**43,905**	**46,656**	**49,460**	**52,611**	**54,237**	**297,854**
Variance							
Total	**2,515**	**6,795**	**4,244**	**5,440**	**(1,011)**	**(2,837)**	**15,146**
Total (%)	**4.7%**	**13.4%**	**8.3%**	**9.9%**	**(2.0%)**	**(5.5%)**	**4.8%**

5.3.1 Historical labour costs over 2019-20 to 2024-25

Total labour costs over the determination period were closely aligned to target, with a cumulative underspend of $0.198 million (0.2 per cent), however there were significant yearly variances over the determination period.

Underspends between 2019-20 and 2022-23 are largely driven by a variance between the forecasted and actual full time equivalent (FTE) positions over the determination period. The target assumed 130 FTE positions over the determination period however Value NSW only employed approximately 88 positions in 2020-21, which gradually increased to approximately 186 by 2023-24 (noting a portion of this FTE allocation undertakes functions not subject to this determination or submission such as asset valuations). This variance in FTE positions largely resulted from recruitment delays in 2020-21 and 2021-22. Over the subsequent two years, the gap between target and actual labour costs steadily decreased as Value NSW's staffing level grew closer to target. The underspend in 2020-21 was also partly due to adjustments to the present value of provisions for long service leave and superannuation, as mandated by NSW Treasury's Policy and Guidelines (TPG23-21). The rates at which these present values are adjusted are determined by NSW Treasury.

In 2023-24 Value NSW transitioned to a hybrid service delivery approach for mass and objection valuation services (previously discussed in section 4.3), which involved hiring additional staff to support the new inhouse capability. This resulted in labour costs increasing significantly and a subsequent overspend of $2.884 million (17.5 per cent). As Value NSW continues to inhouse more contract areas in 2024-25, this variance is expected to increase to $12.888 million (80.1 per cent). These overspends are largely offset by significant underspends in 2023-24 and 2024-25 for mass valuation contract costs and in 2024-25 for other valuation contract costs (discussed further in sections 5.3.2 and 5.3.3). While this transition creates a net cost increase in the short-term, this approach is expected to create significant savings over the upcoming referral period (discussed further in section 7.2.1).

Overspends in 2023-24 and 2024-25 were also impacted by cost savings being included in the target for those two years which were expected to be realised from the productivity benefits of Val IQ (discussed further in section 6.2.1), however there have been implementation delays that resulted in these benefits being delayed (discussed further in section 5.4.2).

Table 5-4 Actual vs target labour costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Labour	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	17,337	17,537	17,137	17,537	16,487	16,087	**102,123**
Actual	15,371	10,978	13,347	13,883	19,371	28,975	**101,925**
Variance	**1,966**	**6,559**	**3,790**	**3,654**	**(2,884)**	**(12,888)**	**198**
Variance (%)	**11.3%**	**37.4%**	**22.1%**	**20.8%**	**(17.5%)**	**(80.1%)**	**0.2%**

5.3.2 Historical mass valuation contract costs over 2019-20 to 2024-25

Mass valuation services have largely been outsourced through a competitive tendering process, which means these costs have been market tested and are considered efficient.

Over the determination period, mass valuation contract costs were underspent by $17.820 million (14.3 percent). This was largely driven by contingencies for scope of service and quality of service changes built into the target which were not required in earlier years, and by the transition to a hybrid service delivery approach for mass valuation services in more recent years.

The target expenditure for mass valuation contracts established in the 2019 submission included a buffer in addition to the estimated individual contract costs as mass valuation contract prices were expected to increase each year due to:

- Different levels of competition in the tendering process across different regions.
- Contract variations due to quality and customer improvement initiatives, council amalgamations, standardised rezoning etc.
- Service quality improvements to ensure greater accuracy and reliability in valuations.

If contractors were unable to absorb the higher costs due to increased procedural requirements, it was considered reasonable and expected for them to seek to recover a higher price, which would be negotiated on a case-by-case basis. Higher costs were not reflected in the actual contract prices negotiated with contractors, resulting in an underspend to the target value.

Underspends in 2023-24 and 2024-25 were more significant due to the transition to an inhouse delivery model (previously discussed in section 4.3). In March 2024, the four contract areas of Central Tablelands, North Coast NSW, Hunter Coast and Sydney Coast North were brought inhouse. In March 2025, the additional four contract areas of Sydney Coast South, South Coast NSW, Sydney Central West and South East Regional NSW will be brought in house. This variance is offset by additional staff hired to support the new inhouse capability (previously discussed in section 5.3.1).

Table 5-5 Actual vs target mass valuation contract costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Mass valuation	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	19,514	19,905	20,508	21,112	21,678	22,055	**124,772**
Actual	19,016	18,860	19,214	19,688	17,608	12,566	**106,952**
Variance	**498**	**1,045**	**1,294**	**1,424**	**4,070**	**9,489**	**17,820**
Variance (%)	**2.6%**	**5.2%**	**6.3%**	**6.7%**	**18.8%**	**43.0%**	**14.3%**

5.3.3 Historical other valuation contract costs over 2019-20 to 2024-25

Other valuation contract costs are primarily associated with engaging contract valuers through a competitive tender process to review objections made to land valuations. Landowners may object against land values delivered to them through a notice of valuation or land tax assessment.

Over the determination period, other valuation contract costs were overspent by $8.193 million (24.3 per cent). These costs have fluctuated year on year, and experienced more significant overspends in 2022-23 and 2023-24, largely resulting from an increase in the volume and unit cost of objections (previously discussed in sections 4.4.1 and 4.4.2).

Table 5-6 Actual vs target other valuation contract costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Other valuation	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	6,492	5,203	5,005	6,630	5,313	5,111	**33,754**
Actual	8,080	4,027	5,530	9,753	9,419	5,139	**41,947**
Variance	**(1,588)**	**1,176**	**(525)**	**(3,123)**	**(4,106)**	**(28)**	**(8,193)**
Variance (%)	**(24.5%)**	**22.6%**	**(10.5%)**	**(47.1%)**	**(77.3%)**	**(0.5%)**	**(24.3%)**

5.3.4 Historical postage costs over 2019-20 to 2024-25

Actual postage costs over the determination period were $1.658 million (49.4 percent) higher than the target, primarily stemming from the 2022-23 and 2024-25 financial years. These variances were driven by:

- Lower than expected uptake of digitised delivery of land valuation notifications amongst Value NSW customers (discussed further in section 5.4.2). The target assumed a 50 per cent reduction in the volume of publications posted in 2022-23 as a result of the Service NSW digital notices, whereas actual uptake was approximately 5 - 6 per cent.
- A 37.5 per cent increase in the unit cost of postage services (increased from $0.80 to $1.10 per unit) in 2022-23.
- The redistribution of general valuation notices (previously discussed in section 4.4.1) from 2024-25 which has preponed 33.0 per cent of the postage costs that would have been incurred in 2025-26 under the previous approach. This overspend will be offset by a reduced forecast for postage costs in 2025-26 under the new approach as compared to that of the previous triennial approach.

Table 5-7 Actual vs target postage costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Postage	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	1,857	64	65	1,238	66	66	**3,356**
Actual	1,899	110	2	2,125	29	850	**5,014**
Variance	**(42)**	**(46)**	**63**	**(887)**	**37**	**(784)**	**(1,658)**
Variance (%)	**(2.3%)**	**(71.9%)**	**96.9%**	**(71.6%)**	**56.1%**	**(1187.9%)**	**(49.4%)**

5.3.5 Historical graphic services costs over 2019-20 to 2024-25

Graphic services represent costs associated with graphic design, desktop publishing, printing, binding, digital imaging and dispatch services for land valuation notices and other physical communications.

Over the determination period, graphic services costs were overspent by $0.639 million (34.3 percent). This was driven by the lower than expected uptake of digitised delivery of land valuation notifications amongst Value NSW customers (discussed further in section 5.4.2). Year on year variances are due to timing delays (e.g. costs related to notifications developed in 2022-23 were incurred in 2023-24).

Table 5-8 Actual vs target graphic services costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Graphic	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	610	194	196	464	199	200	**1,863**
Actual	515	532	136	94	655	569	**2,502**
Variance	**95**	**(338)**	**60**	**370**	**(456)**	**(369)**	**(639)**
Variance (%)	**15.6%**	**(174.2%)**	**30.6%**	**79.7%**	**(229.1%)**	**(184.5%)**	**(34.3%)**

5.3.6 Historical rent costs over 2019-20 to 2024-25

Rent costs represent the government and market rents paid to accommodate Value NSW staff in regional NSW and Sydney locations. Rent targets were determined based on existing leasing arrangements, factoring in expected market conditions, FTE levels, net lettable areas, contracted escalations and lease expiries over the determination period.

Over the determination period, rent costs were underspent by $3.119 million (39.0 per cent). This was driven by:

- Increased WFH arrangements due to COVID-19 resulting in smaller workspaces required for Value NSW staff.
- Changed office structures favouring smaller offices and government sub-leases instead of renting larger buildings.
- Revised corporate service arrangements with DPHI leading to lower rental costs as compared to those previously held with DFSI.

Table 5-9 Actual vs target rent costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Rent	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	1,277	1,298	1,319	1,341	1,365	1,390	**7,990**
Actual	1,657	543	748	560	679	684	**4,871**
Variance	**(380)**	**755**	**571**	**781**	**686**	**706**	**3,119**
Variance (%)	**(29.8%)**	**58.2%**	**43.3%**	**58.2%**	**50.3%**	**50.8%**	**39.0%**

5.3.7 Historical spatial costs over 2019-20 to 2024-25

Value NSW and its contract valuers are heavy users of spatial data in the valuation process, which is used for identifying land parcels to be valued, understanding landforms and the built environment, graphically representing value movements, and relating market evidence to valuations. Spatial costs are associated with the licensing of various spatial valuation tools including Valmap, one of Value NSW's primary valuation tools.

Over the determination period, spatial costs were underspent by $2.903 million (60.3 per cent). Actual expenditure was lower than target as a result of:

- The revised corporate services approach whereby spatial costs were not incurred for individual licenses and were instead a component of a larger internal cost allocation between Value NSW and DPHI.
- Fewer licenses required for Valmap due to the lower than forecasted FTE positions over the determination period.

Table 5-10 Actual vs target spatial costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Spatial	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	802	802	802	802	802	802	**4,813**
Actual	324	325	329	321	307	304	**1,910**
Variance	**478**	**477**	**473**	**481**	**495**	**498**	**2,903**
Variance (%)	**59.6%**	**59.5%**	**59.0%**	**60.0%**	**61.7%**	**62.1%**	**60.3%**

5.3.8 Historical other direct costs over 2019-20 to 2024-25

Other direct costs include miscellaneous ad-hoc expenditure such as travel for staff to regional areas, amenities, consultancy and contractor costs, and staff related expenses.

Over the determination period, other direct costs were underspent in total by $0.111 million (1.3 per cent), with costs fluctuating year on year. Due to the ad-hoc nature of this account, the variances were largely driven by various one-off events, including:

- Reduced travel in 2020-21 due to COVID-19 lockdowns and travel restrictions.
- Increased consultancy spend in 2021-22 due to the development of the Val IQ business case and a contract audit.
- Increased travel in 2023-24 and 2024-25 for the inhouse valuation team as Value NSW transitions to a hybrid service delivery model for its mass and objection valuation services (previously discussed in section 4.3). These costs are offset by reduced expenditure against mass valuation contracts in the same financial years.

Table 5-11 Actual vs target other direct costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Other direct	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	1,454	1,369	1,368	1,454	1,369	1,368	**8,381**
Actual	993	275	2,219	785	1,717	2,281	**8,270**
Variance	**461**	**1,094**	**(851)**	**669**	**(348)**	**(913)**	**111**
Variance (%)	**31.7%**	**79.9%**	**(62.2%)**	**46.0%**	**(25.4%)**	**(66.7%)**	**1.3%**

5.3.9 Historical corporate costs over 2019-20 to 2024-25

Corporate costs represent those charged by:

- DCS for senior application developers and test analysts who provide Value NSW with technical support for the Valnet II system (which is Value NSW's core valuation system).
- DPHI for workplace, procurement, human resources legal, finance and corporate affairs services.

Over the determination period, DCS corporate cost charges were underspent by $0.750 million (13.1 per cent). This was largely driven by variances in the grades and subsequent salaries of the support staff between the targets established in the 2019 submission and the actuals incurred.

Corporate charges by DPHI were underspent by $2.227 million (22.4 per cent) across the determination period. This was primarily driven by the simplification of the corporate cost allocation approach in 2021-22, which reduced the charges Value NSW pays to DPHI. The variance stems from two different corporate cost allocation approaches utilised when determining the target in the 2019 submission and those used to determine actuals over the determination period.

Table 5-12 Actual vs target DCS corporate costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

DCS corp.	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	956	956	956	956	956	956	**5,735**
Actual	839	847	860	839	804	796	**4,985**
Variance	**117**	**109**	**96**	**117**	**152**	**160**	**750**

DCS corp.	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Variance (%)	**12.2%**	**11.4%**	**10.0%**	**12.2%**	**15.9%**	**16.7%**	**13.1%**

Table 5-13 Actual vs target DPHI corporate costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

DPHI corp.	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	1,655	1,655	1,655	1,655	1,655	1,655	**9,932**
Actual	1,780	2,942	2,524	231	193	35	**7,705**
Variance	**(125)**	**(1,287)**	**(869)**	**1,424**	**1,462**	**1,620**	**2,227**
Variance (%)	**(7.6%)**	**(77.8%)**	**(52.5%)**	**86.0%**	**88.3%**	**97.9%**	**22.4%**

5.3.10 Historical ICT costs over 2019-20 to 2024-25

ICT costs were overspent by $1.491 million (14.5 per cent) over the determination period. An internal review of contact centre and data line costs identified a cheaper vendor to deliver similar services, leading to reduced expenditure in 2021-22 onwards. Savings from the change in vendors were partly offset in 2023-24 and 2024-25 by additional expenditure on ICT peripherals and additional licences for Value NSW's increasing headcount for the newly formed inhouse valuation team.

Table 5-14 Actual vs target ICT costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

ICT	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	1,545	1,717	1,889	1,710	1,710	1,710	**10,281**
Actual	511	4,466	1,746	1,182	1,829	2,037	**11,772**
Variance	**1,034**	**(2,749)**	**143**	**528**	**(119)**	**(327)**	**(1,491)**
Variance (%)	**66.9%**	**(160.1%)**	**7.6%**	**30.9%**	**(7.0%)**	**(19.1%)**	**(14.5%)**

5.4 Historical capital expenditure over 2019-20 to 2024-25

Historical capital expenditure underspent by $9.663 million (35.3 per cent) against its target of $27.389 million over the determination period. This variance was the result of:

- Delays in the implementation of Val IQ due to external hurdles faced in seeking funding and approval for the project's implementation.
- Foregone enhancements to Valnet II due to delays to Val IQ and the shortened timeframe between the implementation and realisation of benefits from enhancements and the decommissioning of Valnet II.
- Delays in the digitisation of land valuation notices as a result of Service NSW digitisation program delays.
- Peripheral ICT upgrades being expensed rather than capitalised.

Table 5-15 illustrates the actual vs target capital expenditure over the determination period.

The opening value of the regulatory asset base (RAB) has been established by rolling forward the target RAB, actual capital expenditure, disposals and depreciation for 2018-19. Table 5.16 illustrates the actual vs target RAB over the determination period. The actual closing RAB in 2024-25 was $0.424 million (3.5 per cent) lower than target due to the underspend in capital expenditure, offset by the underspend in depreciation. There were no asset disposals over the determination period. Depreciation expenditure incurred between 2019-20 and 2023-24 relates to Valnet II and the Valnet II enhancements, both of which were fully depreciated by 2023-24.

Table 5-15 Actual vs target capital expenditure costs in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Cost category	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target							
Plant and equipment	67	45	269	90	45	90	606
Intangibles	2,338	2,332	11,303	9,464	897	449	26,783
Total	**2,406**	**2,377**	**11,572**	**9,554**	**942**	**538**	**27,389**
Actual							
Plant and equipment	-	-	-	-	-	-	-
Intangibles	582	-	-	3,278	4,989	8,877	17,726
Total	**582**	**-**	**-**	**3,278**	**4,989**	**8,877**	**17,726**
Variance							
Plant and equipment	67	45	269	90	45	90	606
Intangibles	1,756	2,332	11,303	6,186	(4,092)	(8,429)	9,057
Total	**1,823**	**2,377**	**11,572**	**6,276**	**(4,047)**	**(8,339)**	**9,663**
Total (%)	**75.8%**	**100.0%**	**100.0%**	**65.7%**	**(429.6%)**	**(1,549.3%)**	**35.3%**

Table 5-16 Actual vs target regulatory asset base in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

RAB	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Target							
Opening RAB	(3,762)	(3,611)	(2,105)	(820)	9,092	16,262	14,516
plus: CAPEX	1,811	2,406	2,377	11,572	9,554	942	538
less: Disposals	-	-	-	-	-	-	-
less: Depreciation	1,612	899	1,092	1,660	2,384	2,687	2,761
plus: Indexation	(49)	-	-	-	-	-	-
Closing RAB	**(3,611)**	**(2,105)**	**(820)**	**9,092**	**16,262**	**14,516**	**12,293**
Actual							
Opening RAB	(3,762)	(4,298)	(4,406)	(4,979)	(5,127)	(1,997)	2,992
plus: CAPEX	2	582	-	-	3,278	4,989	8,877
less: Disposals	-	-	-	-	-	-	-
less: Depreciation	538	690	573	148	148	-	-
plus: Indexation	-	-	-	-	-	-	-
Closing RAB	**(4,298)**	**(4,406)**	**(4,979)**	**(5,127)**	**(1,997)**	**2,992**	**11,869**
Variance							
Total	**687**	**2,301**	**4,159**	**14,219**	**18,259**	**11,524**	**424**
Total (%)	**(19.0%)**	**(109.3%)**	**(507.2%)**	**156.4%**	**112.3%**	**79.4%**	**3.5%**

5.4.1 Historical plant and equipment expenditure over 2019-20 to 2024-25

Plant and equipment expenditure was primarily associated with peripheral ICT upgrades. These upgrades were not capitalised over the determination period, resulting in a $0.606 million (100.0 per cent) underspend.

Table 5-17 Actual vs target plant and equipment expenditure in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Plant and equipment	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	67	45	269	90	45	90	**606**
Actual	-	-	-	-	-	-	**-**
Variance	**67**	**45**	**269**	**90**	**45**	**90**	**606**
Variance (%)	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

5.4.2 Historical intangible asset expenditure over 2019-20 to 2024-25

Target intangible asset expenditure was associated with the:

- Development and implementation of Val IQ, the successor to Valnet II which aims to address key issues created by Valnet II's architecture and delivers additional functionalities and benefits ($23.099 million).
- Enhancements to Valnet II, the current combination of database applications and solutions designed to deliver business processes for land valuations ($1.884 million).
- Digitisation of land valuation notification delivery consistent with the government's mandate to transition to digitised service offerings with Service NSW ($1.800 million).

Intangible asset expenditure was underspent by $9.057 million (33.8 percent) over the determination period, primarily stemming from delays in Val IQ.

In the 2019 submission, implementation of the Val IQ system was pending approval from NSW Treasury with implementation expected to commence in 2020-21 through to 2024-25. Despite IPART's decision in 2019 to defer capital expenditure for Val IQ by one year, Value NSW experienced external hurdles in seeking funding and approval for the project's implementation. Funding and approval were sought in 2021-22 and development commenced in 2022-23, delaying capital expenditure and driving the significant variances in this capital account.

These delays also impacted Valnet II enhancements and drove underspends towards this capital project. While enhancements in 2019-20 were completed, additional enhancements were foregone due to the shortened timeframe between the implementation and realisation of benefits from enhancements and the decommissioning of the Valnet II system.

Also included in the capital expenditure target was an investment in the Service NSW platform to digitise and improve customer interactions. This was consistent with the government strategy of digitising service offerings. The platform was expected to be implemented by November 2019, to coincide with the beginning of the triennial notification cycle with benefits expected to commence in 2019-20. Actual expenditure of $0.059 million towards this initiative was lower than forecasted as the final amount was renegotiated due to project delays.

Table 5-18 Actual vs target intangible asset expenditure in real terms over 2019-20 to 2024-25 ($'000, $2018-19)

Intangibles	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Target	2,338	2,332	11,303	9,464	897	449	**26,783**
Actual	582	-	-	3,278	4,989	8,877	**17,726**
Variance	**1,756**	**2,332**	**11,303**	**6,186**	**(4,092)**	**(8,428)**	**9,057**
Variance (%)	**75.1%**	**100.0%**	**100.0%**	**65.4%**	**(456.2%)**	**(1877.1%)**	**33.8%**

6 Service delivery enhancements

6.1 Service delivery enhancements made in the current determination period

Value NSW has implemented several process and system improvements to enhance the quality and efficiency of its services and improve customer outcomes. These initiatives, including their realised benefits are described below.

6.1.1 Revised workforce structure and improved staff engagement

Value NSW have strengthened internal capability and capacity, built a strong employee value proposition (EVP) and increased staff engagement. Between 2022-23 and 2023-24, Value NSW:

- Implemented standardised role descriptions to enable flexible resourcing, ensuring Value NSW is appropriately resourced for delivery priorities, and enhancing internal development opportunities to staff.
- Launched a graduate program, providing pathway opportunities for graduates and supporting the next generation of valuers.
- Established a training plan to develop inhouse talent, based on the three training pillars of Valuation, Innovation and People, with tailored programs for each pillar.
- Implemented an updated instrument of delegation to delineate teams, clarify complex business processes, refine escalation pathways and further delegate functions of the Valuer General to appropriate grades within the VNSW structure.
- Delivered 17 employee survey commitments in response to feedback to strengthen team understanding around the way Value NSW operates.
- Renewed the organisation's brand to showcase its service offering across government and position itself as NSW's leading valuation specialists.

Since implementation, these initiatives have:

- Boosted staff engagement which has improved customer experiences when interacting with Value NSW (employee surveys show overall staff engagement has increased 14% with improvements in every question and score).
- Improved service delivery timeframes and quality by streamlining operations and enabling greater business efficiency through an agile resourcing model.
- Built trust with stakeholders in the valuations market by improving Value NSW's brand and positioning the organisation as an authoritative voice on valuations.

6.1.2 Inhouse valuations and valuation process improvements

Value NSW transitioned to a hybrid service delivery model as discussed in Section 4.3.

Value NSW has also revised its valuation process, aligning internal valuers to specific property types in their designated area. This allows for improved quality through specialised knowledge and valuer expertise and aligns with private industry practices.

6.1.3 Redistribution of general valuation notices

Value NSW has redistributed the general valuation delivery schedule as discussed in Section 4.4.1. This approach will help manage the demand for objection valuations more evenly and improve Value NSW's responsiveness to customer enquiries and objections.

6.1.4 Optimised service delivery and access to information

Value NSW has implemented multiple improvements by establishing arrangements with Service NSW to optimise its service delivery. These include:

- Utilising Service NSW's Contract Centre staff to provide Tier 1 telephone call support for matters related to land valuation services such as the online objection lodgement, online objection status and booking conferences. This delivered efficiencies by eliminating the need for tenders and procurement costs had this been outsourced, and reduced onboarding, training and call overflow costs for an internal contact centre. This is bolstered by Service NSW's ability to flex resource levels to meet service demands whilst providing a consistent customer experience.
- Integrating Value NSW service requests into Service NSW's service centre digital kiosks increasing accessibility to online services for customers without internet access. Further, contact centre staff assist customers using the digital kiosks, improving customer satisfaction by increasing face-to-face support across a large network of services centres across NSW.
- Developing a landing page and online content for the Service NSW website and mobile app, thereby increasing accessibility and improving the availability of transparent and simplified information related to land valuation and objection processes.
- Delivering electronic Notices of Valuation to landowners through MyServiceNSW Accounts. While the take up of this service has been less than expected (5-6%), by reducing the number of physical notices, this has improved customer experiences and reduced postage costs associated with initial notices, postage returns and re-postages due to incorrect addresses.
- Developing a Smart Web enquiry form for customers, councils, Revenue NSW and other government agencies to contact Value NSW. This has improved timeliness by reducing manual workflows and triages, and increased accuracy by immediately recording all requests in the Valnet II system.

6.1.5 Objections process review

Between March and June 2021, Value NSW revised and further digitised its process for landowners to lodge objections which improved the accuracy and efficiency of the objection process. This included:

- A new online objection submission process which electronically collected sales evidence, objection rationales, contended land valuations and other matters raised, replacing manual workflows and thereby improving accuracy.
- An automatic objection registration process subject to eligibility criteria, improving objection review timeliness.
- The introduction of a single contractor scheme for eligible objections, improving timeliness and consistency by replacing manual batch and tender management processes and allocating objections within single contract areas to the same contractor where appropriate.
- Electronic delivery of objection submissions to the objection review contractor, replacing the need for objection review contractors to use their own systems to provide objection reports.
- An online objection report builder collating matters raised, and sales evidence submitted by the landowner, eliminating manual processes involved for the objection review contractor and ensuring a consistent approach.
- A revised audit, scoring and issue process that combined audits and an objection scorecard, and included the automatic creation of issue tasks to increase efficiency.

6.1.6 Improving public education and customer experience through a new website and education campaign

Value NSW improved its public communication, launching a new customer-centric website to provide clearer information about land valuation, offer easy access to tools and services, and provide straightforward guidance on lodging objections. The new website has improved customer experience by simplifying information access thereby reducing customer enquiries and complaints, increasing transparency, and boosting customer satisfaction and trust.

Visits to the website have increased with users predominantly accessing information on land values and undertaking land value searches. This has helped to:

- Build trust and credibility through consistent and transparent communications about land valuation processes.
- Increase the public's understanding of the importance and methodology of land valuations.
- Address common questions and concerns through proactive information releases, reducing the need for reactive measures and enquiries.
- Enhance feedback mechanisms and continuously improve Value NSW's service delivery through a two-way communication channel.
- Widen Value NSW's audience reach using digital platforms.

The VG and Value NSW also launched an educational campaign featuring the refreshed website, videos and targeted social media posts to inform the public about land valuation and its benefits. The education campaign is complemented by an annual social media campaign and council presentations.

6.2 Planned service enhancements over the referral period

Service delivery enhancements during this determination period were designed to lay the foundations to ensure the future success of Value NSW. During the referral period, Value NSW remains focused on building on these successes with sustained emphasis on innovation, valuation and people capability to futureproof the NSW valuation system. In addition to the innovation projects outlined below, this will include:

- Continuing the transition to a more balanced, hybrid delivery model by building inhouse capability and capacity.
- Reviewing quality assurance and audit processes and implement improvements to enable earlier identification of valuation issues and embed best practice contractor compliance and performance management activities.
- Building public awareness through the Valuer General's Education Strategy, including revised media better communicating more relevant and timely information on land values, trends, etc and reduce misinformation in the public sphere.

6.2.1 Val IQ

Val IQ (formerly known as Valnet III) is the successor to Valnet II, Value NSW's current combination of database applications and solutions designed to deliver business processes for land valuations. Although Valnet II[4] has seen additional functions, modules and enhancements since its initial build in 2000 (24 years ago), it is an out-of-date system unable to cater to Value NSW's current and future business demands.

Val IQ will address the following four primary concerns associated with Valnet II:

- **Aging architecture:** Val IQ will support innovation by providing a new platform that can be adapted to current and emerging business requirements, enabling Value NSW to respond to regulatory changes in a timely and agile manner to support current and future customer and key stakeholder demands.
- **Limited analytic information:** The new system will provide integrated textual and spatial capabilities to offer richer visual analytic information to customers and facilitate the management of the customer lifecycle. This will lead to an enhanced customer experience and will better mitigate risks.
- **Extensive manual tasks:** Val IQ will automate several processes, reducing manual data entry and other high-effort tasks currently required. This is expected to reduce costs, increase efficiency and concentrate effort towards more value-adding tasks.
- **Lack of integration to external data sets:** Val IQ will provide an enterprise integration solution to support the effective and seamless integration to external data sets. This will address increasing demands for greater integration and provision of richer and a wider range of property information.
- Additionally, Val IQ will prepare the organisation for future valuation technology advances (discussed further in section 6.2.2).

The new system will deliver the following additional benefits:

[4] Includes Valnet II Oracle database and servers, Valmap, Objection workflows, a customer portal, and range of specialist applications.

- Reduced risks from manual data integrations and multiple access points.
- Enhanced analytics to identify opportunities.
- Enhanced customer-facing digital interface.
- Improved case management.
- Simplified reporting processes.
- Reduced risks of errors and inconsistencies.

Val IQ was included in the 2019 submission with an estimated cost of $26.2 million and implementation spanning 2020-21 to 2024-25. Funding for the initiative was still subject to approval by NSW Treasury. Due to external hurdles faced in seeking funding and approval for the project, implementation and associated service enhancements have been delayed. Funding and approval for the project were sought in 2021-22 and development commenced in 2022-23. Development is expected to be completed in 2025-26 and service enhancements are expected to be realised from 2026-27 onwards.

6.2.2 Valuation technology

Value NSW has been working with commercial providers to investigate the ability to develop an automated valuation model (AVM) for the valuation of land. An AVM would use mathematical modelling, artificial intelligence and machine learning to calculate property values based on existing data to facilitate, and ultimately deliver the valuation process.

In the short-term, the use of AVMs is restricted as findings indicate that in their current state, AVMs pose significant limitations in accuracy for areas where there are wide ranges of property types, market features and limited sales evidence.

Value NSW will continue to actively monitor AVM and AI development and routinely assess opportunities for their inclusion in the NSW valuation system. As technology advances, Value NSW may consider using AVMs and AI beyond that which is already utilised through the mass valuation system, as a quality assurance tool to identify inconsistencies in homogenous areas.

7 Forecasted notional revenue requirement

The notional revenue requirement (NRR) for Value NSW has been determined as the net sum of the following building blocks:

1. Operating expenditure
2. Plus return on capital (depreciation)
3. Plus an operating margin to capture Value NSW's return on capital, working capital allowance and tax allowance
4. Less revenue from minor users of valuations.

This includes a slight change from the methodology used in the 2019 submission which separately calculated each component captured within the operating margin (item #3 above). Since Value NSW's NRR primarily stems from operating expenditure and its asset base is limited in comparison, Value NSW, has proposed the adoption of the operating margin approach which consolidates these items into a single item (discussed further in section 7.4).

The NRR over the referral period is $554.143 million. Table 7-1 below shows a breakdown of Value NSW's NRR, expressed in real terms in 2024-25 dollars (denoted as '$2024-25'). All forecasted figures have been deflated by CPI using the same methodology as that used to adjust prices year-on-year using the CPI rates tabulated in Appendix 11.1.

The following sections detail the derivation and components of each cost category and explain how costs have been allocated to councils. The forecasting methodology has remained consistent with the 2019 submission with adjustments implemented where an improved approach was identified, or more accurate data was available.

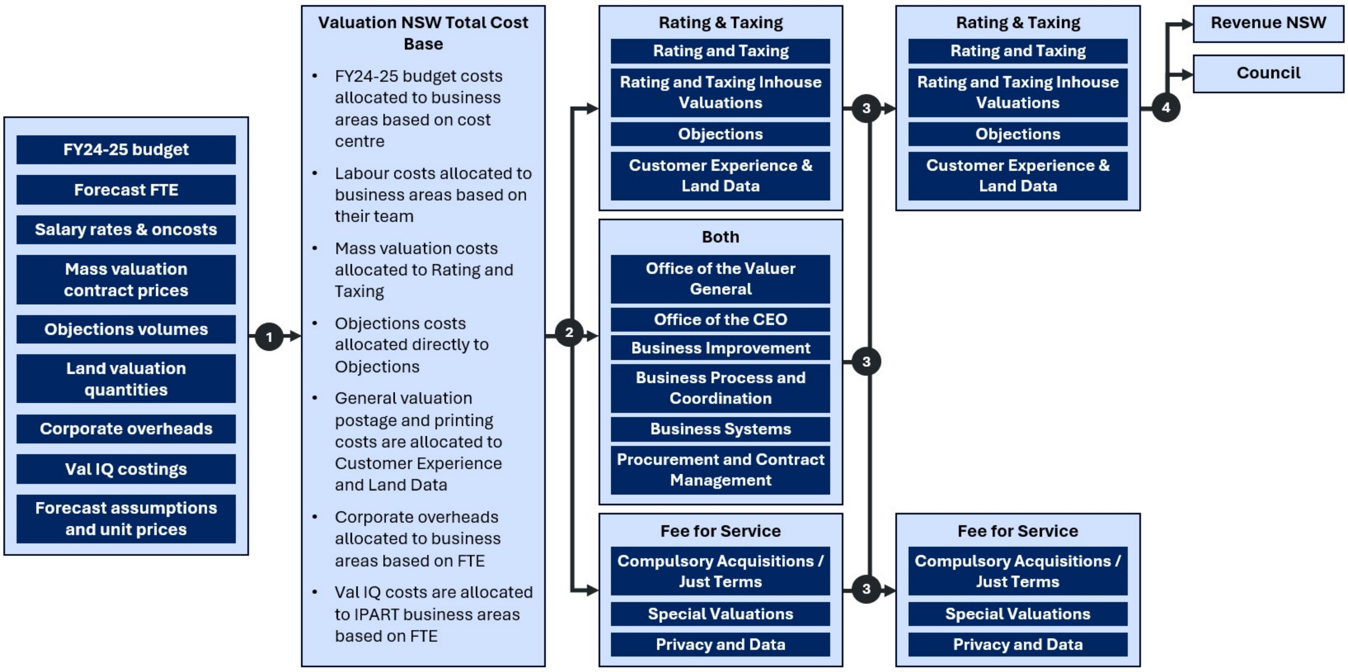
Table 7-1 Forecast operating expenditure over 2025-26 to 2030-31 ($'000, $2024-25)

Cost category	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Labour and valuation	63,306	68,474	68,841	68,841	68,841	68,841	407,145	77.9%	28.5%
Postage	1,365	1,375	1,385	1,395	1,406	1,416	8,342	1.6%	99.7%
Graphic	700	705	710	715	721	726	4,277	0.8%	100.0%
Other direct	4,037	4,037	4,037	4,037	4,037	4,037	24,222	4.6%	34.7%
ICT	8,223	8,222	8,218	8,215	8,211	8,207	49,296	9.4%	31.8%
Corporate support	4,954	4,952	4,947	4,942	4,938	4,933	29,665	5.7%	29.8%
Total operating expenditure	82,584	87,764	88,139	88,146	88,154	88,161	522,947	100.0%	31.3%
Return of assets (depreciation)	661	1,983	1,983	1,983	1,983	1,983	10,577		34.9%
Operating margin	3,280	3,536	3,551	3,551	3,551	3,551	21,020		31.3%
Total revenue requirement	86,525	93,283	93,672	93,680	93,688	93,696	554,544		31.3%
Minor users revenue	(67)	(67)	(67)	(67)	(67)	(67)	(401)		31.3%
Notional revenue requirement	86,458	93,216	93,606	93,613	93,621	93,629	554,143		31.3%

7.1 Derivation of cost base and allocation methodology

This section outlines the methodology used to derive and allocate costs to councils. Figure 7-1 below provides an illustrative summary of the process. The 4-step allocation process provides a detailed view of the costs incurred by Value NSW to provide valuation services to councils, split by councils and Revenue NSW, and cost category. It ring-fences the costs to ensure that councils pay no more than the efficient costs of supplying the regulated services.

Figure 7-1 Overview of cost allocation methodology



7.1.1 Step 1 – Aggregation of costs

Initial cost data was sourced from Value NSW's budget for 2024-25, which provided a comprehensive baseline of current expenditure and formed the basis for forecasts over the determination period. Where alternate data provided increased reliability and accuracy of forecasts these were substituted, including:

- Labour costs which were forecasted using forecast FTE, salary rates and oncosts.
- Mass valuation contract costs which were forecasted using agreed contract prices and forecast escalation rates.
- Objections contract costs calculated using forecast objections volumes applied to the unit price.
- Postage and graphic services costs which were calculated using forecast land valuation quantities (discussed further in section 8) applied to the unit price.
- Corporate overheads which were sourced from the agreed budget transfer between Value NSW, DCS and DPHI.

- Costs associated with the ongoing operation of Val IQ which were sourced from cost forecasts provided by the Val IQ team.

7.1.2 Step 2 – Allocation of costs to business areas

Once consolidated, these data sources formed Value NSW's total operating expenditure and, in most instances, were directly allocated to its 13 business areas. Indirect cost allocations were required for:

- Corporate support costs which were allocated to all business areas based on their proportionate FTE in 2024-25
- Val IQ costs were allocated to Rating & Taxing business areas (discussed below) based on their proportionate FTE in 2024-25.

7.1.3 Step 3 – Allocation of costs to service delivery areas

Each business area was categorised as Rating & Taxing, Fee for Service or 'Both' (Note, Rating & Taxing and Fee for Service business areas are also referred to as service delivery areas (SDAs) as they provide a service to stakeholders outside of Value NSW). These categories are described below:

- Rating & Taxing business areas are those that provide services to councils and therefore are relevant to this IPART submission.
- Fee for Service business areas are those that do not provide services to councils and therefore are not relevant to this IPART submission.
- 'Both' business areas consist of costs that support both Rating & Taxing and Fee for Service business areas and cannot be attributed directly to a service delivery area.

Costs in the 'Both' business areas were allocated to the Rating & Taxing and Fee for Service delivery areas based on their proportionate FTE in 2024-25. Table 7-2 below details the allocation percentages and methodology for each business area.

Table 7-2 Allocation details of Both costs to Rating & Taxing and Fee for Service

Business Area	Cost allocation	Allocation methodology
Office of the Valuer General Office of the CEO	83% to Rating & Taxing SDAs	FTE proportion of Rating & Taxing and Fee for Service SDAs
Business Improvement	34% to Business Process and Coordination 34% to Business Systems 19% to Procurement and Contract Management 13% to Privacy and Data	Allocated to sub-business areas based on FTE proportion of sub-business areas
Business Process and Coordination Business Systems Procurement and Contract Management	100% to Rating & Taxing SDAs	Full allocation as these sub-business areas provide services only to Rating & Taxing SDAs
Privacy and Data	0% to Rating & Taxing SDAs	Zero allocation as Privacy and Data is a self-funded business area and does

Business Area	Cost allocation	Allocation methodology
		not provide services to councils or Revenue NSW

7.1.4 Step 4 – Allocation of Rating & Taxing costs to councils and Revenue NSW

Following this, all costs associated with the Rating & Taxing service delivery areas were allocated between councils and Revenue NSW. Different methodologies were applied to each service delivery area, with the aim of attributing costs to the 'user' of the services provided by these costs. Table 7-3 below details the allocation percentages and methodology for each service delivery area.

Table 7-3 Allocation details of Rating & Taxing costs to councils and Revenue NSW

Service Delivery Area	Cost allocation	Allocation methodology
Rating and Taxing	25.0% to councils 75.0% to Revenue NSW	• Based on the number of valuations issued to councils compared to Revenue NSW each year. • Methodology is consistent with the last determination.
Objections	50.2% to councils 49.8% to Revenue NSW	• Based on the 3-year historical average of general objections (related to councils) proportionate to land tax objections (related to Revenue NSW). • Methodology is consistent with the last determination, however split differs due to a change in objections mix.
Customer Experience and Land Data	50.0% to councils 50.0% to Revenue NSW	• Customer Experience and Land Data team undertakes supplementary valuations, with effort equally attributable to councils and Revenue NSW. • Methodology is consistent with the last determination.

All council-related costs were grouped within operating cost categories based on their data source and cost type. The council allocation percentage for each operating cost category is shown in Table 7- below, together with a comparison to percentages from the current determination period.

Table 7-7-4 Percentage allocation of costs to councils

Operating cost category	Current Determination Period (2019-20 to 2024-25)	Referral Period (2025-26 to 2030-31)	Difference
Labour	36.5%	**30.1%**	(6.4%)
Mass valuation	25.0%	**25.0%**	-
Other valuation	38.0%	**30.4%**	(7.6%)
Postage	100.0%	**99.7%**	(0.3%)
Graphic	100.0%	**100.0%**	-
ICT	33.0%	**34.7%**	1.7%
Other direct	33.0%	**31.8%**	(1.2%)
Corporate support	33.0%	**29.8%**	(3.2%)
Total	32.5%	**31.3%**	(1.5%)

7.2 Forecasted operating expenditure

Operating expenditure over the referral period is forecasted at $525.581 million. Labour, mass valuation and other valuation contract costs remain the three primary cost categories, collectively accounting for 77.5 per cent of operating expenditure. The distribution of costs across the three categories has shifted due to the hybrid service delivery approach (discussed further in section 7.2.1).

Costs have increased in real terms, primarily driven by labour costs. The number of FTE staff in Value NSW has risen from 130 in the last determination to between 285 and 291 in the current determination. This increase reflects the additional staff required for the inhouse valuation teams, other supporting functions, and adequate staffing levels to delivery services at a high standard of quality.

Despite cost escalations in 2026-27, mass valuation contract costs have decreased due to the 8 contract areas being brought inhouse. Other valuation contract costs have increased marginally due to the rising cost of objections in recent years, though this has been mostly offset by completing some objections inhouse.

Postage costs have significantly increased, large because the unit cost of postage has nearly doubled since the last determination, coupled with an increase in properly volumes. The unit cost of graphic services has also risen, though to a lesser extent.

Other direct costs have increased due to their correlation with FTE growth and ICT costs have risen due to the licensing and hosting costs associated with Val IQ. Conversely, corporate costs have decreased due to changes in the corporate cost allocation methodology. Further changes occurred between these three accounts due to the recategorisation of costs between ICT, other direct and corporate support.

The following sections provide a breakdown of each operating cost category forecasted across the referral period from 2025-26 to 2030-31 in real terms ($2024-25).

7.2.1 Financial impact of the hybrid service delivery approach

To align with the NSW Government agenda and mitigate against expected contract price increases, Value NSW has transitioned to a hybrid service delivery model for mass valuation services. By the start of the referral period, 8 of the 19 contract areas will be delivered by inhouse teams, with the remainder outsourced to contract valuation firms. Value NSW is also extending this approach to its objections valuations, with approximately 50 per cent of objections expected to be completed inhouse and the remainder outsourced to contracted valuers.

Figure 7-2 and

Figure 7-3 below illustrate the cumulative financial impact of the hybrid delivery approach over the referral period against the scenario if all services had remained outsourced. The hybrid approach is forecast to save $15.872 million over the referral period, with 76.8 per cent of savings from mass valuation services. This hybrid approach is forecast to cost more than the wholly outsourced approach in the first year, before providing savings from 2026-27 onwards when the outsourced contracts are renewed.

Additionally, the hybrid approach necessitates hiring additional staff, resulting in a changed cost mix between labour, mass valuation contract and other valuation contract costs. Labour costs over the referral period have increased relative to the current determination period however this is largely offset by a reduction in mass valuation and objection contract costs.

Figure 7-2 Cumulative cost of mass valuations and objections

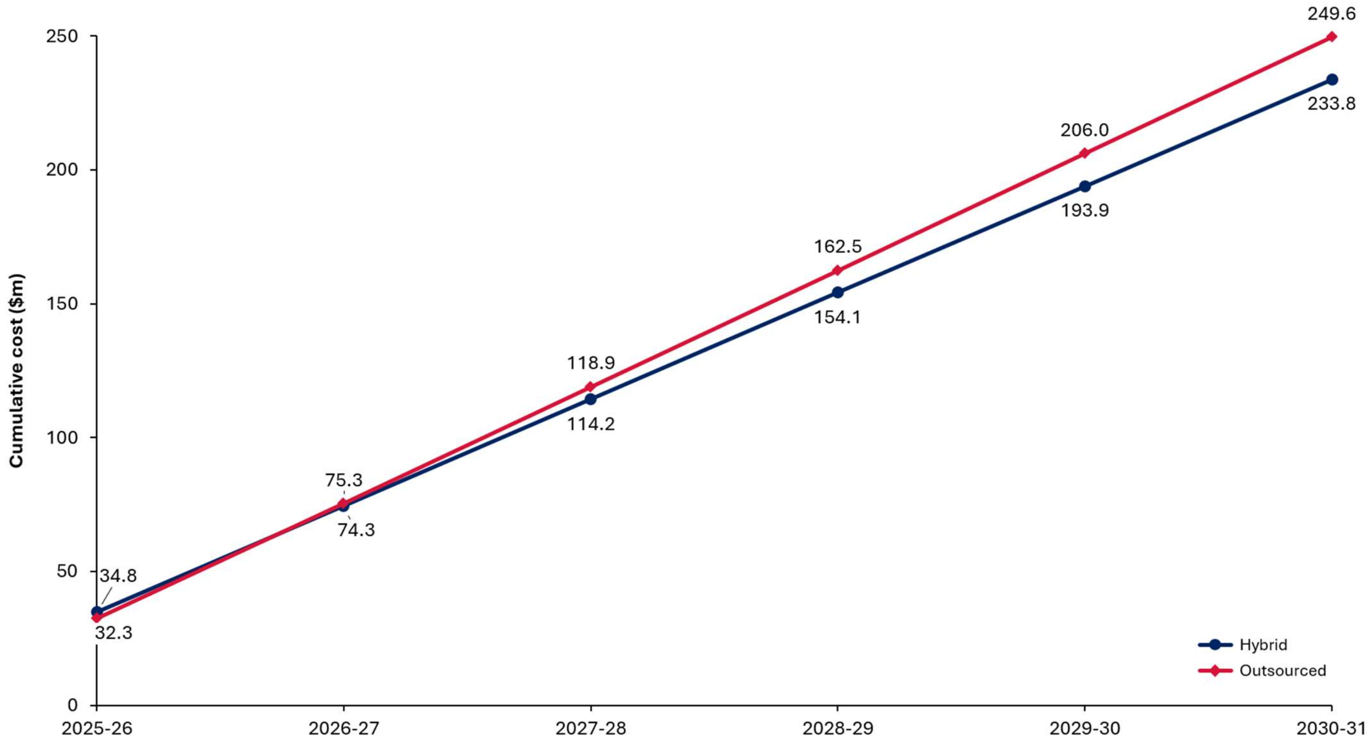
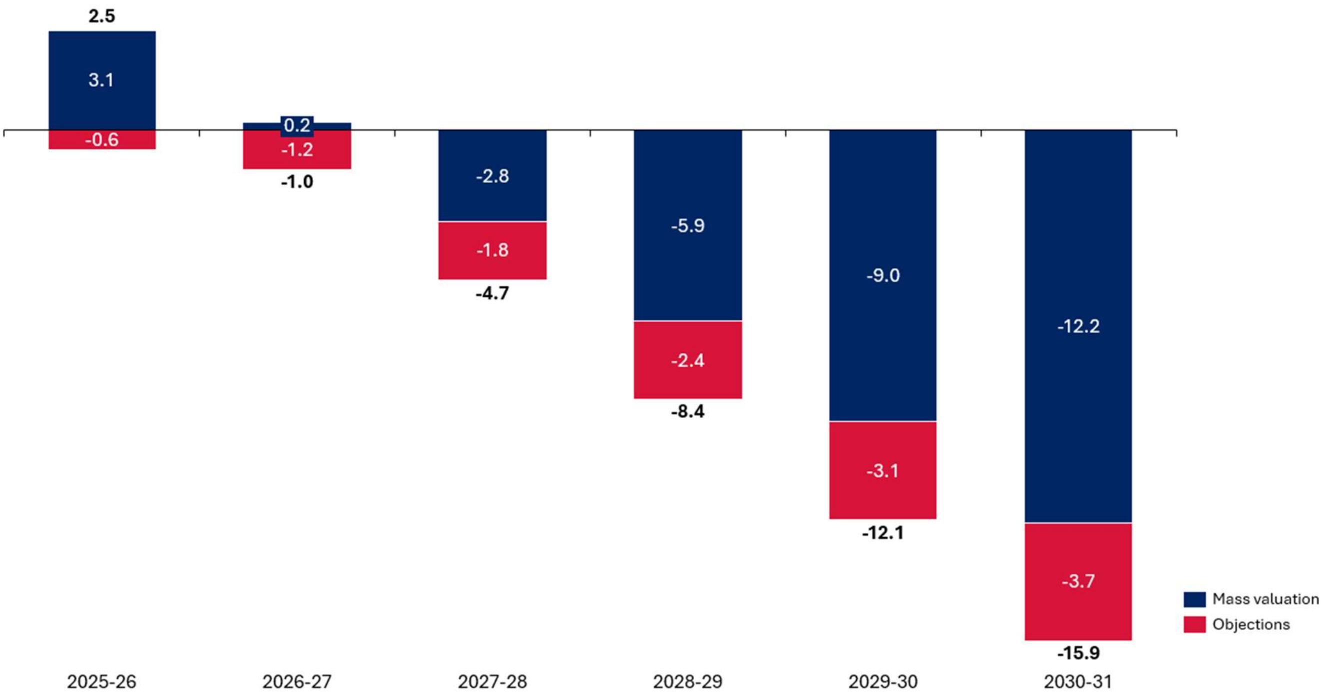


Figure 7-3 Cumulative savings from the hybrid delivery model for mass valuations and objections



7.2.2 Forecasted labour and valuation costs for 2025-26 to 2030-31

Total labour and valuation costs are forecasted at $407.145 million (77.47 per cent of operating expenditure) over the referral period.

Total FTE is forecasted at 291 in 2025-26, before dropping to 285 in 2026-27 and continuing at that level for the remainder of the referral period. This reduction relates to efficiencies generated through the implementation of Val IQ, partly offset by the creation of new positions to support the new business system.

Labour costs are forecast based on 2023-24 salary rates for each grade with annual increases in line with CPI, except for 2024-25 which increased by 4 per cent as per Value NSW's enterprise agreement.

Valuation cost have increased over the referral period and reflects the cost pressures faced by contract valuation firms.

Table 7-4 Forecasted labour and valuation costs in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Labour and Valuation	63,306	68,474	68,841	68,841	68,841	68,841	**407,145**	77.9%	28.50%

7.2.3 Forecasted postage and graphic services costs for 2025-26 to 2030-31

Postage costs are forecasted at $8.342 million (1.6 per cent of operating expenditure) over the referral period. Graphic services costs are forecasted at $4.277 million (0.8 per cent of operating expenditure) over the referral period. These costs are directly related to the volume of notices of valuations, which are forecast to increase by 0.75 per cent for each year of the referral period (discussed further in section 8). This methodology is consistent with that of the previous submission.

The unit cost of postage applied to these volumes was based on the published price of $1.50 and is forecast to increase in line with CPI. Although historical data shows a 37.5 per cent increase (as discussed in section 5.3.4), such fluctuations cannot be reliably predicted, making CPI a reasonable estimate to apply. The unit cost of graphic services applied to these volumes was based on the 2024-25 unit cost of $0.77, and is also forecast to increase in line with CPI.

Following the redistribution of general valuation notices (as discussed in section 4.4.1), the triennial phasing utilised in the current determination period will no longer apply during the referral period. Under the new approach, approximately one-third of local government areas will receive new land valuations each year, with each area receiving new valuations once every three years. Consequently, postage and graphic services costs have been evenly distributed annually and grow by 0.75 per cent, in line with the growth in the volume of notices of valuations.

The prior submission anticipated postage and graphic services cost savings from the integration into the Service NSW platform, however the actual uptake seen has been lower than expected at 5 - 6 per cent (as discussed in sections 5.3.4 and 5.4.2). Value NSW does not foresee an increase in this uptake, and therefore, no additional savings have been included in these forecasts.

Postage costs are allocated 99.7 per cent to councils, as almost all costs relate to the distribution of general valuation notices. However, a small portion of postage costs relate to other items not associated with councils and therefore follow the same methodology as other costs. This allocation differs from the previous submission which allocated 100.0 per cent of postage costs to councils. Costs were allocated to zones based on the number of properties in each zone.

Graphic services costs are allocated 100.0 per cent to councils as all costs relate to the distribution of general valuation notices. This is consistent with the methodology from the previous submission. Costs were allocated to zones based on the number of properties in each zone.

Table 7-5 Forecasted postage and graphic costs in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Postage	1,365	1,375	1,385	1,395	1,406	1,416	**8,342**	1.6%	99.7%
Graphic	700	705	710	715	721	726	**4,277**	0.8%	100.0%

7.2.4 Forecasted ICT costs for 2025-26 to 2030-31

ICT costs are forecasted at $42.296 million (9.4 per cent of operating expenditure) over the referral period. These costs are composed of licensing and hosting costs associated with Val IQ, corporate ICT support costs including enterprise applications and support, and other miscellaneous ICT expenditure including software, non-capitalised hardware, etc. Corporate ICT support costs are based on the number of FTE (hence the reduction in costs between 2025-26 and 2026-27) and all ICT costs are forecast to increase in line with CPI. ICT costs are greater relative to the current determination period due to hosting and licensing costs associated with Val IQ, and the recategorisation of costs between ICT, other direct and corporate support.

ICT costs are allocated 31.8 per cent to councils, 2.5 per cent higher than the previous submission. This variance stems from the different allocation methodologies applied in the current (as discussed in section 7.1) and prior submission.

Table 7-6 Forecasted ICT costs in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
ICT	8,223	8,222	8,218	8,215	8,211	8,207	**49,296**	9.43%	31.83%

7.2.5 Forecasted other direct costs for 2025-26 to 2030-31

Other direct costs are forecasted at $24.222 million (4.6 per cent of operating expenditure) over the referral period. These costs include miscellaneous ad-hoc expenditure such as travel for staff to regional areas, staff related expenses, amenities, consultancy and contractor costs, etc. Costs are based on the 2024-25 budget and have been escalated by CPI. Given these costs are primarily driven by FTE and Value NSW does not expect significant fluctuations in its FTE over the referral period, other direct costs too have been kept stable in real terms.

Other direct costs are greater than those of the previous submission due to:

- A significant increase in FTE since the last submission in 2019
- The hybrid service delivery approach for mass valuations and objections, which has shifted costs that would have been captured under mass valuation contracts and other valuation contracts to this category.
- The recategorisation of costs between ICT, other direct and corporate support.

Other direct costs are allocated 34.7 per cent to councils, 5.4 per cent higher than the previous submission. This variance stems from the different allocation methodologies applied in the current (as discussed in section 7.1) and prior submission.

Table 7-7 Forecasted other direct costs in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Other direct	4,037	4,037	4,037	4,037	4,037	4,037	**24,222**	4.6%	34.7%

7.2.6 Forecasted corporate support costs for 2025-26 to 2030-31

Corporate support costs are forecasted at $29.665 million (5.7 per cent of operating expenditure) over the referral period. This category consolidates rent and spatial costs, which were previously separated, as these expenses now fall under the corporate support agreements with DPHI and DCS.

Value NSW's share of administrative overheads is based on DPHI and DCS corporate cost allocation models which leverage a combination of FTE, expense and time-based drivers. Costs have been sourced from agreed budget transfer and corporate support agreements based on these models.

Spatial costs pertain to spatial data that underpins Value NSW's valuation tools, utilised by staff and contractors for desktop analysis as well as efficient verification and validation in the field. Spatial costs in real terms are expected to stay constant over the referral period, similar to the previous determination.

Rent costs cover the accommodation of Value NSW staff at various locations. Costs are calculated on a unit cost per FTE basis under the corporate services agreement. Consequently, rent costs will decrease in 2026-27, in line with the reduction of Val IQ project team FTE and remain constant thereafter.

Corporate costs include expenses for senior application developers and test analysts who provide technical support for the Valnet II and, eventually, Val IQ systems, as well as for corporate functions such as legal and HR. These costs are expected to remain constant in real terms, as in the previous determination.

Some costs that were included in corporate support in the previous submission have been reallocated to ICT or other direct costs to allow for more accurate categorisation of costs.

Corporate support costs are allocated 29.8 per cent to councils, 0.5 per cent higher than the prior submission. This variance stems from the different allocation methodologies applied in the current (as discussed in section 7.1) and prior submission.

Table 7-8 Forecasted corporate support costs in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Corporate support	4,954	4,952	4,947	4,942	4,938	4,938	**29,665**	5.67%	29.8%

7.3 Forecasted return of capital (depreciation) for 2025-26 to 2030-31

Depreciation costs are forecasted at $10.577 million over the referral period. Costs were forecasted by considering the depreciation to be incurred of Value NSW's existing assets, as well as any additional assets acquired or developed over the referral period. The material component of depreciation pertains to Val IQ (discussed further in section 6.2.1 and 7.5), which has a capital cost of $19.830 million, as approved by NSW Treasury and a useful life of 10 years (consistent with the previous determination).

The development of Val IQ is expected to be completed in February 2026, with depreciation commencing in March 2026.

Depreciation is allocated 34.9 per cent to councils, 4.4 per cent higher than the previous submission. Since the Business Systems team has custodianship over Val IQ, depreciation has been allocated 100% to Rating & Taxing SDAs as per 7.1.3 and then allocated to councils and Revenue NSW as per 7.1.4.

Table 7-9 Forecasted return of capital (depreciation) in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Return of capital	661	1,983	1,983	1,983	1,983	1,983	**10,577**	-	34.9%

7.4 Forecasted operating margin for 2025-26 to 2030-31

The operating margin is forecasted at $21.020 million over the referral period and captures the return on capital, working capital allowance and tax allowance. This is a slight change from the methodology used in the 2019 submission which separately calculated each component captured within the operating margin. Since Value NSW's NRR primarily stems from operating expenditure and its asset base is limited in comparison, Value NSW, in consultation with IPART, has proposed the adoption of the operating margin approach.

The margin has been set at 3.79 per cent of Value NSW's total revenue requirement each year and was determined by calculating the proportion of these three components (return on capital, working capital allowance and tax allowance) from Value NSW's total revenue requirement from the current determination period (2019-20 to 2024-25).

The margin is designed to recover non-operating costs that Value NSW incurs in its provision of regulated services and the cost generated by the users of the service. These costs include:

- Return on capital: Represents the opportunity cost of the capital invested in the Valuer General's operations and ensures that it can continue to make efficient investments in capital in the future.

- Working capital allowance: Ensures that the Valuer General can recover the holding costs incurred due to delays between delivering services and receiving payment for those services.
- Tax allowance: Estimate of the tax liability for a comparable commercial business to the Valuer General, to reflect the full efficient costs the Valuer General would incur if it were operating in a competitive market. This is consistent with the principle of competitive neutrality.

Table 7-10 Forecasted operating margin in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative	% of OPEX	% allocation to councils
Operating margin	3,280	3,536	3,551	3,551	3,551	3,551	**21,020**	-	31.3%

7.5 Forecasted capital expenditure for 2025-26 to 2030-31

Forecast capital expenditure is based on budgets for capital approved by NSW Treasury. Expenditure relates to the development and implementation of Val IQ, the successor to Value NSW's current combination of database applications and solutions designed to deliver business processes for land valuations. Refer to section 6.2.1 for further details on Val IQ.

Table 7-11 Forecasted capital expenditure in real terms over 2025-26 to 2030-31 ($'000, $2024-25)

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative
Intangibles	7,743	2,980	-	-	-	-	10,723

7.6 Key risks in forecasting assumptions

The Valuer General faces several risks over the referral period that could result in the actual cost of service provision differing significantly from the estimates. Should there be substantial cost variances from the final determination, the Valuer General may submit a revised submission at any point during the determination period and request a revised determination.

These risks include:

- The tender for a number of mass valuation contracts has not commenced at the time of this submission which may have a significant variance to forecasts.
- The number of FTE staff required to deliver inhouse valuation services may differ from forecasts. It is assumed that the inhouse valuation teams can deliver valuations using a stable FTE over the referral period, at a level equivalent to that used by contract valuation firms.
- Significant changes in the property market – experience indicates that volatility in the real estate market can lead to significant increases in objection volumes. Objections volumes have been kept stable across the determination period as volumes are difficult to predict. There is a risk that objections volumes are materially different to forecasts.

- The number of FTE staff required to deliver inhouse objections may differ from forecasts, which could require additional FTE to deliver objections or additional contracted objections to maintain the quality and timeliness of objections.
- Externally mandated increases in quality – for example, a decision by the government to implement a range of recommendations by the JSCOVG or policy changes could significantly change the cost base for Value NSW.
- Number of properties being substantially different to projections – historical experience indicates changes in policy such as planning regulations or immigration can significantly impact demand, supply and therefore number of properties.
- Cost inflation risk – Over the referral period prices may increase at rates higher or lower than forecast.
- Fewer than anticipated savings from Val IQ – Expected benefits and savings from Val IQ may not be realised to the extent forecasted, resulting in higher labour and licensing costs.

8 Forecast valuation quantities

Forecast valuation quantities over the submission period have been determined for each zone based on the average growth rate observed within each zone over the last six years (the current determination period). These quantities have been tabulated in Table 8-1 and graphed in Figure 8-1. Growth rates have been calculated for each zone to align to the pricing approach which sets unit prices for each zone. The overall forecast growth rate for property volumes is 0.75 per cent per annum, broken down across each zone as follows:

- Country: 0.98 per cent
- Coastal: 0.70 per cent
- Metro: 0.69 per cent
- City of Sydney: 0.09 per cent

Historical growth rates have been used to inform forecast valuation volumes because:

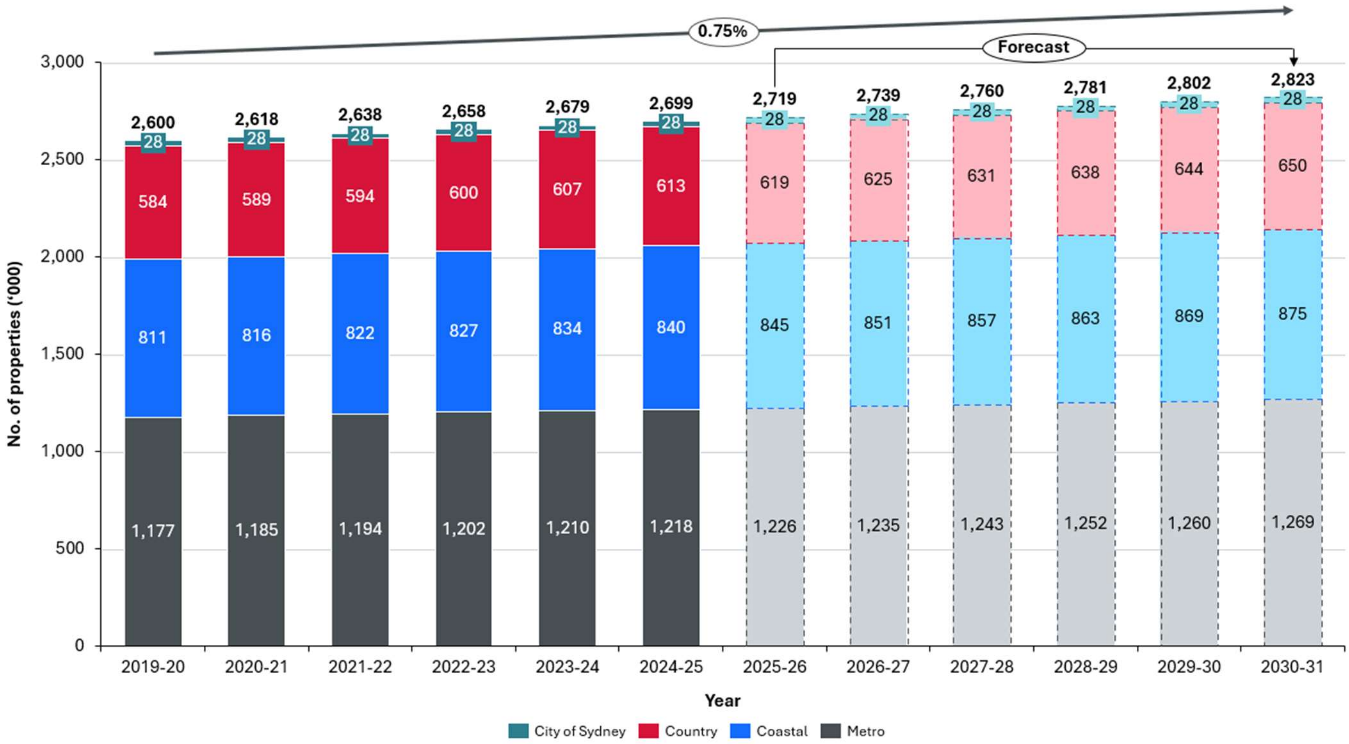
- The growth in property volumes is quite small relative to the overall volumes (<1%) therefore the impact of this growth is not significant in its impact on pricing.
- The actual valuation volumes over the current determination period have closely tracked the forecasts set during the previous submission (previously discussed in section 5.2) which underscores the effectiveness of this method.

The overall forecast growth rate of 0.75 per cent aligns closely to the previous submission's forecast growth rate of 0.71 per cent.

Table 8-1 Forecast valuation quantities for each zone over 2025-26 to 2030-31 ('000)

Zone	Growth %	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Cumulative
Country	0.98%	619	625	631	638	644	650	3,807
Coastal	0.70%	845	851	857	863	869	875	5,161
Metro	0.69%	1,226	1,235	1,243	1,252	1,260	1,269	7,485
City of Sydney	0.09%	28	28	28	28	28	28	169
Total	**0.75%**	**2,719**	**2,739**	**2,760**	**2,781**	**2,802**	**2,823**	**16,623**

Figure 8-1 Historical and forecasted growth in valuation quantities over 2019-20 to 2030-31



9 Proposed prices

The Valuer General proposes to:

- Maintain the existing pricing structure, including:
  - The six-year determination to capture two complete valuation cycles.
  - The differential pricing model which charges a single price per property valuation for each of the four geographic zones, regardless of whether the property is residential or non-residential.
  - The price cap methodology for setting prices.
- Ensure full recovery of the Valuer General's full efficient economic costs of service provision to councils for the whole referral period.
- Maintain constant prices in real terms over the referral period.
- Index prices each year by CPI.

This methodology is consistent with that of the previous determination.

9.1 Calculation and cost allocation methodology

Using the steps outlined in section 7.1, all council-related costs were allocated to the four zones of Country, Coastal, Metro and City of Sydney. Differing allocation methodologies were applied depending on the cost type, with **Error! Reference source not found.** below outlining the allocation methodology for each cost type.

Table 9-1 Allocation details of council costs to zones

Cost type	Allocation methodology
Rating and Taxing costs	• Mass valuation contract costs were directly allocated to the contract areas / zones that they relate to. • Costs associated with the inhouse valuation team were allocated proportionate to the FTE working in each contract area / zone. • All other Rating and Taxing costs were allocated based on the number of properties in each contract area / zone.
Objections costs	• Allocated based on the 3-year historical average of general objections for each contract area / zone.
All other council costs	• Allocated based on the number of properties in each contract area / zone.
Return of capital and operating margin	• Allocated based on the number of properties in each contract area / zone.

9.2 Proposed prices

Each zone's cumulative council-related expenditure over the referral period was divided by the cumulative forecasted valuation quantities over the referral period to ascertain the cost to deliver a single valuation in each zone over the referral period in real terms ($2024-25).

Based on the methodology outlined above, Table 9-2 summarises the proposed price per property valuation for each zone in in real terms.

Table 9-2 Proposed prices over the referral period in real terms ($2024-25)

Zone	Referral Period Price
Country	11.62
Coastal	10.80
Metro	9.44
City of Sydney	18.09

Prices have increased from the previous determination by between 21 to 38 per cent in real terms depending on zones, with City of Sydney experiencing the smallest relative price increase and Coastal experiencing the greatest. The price increases are a result of the market and operating changes as discussed in sections 4 and 7. The variance in price increases is a result of variances across zones in the drivers used to allocate costs to zones.

Table 9-3 Variances in prices in real terms ($2024-25)

Zone	2025-26 to 2030-31 Price	2019-20 to 2024-25 Price	Difference	Difference (%)
Country	11.62	9.16	2.46	27%
Coastal	10.80	7.80	3.00	38%
Metro	9.44	7.20	2.24	31%
City of Sydney	18.09	14.89	3.20	21%

10 Additional considerations

10.1 Ring-fencing

Value NSW also provides valuations for compulsory acquisitions (under the *Just Terms Compensation Act 1991*) and private valuations.

Value NSW has a separate team for Compulsory Acquisitions / Just Terms and for Special Valuations; hence these direct costs have a separate cost centre. Indirect costs for these teams have been apportioned out on an FTE bases. As such, the costs associated with compulsory acquisitions and private valuations are ring-fenced and are not included in the calculation of prices charged to councils.

10.2 Minor users of valuations

There are several minor users of valuations including:

- Private brokers and the general public.
- Other government agencies such as NSW Fire and Rescue, Transport for NSW, NSW Crime Commission, NSW Police Force, NSW Crown Lands and Local Government Grants Commission.

Minor users of valuations should not be allocated a proportion of costs for valuation services because the number of valuations is immaterial, and/or the use of services is not for a commercial purpose.

11 Appendix

11.1 CPI used to determine real target and actual values

Table 11-1 CPI used to determine real target and actual values over 2019-20 to 2024-25

Item	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CPI Index	112.6	114.1	116.6	117.9	123.9	132.6	137.4
CPI Multiplier	-	1.000	1.022	1.033	1.086	1.162	1.204
CPI Deflator	1.000	1.013	1.036	1.047	1.100	1.178	1.220
CPI %	-	1.33%	2.19%	1.11%	5.09%	7.02%	3.62%

Table 11-2 CPI used to determine forecast real and nominal values over 2025-26 to 2030-31

Item	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
CPI %	1.028	1.059	1.091	1.123	1.157	1.192
CPI Deflator	2.80%	3.00%	3.00%	3.00%	3.00%	3.00%

11.2 Revenue and price in nominal terms over 2019-20 to 2024-25

Table 11-3 Actual revenue by zone in nominal terms over 2019-20 to 2024-25 ($‘000)

Zone	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Country	4,444	4,580	4,666	4,956	5,363	5,617	**29,627**
Coastal	5,255	5,402	5,501	5,826	6,277	6,548	**34,810**
Metro	7,036	7,243	7,378	7,804	8,410	8,768	**46,639**
City of Sydney	347	355	360	378	404	419	**2,262**
Total	**17,082**	**17,580**	**17,905**	**18,964**	**20,455**	**21,352**	**113,338**

Table 11-4 Actual price by zone in nominal terms over 2019-20 to 2024-25

Zone	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Country	$7.61	$7.78	$7.86	$8.26	$8.84	$9.16
Coastal	$6.48	$6.62	$6.69	$7.04	$7.53	$7.80
Metro	$5.98	$6.11	$6.18	$6.49	$6.95	$7.20
City of Sydney	$12.37	$12.64	$12.78	$13.43	$14.37	$14.89

11.3 Operating expenditure in nominal terms over 2019-20 to 2024-25

Table 11-5 Actual operating expenditure in nominal terms over 2019-20 to 2024-25 ($'000)

Cost category	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Labour	15,571	11,373	13,974	15,272	22,819	35,350	**114,358**
Mass valuation	19,263	19,539	20,118	21,657	20,743	15,331	**116,649**
Other valuation	8,185	4,172	5,790	10,728	11,095	6,269	**46,240**
Postage	1,923	114	2	2,337	34	1,036	**5,448**
Graphic	522	551	142	103	772	694	**2,785**
Rent	1,679	563	783	615	800	835	**5,275**
Spatial	328	336	345	353	362	371	**2,095**
Other direct	1,006	285	2,324	863	2,023	2,783	**9,283**
DCS corporate support	850	878	900	923	947	971	**5,469**
DPHI corporate support	1,803	3,048	2,643	254	227	43	**8,018**
ICT operational	518	4,627	1,828	1,300	2,155	2,485	**12,913**
Total	**51,648**	**45,486**	**48,849**	**54,406**	**61,975**	**66,169**	**328,533**

11.4 Capital expenditure in nominal terms over 2019-20 to 2024-25

Table 11-6 Actual capital expenditure in nominal terms over 2019-20 to 2024-25 ($'000)

Cost category	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Plant and equipment	-	-	-	-	-	-	-
Intangibles	590	-	-	3,606	5,877	10,830	20,902
Total	**590**	**-**	**-**	**3,606**	**5,877**	**10,830**	**20,902**

11.5 Number of properties in each LGA

Table 11-7 Number of properties in each LGA, contract area and zone in 2024-25 to 2030-31

Council / LGA	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Coastal							
Hunter Coast							
Central Coast	128,625	129,519	130,419	131,326	132,238	133,157	134,083
Lake Macquarie	85,278	85,871	86,467	87,068	87,674	88,283	88,896
Newcastle	58,988	59,398	59,811	60,226	60,645	61,067	61,491
Port Stephens	31,698	31,918	32,140	32,364	32,588	32,815	33,043
Hunter Coast Total	**304,589**	**306,706**	**308,838**	**310,984**	**313,145**	**315,322**	**317,513**
North Coast NSW							
Ballina	16,916	17,034	17,152	17,271	17,391	17,512	17,634
Bellingen	6,368	6,412	6,457	6,502	6,547	6,592	6,638
Byron	13,934	14,031	14,128	14,227	14,325	14,425	14,525
Clarence Valley	27,029	27,217	27,406	27,596	27,788	27,981	28,176
Coffs Harbour	29,130	29,332	29,536	29,742	29,948	30,156	30,366
Kempsey	15,121	15,226	15,332	15,438	15,546	15,654	15,763
Kyogle	5,498	5,536	5,575	5,613	5,652	5,692	5,731
Lismore	18,909	19,040	19,173	19,306	19,440	19,575	19,711
Mid-Coast	53,399	53,770	54,144	54,520	54,899	55,281	55,665
Nambucca	9,927	9,996	10,065	10,135	10,206	10,277	10,348
Port Macquarie-Hastings	34,634	34,875	35,117	35,361	35,607	35,854	36,104
Richmond Valley	10,563	10,636	10,710	10,785	10,860	10,935	11,011
Tweed	31,909	32,131	32,354	32,579	32,805	33,033	33,263
North Coast NSW Total	**273,337**	**275,237**	**277,150**	**279,076**	**281,015**	**282,969**	**284,935**
South Coast NSW							
Bega Valley	19,446	19,581	19,717	19,854	19,992	20,131	20,271
Eurobodalla	25,107	25,281	25,457	25,634	25,812	25,992	26,172
Kiama	9,695	9,762	9,830	9,899	9,967	10,037	10,106
Shellharbour	28,671	28,870	29,071	29,273	29,476	29,681	29,888
Shoalhaven	60,787	61,209	61,635	62,063	62,495	62,929	63,366
Wingecarribee	24,806	24,978	25,152	25,327	25,503	25,680	25,859
Wollondilly	22,201	22,355	22,511	22,667	22,825	22,983	23,143
Wollongong	70,900	71,393	71,889	72,389	72,892	73,398	73,908
South Coast NSW Total	**261,613**	**263,431**	**265,262**	**267,106**	**268,962**	**270,831**	**272,714**
Coastal Total	**839,539**	**845,374**	**851,249**	**857,166**	**863,123**	**869,122**	**875,162**
City of Sydney							
Sydney City							

Council / LGA	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
City Of Sydney	28,134	28,158	28,183	28,207	28,231	28,256	28,280
Sydney City Total	**28,134**	**28,158**	**28,183**	**28,207**	**28,231**	**28,256**	**28,280**
City of Sydney Total	**28,134**	**28,158**	**28,183**	**28,207**	**28,231**	**28,256**	**28,280**
Country							
Central Tablelands							
Bathurst Regional	20,049	20,245	20,444	20,644	20,846	21,050	21,256
Blayney	4,275	4,317	4,359	4,402	4,445	4,488	4,532
Cabonne	7,435	7,508	7,581	7,656	7,731	7,806	7,883
Cowra	7,541	7,615	7,689	7,765	7,841	7,917	7,995
Lithgow	12,162	12,281	12,401	12,523	12,645	12,769	12,894
Mid Western Regional	15,016	15,163	15,312	15,461	15,613	15,766	15,920
Oberon	3,933	3,972	4,010	4,050	4,089	4,129	4,170
Orange	19,323	19,512	19,703	19,896	20,091	20,288	20,486
Central Tablelands Total	**89,734**	**90,613**	**91,500**	**92,396**	**93,301**	**94,214**	**95,137**
Central West NSW							
Coonamble	2,738	2,765	2,792	2,819	2,847	2,875	2,903
Dubbo Regional	24,831	25,074	25,320	25,568	25,818	26,071	26,326
Forbes	5,597	5,652	5,707	5,763	5,819	5,876	5,934
Gilgandra	2,609	2,635	2,660	2,686	2,713	2,739	2,766
Hilltops	11,762	11,877	11,993	12,111	12,229	12,349	12,470
Lachlan	4,488	4,532	4,576	4,621	4,666	4,712	4,758
Narromine	3,610	3,645	3,681	3,717	3,753	3,790	3,827
Parkes	8,445	8,528	8,611	8,696	8,781	8,867	8,953
Warren	2,088	2,108	2,129	2,150	2,171	2,192	2,214
Warrumbungle	6,381	6,443	6,507	6,570	6,635	6,700	6,765
Weddin	2,787	2,814	2,842	2,870	2,898	2,926	2,955
Central West NSW Total	**75,336**	**76,074**	**76,819**	**77,571**	**78,330**	**79,097**	**79,872**
Hunter							
Cessnock	29,342	29,629	29,919	30,212	30,508	30,807	31,109
Dungog	5,433	5,486	5,540	5,594	5,649	5,704	5,760
Maitland	37,428	37,794	38,165	38,538	38,916	39,297	39,681
Muswellbrook	7,874	7,951	8,029	8,108	8,187	8,267	8,348
Singleton	11,059	11,167	11,277	11,387	11,499	11,611	11,725
Upper Hunter	8,030	8,109	8,188	8,268	8,349	8,431	8,513
Hunter Total	**99,166**	**100,137**	**101,118**	**102,108**	**103,107**	**104,117**	**105,137**
Murray							
Albury	24,709	24,951	25,195	25,442	25,691	25,943	26,197
Berrigan	5,211	5,262	5,314	5,366	5,418	5,471	5,525
Edward River	5,224	5,275	5,327	5,379	5,432	5,485	5,539

Council / LGA	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Federation	7,911	7,988	8,067	8,146	8,225	8,306	8,387
Greater Hume	7,163	7,233	7,304	7,375	7,448	7,521	7,594
Murray River	8,882	8,969	9,057	9,145	9,235	9,325	9,417
Murray Total	**59,100**	**59,679**	**60,263**	**60,853**	**61,449**	**62,051**	**62,658**
North West NSW							
Gunnedah	6,531	6,595	6,660	6,725	6,791	6,857	6,924
Gwydir	3,331	3,364	3,397	3,430	3,463	3,497	3,532
Liverpool Plains	4,560	4,605	4,650	4,695	4,741	4,788	4,835
Moree Plains	6,801	6,868	6,935	7,003	7,071	7,141	7,210
Narrabri	7,161	7,231	7,302	7,373	7,446	7,519	7,592
Tamworth Regional	29,299	29,586	29,876	30,168	30,464	30,762	31,063
Walgett	5,153	5,203	5,254	5,306	5,358	5,410	5,463
North West NSW Total	**62,836**	**63,451**	**64,073**	**64,700**	**65,333**	**65,973**	**66,619**
Northern Tablelands							
Armidale Regional	13,163	13,292	13,422	13,553	13,686	13,820	13,956
Glen Innes Severn	5,460	5,513	5,567	5,622	5,677	5,733	5,789
Inverell	8,932	9,019	9,108	9,197	9,287	9,378	9,470
Tenterfield	5,535	5,589	5,644	5,699	5,755	5,811	5,868
Uralla	3,194	3,225	3,257	3,289	3,321	3,353	3,386
Walcha	1,912	1,931	1,950	1,969	1,988	2,007	2,027
Northern Tablelands Total	**38,196**	**38,570**	**38,948**	**39,329**	**39,714**	**40,103**	**40,496**
Riverina							
Bland	4,425	4,468	4,512	4,556	4,601	4,646	4,691
Carrathool	2,098	2,119	2,139	2,160	2,181	2,203	2,224
Coolamon	3,143	3,174	3,205	3,236	3,268	3,300	3,332
Cootamundra-Gundagai Regional	6,704	6,770	6,836	6,903	6,970	7,039	7,108
Griffith	11,384	11,495	11,608	11,722	11,836	11,952	12,069
Hay	1,915	1,934	1,953	1,972	1,991	2,011	2,030
Junee	3,198	3,229	3,261	3,293	3,325	3,358	3,391
Leeton	5,294	5,346	5,398	5,451	5,504	5,558	5,613
Lockhart	2,681	2,707	2,734	2,761	2,788	2,815	2,842
Murrumbidgee	2,595	2,620	2,646	2,672	2,698	2,725	2,751
Narrandera	3,827	3,864	3,902	3,941	3,979	4,018	4,057
Temora	3,908	3,946	3,985	4,024	4,063	4,103	4,143
Wagga Wagga	29,203	29,489	29,778	30,069	30,364	30,661	30,961
Riverina Total	**80,375**	**81,162**	**81,957**	**82,759**	**83,570**	**84,388**	**85,214**
South East Regional NSW							
Goulburn Mulwaree	16,571	16,733	16,897	17,063	17,230	17,398	17,569

Council / LGA	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Queanbeyan-Palerang Regional	25,472	25,721	25,973	26,228	26,484	26,744	27,006
Snowy Monaro Regional	14,372	14,513	14,655	14,798	14,943	15,090	15,237
Snowy Valleys	9,342	9,433	9,526	9,619	9,713	9,808	9,904
Upper Lachlan	6,985	7,053	7,122	7,192	7,263	7,334	7,406
Yass Valley	8,430	8,513	8,596	8,680	8,765	8,851	8,938
South East Regional NSW Total	**81,172**	**81,967**	**82,769**	**83,580**	**84,398**	**85,225**	**86,059**
Western NSW							
Balranald	1,646	1,662	1,678	1,695	1,711	1,728	1,745
Bogan	2,154	2,175	2,196	2,218	2,240	2,262	2,284
Bourke	2,070	2,090	2,111	2,131	2,152	2,173	2,195
Brewarrina	1,163	1,174	1,186	1,197	1,209	1,221	1,233
Broken Hill	10,527	10,630	10,734	10,839	10,945	11,053	11,161
Central Darling	1,879	1,897	1,916	1,935	1,954	1,973	1,992
Cobar	3,242	3,274	3,306	3,338	3,371	3,404	3,437
Wentworth	4,586	4,631	4,676	4,722	4,768	4,815	4,862
Western NSW Total	**27,267**	**27,534**	**27,804**	**28,076**	**28,351**	**28,628**	**28,909**
Country Total	**613,182**	**619,186**	**625,249**	**631,371**	**637,553**	**643,796**	**650,100**
Metro							
Sydney Central							
Burwood	7,719	7,772	7,826	7,880	7,934	7,989	8,044
Canada Bay	18,209	18,335	18,461	18,588	18,716	18,846	18,975
Canterbury-Bankstown	89,461	90,078	90,699	91,324	91,954	92,588	93,227
City Of Parramatta	49,057	49,395	49,736	50,079	50,424	50,772	51,122
Cumberland	51,262	51,615	51,971	52,330	52,691	53,054	53,420
Hornsby	41,476	41,762	42,050	42,340	42,632	42,926	43,222
Inner West	51,486	51,841	52,198	52,558	52,921	53,286	53,653
Ku-Ring-Gai	33,605	33,837	34,070	34,305	34,542	34,780	35,020
Ryde	26,440	26,622	26,806	26,991	27,177	27,364	27,553
Strathfield	7,394	7,445	7,496	7,548	7,600	7,652	7,705
The Hills Shire	62,435	62,866	63,299	63,736	64,175	64,618	65,063
Sydney Central Total	**438,544**	**441,568**	**444,613**	**447,679**	**450,766**	**453,874**	**457,004**
Sydney Central West							
Blacktown	124,648	125,508	126,373	127,244	128,122	129,005	129,895
Fairfield	54,033	54,406	54,781	55,158	55,539	55,922	56,307
Sydney Central West Total	**178,681**	**179,913**	**181,154**	**182,403**	**183,661**	**184,927**	**186,202**
Sydney Coast North							
Hunters Hill	3,720	3,746	3,771	3,797	3,824	3,850	3,877

Council / LGA	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Lane Cove	7,789	7,843	7,897	7,951	8,006	8,061	8,117
Mosman	6,909	6,957	7,005	7,053	7,102	7,151	7,200
North Sydney	10,337	10,408	10,480	10,552	10,625	10,698	10,772
Northern Beaches	68,699	69,173	69,650	70,130	70,614	71,100	71,591
Willoughby	17,345	17,465	17,585	17,706	17,828	17,951	18,075
Sydney Coast North Total	**114,799**	**115,591**	**116,388**	**117,190**	**117,998**	**118,812**	**119,631**
Sydney Coast South							
Bayside	32,999	33,227	33,456	33,686	33,919	34,153	34,388
Georges River	35,902	36,150	36,399	36,650	36,903	37,157	37,413
Randwick	26,620	26,804	26,988	27,174	27,362	27,551	27,741
Sutherland	62,203	62,632	63,064	63,499	63,937	64,377	64,821
Waverley	13,148	13,239	13,330	13,422	13,514	13,608	13,701
Woollahra	13,348	13,440	13,533	13,626	13,720	13,815	13,910
Sydney Coast South Total	**184,220**	**185,490**	**186,769**	**188,057**	**189,354**	**190,660**	**191,974**
Sydney North West							
Blue Mountains	37,246	37,503	37,761	38,022	38,284	38,548	38,814
Hawkesbury	26,182	26,363	26,544	26,727	26,912	27,097	27,284
Camden	45,625	45,940	46,256	46,575	46,897	47,220	47,546
Campbelltown	57,653	58,051	58,451	58,854	59,260	59,668	60,080
Liverpool	67,500	67,965	68,434	68,906	69,381	69,860	70,341
Penrith	67,328	67,792	68,260	68,730	69,204	69,682	70,162
Sydney North West Total	**301,534**	**303,613**	**305,707**	**307,815**	**309,937**	**312,075**	**314,227**
Metro Total	**1,217,778**	**1,226,175**	**1,234,630**	**1,243,144**	**1,251,716**	**1,260,347**	**1,269,038**
Total	**2,698,633**	**2,718,894**	**2,739,311**	**2,759,888**	**2,780,624**	**2,801,521**	**2,822,580**

11.6 Map of the 19 contract areas

Figure 11-1 Map of contract areas in NSW

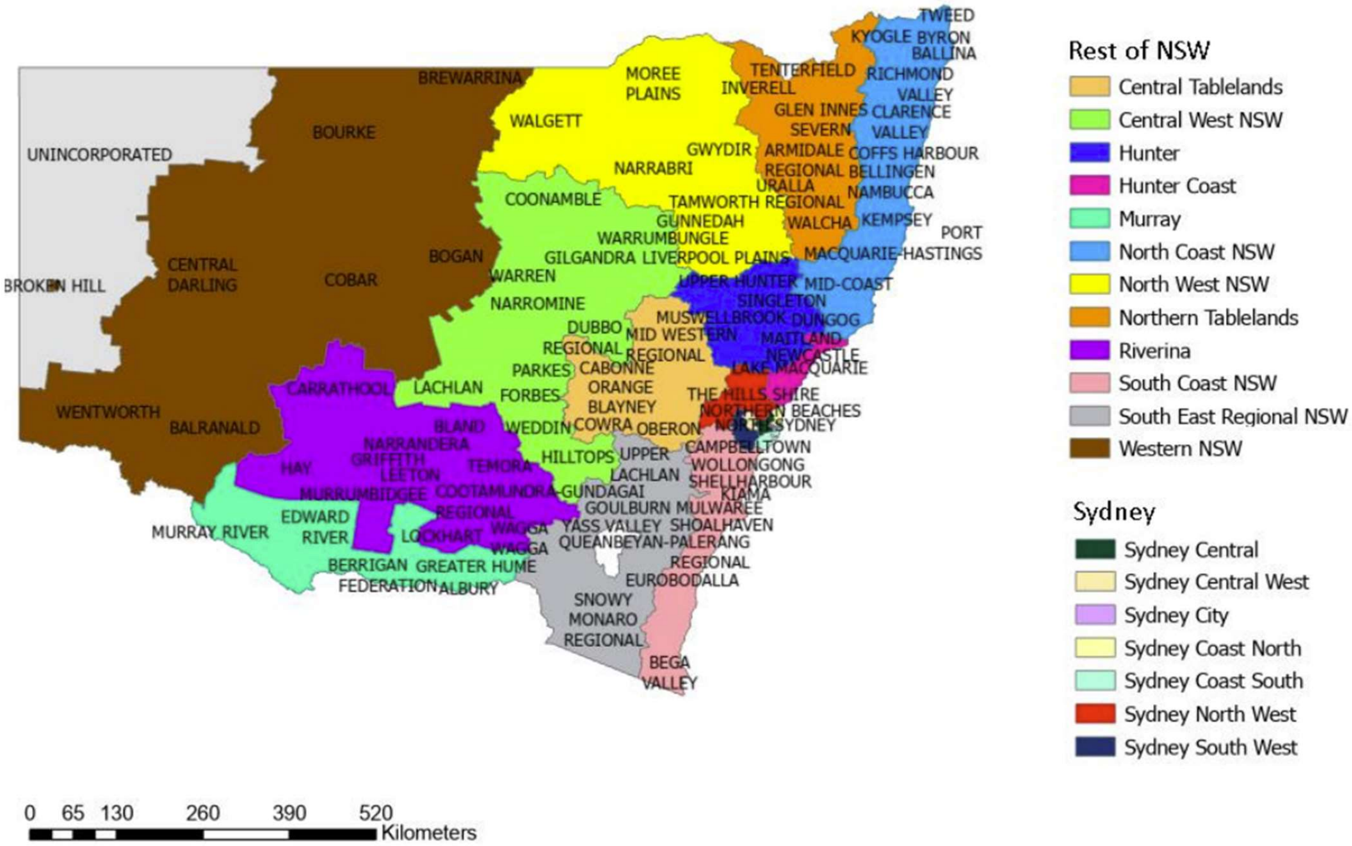
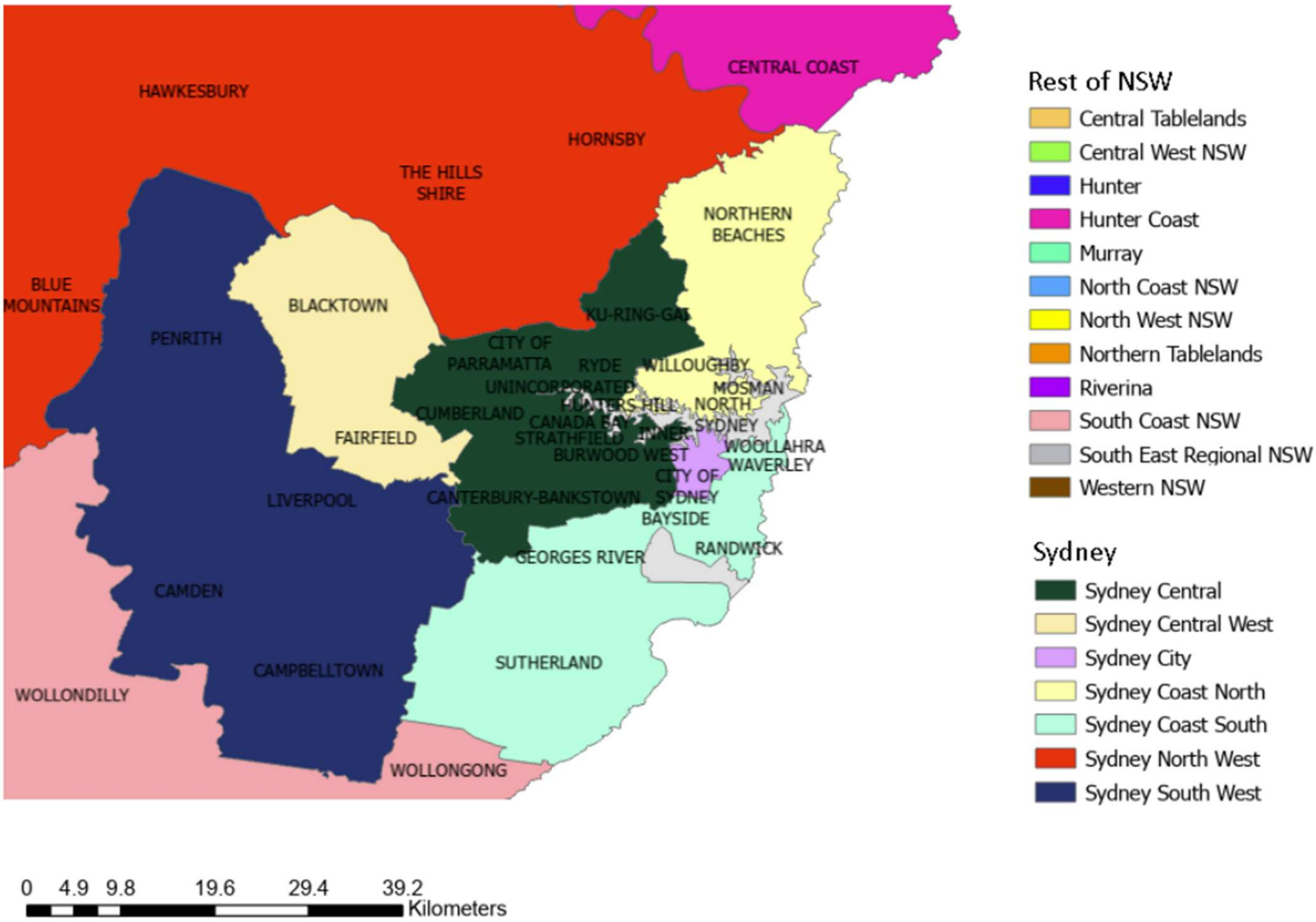


Figure 11-2 Map of contract areas in Sydney



The Valuer General of NSW and Value NSW certify that the information provided in this Proposal is correct and complete to the best of their knowledge.

[redacted]

Stewart McLachlan

Acting Valuer General of NSW

[redacted]

Tegan Styles

Acting Chief Executive Officer

Value NSW