

Tabled, by leave, Mr Hookley

TAB 10

Clerk of the Parliaments

**EMERGENCY SERVICES LEVY AMENDMENT (LAND CLASSIFICATION) BILL 2024**  
**STATEMENT OF PUBLIC INTEREST**

**Need: Why is the policy needed based on factual evidence and stakeholder input?**

- In November 2023, the Government announced its commitment to pursue emergency services funding reform to establish a fairer and more sustainable system for funding the State's emergency services.
- Currently, 73.7 per cent of emergency services funding is provided by the Emergency Services Levy (ESL) on insurance companies. The ESL is generally passed on to policy holders by insurers and increases premiums in NSW by around 18 per cent for residential property and around 34 per cent for commercial property.
- As part of the reform, the ESL will be removed from insurance policies. The ESL on insurers will be replaced by a levy spread across property owners to help fund the emergency services agencies (Fire and Rescue NSW, the NSW Rural Fire Service, and the NSW State Emergency Service).
- Under the former government's attempt at emergency services levy reform in 2017, the Fire and Emergency Services Levy (FESL) reform, a land classification framework was legislated in the *Fire and Emergency Services Levy Act 2017*.
- Taking into account the stakeholder input to its inquiry, the then Legislative Council Portfolio Committee No. 4 recommended that a future government implementing ESL reform should consider differential levy rates, fixed charges, discounts and caps, and better alignment of land classification between council and the FESL frameworks.
- In the current policy context, an initial land classification framework is required to be put in place so that the Government may have the relevant current land classification data to model options for differential levy rates, fixed charges, discounts and caps.
- In order to apply different levy rates to different categories of land, all parcels of land in NSW must first be classified into distinct categories.
- Legislation is needed to require councils to perform an initial land classification and address any privacy protection issues.
- Under this Bill, councils will be required to perform an initial classification of each parcel of land in their area and provide this information to the Chief Commissioner of State Revenue (Chief Commissioner). The Chief Commissioner will be responsible for maintaining a register of this information and monitoring the activities of councils to ensure councils' obligations are satisfactorily met.

**Objectives: What is the policy's objective couched in terms of the public interest?**

- The policy aims to establish an initial land classification of all land in NSW to assist the Government's design of a replacement levy that better serves the public interest. This would support the Government's consideration of a levy factoring in the design principles of cost recovery, equity, efficiency, simplicity and sustainability.
- The Chief Commissioner will maintain this initial register of land classification and share with other agencies involved with the policy and implementation of ESL



reform so that property owners are assured of the appropriate use of the information collected.

**Options: What alternative policies and mechanisms were considered in advance of the bill?**

- The option of not classifying land into different categories was considered.
- This would result in any differential rates on property owners needing to apply to existing available land classification categories, such as land zoning classifications for planning purposes or land classifications used for council rates.

**Analysis: What were the pros/cons and benefits/costs of each option considered?**

*Classifying land into different categories*

- Pros/benefits: This option provides the Government with a wider range of land categories that could be used in designing the replacement levy, compared to relying on council rates and land zoning.
- Cons/costs: This option requires Government funding of the costs relating to councils undertaking an initial land classification and the Chief Commissioner maintaining the register and administering the use of the information received.

*Not classifying land into different categories*

- Pros/benefits: This option would avoid the costs associated with councils performing their classification activities and the Chief Commissioner's functions.
- Cons/costs: This option would constrain the Government ability to calibrate the replacement levy to meet policy objectives and design principles, leaving it relying on existing available land zoning classifications for planning purposes or land classifications used for council rates.
  - Land zoning classifications were developed for the purpose of land use planning, and not for tax administration. Notably, classification of land using planning criteria does not separate properties within mixed-use zones and Metropolitan centre zones, which include a combination of different land uses.
  - With respect to land classifications for council rates, land is only classified into the four categories of residential, farmland, business and mining. Adoption of this classification scheme constrains options to meet policy objectives with greater differentiation between certain property types (such as commercial and industrial) and land which may merit concessional treatment.

**Pathway: What are the timetable and steps for the policy's rollout and who will administer it?**

- It is expected that in the first few months following assent of this Bill, the Government will agree with councils on cost-recovery arrangements for their role in performing land classification functions and consult on the detailed classification rules.
- After this, local councils will be required to classify all parcels of land by a date to be set in guidelines after consulting with councils.
- The Chief Commissioner will administer this policy. The councils will need to provide the information to the Chief Commissioner and the Chief Commissioner will monitor the council's compliance with their obligations.

- The classification information will then be provided to Treasury for use in policy design and modelling for a replacement levy to be announced by the Government.

**Consultation: Were the views of affected stakeholders sought and considered in making the policy?**

- The Treasurer has led industry consultation on the reform, including the formation of a Stakeholder Reference Group comprising representatives or individuals associated with:
  - Insurance Council of Australia
  - Local Government NSW
  - Property Council of Australia
  - Real Estate Institute of New South Wales
  - Shopping Centre Council of Australia
  - NSW Rural Fire Service
  - Fire Brigade Employees Union
  - United Services Union
  - Tweed Shire Council
  - Business NSW
  - Public Service Association
  - Former Commissioner of Marine Rescue NSW
- Stakeholder views relevant to this legislation were considered in developing this policy.
- Revenue NSW was consulted for their input in the development of this policy.