



The Hon. Robert Borsak MLC
Chair
Portfolio Committee No. 4 – Legal Affairs
Legislative Council
Parliament of New South Wales
Macquarie Street
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Dear Mr Borsak

**Fire and Emergency Services Levy – post hearing response, Questions on Notice
taken during the hearing on 13 August 2018**

Question 1

The Hon. LYNDIA VOLTZ: Has that committee met since the FESL had ceased to act?

Mr GILKES: Not to my knowledge.

The Hon. LYNDIA VOLTZ: Have there been any meetings regarding FESL or an alternative scheme?

Mr GILKES: Not that I am aware of.

The Hon. LYNDIA VOLTZ: Could you take that question on notice?

Mr GILKES: I could, yes.

Response

Staff from my office and Valuation Services, Property NSW attended several meetings, both internal and external shortly after the Government's announcement on the deferral of the Fire and Emergency Services Levy. The meetings dealt solely with administration and finance issues relating to the deferral. Alternative schemes were not discussed.

Question 2

Mr DAVID SHOEBRIDGE: Given we are in August, do you now know how much was spent in 2017-18?

Mr GILKES: I do not have those costs broken down in the same way. The budget that is shown in tab A was from the budget as it was kept by the project manager who was running the project. When it was announced that the levy was not to proceed and the project was wrapped up, the outstanding objections, inquiries and so on simply became business as usual. So they have been recorded through

the normal financial recording systems, which do not break down into the same classifications. I do not have that information though.

Mr DAVID SHOEBRIDGE: Can you get it?

Mr GILKES: Yes, but I do not believe I can provide it in the exact same format.

Mr DAVID SHOEBRIDGE: With whatever limitations is fine. However, we can at least say that the well over \$1.1 million for stage 1—which was all about governance, program management, communications, etc.—was all spent on a scheme that is now dead in the water. Is that right?

Response

Expenditure on Fire and Emergency Services Levy (FESL) related activities for the 2017/18 financial year was approximately \$668,000. This amount is broken down as follows:

Stage 1 costs: Once off FESL setup and implementation costs

\$28,000 for residual program management costs (due to delays in receiving invoices).

Stage 2 costs: Impact of bringing forward FESL costs

\$640,000 for costs associated with responding to an increase in objections to land values attributed to activities related to changes introduced in preparation for the introduction of the FESL.

While it is difficult to ascertain the exact number of objections which can be attributed to the activities undertaken in preparation for the introduction of the FESL, the following is a breakdown of the \$640,000 considered a direct incremental cost of the FESL for the 2017/18 financial year:

- agency contractors engaged by Valuation Services to directly manage the extra objections generated by FESL - \$596,000
- administrative support engaged to assist with the extra objections generated by FESL - \$44,000.

These costs are separately identifiable as they were for additional staff specifically engaged to handle increased objections.

Other stage 2 costs for customer service staff, valuers and panel contract valuers have not been separately allocated as FESL costs as they were business as usual costs.

Question 3

Mr DAVID SHOEBRIDGE: How did you come up with the costing for the transition to an improved valuation scheme? How did that come about?

Mr GILKES: I am sorry, I do not have the detail around that with me.

Mr DAVID SHOEBRIDGE: I am happy if you can give us more detail on notice, but tell us as best you can.

Response

The costings for a transition to valuations based on capital improved value were undertaken by the Deputy Valuer General following a request from Treasury. A copy of my advice to Treasury on this matter, dated 25 July 2015, is attached (Tab A).

Only preliminary investigations into possible associated costs were conducted. Factors considered included the:

- establishment of databases
- capture of improvement areas from strata plans
- capture of building sizes from a combination of council records, commercial databases, inspections and spatial analytics
- data cleansing
- valuations.

Detailed costing of the development of databases and systems needed to implement a valuation system based on capital improved value were not undertaken.

A detailed business case would be required to provide more reliable estimates of the costs of implementing a valuation system based on capital improved values.

Question 4

Mr DAVID SHOEBRIDGE: Can you provide on notice, as best you can, where these commercial and industrial properties are that are getting the pensioner discount?

Mr GILKES: I believe we would be able to track that information. However, I do not know whether they are still getting the discount. As I said, part of the process of gathering this information was to review apparent anomalies and to make inquiries of councils. These issues may have been resolved in the interim.

Response

The tables below detail the local government areas where the commercial and industrial properties, which were receiving pensioner discount at the time the calculations were made, were located. This information is based on data provided by local councils and

extracted from the valuation database (Register of land Values) on 7 April 2017 and may have changed since then. No further data has been received from councils since that time.

The local government areas listed below reflect the areas as recorded on the Register of Land Values at the time the data was extracted. In some instances new council boundaries were yet to be brought to account where councils had requested more time to adjust their records.

Commercial non- vacant properties receiving pensioner discount

Local government area	Total number of pensioner discount properties
ARMIDALE DUMARESQ	2
ASHFIELD	5
AUBURN	1023
BANKSTOWN	2
BELLINGEN	4
BERRIGAN	5
BLAND	1
BLAYNEY	1
BLUE MOUNTAINS	3
BOMBALA	1
BOTANY BAY	6
BROKEN HILL	1
CABONNE	3
CANADA BAY	5
CANTERBURY	25
CARRATHOOL	2
CENTRAL DARLING	4
CESSNOCK	2
CITY OF SYDNEY	3
CLARENCE VALLEY	6
COBAR	2
COFFS HARBOUR	9
COOLAMON	2
COOMA-MONARO	1
COONAMBLE	1
COROWA	1
DUNOGG	4
EUROBODALLA	4
FAIRFIELD	11
GILGANDRA	1
GLEN INNES SEVERN	7
GLOUCESTER	1

GOSFORD	28
GOULBURN MULWAREE	1
GREAT LAKES	2
GREATER HUME	2
GREATER TAREE	8
GRIFFITH	1
GUNDAGAI	2
GUNNEDAH	4
GUYRA	1
GWYDIR	3
HARDEN	1
HAWKESBURY	2
HOLROYD	25
HORNSBY	4
HURSTVILLE	2
JUNEE	1
KEMPSEY	3
KIAMA	2
KOGARAH	3
KU-RING-GAI	4
LACHLAN	2
LAKE MACQUARIE	4
LANE COVE	1
LEICHHARDT	28
LISMORE	1
LITHGOW	1
LIVERPOOL	2
MAITLAND	1
MARRICKVILLE	15
MID WESTERN REGIONAL	4
MOREE PLAINS	2
MURRAY	2
MUSWELLBROOK	1
NAMBUCCA	7
NARRABRI	3
NARRANDERA	2
NEWCASTLE	2
NORTH SYDNEY	5
OBERON	1
PALERANG	1
PARKES	1
PORT MACQUARIE-HASTINGS	4
QUEANBEYAN CITY	1
RANDWICK	1

ROCKDALE	4
RYDE	2
SHELLHARBOUR	2
SHOALHAVEN	11
SINGLETON	4
STRATHFIELD	5
SUTHERLAND	1
TAMWORTH REGIONAL	13
THE HILLS SHIRE	3
TUMBARUMBA	1
TUMUT	241
UPPER HUNTER	2
UPPER LACHLAN	2
URALLA	2
WAGGA WAGGA	2
WAKOOL	2
WALGETT	3
WARRUMBUNGLE	1
WAVERLEY	2
WEDDIN	1
WILLOUGHBY	1
WOLLONGONG	9
WOOLLAHRA	1
WYONG	3
YASS VALLEY	2
YOUNG	2
Total	1661

Industrial non-vacant properties receiving pensioner discount

Local government area	Total number of pensioner discount properties
AUBURN	1458
BANKSTOWN	1
BEGA VALLEY	1
BERRIGAN	3
BLACKTOWN	1
BLAND	1
CABONNE	1
CLARENCE VALLEY	2
COFFS HARBOUR	17

DENILQUIN	2
FAIRFIELD	1
GLOUCESTER	4
GOSFORD	7
GOULBURN MULWAREE	1
GREAT LAKES	2
GREATER TAREE	1
GRIFFITH	1
GUNNEDAH	1
HAY	1
HORNSBY	1
KEMPSEY	1
LISMORE	2
LIVERPOOL PLAINS	2
MURRUMBIDGEE	1
MUSWELLBROOK	1
PARKES	1
PORT MACQUARIE-HASTINGS	2
SHOALHAVEN	5
STRATHFIELD	4
SUTHERLAND	1
TUMUT	117
WAGGA WAGGA	1
WALGETT	4
WEDDIN	1
Total	1650

Yours sincerely

Simon Gilkes
Valuer General

6 September 2018

Tab A

Advice to Treasury - Cost of providing improved values in NSW

Conclusion

Total cost of implementing improved valuations is estimated to be	\$142,000,000
Total annual costs to maintain improved values are estimated to be (Note: this is the marginal cost over current valuation system costs)	\$30,000,000
Time required for implementation	5 years

Background

The annual provision of improved values will require accurate and reliable data on property improvements. As improved values have not been made for statutory purposes in NSW for over 30 years, the information required has not been maintained within the valuation system. Consequently, annual provision of improved values will require the sourcing, collation and maintenance of built attribute data for all properties in the state.

This information is not available in a comprehensive or complete record for all properties across NSW. While information may be available in some form through local councils, commercial organisations, existing records held by Land and Property Information or directly from landholders, the bulk of this information is likely to be held in hard copy or in scanned images and is unlikely to be suitable for incorporation into modern databases and computerised valuation models. Furthermore as it will need to be obtained from a variety of sources, the format, accuracy and consistency of the data is likely to be variable. This is expected to lead to costs in data validation and/or increased objections to valuations.

Improved valuations are undertaken in a number of jurisdictions within Australian and around the world. Victoria has been adopted as the most comparable and used as a benchmark against NSW estimates.

Statistics

NSW currently has almost 2.5m parcels of land valued on the Register of Land Values. Each of these properties will require an improved valuation. Additionally there are 773,854 strata properties that are currently not individually valued. If NSW adopts a value base consistent with other Australian jurisdictions these will require separate valuations. There are also approximately 60,000 development applications approved by Local Government each year which will require revaluations. This means that a total of approximately 3.35 million valuations will need to be undertaken annually, compared to the current total of approximately 2.5 million.

Base Property Data

The development of the base property data will require considerable time and resources. The Victorian computer record currently has 83 data elements per property of which NSW currently has only 25. This data allows Victoria to utilise advanced computer assisted mass valuation systems similar to those used in other jurisdictions around the world where improved values are used. To begin the process in NSW, attributes of improved properties such as, age, size, construction material, condition, character, etc, will all need to be captured.

It is anticipated that initial collection and collation of this data will be outsourced and that a range of methods may be adopted. These methods may include landholder surveys, capture from historic valuation records, high definition aerial photography, Google street view, existing records held by commercial organisations such as RP Data, Strata Plans and physical inspection, all of which will require time and resources for each and every property. The cost for development of the base data has been calculated by estimating the time required to establish the data, undertake some quality assurance and enter into the system. The time figure has then been multiplied by an hourly rate of pay to calculate the overall costs.

Valuation Exercise

The cost of the valuations has been estimated by considering the nature of the valuation exercise and the quality of the data available. The Victorian experience suggests it is not possible to develop the data required to apply sophisticated valuation models at the initial stage and that more individual review will be required to establish the original base line values. It is anticipated that it will be necessary to establish a phased program of base value creation as property data is captured. This will also enable the development, testing and refinement of computer assisted valuation models to support the on-going valuation program.

Other Considerations

Allowance has also been made for flow on items such as increased numbers of objections and expansion of enquiry services in the early years of the new system.

Sundry costs

A contingency figure has been allowed for further costs generated as a consequence of the development and record keeping process such as;

- Staff training
- IT development
- Procurement
- Licencing fees
- Etc.

Time required for Implementation

The time required to provide improved values has been assessed by considering reasonable resourcing levels for data capture and a phased program of valuations. The time required to fully develop the data is considered to be 5 years, with the initial valuations staged over 3 years commencing in year 3.

Simon Gilkes
Valuer General
27 July 2015