

INQUIRY INTO FIRE AND EMERGENCY SERVICES LEVY

Organisation: NSW Government Valuer General

Date Received: 24 November 2017

**Submission
No 8**

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The Hon Robert Borsak MLC
Chair
Inquiry into the fire and emergency services levy
Upper House Committees
Legislative Council
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Mr Borsak

Submission - Inquiry into the fire and emergency services levy

Thank you for the opportunity to provide a submission.

The Fire and Emergency Services Levy was to be collected by councils from property owners (and in some cases lessees) based on a combination of:

- the classification of the property by the council
- the land value of the property as determined by the Valuer General
- a fixed levy per property depending on the classification of the property as determined by the Treasurer
- an ad valorem levy determined by the Treasurer based on the land value and the classification of each property.

Obligations of the Valuer General under the *Fire and Emergency Services Levy Act 2017*

The *Fire and Emergency Services Levy Act 2017* imposed new obligations on the Valuer General to collect and monitor land classification information from councils and deliver valuation and land classification information to the Treasurer.

The information required was estimates of the:

- number and land values of vacant properties in various property sectors
- number and land values of non-vacant properties in various property sectors
- number of properties eligible for a pensioner discount.

The Valuer General met all requirements for the delivery of information to the Treasurer. Estimates were provided on 13 April 2017. Table 1 on page 2 details the estimates information provided to the Treasurer.

Table 1 Estimates of property counts, land values and pensioner discounts

Property sector	Total leviable land value as at 1 July 2016	Total no. of properties	Total no. of pensioner discount properties
Commercial Non Vacant	\$ 103,677,800,000	125,599	1661
Commercial Vacant	\$ 1,448,200,000	3,463	
Farmland	\$ 71,119,500,000	112,719	7,054
Government Land	\$ 66,690,300,000	145,047	
Industrial Non Vacant	\$ 44,194,100,000	55,203	1,650
Industrial Vacant	\$ 1,672,800,000	2,727	
Public Benefit	\$ 18,038,300,000	17,027	
Residential Non Vacant	\$ 1,152,695,100,000	2,688,227	480,120
Residential Vacant	\$ 27,434,300,000	74,750	
Grand Total	\$ 1,486,970,300,000	3,224,762	490,485

Note: Land values in this table have been rounded in accordance with sections 31(5) and 32(4) of the Act.
The minor mathematical error in the Grand Total is due to rounding.

Prior to the supply of the above estimates, data extracts were supplied to Treasury. The major extracts were:

- 1 July 2014 total land value for strata and non strata properties; average land value for strata properties and non strata properties; average land value of all properties; average land value by local government area (LGA) for strata and non strata properties; property count by LGA (supplied 12 August 2015)
- 1 July 2014 total and average land value by LGA and zone for strata, non strata and under strata properties (3 September 2015)
- 1 July 2015 land values together with property information which includes description, address, zoning of the land (2 June 2016)
- 1 July 2016 land values together with property information which includes description, address, zoning of the land (25 November 2016)
- the number of classified and unclassified properties (as supplied by councils); the number of properties with a pensioner discount; and the sum of rateable land value for each LGA by classification type (supplied 6 March 2017)
- classification data for individual parcels of land (whole state) (supplied on 15 March 2017).

In addition to the major extracts, Valuation Services staff provided Treasury with smaller extracts, clarification and advice where requested.

The *Fire and Emergency Services Levy Bill 2017* amended the *Valuation of Land Act 1916* to provide for the issue of new valuations to council for rating at least once every three years. Prior to the amendment, the Valuer General was required to provide new valuations within 4 years and had the discretion to extend the timeframe to within 6 years where there was no significant value movement.

Preparation for the Fire and Emergency Services Levy (FESL)

The Valuer General was represented on the Emergency Services Levy Reform Steering Committee. The purpose of the committee was to oversee the timely implementation of the Emergency Services Levy.

The Valuer General and Valuation Services coordinated with local councils, Revenue NSW and Treasury to meet requirements for the delivery of the Valuer General's obligations for FESL.

The Valuer General's operational requirements for the FESL were managed by Valuation Services, part of Property NSW, Department of Finance Services and Innovation on behalf of the Valuer General.

Collection of property classification information from councils

Preparation for the FESL required the collection and exchange of data with councils for all properties in NSW. Valuation Services worked with councils to collect classification data on properties to enable the Valuer General to provide estimates of land values within property classifications to Treasury for the calculation of the FESL.

Extensive quality assurance including record matching was undertaken which will provide ongoing benefit to both the Register of Land Values and council records.

Harmonisation of the valuation cycle for rating

The Valuer General values all land in NSW every year. Land values are used by councils in the calculation of rates and Revenue NSW for managing land tax.

Preparation for the levy required harmonisation of the valuing year for rating across NSW to ensure the Fire and Emergency Services Levy was charged on an equivalent basis. This required approximately 2.5 million Notices of Valuation being issued to landholders during the first half of 2017 and the electronic delivery of land values to all councils. Previously land values for rating were provided to landholders and councils every three to four years on a rolling cycle of approximately 700,000 to 800,000 notices issued each year.

The harmonisation of the valuation cycle for rating brought forward some work previously distributed over a three year period to a single year. This new model resulted in the transfer of the majority of workload and costs for the issue of valuations for rating to year one (FY16-17) of the three year cycle, bringing future expenditure forward. The principal effects were:

- issuing of approximately 2.5 million Notices of Valuations over one year rather than over three years
- additional contact centre volume and activity
- additional objections
- additional printing and mailing costs.

It should be noted that as the Valuer General values all land every year there was no increased workload in the making of the valuations.

Operational and system changes

Preparation for the FESL required operational and system development, project management and communication with stakeholders and the public including:

- process and systems development for the delivery of estimates to Treasury including classification data from councils
- development of new processes and systems to allow compliance monitoring of council obligations
- communication with landholders regarding the use of land values in the calculation of the FESL. The Valuer General issued two newsletters including information about FESL, one with Notices of Valuation, the other with rates notices.
- communication with councils for the issue of 1 July 2016 land values
- project management.

FESL project costs

Costs to the valuation system associated with the implementation of FESL fall into two categories, once off set up and implementation costs; and future expenditure brought forward. Future expenditure brought forward is primarily a result of the harmonisation of the valuation cycle. All FESL costs are detailed in **TAB A**.

Valuation Services managed the operational requirements for the implementation of the FESL including the budget. I requested the Department of Finance, Service and Innovation (DFSI), Internal Audit to undertake an assessment of the project costs for the FESL as detailed in **TAB A**. DFSI Internal Audit found that FESL expenditure incurred for FY16/17 appears to be materially supported by underlying evidence and based on sound assumptions. A copy of DFSI Internal Audit's letter of assurance is attached (**TAB B**).

I trust this information is of assistance. Please contact me if you would like any further information or have any queries.

Yours sincerely

Simon Gilkes
Valuer General

24 November 2017

Actual and forecast expenditure: FESL Implementation at 7 June 2017

(FY17/18 forecast revised following postponement of FESL)

	FY16/17 Actual Total spend To 07/06/17	FY 17/18 Approved Forecast	FY 17/18 Revised Forecast
Stage 1: Once off FESL Setup and implementation costs			
1 FESL Implementation Project			
1.1 Governance	36,336	10,234	1,117
1.2 FESL Program Management	233,231	28,374	6,000
1.3 WS 1: Communications	61,208	7,444	
1.4 WS 2: Valuations	5,583	931	
1.5 WS 3: Objections Quality Assurance	18,331	1,861	
1.6 WS 4: Notices of Valuations	69,974	1,861	
1.7 WS 5:IT	590,293	100,731	21,639
1.8 WS 6: Operational Planning	16,485		
1.9 WS 7: Customer Service & Objection Planning	16,476	4,653	9,017
1.10 WS 8: Delivery Partnerships	29,776	3,722	
1.11 OVG Correspondence	47,456	65,000	
Subtotal Stage 1: Once off FESL Setup costs	1,125,149	224,811	37,773
Stage 2: Forecast impact of bringing forward FESL costs			
2 FESL Implementation			
2.1 Contract Call Centre	122,555	179,800	104,110
2.2 Bathurst Call Centre	231,663	72,540	44,483
2.3 Triaging Contracts	4,085	128,292	80,812
2.4 Processing Written Correspondence	311,480	166,660	104,072
2.5 Contacts referred to Valuers		253,656	148,291
2.6 Objection Registration	59,073	102,514	53,184
2.7 Objection Contractors	88,524	3,731,904	1,736,969
2.8 Objection Contractor Management		48,780	30,197
2.9 Objection Quality Assurance	1,683	414,630	191,636
2.10 Conferences		202,436	102,089
2.11 Properties Requiring Valuation due to FESL		2,158	
2.12 Issuing NOVS		-1,093,176	-1,093,176
2.12.1 Spatial Services - Printing etc	408,232		
2.12.2 Australia Post	1,465,817		
2.13 Ongoing Compliance Activities		125,000	
Subtotal Stage 2: Forecast impact of bringing forward FESL costs	2,693,112	4,335,194	1,502,667
Total Stage 1 and 2	3,818,261	4,560,005	1,540,440



Mr Simon Gilkes
NSW Valuer General
NSW Office of the Valuer General

23 November 2017

Dear Simon

INDEPENDENT LETTER OF ASSURANCE - PROJECT FINANCIALS: FIRE AND EMERGENCY SERVICES LEVY (FESL) PROJECT FY16/17

As per your request, DFSA Internal Audit have carried out an assessment of project costs incurred by Valuation Services in the pursuit of delivering proposed legislative changes pertaining to FESL.

Our assessment has focused on substantiating costs being reported (refer Tab A of your submission to the Legislative Council Inquiry) and the reasonableness of any assumptions made.

The results of our assessment are below by project stage:

Stage 1: Once off FESL setup and implementation costs FY 16/17

- Material costs reported were sample selected to substantiate actual expenditure
- Variances were noted between costs reported and supporting evidence. The variances noted were immaterial in aggregate.
- Variances noted were due to a lack of supporting evidence or evidence that did not reconcile with reported figures. The variances noted were as follows:

Reporting Category	Net Cost Reported	Net Variance	Variance as %
1.1 Governance	\$36,336.03	\$805.81	2.2%
1.2 Program Management	\$233,231.20	\$4,756.44	2.0%
1.3 WS 1: Communications	\$61,208.29	-\$3,751.78	-6.1%
1.6 WS 4: Notices of Valuations	\$69,973.60	\$7,685.00	10.9%
1.7 WS 5: Information Technology	\$590,292.73	-\$38,341.32	-6.5%
Total Stage 1 Costs	\$1,125,149.00	-\$28,845.85	-2.5%

Stage 2: FESL costs incurred with future economic benefit FY 16/17

- Material costs reported were sample selected to substantiate actual expenditure
- A variance was noted between costs reported and supporting evidence. The variance noted was immaterial in aggregate. The variance noted was as follows:

Reporting Category	Net Cost Reported	Net Variance	Variance as %
3.1 Contract Call Centre	\$122,555.00	-\$27,711.81	-22.6%
Total Stage 2 Costs	\$2,693,112.00	-\$27,711.81	-1.0%

While variances were noted in each stage, the net variance for the FY16/17 was immaterial (i.e. -1.5%) of the total costs incurred of \$3.8m.

Conclusion

Based on sample testing performed, FESL expenditure incurred for FY16/17 appears to be materially supported by underlying evidence and based on sound assumptions.

Yours sincerely

23.11.2017

Geoff Campbell
Chief Audit Executive
Internal Audit