

Item 3.3

Damaging Increase in Emergency Services Levy Costs

File No: S051491

Minute by the Lord Mayor

To Council:

I am calling on Council to support representations to the NSW Government in response to the highly damaging increase in the Emergency Services Levy (ESL) imposed on all councils, and withdrawal of the annual subsidy, without warning, for the 2023/24 financial year.

Background

The Emergency Services Levy is a cost imposed on councils and insurance policy holders to fund the emergency services budget in NSW. The majority is paid as part of insurance premiums, with a further 11.7 per cent funded by councils and 14.6 per cent by the NSW Government.

In the 2019/20 financial year, legislative changes increased councils' contribution to the Emergency Services Levy. In recognition that this change significantly impacted the financial sustainability of many councils, the NSW Government has been providing "one-off" subsidies to offset these growing levies each year, which helped minimise the financial impacts to councils.

The City received a subsidy of \$1.07M for the 2022/23 financial year, which was 19.3 per cent of the City's total contribution of \$5,561,515 to the Emergency Services Levy for that year.

Financial impacts

The NSW Government's recent decision to both substantially increase the Emergency Services Levy and withdraw subsidies for councils is an unexpected cost hit that will eat into any Independent Pricing and Regulatory Tribunal (IPART)-approved rate rise. Increases in rates will now have to be diverted to the significantly higher Emergency Services Levy payments this year.

Councils are already under massive financial pressure from the combined impact of the pandemic, extreme weather events, high inflation, and wage increases.

The levy increase for the state's 128 councils in 2023/24 amounts to almost \$77 million, with the total cost imposed on the local government sector increasing from \$143 million in the current financial year to \$219 million next year.

This represents a 53.1 per cent increase, completely dwarfing the Independent Pricing and Regulatory Tribunal (IPART) baseline rate peg of 3.7 per cent for 2023/24.

For the City, the new levy represents an increase of \$2,115,595, which is 32 per cent of the City's total contribution (\$6,602,257) for 2023/24. This amounts to 17.5 per cent of the City's expected increase in rate income for 2023/24.

If the NSW Government's decision is not reversed, over time this unfair increase will ultimately impact council's financial position and our capacity to provide the services and infrastructure that our community requires.

The timing of the announcements by the NSW Government is particularly challenging for councils as it comes so late in the local government budgeting cycle, well after IPART's rate determination for the coming financial year, and after councils have prepared their draft budgets for consultation with their communities.

Reporting suggests that the increase in costs this year reflects a 73 per cent increase in the State Emergency Service budget and an 18.5 per cent funding increase to Fire and Rescue NSW.

All councils strongly support a well-funded emergency services sector and the critical contribution of emergency services workers and volunteers (many of whom are councillors and council staff). However, it is essential that these services be supported through an equitable, transparent, and sustainable funding model.

With the support of Local Government NSW, I recommend that Council call on the NSW Government to take immediate action to:

- (i) restore the Emergency Services Levy subsidy;
- (ii) decouple the Emergency Services Levy from the rate peg to enable councils to recover the full cost; and
- (iii) develop a fairer, more transparent, and financially sustainable method of funding critically important emergency services.

I also recommend that the Chief Executive Officer make representations to the Independent Pricing and Regulatory Tribunal (IPART) advising of the financial sustainability impacts of the Emergency Services Levy, and that I write to the President of Local Government NSW requesting their ongoing support for councils on this matter.

Recommendation

It is resolved that:

- (A) the Lord Mayor be requested to write to the Treasurer, the Minister for Emergency Services, the Minister for Local Government and local Members:
 - (i) expressing Council's strong opposition to the NSW Government's decision to impose an enormous Emergency Services Levy (ESL) cost increase on councils for 2023/24, and for scrapping the Emergency Services Levy subsidy for councils;
 - (ii) noting that as a consequence of the unannounced 73 per cent increase in the State Emergency Service budget and an 18 per cent increase in the Fire and Rescue NSW budget, Council's 3.7 per cent rate increase to provide essential community services and infrastructure has been significantly eroded;

- (iii) advising that the NSW Government's decision may impact Council's ability to deliver important local services and necessary infrastructure in the long term; and
- (iv) calling on the NSW Government to take immediate action to:
 - (a) restore the Emergency Services Levy subsidy in 2023/24;
 - (b) urgently introduce legislation to decouple the Emergency Services Levy from the rate peg to enable councils to recover the full cost (in future years); and
 - (c) develop a fairer, more transparent and financially sustainable method of funding critically important emergency services in consultation with local government;
- (B) the Chief Executive Officer be requested to write to the Chair of the Independent Pricing and Regulatory Tribunal (IPART) advising that Council's forced emergency services contribution is manifestly disproportionate to the 2023/24 rate cap, which has resulted in additional financial stress; and
- (C) the Lord Mayor be requested to write to the President of Local Government NSW seeking the Association's ongoing advocacy to bring about a relief in the burden of Councils' emergency services contribution.

COUNCILLOR CLOVER MOORE

Lord Mayor