

Response to the

Reforming the emergency services funding system

22 May 2024

Prepared by Northern Sydney Regional Organisation of Councils

Member Councils: Hornsby Council
Hunter's Hill Council
Ku-ring-gai Council
Lane Cove Council
Mosman Council
North Sydney Council
City of Ryde Council
Willoughby City Council

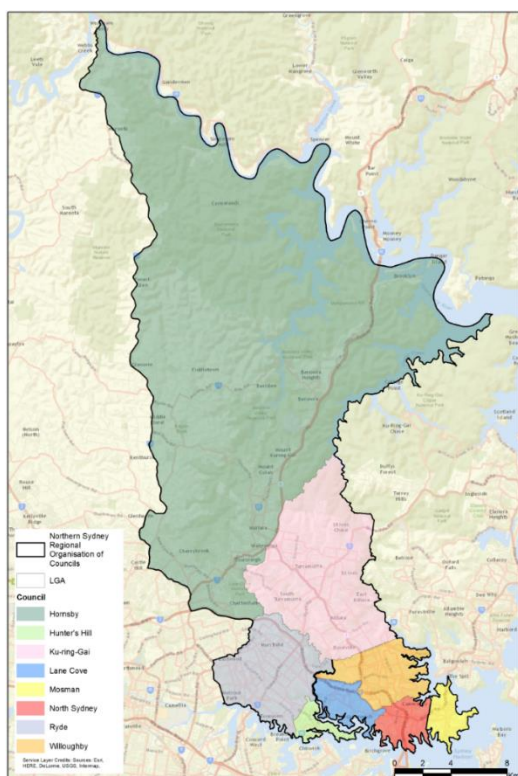
Contact: Dr Meg Montgomery
Executive Director, NSROC
mmontgomery@lanecove.nsw.gov.au

Introduction

The Northern Sydney Regional Organisation of Councils (NSROC) is pleased to make this response to the NSW Treasury’s consultation on *Reforming the emergency services funding system*. This submission has been prepared with the input and support of our member councils but should be considered draft until it is formally endorsed by the NSROC Board.

NSROC is a voluntary association of eight local government authorities in Sydney. NSROC assists member councils to collaborate on key issues and activities to develop regional solutions that generate benefits – social, environmental and economic – for their communities and for the region as a whole.

NSROC member councils service an area extending from the Hawkesbury River in the north to Sydney Harbour in the south, west to Meadowbank on the Parramatta River, as shown in Map 1.



The eight NSROC member councils are:

- Hornsby Shire Council (HSC)
- Hunter’s Hill Council (HHC)
- Ku-ring-gai Municipal Council (KMC)
- Lane Cove Council (LCC)
- North Sydney Council (NSC)
- Mosman Municipal Council (MMC)
- City of Ryde (CoR)
- Willoughby City Council (WCC)

Our member councils employ approximately 2,700 people across the region, delivering a wide range of services, including operational waste management for both the public and private domain. Collectively the eight councils have a waste budget of over \$90 million per year and manage around 14% of metropolitan Sydney’s municipal waste.¹

Map 1: Northern Sydney Regional Organisation of Councils area

NSROC is pleased to have this opportunity to respond on behalf of its member councils, while noting that the individual councils may also make an independent submission.

NSROC considers reform of the emergency services levy to be long overdue. The current system for funding emergency services, which are essential public goods, is unfair, inequitable, ineffective and grossly warps the incentives for taking out insurance especially in regions that face the most risk. This results in a higher than required disaster relief spend by governments due to services provided to uninsured property owners.

¹ Based on 2021/22 figures

Ideally emergency services, like other public goods (e.g. police services), should be funded from consolidated revenue. Given the history of funding emergency services in New South Wales, we don't expect this approach to be adopted. We support an approach that is sustainable, proportional, equitable, simple, administratively efficient and sustainable to implement. Additionally, emergency levy payers should be able to understand the basis for the charges for emergency services. Also, the adopted proposal should be reviewed periodically to ensure that the amounts spent on emergency measures are reasonable and meet the needs of the New South Wales community.

Context for Local Government

As noted in the *Reforming the emergency services funding system paper (the consultation paper)*, local government funds 11.7% of the Funding Target with individual councils invoiced an amount based on an arcane methodology that neither reflects the demand or use of emergency services by councils.

81% of the funding target is funded by people and organisations buying insurance. As the levels of insurance coverage in Australia are relatively low and a large proportion of insurance policies are bought as part of a mortgage agreement as a condition of taking out a loan to buy property, the current approach results in the funding burden falling unfairly on this group. This approach does not reflect the true spread of emergency risk across communities.

Our response to the issues in the consultation paper

1. Do you agree with the design principles of cost recovery, equity, efficiency, simplicity and sustainability for the replacement levy?

NSROC supports these design principles. We propose below some commentary on how these principles are defined and implemented.

Cost recovery: The new proposal must incorporate a test for ensuring that the three emergency services do not gold-plate their needs, that the funding by the emergency levy is limited to emergency response and does not include expenditure related to recovery and rebuilding following a disaster event.

Equity: requires that the levy (on whosoever it is finally levied) should reflect the risk requiring an emergency response. This will require use of suitable risk pools with the objective to minimise cross subsidisation. An important aspect should be to help discourage risky behaviour e.g. building in bushfire or flood-prone areas. This needs to be married with appropriate amendments (e.g. Building Code) to ensure that local/facility-level risk management actions are taken e.g. implementation of community effective warning systems, and the installation of sprinkler systems, smoke alarms, use of flood- and fire-resistant materials etc in properties. Further, every property holder should be levied while ensuring that vulnerable sections of society are protected.

Efficiency of collection of the levy: fully support - the cost of management covering collection, reconciliation, follow-up of outstanding dues, offer of concessions to low-socio-economic sections of the community or vulnerable (hardship) is monitored to reduce misuse etc. is kept to

a minimum measured in terms of percent of cost of collection or below a target dollar amount (or perhaps both).

Simplicity: NSROC strongly supports adopting a system that is simple to operate and operate. A levied property owner should be able to link the dollar value levied to the cost of addressing the emergency risk to their properties. The public good aspect of emergency services and the universal nature of emergency response means that all property holders pay the emergency levy.

Sustainability: The total amount raised by the emergency levy should be sufficient to meet the funding needs and the amount is not subject to volatility while reflecting longer term needs in the context of climate change impacts. In achieving this objective, any savings realised i.e. the difference between funds raised and applied in the running of emergency operations, are returned to levy payers or to consolidated revenue.

2. Which of the four revenue base models – capital improved values, unimproved land values, gross rental values and a fixed charges model – should be used to design the replacement levy?

NSROC recognises that the value at risk in any disaster event is linked to the market value of property adjusted for value that is not impacted by the disaster, for example in a fire or flood disasters it's the improvements to land that are impacted with the unimproved value remains relatively unchanged. However, we recognise that this approach is likely to require considerable work to be carried out and use of a framework that may make the new arrangements complex and administratively costly. The unimproved land value database is readily available and is used by the State Government for land tax and by councils for levying council rates. Use of unimproved value supports simplicity and efficiency principles (and is easy to understand as it will not require complex algorithms and models to determine values – capital, rental etc.).

3. Which of the current revenue sources for emergency services agencies should be replaced?

100% of the emergency services funding should be wholly paid by property owners, including councils as property owners.

The 11.7% currently raised from councils should be discontinued and they should be levied an amount that reflects their property holdings.

At the same time the current emergency services levy and stamp duty levied on insurance policies should be discontinued.

The net effect of the new regimen should be that insurance holders experience a net fall in the funding burden, i.e. property owners should see net savings from discontinuation of ESL and insurance stamp duty as these amounts should be more than the new emergency services levy that they will have to pay.

4. Should different levy rates be applied to:

- **different property types, such as residential, commercial or farmland, or**

- **properties in different locations?**

NSROC supports use of differential levy rates based on their type and geographical location. The rates should reflect the emergency risk that they face with the types of properties based on existing planning law categories which are then cross-tabbed to a geography/risk-based categories.

5. What protections are necessary for pensioners and other vulnerable cohorts?

NSROC recommends that protections for pensioners and vulnerable cohorts should replicate existing rules/guides used by local councils or electricity service providers. This should include time-limited concessions subject to continuous (or periodic) monitoring, reporting of levy value foregone, collection from estates etc. This approach has the advantage of using existing set of rules that the community members is familiar with.

6. How should a levy collected each year reflect changing funding needs for emergency services?

As noted in item 1 above the reformed emergency levy needs guard rails to address volatility in charges levied on property owners arising from gold-plating and structural change in cost structure of delivering emergency services (climate change etc.). Any unanticipated increase in funding needs due to higher than anticipated disaster and emergency events should be covered by contributions from consolidated fund/revenue.

7. Should revenue from a replacement levy be collected by local governments or by the State Government through Revenue NSW?

The State Government is in the best position to levy and collect the emergency levy (invoicing, collection, reconciling, management of concessions etc). This activity could be added to the land tax collection activity of the State Government using common databases and systems. This would meet the principles of administrative efficiency and simplicity.

As recognised in the consultation paper, using local councils as collection agencies will complicate the management of the system and militates against simplicity principle.

8. What arrangements should be put in place to ensure that the removal of the current Emergency Services Levy is passed on in lower insurance premiums? How long should the transition take? What other transitional arrangements should be considered for the reform?

Some measures that the State Government can take to mitigate risks associated with the changeover in emergency services funding are:

- Provide advance notice of change – at least six months notice – to enable the community to understand and to the extent possible prepare for meeting the expense, especially members of the community who are un/under insured.

- Transition should reflect ability of Revenue NSW to ready itself to collect levy.
- Enable pro-rata charging of ESL on policies renewed during the transition period.
- Appoint a temporary commissioner to monitor pass through of benefit with adequate monitoring and enforcement powers.
- Provide on-line calculators (currently insurance companies are levied on their turnover, and they in turn estimate premium income in the future and assess ESL to be charged – under collection has to be made up by insurance company, over collection is profit!) for community members to estimate their share of the levy. The calculator should use on unimproved value of their property drawn from the values database of the Valuer General.

If you require further information, please don't hesitate to contact Dr Meg Montgomery, Executive Director NSROC on 0401 640 823 or at mmontgomery@lanecove.nsw.gov.au.

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