

Response to the

Emergency services funding reform – Options paper

19 June 2026

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

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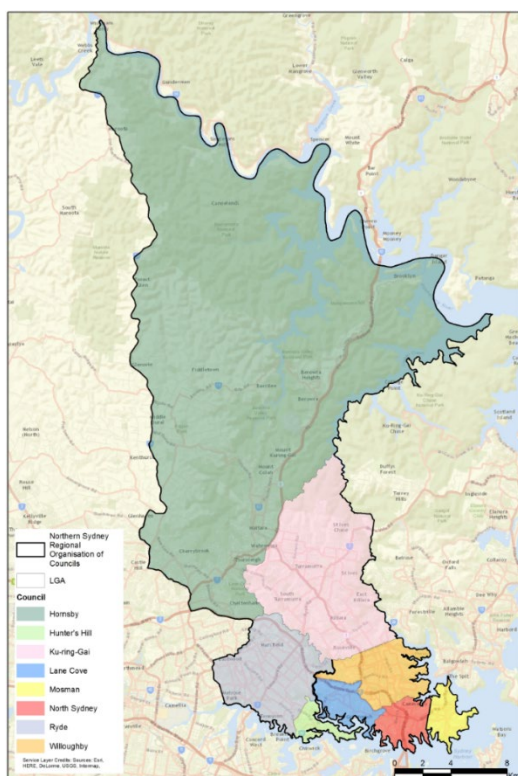
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Introduction

The Northern Sydney Regional Organisation of Councils (NSROC) is pleased to make this submission to the consultation on *Reforming the emergency services funding system* being considered by the Select Committee on Emergency Services Funding Reform of the NSW Legislative Assembly. 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.



Map 1: Northern Sydney Regional Organisation of Councils area

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
- Hunter's Hill Council
- Ku-ring-gai Municipal Council
- Lane Cove Council
- North Sydney Council
- Mosman Municipal Council
- City of Ryde
- Willoughby City Council

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.

Executive summary

As our past submissions have made clear, NSROC considers reform of the emergency services levy to be long overdue. The current system for funding emergency services, which are essential public goods, distorts the incentives for taking out insurance especially in regions that face the most risk resulting in an unfair, inequitable and complex system.

Reform of the funding system must lead to a simpler system that is equitable and fair and is backed up by effective and efficient administration. Such a system should enable levy payers to understand the basis for the charges for emergency services. At the same time, 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.

Our submission is structured around the Committee's terms of reference, which is to examine the levy design principles of cost recovery, equity, efficiency, simplicity, and sustainability, and design parameters of levy concessions and transition arrangements.

Summary of our submission recommendations:

- The contribution target for the levy should be linked transparently to the activities of the emergency services agencies.
- The council share of 11.7% of the emergency services target should be rolled up into the overall contribution target in the interest of transparency
- The Fire and Emergency Services Levy should be administered by Revenue NSW or another agency of the State Government.
- If the Government decides that councils are to collect FESL then:
 - Councils should be compensated for the cost of collecting and administering FESL
 - Councils collect the FESL as an agent of the State Government and amounts collected are remitted to the Government on a pass-through basis less an administration charge
 - The State Government set the policy on hardship provisions and the management of delinquent accounts that would apply to the payment of FESL by property owners
 - FESL revenue model should progressively transition to a capital improved value basis
 - Property owners are provided an invoice for FESL and that the levy is not included in Council's Rates and Charges Notice.

Contribution target

The contribution target to be raised by the levy via insurance industry premiums is \$1.5 billion for 2026-27 year representing 73.7% of the funding requirement to support the work of emergency services. This target was \$828.1 million in 2016-27. 2026-27 target represents an annual increase of 6.2% over the decade.

The Fire and Emergency Levy reforms should clearly identify the activities of the three emergency combat agencies that are to be funded by the Levy and how the amounts spent on these activities are determined. This is particularly important as the impacts of climate change intensify. The combat activities expenditure must be reasonable and adequate as well as flexible to reflect varying actual expenditures over time.

Constituents of the contribution target

Local councils fund 11.7% of the total funding required to support the work of emergency services in NSW. The amount paid by local councils is in turn sourced from general income of councils, which is rates paid by property owners. This levy on councils should be included in the overall funding target that is to be raised by the Fire and Emergency Services Levy (the *FESL*) and the levy imposed on councils should be discontinued.

This aspect of the reform has the advantage of the emergency services charge being levied on property owners in a consistent manner that is simple to understand as opposed to the current system where rate payers fund 11.7% of the funding target via rates and the rest being paid by property owners taking out insurance for real property and vehicles. Rolling up the councils' share of the FESL contribution target will enhance transparency of the levy.

Further, NSROC supports the Portfolio Committee No. 4 – Legal Affairs’ *2018 Inquiry into the Fire and Emergency Services Levy* recommendation to remove the 11.7 per cent contribution by councils (recommendation 4 of the Committee).

In considering this suggested reform, it should be noted that the determination of 11.7% share to be paid by councils (and hence by rate payers) is a historical artifact and it makes this system unnecessarily complex and does not reflect the demand or use of emergency services by councils. Also, by being included in general income, this amount cannot be collected from ratepayers and any increases in the amount requires councils to absorb the cost by cutting other local infrastructure and community services.

Who should administer the Fire and Emergency Services Levy?

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. Using local councils as collection agencies will complicate the management of the system and will not satisfy the simplicity principle especially when an alternative simpler approach is available.

The FESL is presently proposed to be collected by local councils. While this approach appears to be logical on surface, it poses substantial challenges in implementation to deliver an equitable, efficient, simple and sustainable outcome. It would be better for the NSW community for the FESL to be administered by the State Government’s Revenue NSW instead, which was also recommended by the Portfolio Committee No. 4 – Legal Affairs’ *2018 Inquiry into the Fire and Emergency Services Levy* (recommendation 3).

A simple comparison of the two options bears out this recommendation:

Approach	Revenue NSW	Local councils
Principle: equitable	✓ All of NSW community will have to deal with one set of rules and have a uniform experience even if they moved from one LGA to another within the State	✗ Community members’ experience will be dependent on their local council rules, systems and practices. Councils’ hardship provisions vary as they are not required to offer all relief measures under the Local Government Act. Further, councils have different assessment criteria and relief limits that will result in variable experience of property holders across the State. In addition, councils in NSW offer different voluntary rebates that will also result in property owners receiving different levels of support.

Approach	Revenue NSW	Local councils
Principle: efficient	 Revenue NSW (with support from Customer Service) will be able to leverage their land tax collection system that already has holds updated land values and the collection of the FESL will be an extension of the land tax system. Further, Revenue NSW already has the infrastructure and systems to deal with objections, appeals, delinquent accounts, collection of late accounts etc. Having one system for the administration of FESL is clearly preferable to different systems being implemented across 128 councils in NSW.	 Each of the 128 local councils in NSW will need to implement a system to levy, collect, account for and manage FESL from each property owner. Councils currently use a variety of applications from various vendors that range from on-premises systems to SaaS and adding an FESL specific module will impose extra costs as well as result in uneven practice from the perspective of rate payers as FESL modules are implemented differently by the vendors.
Principle: Simple	 Revenue NSW will be wholly in control of the administration of the FESL delivering a seamless consistent simple administrative process to the community. Further, as the main agency responsible for administering and managing income for the State Government from taxes, duties, levies, fines and royalties, it can leverage its experience and skills to incorporate collection of the FESL.	 Administration of the FESL by local councils will be complex as they will have to interpret and apply rules set by the State Government. Further, currently local councils collect funds for their own functions for the delivery of services to their constituents. Becoming a collection agent for the State Government will impose substantial administration burden related to reporting, coordinating collections, accounting etc.

Although not recommended, if the Government decides that councils are required to collect FESL on behalf of the State Government

At a minimum, in recognition of the substantial cost shifting on to councils and the administrative burden associated with collection of the FESL for councils the following business settings are recommended:

1. Councils are compensated for the cost of collecting and administering FESL.

Costs associated with the administration of the FESL will include staffing, systems (IT systems, development of processes, training and keeping abreast of new technologies to meet community expectations of contemporary customer service), accounting, application of hardship provisions, management of delinquent accounts, dealing with queries for a new charge that was not earlier payable by the homeowner and cash flow management.

Councils should be provided a lump sum to set-up the new system, staffing, training etc. and an ad valorem fee on an on-going basis to meet operating costs.

Note: that these costs will be incurred by all 128 councils without any significant economies of scale being realised, while that would not be the case if Revenue NSW were to administer the scheme on a state-wide basis.

2. Relationship between the State Government and the councils

The FESL amounts should be collected by councils acting on behalf of the State Government. This means that the levies collected are transmitted to Revenue NSW on a quarterly basis after deduction of a service/administration charge on a pass-through basis. The periodic council report (no more often than every quarter) to Revenue NSW should be based on an approved template that provides information on levies collected, administration charge deducted, overdue amounts etc.

The current system under which Revenue NSW renders an invoice for the emergency services levy as a fixed amount payable by a specified date must be discontinued.

The relationship between the council and Revenue NSW should be on a best endeavours basis and not as one where the council guarantees collection of specified amounts under the FESL. This is also important as at commencement the amount that will be raised will be an estimated amount and the accuracy of this amount is not known and cannot be pre-determined. A guaranteed payment amount when higher than actual collection will adversely impact the council's ability to deliver their services to the community.

3. Management of hardship provisions and concessions

Property holders by type should receive same benefits under hardship provisions and concessions with identical evidentiary requirements. The policy on these should be set by Revenue NSW or the Office of Local Government, applied by councils and any consequent costs being borne by the State Government.

4. Management of delinquent accounts

As is the current system for the collection of monies from infringement notices where Revenue NSW is the administering agency, any delinquent accounts (late or non-payments) should be responsibility of Revenue NSW. This will allow the existing system to be used without the need for 128 councils required to set up policies and procedures for managing such accounts.

Other considerations in setting up the FESL

1. Revenue base model

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 is the improvements to land that are impacted with the unimproved value remains unchanged.

While 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 and its 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.), it fundamentally distorts the link between levy mount and risk to property.

We recognise that the approach to use capital improved values (CIV) is likely to require considerable work to be conducted before it can be implemented. However, use of CIV will better capture the risk to properties and be consistent with taxation principles of neutrality, equity and fairness. It should be noted that IPART in its report *Review of the Local Government System – December 2016* also recommended “to mandate Capital Improved Value as the basis for setting ad valorem rates in metropolitan council areas”.

Accordingly, we recommend that the State Government commence development of a capital improved value methodology.

2. Property owners experience of the replacement levy

Property owners should receive a simple invoice that describes the reason/basis for the levy and the levy amount instead of it being incorporated in other fees and charges.

We note the exclusion of fire and emergency service levy from the definition of general income in clause 505 (a)(vii) of the *Local Government Act 1993* enables raising of a payment notice/invoice on a property owner for the FESL.

3. Funding options in the NSW Treasury Emergency services funding reform options paper

We have not formed a view on the stepped charges option models presented by NSW Treasury. We will need access to the underlying database to assess the impact on our communities in the Northern Sydney region.

We believe that the final model adopted should demonstrate that the FESL proposed to be paid by a property owner under the new regime is lower than the amount they currently pay via insurance (where they have taken out home and contents and vehicle insurance). This is important as a demonstration that the proposed reforms will result in a more equitable outcome will ease its acceptance by the community. A well-designed scheme should be able to demonstrate this outcome as there is considerable underinsurance at the present time with the insured property owners are currently carrying the burden of service provision to all.

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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