

**Submission
No 7**

INQUIRY INTO FIRE AND EMERGENCY SERVICES LEVY

Organisation: Blacktown City Council

Date received: 24 November 2017

24 November 2017

The Hon Robert Borsak MLC
Chair
Portfolio Committee No. 4 – Legal Affairs
Parliament House
6 Macquarie Street
Sydney NSW 2000

Dear Sir,

**Submission to Portfolio Committee No. 4 – Legal Affairs
(Inquiry into the fire and emergency services levy)**

Blacktown City Council welcomes the opportunity to make this submission to the Portfolio Committee No. 4 – Legal Affairs inquiry into the funding of fire and emergency services.

We have previously made a submission (copy attached) in response to the 2012 Discussion Paper “Funding Our Emergency Services” and highlighted key areas of concern in relation to the inequities of a land based levy. These concerns were ultimately recognised through the decision to defer the Fire and Emergency Services Levy (FESL).

Thank you for the opportunity to comment and should you require any further information regarding this matter, please contact Council’s Director Corporate Services, Mr Wayne Rogers

Yours faithfully,

Kerry Robinson
General Manager

BLACKTOWN CITY COUNCIL

Submission to Portfolio Committee No. 4 – Legal Affairs Inquiry into the fire and emergency services levy

Introduction

This submission outlines Council's views in relation to the Fire and Emergency Services Levy (FESL) and any future proposal to alter the funding of emergency services. Our issues and comments have been categorised, as closely as possible, under the points (a) to (d) specified in the Terms of Reference for the inquiry, as follows:

a. the policy process and financial modelling underlying the provisions of the *Fire and Emergency Services Levy Act 2017*,

Compulsory contribution by local government

Under the deferred *Fire and Emergency Services Levy Act 2017* it was proposed that Local Government continue to contribute 11.7% of the total levy for Fire and Emergency Services. It is our view that this contribution is outdated and should be removed from the existing levy and should not have been considered as part of the FESL modelling as it was proposed.

It would be more appropriate that the full quantum of the levy be contributed by property owners. This contention is further supported by the fact that under the FESL modelling, Council was to continue contributing towards local government's 11.7% share of the total levy, in addition to its obligation to pay levies as a landowner. This highlights a lack of fairness and equity towards local government in the FESL as it was proposed, in what would have been an increase in cost shifting to, local government.

Further, there is no recognition or consideration given to increasing the level of funding provided by the State Government to local government towards the operational costs for providing and maintaining emergency services facilities.

Basis of proposed FESL calculation

A concern with the policy process and financial modelling of FESL was that it proposed a base amount plus an ad valorem levy based on unimproved land value. This would have resulted in an inequitable situation whereby owners of buildings of significantly differing size, bulk and nature, located on adjoining land of the same area, would have been paying exactly the same amount of the levy.

The resources required to respond to and control emergency situations such as fire varies significantly relative to those, and other factors. The proposed levy did not seek to differentiate the cost impact of an emergency situation relative to such variances and, as a consequence, was flawed and unfair.

Administration costs

A component of the modelling and consequent proposal specified that the reimbursement of on-going costs incurred by councils in administering FESL was to be based on the number of rateable assessments. This is not equitable in view of the widely varying nature of local government areas (LGA's), particularly in terms of the differences between older established LGA's as opposed to councils undergoing large amounts of growth, such as the Blacktown Local Government Area (LGA).

It was understood that following the implementation of FESL much of the on-going administrative work associated with maintaining FESL data was to have related to monitoring and implementing classification changes of land from vacant to non-vacant. Obviously older, established, built up areas would have had relatively small volumes of administrative work to undertake as they contain little or no vacant land (to change to non-vacant).

Growth areas such as the Blacktown LGA possess many vacant lots and consequently would have incurred significantly greater overhead costs. Therefore, the proposal to align reimbursement of administration costs with the number of assessments is not equitable and due consideration should be given to the actual cost drivers of administering the proposed scheme.

Council as collection agency

In our submission in response to the "Funding Our Emergency Services" discussion paper (attached), Council expressed its opposition to the proposed FESL as it did not consider it reasonable or appropriate for it to act as the collection agency for the Emergency Services Levy. Council's strong objection and opposition to this remains should any future changes to the levying of emergency services funding be contemplated.

Further, whilst it is acknowledged that the funds proposed to be collected through the levy were not to be for use by Council, it is contended that any policy that obliges a council to increase the amounts to be paid to it by its ratepayers through a council rate notice is unreasonable if it does not deliver to them any commensurate increase in service provided by Council.

b. the policy and financial implications for all stakeholders of repealing this Act,

Impact on the less advantaged

Many people, including those in less advantaged areas of the Blacktown LGA, find it difficult or simply cannot afford to take out property insurance. FESL would have imposed compulsory contributions on those who cannot afford insurance and added a further financial burden on those who choose to not incur the costs of property insurance.

Repealing of the Act means that such people have been spared this burden and allowed them to apply their own discretion in managing related risk and the allocation of their limited financial resources.

c. alternative models for ensuring that fire and emergency services are fully funded in a fair and equitable manner; and

FESL is inequitable

The use of unimproved land values as the basis for allocating the costs of the proposed FESL was not appropriate as these values do not factor in the specific size, value or nature of buildings erected on a specific lot. Whereas home insurance is currently determined in accordance with the value of a dwelling, by using unimproved capital value as the basis for calculating the FESL means there is no correlation between the different values of dwellings and the amount of a FESL levy.

In particular, many adjacent properties of a similar land area would generally have very similar, if not equal unimproved land values, as provided by the Office of the Valuer-General. However, whereas one lot may be a clay brick quarry with little infrastructure and of little value, an adjacent lot may be a large purpose built food processing and packaging facility of considerably larger size and value. In this example, the proposed FESL would result in both land owners being levied the same amount due to each property being of equal unimproved land value. In the event of an emergency response, the lot with the large processing and packaging facility would typically require the application of additional emergency service resources (by comparison to the clay brick quarry with minimal infrastructure) to resolve situations such as fire. Thus reflecting a fundamentally inequitable system.

An inequity in the proposed FESL was a consequence of it being intended that the same rate in the dollar be applied to all land within each respective classification, irrespective of its location. This approach, assumes that the cost of emergency services responding to and resolving emergency situations at sites located in heavily trafficked and populated inner city locations is the same as a response in a more sparsely populated and easily accessible outer suburban property (such as in the Blacktown LGA) as being the same, which is clearly not the case.

It also equates responding to and resolving the emergency situation in Blacktown to be the same as what would occur in an emergency in a remote location in rural New South Wales. Again, the latter scenario would typically have higher costs associated with it than the emergency response in any part of Sydney due to the large travelling distances required.

Alternate model(s)

In view of the identified flaws and inequities, as an alternative, it is proposed that any future levy be based on capital improved land values of properties.

Further, it may also be appropriate to identify a broad range of property types that could be classified by fire and emergency risks such as bushfire prone property, flood prone properties and proximity to major hazard facilities, with those properties attracting a higher proportion of the funding burden, given their increased risk and attention necessary by Emergency Services.

It is also proposed that a more equitable system would be to create geographic zonings within the state (ie Metropolitan Sydney and Regional/Rural NSW) with those two zones further divided up, based on factors such as density of population and predominant nature of dwelling type (ie high rise towers v's free standing houses) and the associated costs of providing emergency services. In relation to Sydney, this proposal would apply the highest rates in the dollar to properties in the centre of Sydney with zones radiating out and applicable rates in the dollar progressively reducing to the lowest rates in the dollar on the extremities of the metropolitan area. The remainder of NSW may also be divided into zones based on appropriate factors.

The concept of zonings, and the apportionment of the overall levy should also be scaled to reflect the community's relative financial capacity to afford the levy. Each zone could be required to meet a certain proportion of the total Emergency Services liability and it be scaled according to a relevant index such as the Socio-Economic Indexes for Areas (SEIFA) index.

An extension of this would be for individual LGA's to be apportioned a share of the liability (based on the principles outlined above) and each council be provided with the ability and autonomy to create rating structures appropriate to local circumstances, as they do with their existing rate levies.

FESL pensioner rebate

For pensioners, an annual \$50 rebate was to be provided to offset the financial impact of the FESL which was projected to commence at \$160. On average, this was expected to result in a reduction in the levy of between a quarter and one-third. This rebate was also to be indexed annually by the CPI. It is considered that a more efficient proposal (reducing the burden on the pensioner and the administrative burden on Council) would be to simply levy pensioners the proposed base amount of \$100 (residential property) and eliminate the need to apply the rebate.

d. any other related matter.

Council pensioner rebate on rates

Further to the comments in part (c) above in relation to pensioner rebates, it should be noted that in 1993 the NSW State Government introduced a \$250 mandatory rebate for eligible pensioners to offset the cost of their council rates. The cost of this rebate is currently funded by the NSW State Government and the relevant council at a ratio of 55/45 respectively.

Whilst the pensioner rebate proposed in FESL was to increase annually by the CPI, the pensioner rebate on council rates has remained at \$250 for what is now nearly 25 years. The real value of this rebate has therefore reduced significantly over this period. When first implemented, the \$250 pensioner rebate represented approximately 50% of the average rates notice. This rebate of \$250, now represents less than 25% of the average rates notice and in order to keep pace with the cost of inflation, ought to be increased to around \$500 to reinstate the original intent of a 50% discount on rates for our pensioners.

If any future implementation of FESL retains a pensioner rebate, we support the indexing of the pensioner rebate proposed in FESL and request that the Inquiry highlight the anomaly that exists between it and pensioner rebates that apply to council rates and request that it be reviewed.

Family and Community Services (FACS) Housing

Property owned by the FACS Housing is subject to council rates but was not proposed to be subject to FESL. To the contrary, private operators of public housing are not required to pay council rates but were going to be subject to FESL. Further, the FACS Housing is progressively transferring the ownership and operation of its housing stock to not for profit Community Housing Providers. This anomalous approach has created inconsistencies that negatively impact on councils. Once again, we request that the Inquiry highlight this anomaly and recommend all Community Housing Providers are subject to rates in the same manner as FACS Housing.

Write-off of small balances owing on FESL

To reduce the burden on councils, if they are responsible for administering a system such as FESL, they should have the ability to write off small balances e.g. less than \$50, rather than such negligible transactions having to be referred to the Office of State Revenue for approval as was proposed. This would be a relatively minor concession for the Government to make in any future system, saving Council's administrative costs with insignificant risk to the government. Details of amounts written off by councils could be reported to the OSR on an annual basis to ensure accountability.

Project planning and notification of changes

Should councils be obligated to be responsible to administer any system such as FESL in the future there must be a longer lead-in time. The changes to processes and systems (and the necessity to coordinate such changes with multiple suppliers and stakeholders – including all councils) were obviously either not understood or severely underestimated. The outcome was chaotic with councils being the victims of such failures without having any ability to satisfactorily control the implementation and impacts. It is also noted that any decision to cancel a program that was so far progressed should have occurred much earlier, and not days out from its commencement.

Delays in reimbursement of administration costs

Although councils received funding in advance to cover implementation/start-up costs, they would have inevitably been victims of further cost shifting in the event FESL commenced. This is due to the administration costs associated with the operation of FESL incurred by councils were not intended to be reimbursed until the end of each 12 month period. Therefore, councils were going to be burdened with those costs (and the additional holding costs of that financial burden) for a period of up to and beyond one year – until such time as reimbursement was processed and paid to councils.