

INQUIRY INTO FIRE AND EMERGENCY SERVICES LEVY

Organisation: Central NSW Councils

Date received: 27 November 2017

Inquiry into the fire and emergency services levy

November 2017



Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

www.centroc.com.au

24 November 2017

Reference jm:jb 111724
Enquiries: Ms J Bennett: 0428 690 935

The Hon Robert Borsak MLC
Chair
Portfolio Committee no. 4 – Legal Affairs
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Borsak,

Re: Inquiry into the fire and emergency services levy

Central NSW Councils (Centroc) represents over 200,000 people covering an area of more than 50,000 sq kms comprising the Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Hilltops, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, and Central Tablelands Water.

It is about the same size as Tasmania with half the population and a similar GDP.

Centroc's vision is to be recognised as vital to the sustainable future of NSW and Australia.

Its mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional cooperation and sharing of knowledge, expertise and resources.

Centroc has two core objectives:

1. Regional Sustainability - Encourage and nurture suitable investment and infrastructure development throughout the region and support members in their action to seek from Governments financial assistance, legislative and/or policy changes and additional resources required by the Region.
2. Regional Cooperation and Resource Sharing – Contribute to measurable improvement in the operational efficiency and effectiveness of Member Councils through facilitation of the sharing of knowledge, expertise and resources and, where appropriate, the aggregation of demand and buying power.

The Centroc Board is made up of the 28 Mayors and General Managers of its member Councils who determine priority for the region. These priorities are then progressed via sponsoring Councils. For more advice on Centroc programming and priorities, please go to our website <http://www.centroc.com.au/>

Thank you for the opportunity to provide feedback to this inquiry. Centroc Understands the terms of reference to be:

That Portfolio Committee No. 4 - Legal Affairs inquire into and report on the funding of fire and emergency services, and in particular:

- (a) the policy process and financial modelling underlying the provisions of the Fire and Emergency Services Levy Act 2017,
- (b) the policy and financial implications for all stakeholders of repealing this Act,
- (c) alternative models for ensuring that fire and emergency services are fully funded in a fair and equitable manner; and
- (d) any other related matter.

Please find attached all previous comments on this matter.

Yours sincerely,

Cr John Medcalf

Chair

Central NSW Councils (Centroc)

Attachments:

1. October 2012 Previous Submission on the Emergency Services Property Levy
2. 26 April 2016 Emergency Services Property Levy (ESPL)

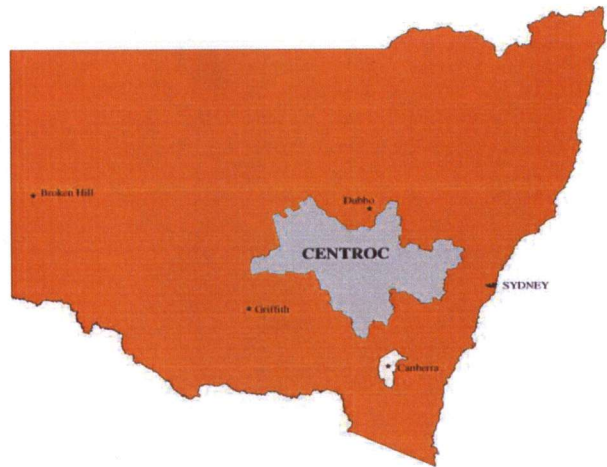
**FUNDING OUR
EMERGENCY SERVICES
SUBMISSION
October 2012**



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Central NSW Councils (Centroc) represents over 236,000 people covering an area of more than 70,000sq kms comprising the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Harden, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Wellington, Young and Central Tablelands Water.



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For more advice on Centroc programming and priorities, please go to our website and download our annual report at centroc.com.au/publications

The region welcomes the opportunity to make a submission regarding proposed changes to the funding arrangements for emergency services.

In the first instance Centroc members make the following comments that have coloured the response to the questions raised by Treasury:

- Members have noticed rapidly escalating costs to the Rural Fire Service contributions from Councils and suggests that there be mechanisms in place to monitor the costs of these and other emergency services and
- Members agree that there should be some change and that a property levy as a component of the funding is a more equitable mechanism to bring this about.

Members were interested to notice the sharp turn-around in Tasmania's level of insurance and suggest that NSW look to how Tasmania have achieved this.

Effort should be undertaken to keep any new system simple to administer, equitable, transparent and accountable.

For further information regarding this submission please contact the Centroc Executive Officer Ms Jennifer Bennett on 0428 690 935.

Yours sincerely,


Cr Phyllis Miller OAM

Chair 

Central NSW Councils (Centroc)

Centroc response to the questions from Treasury.

1. Which of the following revenue sources associated with emergency services funding should be replaced by a property levy:

- The emergency services levy payments by insurers and the associated stamp duty;
- Local government contributions; or
- The portion of emergency services funding currently provided from general NSW government revenue?

In the first instance the region sees that some type of property levy providing a vast majority of the funding required for providing emergency services is preferable.

This would replace both the emergency services levy payments by insurers and the associated stamp duty as well as local government contributions.

A second component could come from State coffers to offset the support provided from emergency services to the public sector such as hospitals and other infrastructure. A figure of 15% has been suggested. This figure is close to the current arrangement and so will not place a higher tax burden on the State and is to ensure that the State retains an interest and ownership over the process, which members see as very important in the new arrangements.

A particular concern for members regarding the current arrangements is that funding collected may not all be provided to the emergency services. People taking out insurance are paying an emergency service levy based on forward estimates by the insurer. If the forward estimate is inflated, no refund to the insured and no additional payment is made to the State Government. The net effect is that the insured are possibly paying more than required and given only the insured are paying it, where all benefit, it is an inequitable system.

2. Should a property levy be raised as a fixed amount per property, as a proportion or percentage of property value, or some combination of the two?

Regarding property levies, there are two views in the region:

1. Levies should be a fixed amount based on land value with a capped ad valorem on top. Members also submit that rural properties could be given special consideration as the earnings per unit of land are well below that of say larger industrial parks in metropolitan Sydney; and
2. Levies should be on based improved land values. The levy should include a fixed amount with an ad valorem charge based on property value.

3. Should different rates of tax be applied to different property types?

Financial modelling should be undertaken to determine hardship for the owners of different property types where concern in the region has been expressed particularly for farming communities.

Property types would have to be developed based on risk ratings but may include:

- Industrial
- Commercial
- Residential
- Vacant Land
- Farmland

No exemption for any property should be granted including to lands owned by the State Government.

4. Should different tax rates be applied in different parts of the State? If revenue amounts are zoned geographically, where should the boundaries of those zones be?

The Rural Fire Service is currently split into zones (and also council areas) where budgets are based on the equipment required and risk which no doubt somehow relate to the actual cost of providing the service. Perhaps this is one method of trying to allocate some of the cost to higher risk areas more equitably for other not so high risk areas.

It is also suggested that rather than alternative tax rates apply to differing parts of NSW, some sort of incentive program be developed to encourage proactive preparation for extreme weather events and to encourage volunteers to become part of emergency services.

It is noted that some areas and landscapes may be higher risk than others in relation to emergency. A detailed cost estimate of incident response by geographic area would have to be considered along with the expense of administering a zoned system if this is under consideration.

5. Should some proportion of emergency services funding be raised as an annual charge on vehicle registration?

Given the significant ownership rate of cars with the much smaller ownership of property combined with the 17% of incidents requiring emergency services being car accidents, a charge on motor vehicles is warranted. Having said this there is concern in the region that higher registration costs might lead to a greater number of unregistered vehicles on the road and this should be closely monitored.

6. Should pensioners receive concessional rates for a new property levy that funds emergency services?

Strong consideration should be given before introducing pensioner concessions where members raise concerns about how any funding gap could be met where local government, in a rate capped environment, has no capacity to do so. When making these considerations, the following points should be noted:

- Currently there are no pensioner concession and so it will not be an increased impost
- Australia's aging population will mean that the funding gap from pensioner concessions will have to be met from elsewhere and

- An aging population will mean a greater need for emergency services.

7. How should the revenue target be set each year to take account of changing costs of fire and emergency services?

Members are particularly concerned regarding the rapidly escalating costs of the Rural Fire Service. There should be some type of monitoring undertaken to ensure that the public are getting best value from all Emergency Services.

In the first instance, transparent and accountable, long term financial modelling should be undertaken using best practice principles like any other publically funded organisation.

While it is acknowledged that managing funding for the challenge of unknown emergencies, there will be calculations and fixed costs that will make the task easier.

Capital improvement/replacement programs should be projected over the long term.

Independent monitoring should be part of the process and IPART could be considered in this process.

8. Should revenue from a land based levy be collected by local governments or the Office of State Revenue?

While Councils would not hurry to put their hands up to collect revenue on behalf of other organisations, the State Office should ensure it has sufficient information to undertake this role as and determine whether it is a duplication of effort.

If it is simple enough for the Office of State Revenue and does not involve much by way of duplication, then the region supports the State undertaking this role.

Members would like it noted that the State has a history of devolving functions to Councils without adequate remuneration, for example the requirement of an audit of the Companion Animals funds collected by Council and the income earned is not related to the cost of providing the service.

Also when rates/charges remain outstanding (and this will inevitably happen) who will decide if council rates are paid first of the emergency services levy? How and when will these funds be remitted to the State? Will it be as Council received the payment or will they expect payment from Council when the levy is raised i.e. quarterly up front payment by local government. If the State expects payment when they are levied then outstanding debtors is going to be an issue for local government.

Bearing in mind the above advice, if it involves a significant administrative effort by the Office of State Revenue then Councils should consider the role were cost covering recompense is paid back to Councils for administering the process and the State should make it clear that Councils are not levying the charges given that Council staff will be the ones bearing the brunt of complaint.

9. Is a transitional period required for adjustment of the emergency services levy, and if so how should any funding gap arising from a transitional period be recovered?

Any transitional period should be planned for and budgeted like any other operation and adjustments made in subsequent years.

Members suggest that industry and the State Government would have a better idea of how transitional arrangements could be managed. In the first instance, Local Government, who provide services in a rate-capped environment; don't have the resources to meet any funding gaps.

10. What arrangements are needed to ensure that any reductions in insurance taxes are passed on to consumers?

As advised above, some type of watch-dog arrangements working in conjunction with all stakeholders, the suggestion of IPART has some merit or alternatively an independent emergency services levy monitor. Given the advice from other States, it seems that insurance companies do come to the party. Some type of monitoring should be undertaken with review where possible "penalties" are understood by industry and a review period set.

11. Ambulance funding

Centroc members would like to see the ambulance review before making comment here.

26 April 2016

Reference bw:vp 041626
Enquiries: Ms J Bennett: 0428 690 935

The Hon Gladys Berejiklian MP
NSW Treasurer
GPO Box 5341
Sydney NSW 2001

CC
The Hon David Elliot MP
Minister for Emergency Services
GPO Box 5341
Sydney NSW 2001

Dear Treasurer,

Re: Emergency Services Property Levy (ESPL)

Central NSW Councils (Centroc) represents over 243,000 people covering an area of more than 72,500sq kms comprising the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Mid-Western, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young and Central Tablelands Water.

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Centroc was selected as one of five regional pilot Joint Organisations to assist the NSW Government strengthen and reform local government.

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It is understood from a media release 10 December that from 1 July 2017, the NSW Government will abolish the Emergency Services Levy (ESL) on insurance policies and replace it with an Emergency Services Property Levy (ESPL), paid alongside council rates.

Centroc members welcome the recognition by the NSW government for a change of approach to deliver a fairer way to raise funds for Emergency Services across the State. Where detail in the media release is scant, Centroc welcomes any opportunity to be consulted on the proposed ESPL.

We provide the original *Submission on the discussion paper Funding our Emergency Services 2012* for further supportive background advice and seek to comment here on the equity of the funding model as we understand it and on minimising the potential impacts on Local Government collecting the Levy.

Local government finds that not only is the current system unfair, inefficient, and out-of-step with other States; but that it imposes burdensome additional management costs on local government, is lacking in transparency, and unmindful of local government budgetary and strategic planning processes. This region is very keen to have as much of the existing problems tidied up by the Legislation.

We are also keen to ensure that any change is as revenue neutral for Local Government as it is for the State. We remind the NSW Government of the work being undertaken by IPART on the compliance burden on Local Government and seek to ensure that the ESPL does not become just another duplicative cost shifting exercise.

The equity of the funding model

Currently, in addition to the 11.7% co-contributions made by Councils, the majority of councils provide additional voluntary support contributions to their local emergency services either through additional funding, services, in-kind assistance, equipment, supplies, and more.

There are numerous specific ongoing concerns about costs shifted onto local government and not currently reimbursed; and service agreements between local government and the emergency services have not overcome this, nor has it been possible to negotiate appropriate variations for local conditions, for example, the ongoing issue of rapidly escalating costs to the Rural Fire Service contributions from Councils as well as challenges to Local Government transparency and accountability as a result of the timing of the RFS contribution process. Please find attached correspondence in this regard.

Our understanding is that while the ESPL will replace the Emergency Services Levy (ESL) on insurance policies, it won't replace the 11.7% ESL on councils. The proposed reform is not acceptable to our members without the abolition of the ESL on councils.

Minimising the potential impacts on Local Government collecting the Levy.

Centroc members have some concerns regarding the potential legislative impacts. Further, we again wish to raise with you our concerns with the way Local Government is forced to cut services elsewhere to manage cost shifting in a rate capped fiscal environment.

We are keen to ensure that the administration of the collection of the Levy answers the following questions and is revenue neutral for Local Government:

- If there is an outstanding debt to a council, does the liability remain with the Property owner, and therefore not payable to RFS by council until received from the Property owner?
- Who will cover the costs associated with debt recovery?
- Will councils be equipped with the resources/staff to perform this extra function?
- Will the ESP Levy be clearly stated on rate notices as a State Government Levy, for transparency?
- Will the property-based levy apply to “public benefit land” managed by local governments? If yes, this would represent a significant and currently unbudgeted cost increase for councils which would be unlikely to be off-set by any reduction in insurance premiums which might be passed on to councils.
- If the levy does apply to these lands, will local governments still be required to make a separate 11.7% contribution to the relevant emergency services organisations?
- Will councils' collection of the levy be on a cost-recovery basis, either through the levying of an additional charge, or reimbursement from the State Government? and
- How will late payments and debt recovery be managed in relation to the property-based levy?

Centroc Board members support all efforts to keep any new system simple to administer, equitable, transparent and accountable and would welcome the opportunity to engage with those developing the legislation.

For further information regarding this submission please contact the Centroc Executive Officer Ms Jennifer Bennett

Yours sincerely,

Cr ~~Bill~~ West
Chair
Central NSW Councils

Attachments:

1. Previous Submission on the Emergency Services Property Levy and
2. Previous Correspondence regarding the funding of RFS