



SUPPLEMENTARY BUSINESS PAPER

(Mayoral Minute MM2/23)

GENERAL MEETING

**Wednesday 10 May 2023
at 6:30PM**



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13 DAMAGING INCREASE IN EMERGENCY SERVICES LEVY COSTS

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

The ESL 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% by the NSW Government. The ESL represents cost shifting at its worst, as it is imposed on councils without any mechanism for councils to recover costs.

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% increase, completely dwarfing the IPART baseline rate peg of 3.7% for 2023/24.

Reporting suggests that the increase in costs this year reflects a 73% increase in the State Emergency Service budget and an 18.5% funding increase to Fire and Rescue NSW. The impact of these large increases on councils' finances will be particularly severe in 2023/24 as a result of the NSW Government deciding to scrap the subsidy for council ESL payments.

For many councils, the unexpected cost hit will absorb almost all of their IPART-approved rate rise for this year and in some cases absorb more than 100%. This is placing local government budgets under enormous pressure as they struggle from the combined impact of the pandemic, extreme weather events, high inflation and wage increases.

IPART-approved rate rises are intended to compensate for the impacts of inflation and increases in costs associated with delivering council services. Instead, the rate increase will have to be largely diverted to the significantly higher ESL payments this year. NSW councils will have no option other than to make cuts to infrastructure and services expenditure.

Council's ESL contribution has increased from an expected \$2.3m in 2022/23 to \$4.1 million in 2023/24. This increase is comprised of \$630k increase in the emergency levy, and a \$1.17m hit from the removal of the rebate previously provided by the State. This additional \$1.8m amounts to 69% of the expected increase in rate income for 2023/24. If the NSW Government's decision is not reversed, Council will have less financial capacity to provide essential community services and infrastructure into the future.

The timing of this development 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.

All councils including Hornsby 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.

Local Government NSW has raised the serious concerns of the local government sector with the NSW Government and is seeking the support of councils across NSW in amplifying this advocacy.

RECOMMENDATION

THAT:

1. Council writes to the Treasurer, the Minister for Emergency Services, the Minister for Local Government and local State Member(s):
 - a) Expressing Council's strong opposition to the NSW Government's last-minute decision to impose an enormous Emergency Services Levy (ESL) cost increase on councils for 2023/24 by scrapping the ESL subsidy for councils and at a time after Council has publicly advertised its Operational Plan and annual budget to the community.
 - b) Noting that as a consequence of the unannounced 73% increase in the State Emergency Service budget and an 18% increase in the Fire and Rescue NSW budget, along with the scrapping of the subsidy, the base 3.7% rate increase allowed by IPART has been significantly eroded, reducing the ability of Council to provide essential community services and infrastructure.
 - c) Advising that the Government's decision may lead to a reduction in important local services or the cancellation of necessary infrastructure projects.
 - d) Calling on the NSW Government to take immediate action to:
 - i) Restore the ESL subsidy in 2023/24.
 - ii) Urgently introduce legislation to decouple the ESL from the rate peg, to enable councils to recover the full cost and identify the decoupled charge as a separate item on rates notices.
 - iii) Develop a fairer, more transparent and financially sustainable method of funding critically important emergency services in consultation with local government.
2. Council writes 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.
3. Council writes to the President of LGNSW seeking the Association's ongoing advocacy to bring about a relief in the burden of Councils' emergency services contribution.

The Honourable Cr PHILIP RUDDOCK

Mayor

Attachments:

There are no attachments for this report.

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