

5.2 Emergency Services Levy Cost Shifting

Recommendation

That the information be noted.

The Emergency Services Levy is a cost imposed on councils and the insurance industry to fund the emergency services budget in NSW. The Levy is administered through the Emergency Services Levy Act 2017 and represents another example of the cost shifting issues facing local government in NSW.

The Act established an emergency services insurance contribution scheme to which insurers are liable to contribute 73.7% of specified annual costs for the Rural Fire Service, State Emergency Service and Fire & Rescue NSW. The Act also specifies that the remaining annual costs of these services are funded through a levy on councils of 11.7%, and the State Government pays the final 14.6%.

In November 2018, the NSW Government passed the Workers' Compensation (Firefighters' Presumptive Rights to Compensation) Bill 2018, amending the Workers Compensation Act 1987 to provide better protection for volunteer and career firefighters affected by work-related cancers. This meant a significant increase in the cost of emergency services across the State. The impact of the changes to workers' compensation and the material increases in the annual contribution resulted in Council's net contribution increasing by \$1,225,579 from \$1,666,555 to \$2,892,134.

As a result of substantial advocacy from the local government industry, the State Government agreed to fund the initial year of the increase through a rebate to give Councils a short reprieve and allow Councils to make budget adjustments in future years. This rebate was extended through the following two financial years as part of the COVID-19 Local Government Economic Stimulus Package, with the final rebate of \$630,847 provided to the Council relevant to the 2022-23 financial year.

Last week, Council was advised that the rebate will not be continued, and now our annual Emergency Services Levy obligation for the 2023-24 financial year is a total of \$2,892,134, consisting of \$481,441 for NSW Rural Fire Service, \$814,156 for NSW State Emergency Service and \$1,596,537 for Fire and Rescue NSW. In comparative terms, the 2023-24 financial year contribution is an increase of 73.5% of what the council paid in the current year.

The increase in the Emergency Services Levy amount this year will absorb 29% of the Campbelltown Council's permitted rate increase in 2023-24. This, in addition to the impact of the accounting treatment of NSW Rural Fire Services Assets raised in my September 2022 Mayoral Minute, represents a significant financial actual and accounting setback for council.

Cost shifting is a significant problem for councils in NSW, as it undermines the financial sustainability of the local government sector by forcing councils to assume responsibility for more infrastructure and services without corresponding revenue increases.

According to research by LGNSW, Local Governments in NSW spend more than \$2.2 billion each year on caring for the environment and looking after more than \$177 billion worth of community assets. They are responsible for 90% of the State's roads and bridges, which have suffered \$2.5 billion in road damage following 2022's floods and torrential rains.

The Levy increase for the State's 128 councils in 2023-24 alone sits at just under \$77 million, which is another \$77 million that the councils have to observe on top of the escalating cost resulting from the skills shortage, the rising cost of capital, supply disruption and inflation pressures.

To put that in perspective, Hay Shire Council will immediately lose 89% of its approved rate rise, Bourke Shire Council will lose 94%, Tenterfield will lose 119%, Hornsby Council will lose about 75% of its approved rate rise, and Campbelltown City Council will lose 29%.

The Local Government sector generally, as represented by LGNSW President Cr Darriea Turley AM, and we here in Campbelltown, are supportive of the changes to improve the health and work-related compensation for emergency workers. However, we ask the NSW Government to fund this measure and not continue this alarming cost-shifting that is undermining the financially sustainable local government system.

At this point of our budget cycle, such a change, well after the IPART's rate determination for 2023-24 amid inflation and soaring costs, including employment pay increases expected later this year, may cause unmanageable pressure for some councils in NSW.

While Campbelltown Council's financial position means the impact will not be as significant as some other councils in NSW, we are still bearing a burden of cost that should be borne by another level of government, on top of the existing high share of the cost-shifting currently occurring. Such an increase will rob our residents of close to another \$1 million that could have been spent directly on services that they desire.

As such, I am joining the call of the other Mayors in NSW and of LGNSW President Cr Darriea Turley AM and asking the NSW Treasurer, the Hon. Daniel Mookhey, to restore the Emergency Services subsidy to Local Government for the 2023-24 financial year and to work with the sector to develop a fairer funding system.

The time has come to develop a fairer, more transparent and financially sustainable method of funding the critical emergency services that benefit us all in NSW. The time has come to address the structural issues facing Local Government and ensure we as Local Government can continue to deliver for the people of NSW.

Attachments

Nil