

May 22, 2023

EXTRAORDINARY MEETING OF THE
COUNCIL

TO BE HELD

WEDNESDAY, MAY 24, 2023

SUPPLEMENTARY AGENDA NO. 1

**JAY NANKIVELL
GENERAL MANAGER**

FURTHER BUSINESS

1. MAYORAL MINUTE NO. 8/23 - DATED MAY 22, 2023 - DAMAGING INCREASE IN EMERGENCY SERVICES LEVY COSTS (D23/25719) 3

EXTRAORDINARY MEETING OF THE COUNCIL

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ITEM 1MAYORAL MINUTE NO. 8/23

SUBJECT: DAMAGING INCREASE IN EMERGENCY SERVICES LEVY COSTS D23/25719

Summary

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 worse, 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, and Council's rate increase of 3.7%

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 council costs. 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.

For Council, the ESL has increased by \$141,000 for 2023/24, bringing the total Council contribution to \$801,000. This amounts to 21% of the expected increase in rate income for 2023/24. If the NSW Government's decision is not reversed, the potential impacts on Council's services, infrastructure maintenance and delivery include:

- Council's commitment of growing the outdoor workforce to increase service capability for roads, footpaths and weed management have been dramatically impacted. The additional \$141,000 paid in the ESL this year, equates to two staff members that could have otherwise been introduced to the workforce.
- Ongoing impact to Council's Long Term Financial position and service impacts will continue to compound in future years, therefore further eroding service delivery.

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 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.

Recommendation

1. That Mayoral Minute No. 8/23 dated May 22, 2023, be received.
2. That 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, Council's 3.7% rate increase to provide essential community services and infrastructure has been significantly eroded.
 - c. Advising that the Government's decision may/will lead to a reduction in important local services and/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
 - iii. develop a fairer, more transparent and financially sustainable method of funding critically important emergency services in consultation with local government.
3. That 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.
4. That 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.

Attachments

There are no attachments for this report.

T. KENNEDY
MAYOR



CITY COUNCIL

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