



ORDINARY MEETING

Late Supplementary

Date of meeting: 9 May 2023
Location: Council Chambers
Time: 6:30 PM

BUSINESS PAPER

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3. MAYORAL MINUTES

LATE SUPPLEMENTARY

3.1.1. MM – Damaging Increase in Emergencies Services Level Costs – (138879, 79353)

RECOMMENDATION

That Council:

1. Writes to the Premier, the Treasurer, the Minister for Emergency Services, the Minister for Local Government and the local State Member:
 - 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 2023/2024 by scrapping the ESL subsidy for councils, which has been done at a time when Council has publicly advertised its 2023/2024 Draft 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, Hawkesbury City Council will be forced to allocate a further \$149,643 in its budget to fund this impost;
 - 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 2023/2024
 - 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.
 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 2023/2024 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.
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BACKGROUND

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 2023/2024 financial year.

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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 2023/2024 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 2023/2024, and Council's commensurate 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 over 18% funding increase to Fire and Rescue NSW. The impact of these large increases on councils' finances will be particularly severe in 2023/2024 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 Hawkesbury City Council, the ESL has increased by \$149,643 for 2023/2024, bringing the total Council contribution to \$1,663,552. This amounts to 9.1% of the expected increase in rate income for 2023/2024. If the NSW Government's decision is not reversed, the potential impacts on Council's services, infrastructure maintenance and delivery include:

- Lower levels of services to our community
- Degradation of the condition of community infrastructure, including our roads
- Cancellation of non-discretionary services, including community sponsorship, education programs and events

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.

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.

This Mayoral Minute recommends that Council call on the NSW Government to take immediate action to:

1. Restore the ESL subsidy,
2. Decouple the ESL from the rate peg to enable councils to recover the full cost
3. Develop a fairer, more transparent and financially sustainable method of funding critically important emergency services.

The Mayoral Minute also recommends that Council write to IPART advising of the financial sustainability impacts on of the ESL.

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Impacts for Hawkesbury City Council:

As stated above, this decision by the NSW Labor Government will increase our ESL by \$149,643 for the coming financial year. As Council had already publicly exhibited our draft Operational Plan (our annual budget), this means considerable time will need to be spent finding out how we can fund this additional cost, which will likely be at the expense of other services or infrastructure delivery. It brings Council's total ESL contribution this year to \$1,663,552, which is likely to escalate drastically each year with CPI, inflation and the rising cost of living.

It must be noted that this decision by the NSW Government was made without any consultation to cash-strapped Councils across NSW. It was also made without warning and without seeking any feedback as to how this would negatively impact Council's expenditure. The timing of this decision, right when Councils are preparing budgets, shows a deep lack of insight, concern and understanding of local government and amounts to manifest disrespect for the work that Councils contribute to their local communities.

It also demonstrates that the NSW Government has a complete disregard for Emergency Services workers. Whether they are a paid employee or a volunteer, these individuals and the work they do are critical to saving lives and livelihoods during the time of a crisis. Given all that the Hawkesbury has been through in recent years - with fires, a pandemic and multiple floods - we have heavily relied on our emergency services personnel countless times. They deserve surety of funding, as well as a high level of confidence that their facilities and equipment needs will never be put into jeopardy. Sadly, this decision only intensifies this uncertainty and highlights that the NSW Government places such little value on our emergency services.

I would like to take this opportunity to thank the Deputy Mayor of Hawkesbury City Council, Councillor Barry Calvert, for his staunch advocacy against this decision through his role as President of WSROC (Western Sydney Regional Organisation of Councils). Councillor Calvert has called this decision a 'catastrophe' and 'the most flagrant cost-shifting exercise by a state government in many years.'

As Mayor, I find this whole scenario absolutely appalling. For a new State Government to come to power and make such swift and significant financial decisions, that put an immediate burden on Councils and a cloud of doubt over our emergency services funding requirements, it is a colossal leadership fail. The consequences will be substantial and I will be calling on the new Labor Premier, the Hon Chris Minns MP and his Ministers, to reverse this horrific decision and begin a process of consultation with the local government sector to find a palatable solution for all.

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