

## 7.2 LMM 23/05/2023 - IPART EMERGENCY SERVICES LEVY

### MOTION:

That City of Newcastle:

1. 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, resulting in additional financial stress, with the unexpected cost hit due to absorb almost all IPART-approved rate rise for this year and in some cases absorb more than 100%, for many councils. 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.
2. Notes 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. Further, the previous NSW Government had not accounted for any further subsidies in their forward estimates, which IPART needed to consider as a part of their determination.
3. Acknowledges that for our organisation the ESL has increased by \$2,100,000 for 2023/24, bringing the total Council contribution to \$5,100,000. This amounts to 33% 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:
  - Deterioration of the city's road and stormwater infrastructure
  - Reduction in the number of community programs run from our public halls and libraries
  - No ability to deal with emergent environmental issues.
4. Notes the previous NSW Government had not accounted for any further subsidies in their forward estimates, which IPART needed to consider as a part of their determination.
5. Notes the timing of this development is particularly challenging for local Councils as it comes so late in the local government budgeting cycle, well after IPART's rate determination for the coming financial year.
6. Acknowledges that 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.
7. Writes to the Chair of the Independent Pricing and Regulatory Authority (IPART), calling on them to note the financial sustainability impacts of the ESL on the Local Government sector, and to work towards an appropriate solution to ensure the ongoing financial sustainability of local councils.

**BACKGROUND:**

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.

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 Lord Mayoral Minute recommends that CN write to IPART advising of the financial sustainability impacts of the ESL.