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Dear Sir/Madam

**Shire of Murray Submission – Review of Emergency Service Levy – Issues Paper**

I refer to the issues paper recently released seeking submissions from stakeholders.

Council were presented a report on the review at its Ordinary Council Meeting yesterday and attached is the endorsed Shire of Murray submission on the first phase of the consultation process planned for the Emergency Service Levy.

The Shire are eager to participate in any further engagement that occurs given the critical nature of funding for emergency services, not only in response but on a broader platform.

If you require any further information on the submission please contact me on 95317718.

Yours sincerely

Robert Marlborough  
**Manager Governance**

		
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# **Submission**

## **Review of Emergency Service Levy**

**Western Australia Local Government Association  
Economic Regulatory Authority**

**Thursday 23 February 2017**

## Submission

### 1. Background

- A. (i) The State Government endorsed recommendation 17 of the Special Inquiry into the Waroona Fire to undertake an independent review of the Emergency Services Levy (ESL).

*"Recommendation 17: The Department of Premier and Cabinet to conduct an independent review of the current arrangement for the management and distribution of the Emergency Services Levy. The review will have the specific purpose of:*

- *seeking input from key entities including the Departments of Treasury, Finance, Fire and Emergency Services, Lands, and Parks and Wildlife, WA Local Government Association, and the Office of Bushfire Risk Management;*
- *ensuring the arrangement has the flexibility and agility to deal with emerging bushfire risk priorities; and*
- *establishing a budget process that enables a shift in investment towards prevention, mitigation and building community resilience and capability".*

- (ii) The State Treasurer tasked the Economic Regulatory Authority (ERA) with undertaking the review with a final report to be tabled to the Treasurer by no later than 29 September 2017.

- (iii) The ERA released a discussion paper on 30 January 2017 to assist parties to make submissions. Submissions are due by 4.00pm Friday 10 March 2017.

- (iv) The Western Australian Local Government Association (WALGA) are preparing a submission on behalf of the sector to inform the ERA in its report and recommendations to the Treasurer. Full participation from Councils is critical to the success of WALGA's submission as this is opportunity for the sector to exert significant influence on long overdue strategic change to the ESL.

- B. (i) On 6 February 2017 WALGA advised State Councillors of a request by the ERA regarding a review of the ESL and assistance was sought to garner support from all Councils to allow our sector the best possible chance of preparing a valuable submission for the ERA to ensure the challenges and issues of local government are voiced.

- (ii) The time frame to provide submissions to WALGA is 27 February 2017.

### 2. Submission

#### Question 1

**How should funding be allocated across prevention, preparedness, response, and recovery activities?**

#### Answer:

Part 6A – Division 5 of the *Fire and Emergency Services Act 1998* (the Act) provides provision for the Minister, for the assistance of the Fire and Emergency Service Commissioner to issue guidelines relating to expenditure of funds raised through the Emergency Services Levy (ESL) by Local Government (LG).



The Department of Fire and Emergency Services (DFES) guideline for LG expenditure of ESL funds is the *Local Government Grant Scheme (LGGS) Manual for Capital and Operating Grants* (guidelines).

These guidelines detail what ESL funding can be used for by LG's and what is considered to be eligible and ineligible. Other management processes are also defined such as applications and acquittal requirements.

The current guidelines are primarily response focussed. However it is acknowledged that funding can be accessed by LG's for capital improvements, such as emergency service facilities, approved appliances and defined operational equipment.

The Act requires the Minister to undertake LG consultation on amendments to the established guidelines. There appears to be no real evidence to support an inclusive consultation process with LG's at a local level. Furthermore the guidelines suggest consultation with volunteer advisory groups. This may be occurring, however local LG input into this process is not apparent or understood.

Generally it is felt that the guidelines for the allocation of ESL funds to LG's are restrictive. Anecdotally the same level of restriction does not seem to apply to DFES.

As indicated, the guidelines appear to be response focused and do not provide funding for prevention, preparedness or recovery activities. Currently, LG's can only source funds for these important elements from LG rate revenue or adhoc grants that become available at Federal or State level i.e. National Disaster Resilience Program (NDRP), All West Australians Reducing Emergencies (AWARE), etc.

Whilst the guidelines focus is response orientated, significant gaps currently exist where LGGS approved expenditure is not available to LG's. As an example at a DFES managed fire incident, traffic management, machinery hire (i.e. dozers, loaders, water carts), and all DFES officer time including support staff such as media and public information are covered by funds sourced from the ESL or the state budget. The term used by DFES in their annual report is Service Delivery.

At LG emergency incidents these types of costs are considered ineligible under the LGGS and they need to be covered by LG's from rate revenue. This creates a situation of double-dipping, as the community pay their ESL and then they are forced to contribute again via their annual rates. This situation is detrimental to other essential services provided by LG's to their respective communities.

As another example, the use of LG staff to undertake maintenance work at a fire station or for appliance servicing is permitted under the guidelines. However LG overheads are considered to be ineligible. Conversely external contractors can be used, where the full costs are deemed eligible expenditure. In some instances contractor's rates are higher than LG staff costs, inclusive of overheads.

A number of previous reports have highlighted that the focus of funds raised by the ESL need to be expanded from response to prevention and preparedness. It is acknowledged that any change of focus will need to be adequately funded. The options generally available to fund the expansion costs are the ESL, or the provision of additional state budget funding or by federal grant funding through partnerships (i.e. NDRP).

In 2009 the Commonwealth through the Council of Australian Governments agreed to adopt a whole of nation resilience based approach to disaster management.



Existing programs were replaced with the national partnership agreement on natural disaster resilience (NPA). The NPA provides funding to States and Territories to increase community resilience to natural disasters.

It also focuses directly on mitigation work, measures and related activities that contribute to safer sustainable communities which are better able to withstand the effect of disasters.

Given the Commonwealth's approach a similar model needs to be implemented in WA to be inclusive of prevention and preparedness, rather than being solely response orientated. To determine the viability of shifting focus to prevention and preparedness rather than response, it is suggested that a high level state based cost benefit/community safety analysis needs to be undertaken to determine the financial savings and the benefits to community safety.

Providing adequate funding for prevention and preparedness across all hazards should reduce the need for expenditure in recovery, particularly if betterment programs are incorporated.

To summarise it is acknowledged that any change of focus from traditional response to prevention and preparedness will require additional funding and an overarching holistic approach by all stakeholders improve community safety.

With reference to funding recovery, the current arrangements under Western Australia Natural Disaster Relief and Recovery Arrangements (WANDRRA) should be retained with some funds being re-directed to prevention and preparedness activities.

The ERA are encouraged to consult with:

- Australian Government Productivity Commission Inquiry Report - Natural Disaster Funding Arrangements No. 74, 17 December 2014,
- Various papers by the Australian Business Round Table for Disaster Resilience and Safer Communities.

## Question 2

**What should the ERA consider in assessing whether the current method for setting the ESL is appropriate for current and future needs?**

**Answer:**

As outlined in Answer 1, since the inception of the guidelines alterations to the eligibility of expenditure have been made without consultation with LG as required by the Act. This has resulted in items and equipment that had previously been eligible under the guidelines being excluded, with no other re-course available the associated costs are subsequently absorbed by LG's. There appears to be no transparency in how decisions regarding eligibility across current agencies are made and this needs to be addressed moving forward to ensure equitability.

It is considered that the current funding raised through the ESL is insufficient to provide meaningful, sustainable outcomes in the areas of prevention, preparedness, response and recovery.

The ERA are encouraged to consider the reports previously mentioned in Question 1 and further consult with all stakeholders to determine the likely costs associated with a comprehensive state based emergency management program.

**Question 3**

**What emergency service expenditures should be funded by ESL?**

**Answer:**

The majority of existing services should continue to be funded by the ESL notwithstanding the existing gaps being resolved, as identified in Answer 1.

Funding models for Volunteer Marine Rescue Service (VMRS) and Road Crash Rescue by Career and Volunteer Fire and Rescue Services (FRS) needs to be reviewed to determine the most appropriate way operational costs associated with these services are raised. A service model based on user pays needs to be developed (i.e. vehicle/boat registration licence levies).

Funding should also be provided under the ESL for the development of local risk plans (i.e. Bushfire Risk Management Plans (BRMP), Emergency Risk Management (ERM) projects), that feed into a State Risk Register. From this register, needs based ESL funding is to be determined on a priority basis to treat identified risk, irrespective of tenure.

**Question 4**

**How are expenditures on emergency services likely to change in the future?**

**Answer:**

Subject to implementation of a Rural Fire Service (RFS) and the inclusion of prevention, preparedness and recovery activities as eligible expenditure under the ESL, there will be a need to investigate appropriate models to adequately fund emergency services.

As improved mitigation, preparedness and resilience programs are implemented costs associated with direct response activities should reduce over time.

Furthermore, current practises for response in remote isolated regions of the State need to be reviewed to determine if the expenditure is warranted of benefit to the community. As an example fire operations have historically occurred in some remote areas where minimal impact on lives or property exist. The resources that have been committed to these incidents is not sustainable and erodes funds that could be better utilised elsewhere.

**Question 5**

**How could the method for setting the ESL be improved?**

**Answer:**

The current system of ESL collection, based on six (6) categories and a Gross Rental Value (GRV) being set, is satisfactory. Notwithstanding that the rate in the dollar will require review to support the inclusion of prevention, preparedness activities, rather than response as a single component.

The additional rate in the dollar for ESL maybe off-set to some extent through the reduction of LG rates. Currently ineligible expenditure for prevention and preparedness activities (i.e. annual preparedness inspections of Unallocated Crown Land (UCL),



Unmanaged Reserves (UMR), LG managed reserves and freehold land), are funded by LG's, through general rates revenue.

As identified in Answer 3, funding models for Volunteer Marine Rescue Service (VMRS) and Road Crash Rescue by Career and Volunteer Fire and Rescue Services (FRS) needs to be reviewed to determine the most appropriate way operational costs associated with these services are raised.

**Question 6**

**What information should be made public about the administration and distribution of ESL funding?**

**Answer:**

All matters relating to the collection, disbursement and expenditure of the ESL should be publicly disclosed to ensure transparency and good governance.

The agency/department responsible for managing the ESL should be responsible for its disclosure.

Any changes relating to the disbursement of the ESL and/or items that are deemed ineligible for funding should be publicly disclosed, inclusive of the rationale for change.

**Question 7**

**What processes should be in place to ensure accountability in the expenditure of ESL funding?**

**Answer:**

To ensure accountability for expenditure under the ESL the following structure is encouraged:

- An ESL Management Group to be established to determine expenditure eligibility for emergency services/management (all stakeholder representation),
- A Risk Management Group under the Office of Emergency Management (OEM) to be established to identify risk as identified in the State Risk Register and determine appropriate mitigation programs and monitor implementation and completion of treatment projects,
- An Audit Committee be established to provide mechanisms for the distribution of ESL funds and for the completion of auditing of annual acquittals.

The agency tasked with the distribution of ESL is to provide an Annual Report to Parliament to ensure transparency and accountability.

**Question 8**

**Which agency should be tasked with distributing funding from the ESL?**

**Answer:**

The Department of Finance with input from the ESL Management Group as detailed in Answer 7.

**Question 9**

**If a rural fire service is established, should it be funded by the ESL?**

**Answer:**

Should a RFS be established, the appropriate mechanism for funding is considered to be the ESL with additional funding should it be required by the State.

**Question 10**

**How much would a rural fire service cost, and what effect would it have on ESL rates?**

**Answer:**

As the ultimate structure and operational functions of a RFS is unknown, predicting the costs and the subsequent impact on the current ESL rates cannot be determined until further information is available.

*Note: As this submission to the ERA and WALGA is the first part of the planned consultation process, the Shire formally acknowledges a commitment to be involved in any subsequent engagement.*