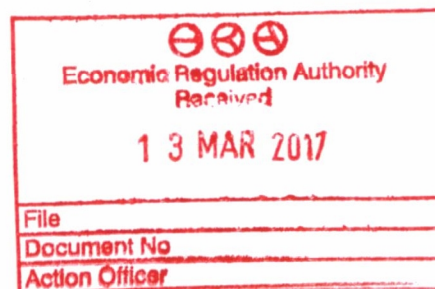




Our Ref: 815/311
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Ms Nicola Cusworth
Chair
Economic Regulation Authority
PO Box 8469
PERTH BUSINESS CENTRE WA 6849

Dear Ms Cusworth

EMERGENCY SERVICES LEVY REVIEW

Thank you for the opportunity to provide input into the review of the Emergency Services Levy (ESL). It should be noted that this submission represents the views of the Office of Emergency Management (OEM), not the State Emergency Management Committee (SEMC). I understand the SEMCs Chair has chosen not to provide a collective SEMC view, given individual members' organisations are likely to provide their own submissions direct.

Emergency management - organisational context

The OEM is a sub department of the Department of Fire and Emergency Services (DFES). Prior to 1 December 2016 known as the SEMC Secretariat, it was created in 2013 through the restructuring of the former Fire and Emergency Services Authority (FESA) business unit known as Emergency Management Western Australia (EMWA). The restructuring of EMWA complemented reforms to the SEMC under which the SEMC relinquished its operational roles and responsibilities and three independent members were appointed, including an independent Chair and Deputy Chair. The OEM continues to serve the needs of the SEMC, and two additional functions: recovery coordination and assurance.

The OEM's goal is to develop and improve the State's emergency management arrangements through capacity building and the provision of advisory and support services. Its core functions are:

- Assist SEMC administer the *Emergency Management Act 2005*, including the development and maintenance of related regulations, policies, plans and procedures;
- Provide executive, technical and administrative support to the SEMC and its subcommittees and working groups;
- Build state-wide emergency management capacity by advising local governments, local/district emergency management committees and emergency management agencies/stakeholders;
- Provide regular formal advice to SEMC and the Minister for Emergency Services concerning the State's risk and capability profile, including areas for improvement;

- Distribute Commonwealth and state funding, through merit-based emergency management grants; and
- Coordinate relief and recovery support to local governments and state agencies.

I have attached the SEMC's current strategic plan for your reference. Please note that this is under review, given the recent establishment of OEM and its additional functions of recovery and assurance.

Office of Emergency Management – unique capabilities

The Office of Emergency Management (OEM) is uniquely placed to understand the risks posed by the many emergency hazards¹ faced across the State; the current controls in place to manage their potential adverse impact on the State's core objectives² of people, economy, infrastructure, social setting, government and the environment; and treatments proposed to better limit future undesirable impacts, including learning from past experience. Though far from perfect, the insights developed through the annual Emergency Preparedness Reports³, District Risk Reports⁴ and deep understanding of both risk and capability frameworks, holds the OEM in good stead to provide rigorous intelligence on which to base future resource allocation decision making. Importantly, the OEM recently engaged the University of Western Australia (UWA) to undertake economic modelling for bushfire mitigation options across selected high-risk areas of the State – work that we intend to extend to other hazards and areas in order to build a better picture of the treatments that provide the best return on investment.

An important consideration when contemplating the future configuration and funding of fire and emergency services is the dramatically changing emergency risk landscape. Not only will climate change affect the extremes of weather impacting our State, but also the increasing complexity and interconnectedness of systems (such as energy and communications) will expose a scale of vulnerabilities not previously experienced. The recent extended power failures in South Australia and substantial knock-on effects are a case in point. OEM is actively pursuing a long-term project – the State Risk Project⁵ – that seeks to understand this emerging environment and advise resource allocation accordingly.

The services provided by OEM revolve around three broad areas:

Risk – understanding and articulating the risks that Western Australia faces at the state, district and local levels. Outputs include documented risk profiles as input to SEMC's and OEMs risk reports, such as the annual Emergency Preparedness Report;

Capability – understanding and articulating what the State has in place at the State, District and local levels to productively address the identified risks, including treatment options;

Impact – Understanding and articulating what we can and have learned from emergency (and exercises) experience.

¹ There are 27 hazards prescribed under the Emergency Management Act 2005.

² As determined by the SEMC.

³ Developed by OEM and endorsed and delivered to government annually since 2012.

⁴ Developed by OEM as the documented risk profile for every Emergency Management District in the State and delivered to the CEOs/Director Generals of each affected organisation.

⁵ A joint State-Commonwealth funded project that is analysing and documenting the specific risk exposures across the State, including extending the analysis to identifying capability gaps and treatment priorities.

The OEM is well advanced on the risk front, and has undertaken some work across the capability and Impact areas, predominantly by virtue of its role in developing the annual Emergency Preparedness Report. A major body of work currently under development is that of building a useable and useful assurance framework⁶.

ESL review – specific input

OEM has used the questions posed in the review's terms of reference as a basis for the response, as follows:

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

One of the identified weaknesses of the current system is the policy restraint currently placed on expenditure of the funds raised by the levy. As has been noted in your discussion paper, ESL expenditure is largely confined to response activities and expenses associated with response preparedness. This includes the organisational arrangements necessary to ensure such activities occur, such as corporate expenses associated with the DFES.

It makes sense, in our view, that ESL expense should have closer alignment with recognised risk management processes. It follows that expenses would be directed towards the most productive treatments and controls and thus range over the full spectrum of treatments from prevention (or mitigation) and preparedness, to response and recovery. The difficulty will be identifying the varying risk burden faced across the state and developing a suitable distribution mechanism.

Ideally, each local government area would have a fully developed emergency management risk plan – to a state-wide standard - complete with costed treatments. This plan would form the basis of a local government business case for ongoing funding support. Base, or foundational funding support to each local government, simply based on population, land use or land value (or a combination of these) would always be the start point, with an emergency management risk plan forming the basis for additional funding. OEM recognises that this is somewhat idealistic and would take years to reach maturity.

It is therefore suggested a staged approach would be required, perhaps commencing by more explicitly permitting prevention/mitigation expenditure in the first instance. Given DFESs state-wide remit, there would be a need for base level funding to ensure service viability, though district and local distribution could be prioritised based on more rigorous risk-based methodology. In addition, there will also always be a need to coordinate functions and services state-wide (such as aviation, training, logistics, incident expertise, major incident coordination etc) An interim first step could be to base distribution on land use/value and population index, with an assured level of base funding for service viability.

In terms of specific bushfire mitigation funding, the recent establishment of the State Bushfire Coordinating Committee (SBCC) as a formal subcommittee of the SEMC will provide a mechanism for the distribution of funds, also (as currently envisaged by their terms of reference) based on a risk methodology.

⁶ The Assurance function was added to OEM at 1 December 2016 as a result of a government decision resulting from acceptance of the Ferguson report 'Reframing Rural Fire Management – Report of The Special Inquiry Into The January 2016 Waroona Fire'.

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

The ideals of efficient, effective and sustainable taxation, with linked productive (i.e. efficient, effective and economic) expenditure.

What emergency service expenditures should be funded by the ESL?

Those that contribute to sustaining emergency management services (the full breadth of risk treatments, including prevention and mitigation) delivered by DFES, local governments and potentially a Rural Fire Service. Land managers (such as the Department of Parks and Wildlife and Botanical Gardens and Parks Authority) would remain responsible for direct land management responsibilities related to emergency risk e.g. bushfire, though provision for extraordinary expenses to be met (i.e. major bushfires) should be made. Expenditure related to mitigation and prevention should be permitted, though should not replace a land holder's own commitment to managing their risk. Planning and preparing for tenure-blind risk mitigation is wise, as is expenditure related to ensuring there is an organisational capacity to deliver risk treatments, including mitigation. For example, the planning and preparation of a DFES or local government brigade to undertake prescribed burning, as well as the base-level funding to ensure a viable brigade capability to contribute to the actual burning, should be ensured. As noted earlier, there will be a need to fund state-wide services that extend across individual local governments and regions.

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

As noted in the body of the letter, the risk landscape is becoming increasingly complex. Experience has shown that response and recovery expenditure has increased dramatically over recent years, with little comparable expansion of mitigation and prevention expenditure. This trajectory is not sustainable⁷.

How could the method for setting the ESL be improved?

The current method is based on broad service delivery categories, and within most categories a variable rate based on Gross rental Value. There are some difficulties associated with this method – viz:

- The assumptions related to each of the categories are too broad and lead to anomalies. For instance the same Category 5 levy (a flat levy) is applied to some country towns (e.g. Dowerin, population 352⁸) as well as pastoral properties in remote areas. LG-based bush fire brigade services in these two extremes are vastly different, though the levy per rateable property and linked service are categorised the same.
- Similarly, Category 4 services are lumped together regardless of the nature of the risk or the capability within the serviced area. For instance, Dumbleyung – a small rural town, population 223⁹ - and Busselton, population 36,285¹⁰, are regarded the same in terms of revenue per rateable property and services received.
- A recent examination of bushfire related expenditure undertaken by the SEMC recommended that "Consideration should be given to basing the Emergency services levy on the improved capital value of the relevant property, which is used in other jurisdictions and is arguably a better financial risk indicator than the gross rental value currently used in WA."¹¹

⁷ Productivity Commission inquiry 1 May 2015 'Natural Disaster Funding'

⁸ Census 2006

⁹ Census 2006.

¹⁰ Census 2015

¹¹ Strategic Bushfire Stocktake, SEMC, December 2015.

As suggested earlier, a simpler arrangement for ESL rate setting that is a step closer to alignment with the risks posed by varying land use, is that of land use and/or value categories possibly derived from the Planning Commission and the Valuer-General.

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

Risk and capability profiles, funding source and expenditure direction – it would be ideal to have a web portal, built on the model currently deployed by DFES, that gives a property owner a risk-capability index, ESL contribution and return on their levy and tax investment.

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

Greater clarity and visibility concerning the ESL 'money trail' and in particular return on investment across both DFES and local government, would be seen as beneficial.

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

As a general principle, the agency charged with ESL distribution should not have an interest in the outcome of an ESL-related decision. That said, the normal budget setting and approval process of government effectively deal with DFES allocations, though the distribution to local governments has been a source of contention, given the perceived conflict of interest. This conflict has been noted by Keelty¹² and others¹³.

Though the OEM currently administers a range of State and Commonwealth grant programs to the emergency management sector, it is accountable to, and dependent upon, the SEMC and the Fire and Emergency Services Commissioner. That said, the OEM has complete financial independence in that it is funded via a separate non-ESL appropriation. OEM serves the needs of Western Australia's peak emergency management body, the SEMC. By virtue of that role, it has developed a broad and deep understanding of the State's emergency management arrangements, including the risks and capabilities that exist across the sector.

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

Yes.

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

The OEM is not in a position to quantify the likely cost of a Rural Fire Service, though would envisage the sum of all ESL grants provided to local governments (for their bush fire brigades) would be a suitable start point.

Additional costs would include a proportion of all DFES activities that provide bushfire-related services in support of not only local governments and their brigades, but also directly by DFES to clients outside current ESL 1, 2 and 4 areas.

¹² Keelty, M. 2012. A Shared responsibility: the report of the Perth Hills Bushfire.

¹³ Strategic Bushfire Stocktake, SEMC, December 2015.

Thank you for providing the OEM with the opportunity to comment. If you have any queries in relation to the above please do not hesitate to contact me on (08) 9482 1700.

Yours sincerely



Mal Cronstedt AFSM
EXECUTIVE DIRECTOR
OFFICE OF EMERGENCY MANAGEMENT

9 / 3 / 2017

Att: SEMC Strategic Plan



STRATEGIC PLAN 2015-2018

Our Purpose

The State Emergency Management Committee, supported by the SEMC Secretariat, seeks to develop the best emergency management (EM) arrangements in Australia through:

- demonstrated capability across community and government that matches the EM risk as closely as practicable;
- building and maintaining an emergency management framework based on a risk management approach;
- promoting preparedness for emergencies to minimise their impact and accelerate recovery; and
- providing advice to government on any matter in relation to EM.

	Governance and Support	Risk	Capability	Impact	Engagement
Objective	Maintain effective governance and support arrangements for SEMC and its subcommittees, including commitments to national committees and national strategies.	Develop a comprehensive risk profile for the State.	Develop a comprehensive capability profile for the State.	Identify capability gaps through incident analysis.	Promote learning and continual improvement across the EM sector.
Outcomes	Agendas, minutes, committee work plans and actions are timely, professional and readily identify improved outcomes.	Risk is estimated across all hazards.	Capability, matched against estimated risk, is established across all hazards and affected organisations. EM Act, SEMC Policies and Plans effectively and efficiently support improving capability.	A systematic process of incident and exercise review exists to identify learnings across vulnerability and capability.	Widespread applied understanding of risk, capability and EM roles is achieved.
Strategies	Develop and publish an integrated SEMC and SEMC Secretariat Annual Report. Work with the Chairpersons of SEMC, its subcommittees and District EM Committees to refine and improve consistent governance and support arrangements. Streamline business planning and reporting systems. Standardise Local and District EM Committee performance expectations. Complete progression of EM Act changes and communicate changes to users. Complete Policy review and reform.	Develop and apply an AS/NZS ISO 31000:2009 compliant risk framework to emergency management. Complete State-wide Risk profile. Embed enduring risk process.	Review of capability assessment methodology and reporting mechanisms. Review sectoral accredited, informal and non-formal training needs. Renew Strategic Emergency Services Communications plan. Develop resource allocation decision-making framework. Review exercise outcomes. Develop dynamic risk, capability and impact analysis reporting systems. Publish Annual Preparedness Report.	Review impact assessment methodology and reporting mechanisms. Undertake major incident reviews utilising established "Continuous Improvement" framework.	Monitor on-going implementation of major incident and exercise reviews. Develop a process to share and promote learnings from activities, exercises and incidents. Facilitate access to professional development opportunities to enhance risk understanding and capability improvement.

Guiding Principles	Strategic Leadership	Community & Stakeholder Confidence	Collaboration & Teamwork	Accountability	Responsiveness & Resource Efficiency	Continuous Improvement
	Strategic leadership and direction that enables continued improvement in emergency management in Western Australia.	Engaging with the community on emergency management issues, seeking feedback and taking into account the community's needs and views.	Working collaboratively to resolve issues and achieve improved emergency management outcomes through coordination and teamwork.	Timely workflow completion coupled with due diligence and transparency – evidenced by Committee monitoring and reporting, as well as the establishment of assurance processes.	Responsive and, while acknowledging resource limitations, optimising available resources (including innovative and technological solutions).	Continued improvement in positive outcomes by ongoing research and review and application of lessons learnt.