



Our Ref: FM.M2.8
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Economic Regulation Authority
4th Floor Albert Facey House
469 Wellington Street
Perth, WA 6000

Dear Ms Cusworth

RE: Review of the Emergency Services Levy

On behalf of the City of Canning as an interested party to the Economic Regulatory Authority's review of the Emergency Services Levy, please find attached a submission below which addresses the ten questions raised.

I hope our response is beneficial to the review process and we look forward to the further opportunity to make comment on release of the draft report mid-year.

Yours faithfully

Steve Leeson

Manager Financial Services

Above all - Service

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Economic Regulation Authority WA (ERA) – Review of the Emergency Services Levy.

The ERA set the following ten questions for feedback. Staff comment is provided. The SES Manager has advised that their Volunteers Association has asked individual units for their responses so they can collate and present their collective views on the ESL issues.

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

- Funding towards prevention should be seen as a priority. The general contention with the current ESL fund allocation is that the funds cannot be used for mitigation purposes. This is a reactive approach which relies on Local Governments and State agencies to fund costly mitigation programs. If ESL funds were available for mitigation purposes, it is thought that by applying pre-emptive measures we would see a reduction in actual incidents and the ESL costs passed to each ratepayer.
- Funding allocations to be risk based to ensure Councils with lessor capital funds can implement effective treatments.

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

- The implications for continued urban growth and inner city density. This impacts upon the collection model and the distribution of funds, which creates issues in both the liability to contribute and addressing risk based emergency needs.
- The current system is based on Gross Rental Values (GRV) in bands, on principal of perceived capacity to pay. The GRV bears no resemblance to need for service.
- There is a consistent application of ESL across all properties with few exemptions. **Seek a similar application towards Local Government rating obligations, addressing charitable exemptions which cost the City \$681k plus \$40k on Independent Living Units (ILU's) which recently changed ownership but not functional use.*
- The residential ESL category 1 maximum of \$375 equates to a GRV of \$29,593. A significant proportion of inner metropolitan properties would be charged the maximum rate. The Valuer General could confirm this percentage. This should be taken into account for future ESL funding forecasts as a predetermined standard charge may be more equitable.
- *s.36W FESA - The Minister is to determine —*
(a) the fees to be paid by the FES Commissioner to a local government... in relation to the assessment, collection and recovery of the levy and levy interest. Staff are of the understanding a model is used to determine the fees paid to local governments. The details of the model have not been accessed though raise a concern that it may be detrimental to Canning for as the City's rate base grows and in turn collects more ESL, the City effectively receives less for its administrative efforts.

- s.36W FESA - The Minister may —
(b) consult with persons who the Minister believes effectively represent the interests of local governments. Staff are not currently aware of any consultation with the City towards these fees; however the consultation could be undertaken in a broader manner with WALGA as sole representative.

3. What emergency service expenditures should be funded by the ESL?

- Within the current DFES categories of expenditure, it is suggested to include funding towards Local Government initiatives on prevention and preparedness actions and initiatives, as ratepayers are effectively being double levied.

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

- These are likely to increase with the impact of climate change.
- An increasing metropolitan area increases the urban fringe. This being a higher risk zone in turn increases the reliance on emergency services.
- The extended lifespan of property owners and Government initiatives to encourage seniors to stay in the family home will increase the reliance on emergency services through increased dwellings. The volume of Pensioner and Senior rebates provided would be expected to increase, in turn increasing the liability for full levy paying households.
- The move to electronic issue of rates notices will decrease printing and postage costs.

5. How could the method for setting the ESL be improved?

- An equitable design may involve ensuring the levy reflects differences in the ability of property owners (and their tenants) to pay.
- By applying fixed levies (charged by tables/bands) may be considered more equitable and allow incorporating a fee for service approach as emergency service providers do not factor the individual levy charged when providing a service. (i.e. flat fee plus appropriate additional charge).
- The FESA legislation also considers location and purpose which is disconnected to the GRV basis. A blanket metro area banding does not consider the riskier urban fringe.
- More scales could be introduced, reflective of risk zones, suggesting;
 - inner metro
 - rural
 - urban fringe
- As mentioned above, inner city properties with a GRV > \$29,592 are on the maximum levy. This further breaks the connection to the GRV approach as more properties move to a set charge.
- Review the burden of ESL contribution shared between residential and non-residential properties. Industrial / commercial / retail land owners ESL levies are higher through greater development values (GRV) and

Table 2 maximums above (\$213,000 compared to \$375 residential). Within the City of Canning, the burden towards ESL is represented in the following table;

2015-16 City of Canning ESL Collections

Property Type	% Properties	ESL \$	ESL %
Residential	87%	\$8,098,031	53%
Non-Residential	13%	\$7,217,325	47%

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

- More clarity around ESL being a state levied charge. The current arrangements impact upon the local government as rate payers see their rates notice and don't see the breakup as anything other than a local government bill. This is deceptive and reflects badly on the sector particularly if it makes up a large part of the bill (e.g. exempt properties) and particularly where the rise is greater than the LG component.
- The annual increase of ESL should be clearly advised to the community, via means independent of the local government rates notice and explanatory budget papers.

**Where the annual ESL increase is higher than rate rises, this negatively impacts upon local governments as it distorts the community's perception towards increased costs, unfairly blaming or assuming it is the fault of local government.*

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

- Compared to waste and security levies, which are similarly restricted in purpose, ESL has a far broader scope of application. The governance controls around how the levy is used could be matched with measures of success for prevention and other programs.

**Current measures more aligned to response.*

****2015/16 DFES Annual Report**
http://www.dfes.wa.gov.au/publications/Annual%20Reports/DFES_Annual_Report_2015-2016.pdf

- Accountability which is similar in nature to a specified area rate could be argued for, as ESL is collected based on location with varying rates across categories.
- DFES be more responsible towards fire mitigation. The City (and other local governments) currently plays a role in prevention through its bushfire hazard regulation (firebreaks) and upkeep of reserve land managed by the City.
- Local Governments issue firebreak notices, undertake compliance and play a role in prevention and preparedness initiatives. This creates the perception that DFES's role is only emergency response and recovery. Ratepayers are often double levied for the same services.

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

- Reduced administration costs may be achieved through a centrally managed ESL by State Treasury and Finance. This could also extend towards revenue collection, alongside Treasury and Finance land tax processes. This would reduce duplication across roles and systems.
- It is noted the State has a second property billing authority in WaterCorp, which applies the same method and collection approach that individual local governments use. The current approach utilises near 140 local governments acting as agents, contracted on either ESL payment options A or B (as levied or as collected), with varying timing of receipts and payments due effectively tying the ESL with local government rates that have independently set instalment due dates. This also creates the perception that the ESL is a Local Government charge.

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

- The principal consideration is towards an equitable access to emergency services by all Western Australians across the State.

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

- Unable to provide advice towards this.
- Implementing an additional service such as a rural fire service, under current funding models this will increase the amount currently levied on individual rate accounts for the ESL.