Committee for Sydney

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Submission to the NSW Legislative Assembly Select Committee on
Emergency Services Funding Reform

Emergency Services Funding Reform: Implications for Greater Sydney: cost of living, insurance access, and the case for a metropolitan disaster adaptation plan

The Committee for Sydney is the city's peak advocacy and urban policy think tank. We work with our 160+ member organisations to produce research and policy recommendations on key agendas for the metropolitan region. Our members include energy companies, utilities, transport and infrastructure constructors and managers, developers and designers of all forms of buildings, local governments, universities, and professional services.

Summary

The Committee for Sydney supports the principle and direction of the NSW Government's emergency services funding reform. It is fairer, more efficient, and more transparent than the system it replaces. For Greater Sydney, it will reduce the cost of insurance for most insured households, bring a long-overdue economic dividend, and make the funding of emergency services more sustainable as climate-driven costs continue to grow.

However **the benefits across Greater Sydney are not uniform**. Renters, currently uninsured households, and communities in flood-prone outer suburbs all face outcomes that are more complicated than the state-level averages suggest. The Committee for Sydney has identified these groups not to argue against reform, but to ensure that its design addresses these gaps.

Most importantly, we urge the Inquiry not to treat this reform as sufficient on its own. Lower insurance premiums help affordability today. But Sydney's underlying climate risk is growing, and without a plan to manage that risk, the insurance affordability problem will return, and with it the demand for emergency services that makes this levy necessary in the first place.

This review is a chance to change not only who pays the Emergency Services Levy, but what it funds. Today the levy pays for Fire and Rescue NSW, the Rural Fire Service and the State Emergency Service to respond after disasters strike. **It could also fund the mitigation and climate adaptation that stop those disasters escalating in the first place**.

The single most important process to fund right now is a multi-hazard Disaster Adaptation Plan for metropolitan Sydney, and that plans' implementation. The Committee for Sydney calls on the Select Committee to recommend that the NSW Government commit to developing exactly that, alongside and as a complement to the funding reform. These reforms are not alternatives, they are connected. A fairer levy, resilience funding and a safer city are within reach.

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1. Introduction

The Committee for Sydney welcomes the opportunity to make a submission to the Legislative Assembly Select Committee on Emergency Services Funding Reform. Replacing the ESL with a property-based levy, one collected from all property owners through the existing land values system, is the right direction.

The Committee for Sydney is an independent urban policy think tank. We are advocates for the whole of Sydney, focused on developing solutions to the most important problems we face. We are backed by 150+ members representing key business, academic and civic organisations across Sydney. We advocate for policy and investment outcomes that shape the future of Greater Sydney,

Our submission focuses on what this reform means specifically for Greater Sydney: its costs and benefits, and importantly, where the current design leaves significant gaps that a submission from a city-focused perspective is well placed to name and address.

Sydney is one of the world's most climate-exposed major cities. Without proactive planning reform, the growing frequency and intensity of extreme heat, flooding, and other hazards will impose escalating costs on households, governments, businesses, and insurers, costs that will be borne disproportionately by the most vulnerable members of our community.

Our central argument is that the reform is necessary and, on balance, positive, but it is not sufficient. Reducing the tax loading on insurance premiums will help affordability at the margins, but it does not address the reason why Sydney's insurance market is under stress in the first place. That reason is **growing climate risk**, specifically the increasing frequency and severity of floods, extreme heat, and other hazards across the Sydney basin.

The most important complement to this reform is one that the options paper does not discuss: a **comprehensive, multi-hazard Disaster Adaptation Plan for metropolitan Sydney**. Without a DAP, lower insurance premiums will bring households back into coverage temporarily only to face new unaffordability challenges as underlying risk continues to rise. This submission calls on the Inquiry to recommend that the emergency services funding reform be accompanied by a commitment to act on disaster adaptation planning now.

We have published extensive research on these risks which together set out the economic case for urgent, ambitious action and the nature-based solutions that should underpin it, including: **Nature's Resilience Dividend**: How nature can strengthen Sydney's flood and coastal hazard resilience (2025); **Burning Money**: The Rising Costs of Heatwaves to Western Sydney (2024); **Nature Positive Sydney**: Valuing Sydney's Living Infrastructure (2023); and **Defending Sydney:** Adaptive planning for today's flooding and tomorrow's climate risks (2023).

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2. The reform in brief: what is changing and why it matters

Under the current system, around 74% of the cost of NSW's three emergency services agencies is funded through a levy on insurance companies. Insurers recover this by loading it onto policyholders' premiums. The result is that people who choose to insure their property effectively subsidise emergency services for those who do not. This creates several problems that the reform is designed to address:

- **It makes insurance more expensive**. The levy adds around 18% to residential premiums and 34% to non-residential premiums on average, on top of already-rising base costs.
- **It actively discourages insurance**. When insurance is more expensive, more people go without it, which pushes the levy higher for those who remain, in a self-reinforcing cycle of unaffordability.
- **It is unfair**. Properties with high flood or fire risk pay more in the levy, even though those properties tend to have lower land values and be owned by people with lower incomes.
- **It is unsustainable**. Emergency services costs have grown by around 8% per year since 2018, and Treasury modelling projects the ESL would need to increase by 164% in real terms between now and 2066 as climate change drives more frequent disasters.

The proposed replacement is a levy on all property owners, structured as a flat fee that increases in steps based on the land value of the property. NSW Treasury has presented five design options, all sharing the same basic structure but differing in how steeply charges escalate and whether additional adjustments are made for location or property type.

The economic case for reform is strong. Treasury modelling estimates it would add approximately $1.8 billion to the NSW economy over time by making insurance more efficient. Under a scenario modelling projected 2065-66 climate conditions applied to today's household base, the reform would reduce the number of NSW households in severe insurance affordability stress by around 125,000 compared to retaining the ESL, with more than 80% of those households in the lowest income quintile.

3. Benefits for Greater Sydney

3.1 Lower insurance premiums are a real cost-of-living gain

The most immediate and universal benefit of the reform is cheaper insurance. Removing the ESL loading cuts the cost for every insured household and business in Greater Sydney. NSW insurance premiums have risen 48% since 2018, nearly double the rate of inflation over the same period. Any structural reduction in that cost matters.

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Treasury modelling, applying projected 2065-66 climate conditions to today's households, estimates that removing the ESL would produce average residential premiums around 15% lower than if the levy were retained. This is a scenario analysis rather than a day-one forecast, but it establishes that the reform more than offsets the projected increase in underlying premiums from climate change under realistic future conditions.

NSW already carries home insurance premiums and affordability stress above the national average, and second only to Queensland and the Northern Territory among Australian states. NSW also has some of the highest rates of non-insurance in Australia. Lower premiums will, at the margins, bring some currently uninsured households back into coverage and improve risk transfer and household recovery. For Greater Sydney's insurance market this matters.

3.2 A fairer base: spreading the cost across all property owners

Currently, uninsured property owners contribute nothing directly to the cost of emergency services, even though those services protect their properties. The replacement levy brings every property owner into the funding base. The cost of services that benefit the whole community will be shared by the whole community.

For insured property owners, who represent the majority of Greater Sydney households, this broader base is part of why the average replacement levy sits below the current ESL burden. More contributors means lower charges per contributor, at least in the short term.

3.3 Economic dividend for the whole city

Treasury estimates the reform will add approximately $1.8 billion to the NSW economy in today's terms. The gain flows from removing a tax that distorts insurance decisions. Once that distortion is gone, capital flows more productively across the property and insurance market. As the largest economy in the state, Greater Sydney will share in that dividend, though the options paper does not model its geographic distribution.

4. Challenges and risks for Greater Sydney

The reform is designed to be an improvement for NSW as a whole, and it is. However the distributional picture within Greater Sydney is more complex. Defined by where they live, what type of property they own, and whether they currently insure, some cohorts face a less straightforward outcome. The Committee for Sydney identifies three areas of concern.

4.1 Greater Sydney property owners are less likely to benefit from the switch than regional NSW

The Treasury options paper states this finding plainly: **owners of insured residential properties outside Greater Sydney are around twice as likely to pay less under the replacement levy than their counterparts inside Greater Sydney.**

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The reason is structural. Properties outside Greater Sydney generally carry lower land values than those inside the city, but their owners currently pay higher ESL costs, in part because of greater exposure to flood and bushfire risk. The reform replaces a risk-based contribution with a land-value-based one. This deliberately rebalances the burden away from risk-exposed, lower-value regional properties and toward higher-value metropolitan ones.

This is a defensible equity decision at the state level. The Committee raises it not to argue against the reform, but to ensure the Select Committee understands that Greater Sydney is not a uniform beneficiary. Some Sydney property owners will pay more under the replacement levy than they pay today, particularly those in high-land-value areas who currently carry moderate insurance costs.

4.2 Renters are effectively invisible in the analysis

The options paper analyses impacts on property owners because the levy's legal obligation falls on owners. **Renters, who make up a large share of Greater Sydney's residents, are entirely absent from the analysis**. This is a significant omission because the levy's costs and savings will flow through to rents over time. Landlords whose levy burden rises are likely to pass some of that cost through. Those whose burden falls may face downward pressure on what they can charge.

The direction and scale of this pass-through will vary by property type, location, and market conditions. The reform's real-world cost-of-living impact on Greater Sydney's large renter population has simply not been assessed. The Committee recommends that renter impacts be modelled as part of any final levy impact assessment, with particular attention to inner and middle-ring Sydney where rents are highest and upper levy tiers are most likely to apply.

4.3 Western Sydney bears a compound risk that the reform does not fully resolve

This is the Committee's deepest concern from an equity perspective and the finding most directly connected to our Defending Sydney research.

Western Sydney communities, including Penrith, Hawkesbury, Camden, Campbelltown, and parts of Blacktown, face a compounding set of pressures:

- Elevated flood and bushfire risk means insurance premiums are already high and rising.
- Land values, while lower than the inner city, still place many properties in upper levy tiers under the Greater Sydney classification.
- Household incomes sit, on average, significantly below the Greater Sydney mean.
- Rates of underinsurance and non-insurance are likely to be higher, driven by affordability stress, though the options paper explicitly notes that data on uninsured owners by location was not collected and the precise scale of this is unestablished.

4.4 Impact on local councils

The shift to a property-based ESL system is an opportunity to review local government contributions to emergency services. Councils do not support local government continuing to

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fund 11.7% of the levy and recommend this amount be absorbed into the new levy. This would ensure emergency services funding is clearly and transparently a state responsibility. There is also a need to consider the most appropriate agency to collect and administer the levy. Councils strongly oppose undertaking this function due to the significant additional costs and resource demands required. Using existing state infrastructure, like Revenue NSW, would avoid the need to develop new systems and ensure a consistent state-wide application of concessions and hardship relief.

The replacement levy uses land value as a proxy for capacity to pay. NSW Treasury itself acknowledges in the options paper that "in practice, there is no single measure that serves both as an efficient and practical revenue base and that accurately represents a property owner's capacity to pay." In Western Sydney that limitation is acute. A household in Penrith may own a property that sits in an upper levy tier while earning considerably less than the owner of a comparably valued property in inner Sydney. The tier structure does not capture this difference.

These communities also carry the greatest exposure to the climate hazards that push emergency services costs upward. Under the current ESL, they pay more because of that risk. Under the replacement levy, the risk-based structure disappears. This reduces the direct cost of insurance, which is a genuine benefit. But it does not reduce underlying risk. Base premiums will remain high and, without complementary investment in adaptation, will continue to climb.

Treasury's own modelling reaches this conclusion. The options paper notes explicitly that "for properties most exposed to climate-related risks, removing the ESL alone may not be sufficient to fully unwind the erosion in insurance affordability resulting from higher underlying premiums." That finding sits in a footnote. The Committee believes it belongs at the centre of the Select Committee's recommendations.

5. Funding prevention, not just response: why the levy should pay to reduce disaster risk

This review is a chance to change not only who pays the Emergency Services Levy, but what it funds. Today the levy pays for Fire and Rescue NSW, the Rural Fire Service and the State Emergency Service to respond after disasters strike. It should also fund the mitigation and climate adaptation that stop those disasters escalating in the first place.

The economics strongly favour spending upfront. Every dollar invested in disaster risk reduction can save up to eight dollars in post-disaster recovery and loss.[i] The Australian Government has cited a return of nearly ten dollars for every dollar spent on disaster risk reduction,[ii] and analysis of adaptation investments across twelve countries found every dollar invested generates more than ten dollars in benefits over ten years.[iii] For flood works specifically, modelling found a seven-to-one benefit from steps such as acquiring or removing flood-prone buildings.[iv] Despite this, around 97 per cent of disaster funding has historically been spent on response and recovery, with only 3 per cent spent on reducing risk.[v]

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That imbalance is expensive in NSW. Since July 2019, the state has experienced more than 110 declared natural disasters, and more than $9 billion has been spent on recovery and reconstruction; more than 20,000 homes were damaged in 2022 alone.[vi] Greater Sydney is squarely exposed. The Hawkesbury-Nepean Valley is the largest unmitigated flood risk in New South Wales, if not Australia,[vii] and Western Sydney flooded four times in 18 months across 2020 to 2022,[viii] with infrastructure damage in the Hawkesbury alone exceeding $400 million.[ix] Every rebuild that restores the same homes and roads to the same flood-prone ground simply guarantees the next recovery bill. Without greater mitigation, natural disasters are projected to cost the Australian economy $73 billion a year by 2060, up from $38 billion today.[x]

Crucially, mitigation reduces the demand placed on emergency services themselves. Every levee, cool or cultural burn, upgraded evacuation route and home raised above the flood level means fewer rescues, fewer deployments and fewer agencies stretched across simultaneous fronts. This matters because the current trajectory is unsustainable for the services the levy funds: senior former emergency service leaders have warned that the increasing frequency of extreme climate-related emergencies is overwhelming the capacity of emergency services to control events and keep communities safe.[xi] Prevention is how that capacity is protected. It also slows the rise in the levy itself, since lower disaster losses mean lower future funding requirements.

A reformed levy spread across all property owners is well suited to this. Because everyone benefits from a safer community, a defined share of revenue should be ring-fenced for hazard mitigation and adaptation: flood evacuation infrastructure, bushfire fuel management, resilient building standards, and buy-backs or managed retreat from the highest-risk floodplains. Spending modestly now to reduce risk is far cheaper than paying repeatedly to recover from the same disasters, and it eases the load on the frontline services NSW depends on.

NSW Treasury's own modelling backs this up: emergency services costs have grown at 8% per year since 2018, and climate change accounts for around 41% of projected future cost increases. The expected annual cost of damage from floods, bushfires, storms and cyclones in NSW is projected to rise by around 70% in real terms by 2066. The ESL, or whatever replaces it, will need to rise to match that trajectory unless risk itself is reduced.

6. The missing piece: a metropolitan disaster adaptation plan

The options paper is a technically rigorous fiscal reform paper. It addresses how emergency services are funded. **It does not address why the cost of those services is rising so fast, or what can be done to reduce underlying risk.**

Removing the ESL reduces premiums today. But if the underlying risk that drives base premiums continues to grow, as it will under any realistic climate projection, then insurance premium affordability will erode again. Treasury's own scenario acknowledges this for properties most exposed to climate risk.

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This is why the Committee for Sydney's Defending Sydney report, published in 2023, argued that **the most urgent reform needed for Sydney is not any single policy change, but a comprehensive, multi-hazard Disaster Adaptation Plan for metropolitan Sydney**. This plan would bring together flood, fire, extreme heat, and coastal risk into a single strategic framework, built around place-based adaptive pathways for the communities most at risk.

Currently, no such plan exists for Sydney. The NSW Reconstruction Authority is developing a Disaster Adaptation Plan for flood risk in the Hawkesbury-Nepean Valley. The Georges River, Parramatta River, Wianamatta South Creek, and Sydney's coastal and bushland fringe communities all lack an equivalent framework. The State Disaster Mitigation Plan provides a statewide context but does not substitute for metropolitan-scale, place-based planning.

A metropolitan Disaster Adaptation Plan would do three things that this funding reform cannot:

- It would identify which communities face the highest and fastest-growing climate risk, and develop adaptive pathways, including managed relocation where appropriate, to reduce that risk before it becomes unmanageable.
- It would engage the insurance sector in planning for risk, creating the data-sharing and risk communication frameworks needed for insurers to remain in high-risk markets at affordable prices, rather than withdrawing or loading premiums to the point of unaffordability.
- It would provide a framework within which emergency services funding can be rationalised over time. Not just the tax side, but the investment side. So that spending on prevention and risk reduction reduces the long-run demand for emergency response.

The Committee's Defending Sydney report set out specific recommendations for how this planning framework should be built, including place-based adaptive pathways, climate-responsive land use planning, and collaborative governance across the 33 councils of metropolitan Sydney.

6. Recommendations

The Committee for Sydney makes the following recommendations to the Select Committee:

Levy design

1. **Recommendation:** The impacts of the reform on renters and other impacted groups be subject to further modelling and monitoring, with a commitment to review levy design if evidence shows significant unintended impacts on these cohorts in the first two years.
2. **Recommendation:** The final levy design consider a hardship scheme, covering both residential and small business property owners, before the reform commences.
3. **Recommendation**: Consider absorbing local government contributions into the new property-based system and the most appropriate collection agency. Consider Revenue NSW to administer and collect the levy, ensuring emergency services remains clearly and transparently a state responsibility.

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Insurance affordability

4. **Recommendation:** The Inquiry's report explicitly recognise that the ESL reform addresses the tax loading on insurance premiums but does not address the underlying base premium drivers, primarily rising climate risk and increasing rebuilding costs. The report should call for complementary policy action on both fronts.
5. **Recommendation:** The NSW Government should create a resilience levy to fund the mitigation and climate adaptation that stop disasters escalating in the first place.

Metropolitan Disaster Adaptation Plan

6. **Recommendation:** The Inquiry's report recommend that the NSW Government commit, concurrent with the implementation of emergency services funding reform, to developing a comprehensive multi-hazard Disaster Adaptation Plan for metropolitan Sydney. This plan would cover the full Greater Sydney area and address flood, extreme heat, bushfire, and coastal hazards in an integrated framework.
7. **Recommendation:** The metropolitan Disaster Adaptation Plan be developed through the NSW Reconstruction Authority, in partnership with the 33 councils of metropolitan Sydney and key state agencies, within a three-year timeframe, drawing on the adaptive pathways methodology recommended in the Committee for Sydney's Defending Sydney report (2023) and detailed in the Disaster Adaptation Plan Guidelines (NSW Reconstruction Authority, 2025)
8. **Recommendation:** The emergency services funding reform be reviewed in five years against measurable outcomes: insurance coverage rates in previously underinsured communities, premium affordability trends in high-risk areas, and emergency services demand, with findings reported publicly and used to inform both levy design and complementary adaptation investment.

Please don't hesitate to reach out to discuss our submission in more detail.

Yours sincerely,

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End Notes

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