

# THE ALTERNATIVE EMERGENCY SERVICES LEVY (ESL) ADMINISTRATIVE ARRANGEMENT

## OPTION B

### INTRODUCTION

Since the introduction of the ESL in 2003/04 a steadily increasing number of local governments have elected to operate under the 'Option B' ESL administrative arrangement each levy year.

Under Section 36ZJ of the *Fire and Emergency Services Act 1998 (FES Act)*, the prior approval of the Minister for Emergency Services (*the Minister*) is required before the Department of Emergency Services (DFES) and a local government (LG) can enter into an Option B Agreement.

### OPTION B OVERVIEW

The Option B Agreement requires that the LG, in each levy year to which the Agreement relates:

- calculate and invoice ESL, as a separate line on the Rates Notice, in accordance with the rules set out in the ESL Manual of Operating Procedures (MOP), applying the ESL rates and charging parameters declared annually by the Minister;
- report to the DFES the amount of ESL invoiced (Form A), within 14 days of the annual Rates/ESL billing run;
- apply the ESL 'late payment' penalty interest rate, as determined by the Minister (currently 11% per annum); and
- make the following payments to the DFES under one of the two following alternative payment options:

#### **Quarterly Payment Option**

- 30% of ESL invoiced by the LG by COB 21 September;
- 30% of ESL invoiced by the LG by COB 21 December;
- 30% of ESL invoiced by the LG by COB 21 March; and
- 10% of ESL invoiced, by the LG by COB 21 June.

#### **OR**

#### **Annual Payment Option #**

- 100% of ESL invoiced by the LG by COB 21 September.

# *The Annual Payment Option is generally taken up by LGs that raise only a small amount of ESL and wish to further simplify the ESL administrative arrangements.*

- lodge an advice of ESL (principle) adjustments processed during each levy year (to COB 30 June) by 31 July next on an Annexure A return. The adjustment amount (debit or credit) will be included in (added to or offset against) the invoice next issued by the DFES for the payment due and payable by 21 September ##

## *The LG may specifically request that an Annexure A adjustment be processed by the DFES in the levy year to which it relates (as an addition/offset against the 4<sup>th</sup> quarter invoice or as a special adjustment). However the LG must lodge the Annexure A by 31 May to be eligible. If Annexure A lodgment occurs after the preparation/issue of invoices payable by 21 September, any necessary adjustments will be offset against the next available invoice for LGs that make quarterly payments or processed (within 21 days) as a special adjustment for LGs that make annual payments.*

## **EFFECT OF OPTION B**

### ***Benefits***

Effectively under the Option B arrangement, the LG:

- is likely to benefit from a surplus ESL cash flow in the first half of each financial year as, for most, the percentage linked payments required under the Option B Agreement will result in the amount collected exceeding the required payment;
- retains late ESL payment interest;
- retains pensioner/senior ESL concession payments, and interest on deferred ESL, as paid by the Office of State Revenue;
- will find the required ESL reporting and remittance arrangements are simplified; and
- continues to receive the annual ESL Administration Fee which the DFES will pay by 31 October each year.

### ***Costs***

It should be noted that under the Option B arrangement:

- the LG assumes liability for all unpaid and deferred ESL, and all costs associated with ESL debt recovery;
- the LG accepts financial responsibility for any ESL or ESL Interest amounts that the local government chooses to write off, which (with the exception of ESL Interest amounts less than \$2.00 per annum per property) still require the approval of the Minister;
- the DFES does not accept responsibility for any implementation or ongoing costs incurred by the LG that are directly associated with a decisions by the LG to migrate from Option A to Option B; and
- the DFES may, in accordance with the FES Act, apply penalty interest, at a rate declared by the Minister (currently 11% per annum), where ESL payment required under the Option B Agreement is not made by the LG on time.

## **TRANSITIONAL ARRANGEMENTS**

Some additional financial arrangements apply for LGs that elect Option B for the first time as they migrate from Option A to Option B.

In the interest of equity and fairness, and to avoid the need for the LG to forever differentiate between unpaid ESL billed during periods preceding the term of an Option B Agreement (the DFES's ESL Monies) and unpaid ESL billed after an Option B Agreement is entered into (the LGs ESL Monies), the following transitional arrangements will also apply in relation to ESL charges raised on Rates Notices issued by the LG:

- a payment is to be made by the LG to the DFES, by 31 October in the first year of application of the Option B Agreement, which equates to:
  - the balance of the principal ESL outstanding, including amounts subject to pensioner/senior ESL rebate and deferment claims, as at COB 30 June (the day prior to the commencement date of the Option B Agreement); and
  - ESL interest that has accumulated but remains uncollected as at COB 30 June (the day prior to the commencement date of the Option B Agreement).
- Upon receipt of the aforementioned outstanding balance, the DFES will pay the LG a transfer fee equivalent to the amount of ESL Interest raised by the LG in the levy year immediately preceding the year that the LG commenced on the Option B Agreement.

## **STANDING AGREEMENT**

In view of the ever growing acceptance and adoption of the Option B ESL administrative arrangement, and commencing 1 July 2011, the administrative processes associated with Option B was further simplified through the introduction of a standing Agreement (i.e. 'open-ended term') that will no longer need to be regularly renewed.

Subject to a 'timely notice' requirement, the applicable term of a standing Agreement is able to be reviewed at the request of either party (DFES, on behalf of the Minister, or the LG).