

bond
of co-operation

Ref:G11
AVB:BH

24th July 2002

The Secretary
Standing Committee on Economics, Finance and Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600

House of representatives Standing Committee on
Economics, Finance and Public Administration

Submission No: 107

Date Received: 29/7/02

Secretary: *Bendall*

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THE CIVIC CENTRE
Cnr of Elbow and Tozer Streets,
West Kempsey

PO Box 78,
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DX 7153

administration

Phone 02 6562 6077
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Dear Sir

Council wishes to make a submission to the Inquiry into Local Government and Cost Shifting as outlined in the Terms of Reference forwarded to Council on the 13th June 2002.

Local Government although universally recognised as the third tier of Government is actually a child of the State Government and is compliant to State Government directives, policies and law. Local Government is dictated to in regards to the types of taxation that is available to it, what services it will or will not provide and often the maximum amounts that it can recover for the provision of services.

operational services

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Kempsey Shire Council is a medium sized Rural Council with a population of 27,000 and an area of 3,380 square kilometres. Council is a multi purpose Council providing General Services as well as Water, Sewerage, Airport, Saleyards and Caravan Parks.

rates

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There are five major areas of concern to Council and they are:-

▪ **State Government Restrictions to Raise Revenue**

Kempsey Shire is a coastal Council and experiences the pressures of coastal growth. The community expects and requires service provision to keep pace with development expansion. The State Government in NSW imposes Rate pegging and maximum rate increases each year are determined by the Minister for Local Government. The increases allowed are generally below CPI and certainly do not keep pace with Local Government costs. For example the maximum increase allowed by the Minister for 2002/2003 was 3.3%. Salary and wage increases allowed under the award provide for a 3.3% increase for this year. This Council's salaries and wages exceed rate income so the rate increase for 2002/2003 does not cover salary and wage increases let alone other CPI increases and costs. Council estimates that it will be undertaking \$400,000 less work in 2002/2003 as compared to 2001/2002 due to rate pegging. Rate pegging has been in force since 1976 and Council's ability to provide adequate services has been greatly eroded since that time.

environmental services

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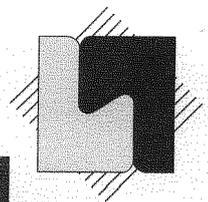
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To counter rate pegging Council has introduced workplace reform to reduce its overheads and has maximised utilisation of reserve funds. This has had the effect of softening the impacts of rate pegging but future opportunities for using these mechanisms are limited.

community services

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Many fees charged by Council are set by the State Government. The charges once set invariably are increased infrequently and are not sufficient to cover the cost of providing the service. For example planning requirements are becoming more and more complex and the time needed to process applications are increasing. Processing an application may involve inspections, conferencing with the applicant, deferral to other bodies, processing objections and consideration by Council. The time spent on an application may not reflect the value of the application which is the basis of the fee. Council's should have the opportunity to set their own fees after taking into account local circumstances or if a State wide uniform fee is required the fee should be set to cover reasonable costs of processing or delivery and be increased on an annual basis by an amount that reflects industry cost increases.

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▪ **Unfunded Mandates**

The State Government hands over services to Local Government without providing the necessary financial resources to pay for providing the service. In some instances no funding opportunities are provided whilst in others the service is partly funded. Examples are:-

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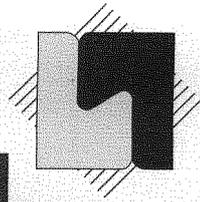
- Transfer of Parking Officers to Local Government. Income that can be generated in Rural locations will not meet the cost of the Service.
- Pensioner Rates Subsidy maximum has not increased from \$250 since 1988.
- On site sewerage management provisions have increased Regulatory responsibility requiring additional staff with only part of the costs being recovered.
- Introduction of the Protection of the Environment Operations Act have created devolution of many "appropriate Regulatory Authority" responsibilities to Councils which has resulted in more resources needed to respond to enquiries and complaints.
- Requirements of Native Vegetation Conservation Act cannot be properly implemented unless Councils fund a Vegetation Management Plan.
- Community Safety programs such as the Kempsey Assistance Patrol (Street Beat), Community Development Workers, Community Aged Persons Housing
- Library subsidy has not been increased for many years and is not appropriate for today's circumstances.
- The introduction of the Companion Animals Act introduced cats and changed the registration from annual to lifetime. The registration fees are remitted to the State Government who deducts their expenses and remit the balance to Council. Council is responsible for the cost of processing and enforcement with insufficient fees to fund the service. As the registration fee is lifetime future income will be minimal while enforcement costs will increase.
- Waterways program construction of boat ramps.
- Roads Act requirement that a Crown Road needs to be dedicated prior to works being carried out.
- Noxious Weeds removal of allowance for supervision and administrative costs.

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▪ **Joint Funding of Services**

State Government and Local Government have arrangements to jointly fund services particularly the employment of certain classes of staff such as Aboriginal Liaison Officer, Youth Worker, Community Projects Officer, Aged Care Workers, Crime Prevention Officer etc. The normal arrangement is for 50/50 funding of salary and other costs. Over time because the State Government's contribution is not CPI increased the cost of the service becomes heavily weighted toward Council until such time as Council is fully funding the service.

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▪ **Grant Funding**

Grant funds are received from the State Government for various projects. The grants can be for a specific period at the conclusion of which the State funding is withdrawn. As Council has provided a service for a period of time and the community has become dependent on the service it is hard to discontinue the service and Council is obligated to continue to fund at the expense of other competing and necessary services.

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▪ **Paying for State Government Services**

The State Government provides services for Council or requires Councils to contribute to the costs of State wide services. As mentioned earlier Council's income generation is restricted by rate pegging. However when the State Government charges Local Government for a service the increase in contribution required is not restricted to the rate pegging increase imposed on Local Government but generally is far in excess of the rate pegging limit. Services where Council contributes to the State Government include:-

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- Fire Brigade
- Rural Fire Services
- Valuation fees

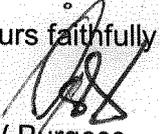
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Council does believe that the current arrangements for fee for service are inadequate particularly in view of the fact that the Commonwealth is allocating significant amounts to the States to finance services that Local Government is being asked to provide on an increasingly more frequent basis. Perhaps the answer is for the Commonwealth to fund Local Government direct or to ensure that certain funding is allocated by the States to Local Government in the same manner as Financial Assistance Grants.

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I hope the comments in this submission have been helpful and look forward to receiving your Committee's recommendations for change.

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Yours faithfully


A V Burgess
GENERAL MANAGER