

Ref. No: S/97/000413
Contact: Robert Brown

Your Reference:

21 August 2002

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

Dear Sir/Madam

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Wagga Wagga City Council is pleased at the opportunity to make a submission to the House of Representatives Inquiry into Local Government and Cost Shifting.

Council's submission has been based on a template proposed by the Australian Local Government Association.

This submission should be read in conjunction with the submissions to be forwarded by the Local Government and Shires Associations and REROC.

If you have any questions in respect to this submission please contact Council's Manager of Strategic Planning and Policy on (02) 6926 9290.

Yours sincerely

Kevin Wales
Mayor

kw/



**Wagga Wagga City Council
Submission to the
Parliamentary Inquiry into
Local Government and Cost
Shifting**

The Secretary
Standing Committee on Economics, Finance and Public Administration
21 August, 2002

Name: Wagga Wagga City Council

Population Size: 55,700

Geographic Size: 488,600 hectares

Current Budget: \$74 million including capital works of approximately \$27 million

Historical Development of the Council:

Wagga Wagga was proclaimed a town in 1849.

Wagga Wagga was incorporated as a Borough in 1870 and proclaimed a City in 1946.

On 1st January 1981 the City of Wagga Wagga became amalgamated with the adjoining Shires of Kyeamba and Mitchell.

Membership of any regional organisation of councils:

Wagga Wagga City Council is a member of the Riverina Eastern Regional Organisation of Councils (REROC).

REROC is a voluntary association of fifteen local government bodies located in the eastern Riverina region of New South Wales. Originally formed in 1992 the aim of the organisation is to assist councils to operate more efficiently and effectively through working together to achieve economies of scale and a more informed and representative voice.

REROC's membership is comprised of thirteen General Purpose councils (under the NSW Local Government Act) and two Water County Councils. REROC member Councils are Bland, Coolamon, Cootamundra, Culcairn, Gundagai, Holbrook, Junee, Lockhart, Temora, Tumbarumba, Tumut, Urana and Wagga Wagga as well as Riverina Water and Goldenfields Water.

Contract work undertaken by Council for any State, Federal or other Agency during 2001/02:

Wagga Wagga City Council undertakes a number of programs on behalf of other levels of Government on an ongoing basis and these include Family Day Care, Youth Services and Aged Services.

The Secretary
Standing Committee on Economics, Finance and Public Administration
21 August, 2002

However, in respect to contract works of a capital nature the main work undertaken is the State Road Contract for the Roads and Traffic Authority of New South Wales. This contract is worth approximately \$890.000.

Activities undertaken that would not normally be done or traditionally has not been provided by local government:

The traditional role of Local Government of roads, rates and rubbish is no longer applicable and hasn't been for many years. Local Government now has roles that encompass and impact on every facet of ratepayers' lives and this is particularly the case for councils that operate in rural and regional Australia. The roles and responsibilities of Local Government have grown significantly, most notably over the last decade.

Some of this growth has been in areas traditionally viewed as Local Government's role. However, the scope of what these traditional roles include has changed considerably over the years – for example the increasing provision of recycling services.

The growth in roles and responsibilities can be attributed to the following:

- a) Roles and responsibilities that Local Government has been forced to take on in order to implement State or Federal legislation or regulation
- b) Roles and responsibilities that Local Government has had to take on to fill service gaps that have resulted from the removal or downgrading of State and/or Federal Government services, and/or the loss of private sector services
- c) Roles and responsibilities that Local Government has chosen to grow into in response to local community expectations and demand

Some of the activities undertaken by Wagga Wagga City Council that would not traditionally have been provided by Local Government, or are traditional functions that have undergone traditional change and growth in scope, are:

- Provision and management of an Airport
- Provision of financial support for the continuation of airline services into Wagga Wagga
- Family Day Care Services (home based child care)
- Enhanced local economic development activities for the community including research and training services
- Facilitation of the Riverina Telco – a community based Telco providing local business with cheaper STD phone costs
- Salinity control and management
- Enhanced arts and cultural activities and facilities eg recently redeveloped art galleries, civic theatre and museums
- Youth services

The Secretary
Standing Committee on Economics, Finance and Public Administration
21 August, 2002

- Road safety programs
- Community safety programs, including crime prevention

Wagga Wagga City Council has undertaken some of these roles and responsibilities in response to increasing community expectations of the role of Local Government and the range of services it should provide. Some of these increased community expectations have arisen because the local community looks to Council to fill the gaps that have resulted from the removal or downgrading of State or Federal Government services and the loss of private sector services. It is important to note that in many cases the sphere of Government that created 'the gap' by their actions also expects that Council will assist to fill the gap, thereby creating additional work and expense to Council without supporting funding.

Impact of the devolution of services over the past 10 years:

It is perceived that the New South Wales State Government's solution to state-wide problems has been increasingly reliant on implementation by Local Government. The implementation is enforced through regulation and Local Government is rarely adequately consulted about its new responsibilities or the feasibility or cost of implementation. Rarely is Local Government compensated for the costs of undertaking these additional functions. When this is combined with the constraints faced by Local Government in raising revenue it can be seen that this places a huge cost impost on Councils and greatly impacts on its abilities to provide other important services to its local community.

Examples of some of the services devolved to local government include:

- a) **Protection of Environment Operations Act** – has expanded councils' roles in environmental regulations and environmental improvements programs. There are also additional costs imposed through load-based licencing of sewerage treatment plants and through compliance with more and more onerous regulatory measures introduced by the EPA
- b) **Companion Animals Act** – Council is required to develop and implement management plans to deal with companion animals (including cats). In addition councils are required to build facilities to house cats separately to dogs. Lifetime registrations mean that income will not cover on-going costs, however councils can recover some costs by increasing the penalties. Council's are now responsible for keeping registration details up to date as well.
- c) **Noxious Weed Control** – the State Government has decreed that their funds for noxious weed control must be concentrated on inspections, which leaves the cost of actual control to councils. Formerly noxious weed control was funded 50% - now funds are allocated on a regional basis with priority towards co-ordination. Local councils are now required to fund the actual weeds control.
- d) **Rural Fire Service Act** – councils are required by the State Government to fund 13.3% of the cost of running the Rural Fire Service (RFS). This includes the cost of the RFS bureaucracy and all the RFS staff, regardless of their location. There is

The Secretary
 Standing Committee on Economics, Finance and Public Administration
 21 August, 2002

no funding cap applied and each year council contributions have risen substantially.

- e) **Parking Patrols** – Council assumed responsibility for parking patrols in Wagga Wagga on the 22 July from the New South Wales Police Service. A staff member transferred to Council as part of this transfer of responsibilities. It will be interesting to see what the net cost to Council will be of this transfer in years to come.

In recent times it has also become apparent to Wagga Wagga City Council that metropolitan based State and Federal Agencies that are conducting consultation programs in regional areas are using local councils to undertake all the administration of their consultation programs including the provision of rooms and catering. With a range of consultation programs occurring this impacts of Council staff time and resources at the detriment of local priorities. Again it is not argued that the local authorities aren't the best organisation to undertake this but if it is to be done there needs to be recognition of the impact that this has on the ability of Council's to deliver their own programs and resources need to be provided accordingly.

Costs incurred in meeting Federal and State compliance/administrative requirements, including the employment of additional staff:

In addition to additional services devolved to Local Government councils face increased costs to comply with changes in State legislation. Examples of these are:

- a) **Local Government Act** – requires preparation of management plans, State of the Environment Reports, social plans, community land management plans and soon cultural plans.
- b) **Environmental Protection Authority** – preparation of stormwater management plans. While there was funding assistance with the plan there is still the cost to council of implementing the plan and updating it on an annual basis
- c) **Waste Minimisation and Management Act 1997** – has required the upgrading of council landfills and raised the standards to be met for landfills, requiring the licencing of certain types of landfills. In addition councils must now “man” their landfills in order to ensure that there are no breaches to EPA licencing provisions.
- d) **Contaminated Land Management Act 1997** – requires councils to development management plans/policies about contaminated land and for councils to establish a register of all contaminated land in its local government area. Council is responsible for the on-going management.
- e) **On-site Sewerage Management Plan** – a requirement of the Department of Local Government is that all councils develop a management plan and prepare a database of every on-site sewerage management system in its area and then assess the level of risk and implement an inspection regime that reflects that level of risk. The development of the plan was funded on a fee per site basis and council is able to charge inspection fees.

- f) **Emergency Management Act** – this Act requires that councils establish a local emergency management committee and to provide an executive function. Council also provides the premises for an emergency management operations centre.
- g) **NSW Fire Brigade Levy** – councils have no input into the standard of service offered by the NSW Fire Brigade and no control over their activities, however we are required by law to contribute to the cost of their service provision.
- h) **Pensioner Rate Concessions** – councils are required to provide a concession to pensioners on their rates. The level of compulsory concession has remained the same since 1989, however with an aging population the cost has escalated substantially. The State Government requires that Local Government meet half the cost of what is essentially a welfare payment and therefore should be met in full by either State or Federal Government.

The costs incurred in implementing these changes are substantial and are reflected in either

- a) Increased direct expenditure eg payment of increased levies, employment of additional staff to undertake additional requirements
- b) Reduction in direct income eg pensioner rate write-offs
- c) Indirect costs to the community in having the level of service provided to the community reduced because staff resources are being diverted away from other activities to enable compliance with the new Government requirements

While Wagga Wagga City Council does not disagree that many of these changes are needed it does not agree that Council should meet the costs of implementation and the substantial on-going costs associated with implementation and maintenance without appropriate Government funding. For rural and regional Councils with smaller populations (compared to metropolitan Councils) it is not possible or practicable to raise sufficient funds from their local communities to fund these activities. With the additional revenues obtained by the State Government as a result of the introduction of GST it would appear only reasonable that some of these funds should flow to rural and regional Councils to fund these additional requirements.

Outline any Council services that could be better provided by another sphere of Government or the private sector:

As many of the roles and responsibilities referred to above have a direct impact on our local community it is considered that Local Government is best placed to implement them. This view is supported by Local Government's successful track record in implementing projects over the years that have been carried out in respect to State or Federal Government projects.

However, in saying this attention is drawn for the need for appropriate funding to be made available for these activities due to the inability of local Councils to be able to generate the funds necessary to fund them. This requirement is especially important for non-metropolitan Councils with smaller populations, larger geographical areas and potentially more diverse calls on Council resources.

Outline services provided by other spheres of Government that could be better provided by Local Government:

It is considered that Local Government is best placed to deliver a large number of State and Federal Government programs at a local level. Local Government is the face of the local community and has a strong understanding of community needs and expectations and has the infrastructure (both hard and soft) in place to provide services and support.

However, the ability of Local Government to do so rests on a recognition by both State and Federal Government that there are real costs associated with service delivery – costs that cannot and should not be absorbed by councils. If councils are to take on additional service delivery then it must be on a user pays basis with the user being the government department or agency for which the service is being provided.

There must be recognition that funding should be on-going and not as is often the case now, short-term, leaving councils to pick up the cost if the community continues to want the service. In addition service delivery cannot rely on the assistance of volunteers to offset costs, volunteers in most communities are in short supply and already overworked. It is imperative that governments assess the cost of service delivery realistically and make appropriate on-going provision for it and that the commitment be expressed as a contract for service delivery.

The provision of direct on-going funding to Local Government is an efficient and effective way of enhancing service delivery. Direct Commonwealth funding could be provided for activities such as arts and culture, community development, welfare and youth programs as well as to improve local infrastructure such as community halls and sporting facilities. This approach would be particularly beneficial in rural and regional locations that are removed from the services and facilities provided in metropolitan locations which are funded in the main by the State Government.

As a specific example of this the State is currently deciding how large sums of State and Federal money will be allocated and managed for salinity remediation. Rather than create another bureaucracy, they should be utilising Local Government that already has a presence in the appropriate areas and has the staff and skills to implement these works.

The other option that could be addressed is that of a rationalisation of Government to a two tier system being Federal and Local Government. This issue is one that goes beyond the scope of this inquiry and as such detailed comment is not provided. However, there are enormous potential efficiencies in a system where the Federal Government sets standards for national infrastructure works (eg standards for road design), health and crime and safety (to name but a few) and then local government delivers these. A large part of the State Government's budget goes into

The Secretary
Standing Committee on Economics, Finance and Public Administration
21 August, 2002

administration which is potentially duplicated at Federal, State and Local Government levels currently. These funds would be much better utilised in delivering actual results and outcomes for our communities.

Local government financing generally

Currently local government revenue is received from the following sources:

- Commonwealth Grants Commission via the NSW Grants Commission
- rates
- charges for services such as sewerage, water and rubbish removal
- fee for service such as inspections
- levies such as Section 94 contributions
- grant funding for special projects sourced from the Commonwealth and State Governments

It is worth noting that NSW Local Government has not received any National Competition Policy payments despite the fact that many councils have undertaken significant activities in the area.

Local Government in New South Wales is subjected to rate pegging which caps the level of annual increase allowable on rates without Ministerial approval to increase above this limit. Rate-pegging is a policy that implies that Local Government cannot be trusted to responsibly manage its own finances. It is a purely political policy that is particularly harsh on councils operating in non-metropolitan NSW. In metropolitan areas where property values increase every year and where populations are on the rise, rate pegging has negligible affect. However in areas where populations (and therefore ratepayers) are decreasing and property values are stagnant the effects of this policy are far reaching. It is often in these communities that councils are asked to do the most and where there is the least amount of funding available.

Local Government should be trusted to set its own income levels just as State and Federal Governments do with their various types of taxation.