

Contact: D Cooper
Our Ref: 101654

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

Dear Sir

SUBMISSION TO INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Local Government is again asked to make submissions to another inquiry regarding its roles, responsibilities, funding arrangements, use of resources and so on, with required outcomes that will be budget neutral for the Commonwealth. There have been dozens of inquiries into local government over the last two decades by State and Commonwealth Governments and all we have seen is some tinkering around the edges resulting in minor redistributions of funding and responsibilities.

It is noted that the terms of reference for the Inquiry only relate to cost shifting by State Governments, however, the Commonwealth cannot be absolved of its past and current deeds in this regard and is therefore included as part of this submission.

Local Government, particularly in New South Wales requires significant structural change and strong leadership from Government to achieve such change. The 172 Councils in NSW have populations ranging from less than 2,000 to more than 200,000. There are 44 Councils with less than 5000 and a further 30 Councils with less than 10,000 population with no capacity whatsoever to enhance existing services, let alone take on additional functions.

The capacity gap between the larger metropolitan councils and rural and regional councils is huge. The majority of metropolitan councils have large rate bases and access to additional revenue streams where the majority of rural and regional councils are struggling to exist under the current rate pegging and taxing regime.

If significant structural reform is not going to happen then the continued viability of local government will depend heavily on a greater share of general taxation.

Please find attached Council's submission under the six terms of reference.

Yours faithfully

Don Cooper
General Manager



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PROFILE OF GOULBURN CITY COUNCIL

Population Size : 22,000
Geographic Size: 55 Sq Km
Current Budget : Total Operating \$22.5M
Total Capital \$17.8M (Includes Water & Sewer of \$14.2M)

Demographic information:

Goulburn which is Australia's "First Inland City" is situated on the Hume Highway 2 hours south of Sydney. The City is surrounded by Mulwaree Shire Council a rural based Council with a population of approx 6,500. Goulburn is regional centre which services a surrounding population of approx 15,000.

TERMS OF REFERENCE

1. Local government's current roles and responsibilities.

The recent review of the Local Government (Financial Assistance) Act 1995 concluded that there has been an ongoing increase in local government responsibilities as a result of devolution of functions from the State and Commonwealth. The Review also found that there was a shift away from the core property based services to social and welfare services and an increase in the relative importance of recreation, cultural, housing and community amenities.

Whilst it is an old cliché that local government is government closest to the people it is the reason that Councils have to change priorities and accept additional responsibilities because local community needs change and Councils have to respond to community demands. Many of the traditional social and welfare services provided by the State and Commonwealth no longer exist or have been taken out of the rural areas, so councils are reluctant see their residents disadvantaged and attempt to fill the void.

Many grants are structured so that the State Government component decreases after the initial phase of a scheme. Community expectations are raised following the initial phase and Local Government is often under pressure to continue to meet these expectations. Insufficient attention is given to the sustainability of the project beyond the grant period.

Communities are not only requiring additional services they are also pushing for increases in the standard and quality of traditional services which is further compounded by legislative requirements in regard to environmental and safety compliance. There is no argument that "raising the bar" in regard to service provision is a positive outcome, however, the additional costs must be met from a non growth revenue base. This leads to a shift in priorities and what usually suffers is infrastructure maintenance which is now very much evident since local government has moved to statutory asset reporting.

2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.

▪ *Rate Revenue*

Rate revenue is the main traditional income source for local government in New South Wales, however councils have no autonomy in regard to the level of annual increases. Whilst the State Government pegs council rates, it will not apply the same philosophy to its own services and agencies which pass on increases often far in excess of rate pegging limits, eg NSW Fire Brigades levy increased by over 12% for 2002/03, compared to rate pegging 3.3%.

▪ *Government Funding*

Untied and specific funding to local government has been on the decline in real and actual terms for the last two decades. Until 1982 the State Government distributed some \$15 million per annum to Councils in general purpose grants through the Local Government Assistance Fund, however these grants were terminated on the grounds that the Commonwealth Government had accepted responsibility for general purpose assistance.

The level of special purpose grants has also declined, notably in key areas such as roads and water supply and sewerage. Funding under the Country Towns Water Supply, Sewerage and Drainage Program has fallen by nearly 40% in recent years, despite promises that it would be increased.

Compulsory pensioner rate concessions is placing an increasing strain on Local Government finances and is threatening the level and range of services that Councils are able to deliver. While the level of the compulsory concession has remained unchanged since 1989, an ageing population has ensured that the cost has escalated substantially, rising from \$41 million in 1992-1993 to over \$72 million in 2000-2001. This is despite half the cost being met by the State Government. It is of concern that arrangements for pensioner rate rebates have not been reviewed since 1989, despite the growing cost to Councils resulting from an ageing population. Pensioner rate concessions are in essence a form of welfare payment and given also the limited tax base of Local Government, it can be argued that such schemes are more appropriately fully financed by State or Commonwealth Governments

Unlike Queensland and Victoria, the NSW Government has not passed on to Councils a share of the National Competition Policy payments it receives from the Commonwealth, even though Local Government reforms have been identified as an integral part of the justification for those payments.

▪ *Library Funding*

Goulburn City Council is part of the Southern Tablelands Regional Library which has had to request an increase in funding from its participating Councils because current funding is not enabling the library to purchase sufficient resources to maintain the currency of the collection and maintain evolving electronic access requirements.

As the decline in funding from the State Government has been occurring there have been government department initiatives which have impacted on library resources such as staff time and physical resources without any compensatory funding. Examples of this are LIAC

– Legal Information Access Centre, and DI@ALL – Drugs Information at your local library. Initial information resources are supplied to libraries, however, costs for ongoing staff time for public education, reference enquiries and maintenance of the collection are being borne by participating libraries. Without the ongoing commitment of participating councils, and supplementary income from successful grant applications and partnerships with other community and/or government organisations the Southern Tablelands Regional Library’s ability to provide a quality service which meets community needs and expectations is severely restricted.

The following table highlights deficient level of funding being provided by the New South Wales State Government compared to Victoria and Queensland:

Sources of recurrent funding on a state average basis:

| Year | State | State % | Local Government % |
|-----------|------------|---------|--------------------|
| 2000/2001 | NSW | 8.8% | 91.2% |
| | Victoria | 23% | 77% |
| | Queensland | 22% | 78% |
| 1995/1996 | NSW | 10.17% | 89.83% |
| | Victoria | 23.09% | 76.91% |
| | Queensland | 24.67% | 75.33% |
| 1990/1991 | NSW | 13.81% | 86.19% |
| | Victoria | 26.78% | 73.22% |
| | Queensland | 30.25% | 69.75% |

▪ *Alternative Funding Sources*

Many Councils involve themselves in property development and other entrepreneurial activities to supplement the traditional rates and charges. Again, in the metropolitan and growing coastal areas there is far greater opportunities to create additional revenue streams and reduce reliance on rate income through such activities. The majority of rural and inland councils do not have this opportunity and in fact many have to subsidise land development costs in order to attract development and new residents to their areas.

3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.

There are many Regional Organisations of Councils (ROC’s) that are very effective and are well resourced to achieve positive outcomes in terms of resource sharing and influencing government decisions. The ROC’s that are successful are usually from the large population regions, well organised, have political influence and employ staff to work on agreed projects and initiatives.

In many areas of the State there are examples where the smaller Councils are reluctant to work with the larger Councils in their region because they consider any regional initiatives or infrastructure projects will only benefit the larger towns or regional centres. The lack of enthusiasm often emanates from the threat of amalgamation and this is exacerbated by the lack of direction and leadership of both political parties in New South Wales in regard to structural reform of Local Government.

These issues are evident in the 'donut' Councils which are providing all the facilities such as libraries, social services, cultural and recreational facilities etc, but receive little or no commitment to any community service obligations from the surrounding areas which use these services as their own. There is also the issues with cross border land use planning and infrastructure provision.

Until there is a rationalisation of Local Government boundaries in NSW based on community of interest and an equitable cost sharing of facilities and services we are not going to see any tangible benefits from regional co operatives or pool funding.

4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.

This reference heading is of significant importance and the following information will clearly show that Local Government's financial capacity has been eroded to an alarming level. Unfortunately, Council does not have the time and resources to fully quantify the actual value that these additional functions and responsibilities have placed upon it, however, it is certain that examples detailed below will be cited by most Councils and the impact will be evident to the Inquiry.

- *Companion Animal Legislation.*
Legislation not requested and it has created a huge impact on resources across the organisation such as finance, reception, admin support, management, rangers and the need for better infrastructure. The commission is not adequate to cover the additional costs, time spent with ratepayers explaining the legislation does not compensate for the adverse comments staff have to cope with. Council is now required to expend \$300,000 on a larger and better pound to cope with the increased demand that is a direct result of the legislation.
- *Development Application Reform Process*
The State Government changed what was a good system into a nightmare.

When the Environmental Planning and Assessment Act was first introduced in 1989 it was seen as creating a flexible framework within which State and Local Governments could work cooperatively to create plans that integrated a broad range of factors affecting local and regional environments. The scope of this new planning framework was thus expected to go well beyond the previously limited confines of land use zoning and development control.

The changes have now resulted in excessive complexity and often uncertainty. Local Government is faced with a situation in which on the one hand, the Act has failed to achieve its purpose of an integrated approach by State agencies, but on the other, is being used for unwarranted intrusions into local decision-making. There is certainly considerable scope for Local Government to improve its planning performance; but local communities also have a right to expect State agencies to commit to improved consultation, effective strategic planning and consistent goals for each locality or region.

- *Devolution of Environmental Protection Authority (EPA) Functions.*
When the Protection of the Environment Operations Act 1997 was introduced the EPA managed to devolve a substantial amount of it's licencing responsibilities by saying Councils

was better placed to deal with the environmental regulation of unscheduled premises and activities. Council was also given far greater powers so the EPA didn't have to spread itself too thin. To sweeten the deal Council is able to levy charges for notices and inspections. Again, for most Councils they couldn't levy enough fees to warrant an additional resource. So Councils are endeavouring to absorb the work, but are not doing an effective job.

- *Septic Tank Regulatory Reform(1998).*
Whilst this may not have impacted on Goulburn as much as other rural areas it still was a huge imposition requiring the preparation of a strategy (there was funding to do this – Council received \$1,000). It is the onground implementation that requires the greatest amount of resources. Though Council can recoup some costs through inspection and registration fees in most cases you can't sustain a resource to manage the process just on fees received.
- *SEPP 58 (Soon to be Regional Environment Plan).*
This created a notification and concurrence role which is time consuming including Council's involvement in the REP process.
- *State of Environment and Social & Community Plan Reporting*
These are fairly comprehensive documents that require a great deal of resources if they are to be done properly. Some would say it is only for the benefit of the State so they can meet their reporting obligations. Generally, the preparation of the documents as they are useful local community information, however, the cost benefit of complying with these reporting requirements needs to be challenged.
- *Food Act Reforms - Business Notification.*
This is a State requirement so they can keep a register but Councils are left to do the work..
- *Caravan Parks and Camping Grounds.*
Devolved to Councils many years ago. It was previously a function of the Dept of Local Government. Councils are now responsible for the licencing and compliance of these areas.
- *Plan FIRST*
Plan First is a new State Government initiative for the plan making system in NSW. The Government has introduced a development levy on building applications and Councils have been designated as the fee collection agency for PlanFIRST funding. This will no doubt become an administrative burden for councils
- *Airports*
Goulburn's airport previously operated under the Commonwealth "Airport Local Ownership Plan" where maintenance and capital works were funded on a 50:50 basis. This scheme was abandoned in the early 1990's with the majority of licensed airports in Australia being transferred to the ownership and control of Councils. Councils were paid a severance contribution to assist with some capital works and then left with the full cost of providing and maintaining this facility. Usage fees at airports like Goulburn with no regular passenger services fall far short of actual costs.

- *Crown Land – Plans of Management*
 Another requirement of State Government which requires the allocation of significant resources from within local government with minimal assistance from the State Government.
- *Corporate and Management Reporting*
 The corporate planning and reporting requirements of the 1993 Act were themselves a very significant extra function for many Councils, and for all the requirement to prepare state of the environment reports was completely new.
- *Waste Minimisation and Management Act 1995*
 There is no argument as to benefits of setting waste minimisation targets and improving the environmental management of waste depots, etc, however, another cost that Local Government must place on its residents without Government assistance.
- *Road Safety Officers*
 In order to maximise road grant funding Councils are required to employ Road Safety Officers to demonstrate that they are utilising road funding effectively. Again, no argument as to the work these officers carry out, however, an additional cost burden to carry.
- *Infrastructure Replacement and Upgrade*
 In many of the older cities like Goulburn there is significant “Housing Commission” subdivisions where the initial infrastructure for roads, drainage, water and sewer, etc were installed at a lower standard than what was normally expected at the time. Council is now faced with high maintenance and replacement costs to upgrade this ageing infrastructure. due to lower initial standards Housing Commission
- *Roads and Traffic Authority*
 In mid 1999 the Minister for Roads and Transport announced the introduction of competitive tendering for maintenance of State roads. This had been a function largely undertaken by local Councils on behalf of the Roads and Traffic Authority (RTA). It represented a very important source of revenue and employment to many Councils, particularly in regional areas. Under the proposed arrangements for implementing competitive tendering, which involved amongst other things aggregation of work into bulk contracts and tight timeframes, it would have been very difficult for Councils to compete effectively.

The Roads and Traffic Authority can also change road classifications that impact on grant funding to Councils. A shift in priorities or roads importance can have a detrimental impact on Council’s ability to maintain roads.

- *On Street parking*
 The NSW State Government has recently transferred the function of “On Street Parking” control and enforcement from the Police to Local Government. While this will provide a revenue wind fall for the metropolitan councils, rural and regional councils will not be so fortunate. In Goulburn this function was costing the Government \$86,000 per annum. Although councils will be reimbursed for any operational losses over the next five years, it is expected that after this period the function will be absorbed into Council’s ongoing budgets. It could be argued that Council does not have to undertake this function, however, Council is concerned that its community will suffer if proper traffic planning and control measures are not in place.

▪ *Stormwater Management Planning*

Councils are being required to develop stormwater management plans by means of a section 12 direction from the EPA. While the aims of the stormwater management planning program are supported, the planning process will undoubtedly indicate that massive amounts of expenditure will be required to address stormwater management issues on a local and catchment basis. Council drainage charges are still subject to rate pegging.

▪ *Other Legislative Impacts*

In addition to the legislation mentioned above Local Government has functions under many other Acts including:

- • Community Land Development Act 1989
- • Conveyancing Act 1919
- • Environmental Planning and Assessment Act 1979
- • Fire Brigades Act 1989
- • Fluoridation of Public Water Supplies Act 1957
- • Food Act 1989
- • Impounding Act 1993
- • Library Act 1939
- • Public Health Act 1991
- • Recreation Vehicles Act 1983
- • Roads Act 1993
- Rural Fires Act 1993
- • State Emergency Services Act 1989
- • Strata Schemes Acts 1973 and 1986
- • Swimming Pools Act 1992

5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.

There is general acknowledgment that Australia has too many levels of government. It can be argued that an effective rationalisation of governments could be achieved by abolishing State Governments and strengthening regional Local Government, unfortunately, this will not happen so we need to look at achievable measures.

Local Government has the capacity to accept more responsibilities and functions if it is provided with realistic funding and resources. There also needs to be an acceptance of Local Government as an equal and effective partner in government, not just a creature of the States. It is vital that Local Government receives Constitutional recognition and this is achievable if all political parties commit to the process.

Under the current funding regime it is extremely difficult for Councils to maintain existing services, let alone improve the quality of such services. It has been mentioned previously that Local Government has shifted the emphasis away from property based services to human services and this is having a detrimental impact on roads and urban infrastructure.

There is a huge divide between the ability of the large population based Councils and the smaller and rural Councils to provide an equitable range of services. Local Government in NSW is need of urgent structural change in order to create economies of scale that will allow for better use of resources. This will provide more opportunities for increased and improved services which may halt the population migration from rural areas to the cities and coastal growth areas.

6. The findings of the [Commonwealth Grants Commission](#) Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee. The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

As mentioned at the outset the findings of the review of the Local Government (Financial Assistance) Act 1995 concluded that that there has been an ongoing increase in local government responsibilities as a result of devolution of functions from the State and Commonwealth with a resultant shift away from the core property based services to social and welfare services.

It was unfortunate that the review specifically refrained from addressing the quantum of funds available under the Act, because this is the crux of problem. If Local Government had maintained its share of Financial Assistance Grants in real terms based on the previous formula of 2% of Personal Income Tax, we would not be having these ongoing inquiries.

If this inquiry is to be conducted on the basis of any outcome being budget neutral for the Commonwealth, then it is imperative that there be a significant redistribution of financial assistance from the States to Local Government or the whole exercise will be another waste of time and resources.