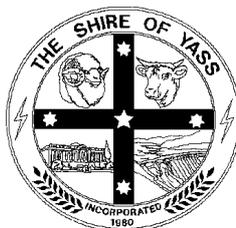


Your Reference:
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THE GENERAL MANAGER
P.O.BOX 6
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15 August, 2002

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

Yass Shire Council takes this opportunity to make a submission to another inquiry into Local Government. The submission highlights a broader role for Local Government if the resources were available at the local level.

It is noted that the terms of reference for the Inquiry only relate to cost shifting by State Governments. The submission recognises that some issues could be tackled from a national prospective.

There is significant discussion that Local Government, particularly in New South Wales requires some reform to ensure resource use is maximised. The challenge is to develop a number of models that cater for the diverse range of Councils. 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 population with limited capacity to enhance existing services and deliver additional functions.

The challenge for the inquiry is to find solutions to keep small rural communities operational and viable and at the same time ensure community resources are put to best use.

Please find attached Council's submission. Council is prepared to provide further information on any aspect of the submission.

Yours faithfully

A handwritten signature in black ink that reads 'Greg Smith'. The signature is written in a cursive style.

Greg Smith
General Manager

SUBMISSION TO THE PARLIAMENTARY INQUIRY INTO COST SHIFTING TO LOCAL GOVERNMENT

Introduction

Yass Shire

Yass Shire has population of 10,295 (2001 census) an increase of 8.5% from 1996. The shire area is 3415 square kilometres and includes the town of Yass and villages of Murrumbateman, Bowning Binalong, Bookham and Wee Jasper.

The Yass Shire vision is to be

“A diverse rural region that provides lifestyle, business and recreation choices while sustaining our environment, history and community”

The Community strategic goals are economic and community development, environmental systems, community accessibility and good governance.

Yass Shire Council

Yass became a Municipality in 1873 and remained so until the 1/1/1980 when Goodradigbee Shire and Yass Municipality joined to become Yass Shire Council. The Council is a member of LGov and H Division, the Australian Capital Region – Regional Leaders Forum,

Council’s mission is “To support the progress of Yass Shire by proactively servicing our community, while being an innovative and responsive Council”

Council’s budget for 2002/03 is \$20m, delivering some 33 major services and 119 specific service functions. In providing these services Council employs 110 EFT staff, manage assets worth \$78.5m and generate an operational income stream of \$14m.

One of the key challenges identified in our 2002/03 Management Plan is Local Government Reform. This Council has been proactive in trying to progress reform based mainly on community of interest and catchment issues.

Response to Terms of Reference

The submission will address the terms of reference at two levels. Firstly from a strategic view, that may require additional work, and secondly from a local view. Council is prepared to provide additional information and attend sessions to further expand on the submission.

1. *Local Government's current roles and responsibilities.*

Strategic View

The 1993 Local Government Act provided the original set of roles and responsibilities for local Government. One could argue that there were inadequate resources to meet these initial requirements. Some substantial current roles such as Social Planning, SOE Reporting and ESD were introduced without any initial or on-going funding assistance. In addition, the Act is restrictive in not granting Councils the 'general competence' power. However, putting that aside, there is no fundamental process that has allowed Local Government to have a real role in determining what it can and should be doing. In addition there has been very little resource allocation to those additional responsibilities that have been passed to Local Government. This is supported by the recent review of the Local Government (Financial Assistance) Act 1995 that stated there is a continuous increase in responsibilities to Local Government as a result of devolution of activities from the Federal and State Governments.

It has been a practice of governments to provide initial grant funding for a service and then reduce resources over a period of time, for example OSSMS, POEO Act, Stormwater Management Planning and the Road Safety Officer program. These create an expectation in the community that the services will be ongoing placing a further financial burden on Local Government when the seed funding dries up. On-going funding from the imposition of fees, fines and charges is not a cost effective method.

As a general trend there is an increasing expectation from the community to improve the standard and quality of current services. Coupled with this is the further demand for a number of additional services. As a result Councils tend to reallocate funds away from maintenance of infrastructure to the new services.

As a consequence of devolving additional functions there is now no clear alignment of roles and responsibilities and resources to deliver them. There is an uneven balance between responsibilities and resources and thus an inadequate capacity of Councils to effectively deliver.

Outcome

Local Government ***must*** participate on an equal footing with the State & Federal government in the decision making process of shifting responsibilities to Local Government.

There needs to be a long term agreement between the three levels of Government that detail roles, responsibilities and commitment from each party that can sustain the deliver of services at a local level into the future. The agreement should include the formal framework and process upon which Local Government participates equally in any change in Local Government responsibility.

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.

- The most significant income issue Local Government in NSW is rate pegging. This places significant restrictions on the community and Council to maintain the current service levels and raise income for specific local projects. In many cases this is about obtaining small amounts of money. For example funds for a new toilet block or improvements to a sporting facility or creation of a youth centre.

This restricted taxation base, which is 42% of operating revenue, is having an adverse impact on our ability to maintain basic infrastructure. Rate increases have not kept pace with CPI let alone the actual increase in key operating costs ie wages. The 2001/02 rate pegging increase was 2.8% yet wage increases were 4.5%. For 2002/03 the maximum rate increase was 3.3% with wages increasing by 3.75% and a 35% increase in insurance premiums.

To add insult to injury, State government departments have no such restriction – The NSW Fire Brigades increased its charges by 13.3%. Finally not everyone pays rates – Federal and State agencies and business enterprises do not pay – it will cost Council some \$52,000 in 2002/03.

Pension rebates have been imposed on to Councils from the State Government requiring Council to pay approximately 50% of the subsidy. The annual cost to Council for 2002/03 is \$101,000.

- Another issue is the basis for determining the Financial Assistance Grant amount. This should be a progressive grant based on a percentage of either personal income tax or the broader GST. This would provide greater capacity for Councils to keep up with cost increases associated with economic growth and deliver much need maintenance to the community's assets. Grant funds have decrease in real terms over past 20 years and today represent only 0.4% of GDP.
- The development of other income streams for Councils and community is very difficult to establish in regional NSW. The application of user fees & charges are being put to full use by Local Government across the nation, with cost recovery of 36.8%, significantly higher than State and Federal governments. With the limited resources available Councils focus is on the delivery of the essential services to our communities. In some circumstances the capacity to develop new income streams is impossible – small populations, single industry towns.
- Real cost recovery and funding new infrastructure associated with new development from development application fees, inspection fees and Section 94 contributions can be counter-productive in many rural areas because the increased development costs can make projects unviable.

- Yass Shire 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 that 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%

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.*

This Council is very involved in regional organisations. The major issue facing Yass Shire is Canberra – already there is migration to rural parts immediately adjacent. This is placing significant development pressure on the community in terms of higher development standards and pressure on existing low standard rural roads. Council needs to be able to develop a relationship with the ACT government and agreement on how the Council area should develop. There will be a need for NSW & ACT government assistance and co-operation.

Councils' involvement with other Councils operates both on a day to day basis and a formal agreement basis. Examples include regional Library and Noxious Weeds Services, a regional waste disposal service, regional tourism organisation, the State of the Environment reporting (17 Councils and the ACT Government), provision of services to other Councils. These arrangements are out of necessity to ensure value for money for our communities

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.*

Council is of the view that Federal government should be part of this review process. The commonwealth has a significant influence on Local Government functions and funding.

The following specific examples of additional responsibilities handed to Local Government without agreement and resources to implement effectively will clearly demonstrate that the financial capacity and sustainability of Local Government has been significantly eroded. Council has limited time and resources to fully detail and quantify the additional costs.

- *New bush fire planning laws* – very little consultation, significant impact of the Development Assessment process, inadequate resources to properly implement the intent of the legislation and potential additional cost to developers.
- *Cultural Planning Guidelines* – no formal input from the Local Government industry, potential impact on the development process, lack of staff resources and training to undertake the processes set out in the guidelines and no funding to assist Councils to do the cultural planning process
- *Protection of the Environment Operations (POEO) Act 1997* – This Act transferred a substantial number of pollution control and waste management activities responsibilities to Councils. This was largely to do with environmental regulation of unscheduled premises and activities and the transfer of responsibility for some premises formerly licensed by the EPA to Councils. The dilemma for Councils is that the increased responsibility can not be cost-effectively funded from fines and the ability to levy charges for notices and inspections. As a result Council has to try and absorb the additional workload.
- *Companion Animal Act 1998* – This legislation has had an adverse impact on Council resources including impounding officers, administration support, receipting, and customer inquiries. Lifetime registration significantly reduces income. In addition Council will spend in the order of \$75,000 to up grade facilities.

- *Onsite Sewerage Systems* – A responsibility imposed by the State government. This issue created significant adverse response from the affected landowners. They have difficulty understanding why they need to pay for the management of the onsite systems. For the year 2001/02 it cost Council \$40,000. This is an ongoing expense.
- *Regional Road & Traffic Facilities* – In the past the RTA were responsible for funding traffic facilities including regulatory signs and line marking on regional and local roads. These activities are now funded by Local Government or road grant funds.
- *Waste Minimisation & Management Act 1995* – This Council has been proactive in implementing the intentions of the Act. Along with building and operating five transfer stations, green waste facility and landfill, Council has implemented kerb side recycling collection and processing. This has meant the community has and is paying a contribution toward the service. Recycling costs alone are \$420,000 per year.
- *Country Towns & Water Supply & Drainage Program* – The funding available under this program has decreased significantly in recent years from the agreed arrangement of \$85.5m per year. This has had a direct flow on effect to this Council with a loss of grant funds for major projects. Projects that were previously funded 50/50 are now only funded 25%-30% by the State Government. For multi-million dollar projects this has a significant impact on Local Government.
- *Rural Fires Act 1997* – Whist the operations of the service is now fully under the control of the State Government Council is still required to provide financial, administration, IT, a building and maintenance, and environmental services. The estimated cost to Council is \$25,000 per year.
- *Management of Crown Land* – This requires the preparation of Plans of Management and thus allocation of Council resources to meet the State Government requirement
- *State Emergency Services* - This is another responsibility pick up by Local Government. This Council provides accommodation for the service and annual contribution. The total annual cost is estimated at \$30,000.
- *Road Safety Officer* – The State government have suggested that this program is required to ensure ongoing road funding. Council has appointed a RSO for three years on a decreasing grant fund arrangement. This will cost Council \$50,000. Each year beyond the third year the cost will be in the order of \$20,000.
- *Library Services* – Refer to discussion under item 2 above

- *National Competition Policy* – Local Government took up challenge and incorporated the principles into its day to day operations. This involved the significant investment in restructuring both trading operations, changing processes and procedures across the entire Council. NCP has been a double whammy for Local Government – the cost of implementation and the financial implication flow on from other spheres of government reform – electricity and gas. Council has made a significant contribution to the reform process but has not been rewarded. The NSW State government retains all NCP payments, to 2001/02 this represents some \$680m. If Local Government received say 10%, on a per capita basis, this Council has forgone some \$110,000 to \$150,000.
- *PlanFirst extension of the Environment Planning & Assessment Act* – this imposes a regional framework of planning, a further strategic planning process, instant and continue review of Local Environmental Plans and a place management approach to planning. This is a very significant shift, yet the State Government has not made available any resources to this Council for implementation.
- *Stormwater Plans of Management* – Councils are required to prepare plans, which this Council supports. The planning process will no doubt concluded that infrastructure will need to be replaced or installed. This will require enormous amounts of money to implement creating an expectation that Council will need to do it. Stormwater education is another function passed to Local Government that smaller Councils find difficult to resource.
- *Catchment and Natural Resource Management* – Councils are frequently expected to engage in the activities of State and Federal agencies as valued "partners" in natural resource and catchment management. These subtle devolution exercises can often result in significant costs to Council. For example the development of a Vegetation Management Plan cost Council \$20,000.
- *Provision of Community Services* – Council assists in the provision of a wide range of community services previously provided by State government. These include Family Day Care and Home Living Support Services. These services are largely grant funded however there is an annual administration/management cost of \$10,000.
- *Preparation of a Community Plan* – This a very good example of Council using its resources to develop a plan, with the direct involvement of the community, creating expectations, yet having very little resource to implement the outcomes. What the Plan shows is that the majority of the responsibility is with other levels of government. This goes to the very centre of this submissions' argument, Local Government is best place to deliver on a wide range of services, if resources are allocated. There needs to be a whole of government approach to meet community needs.

- *Access and Equity Issues* – when applied through the development assessment and control process, new initiatives and standards require additional resources for initial assessment and on-going management.
- *Energy Efficient Measures* – Changes to the Building Code of Australia makes it mandatory for Council to incorporate this standard into the Development Application process. This will require additional staff training, education for developers and a more extensive assessment process.
- *Vandalism* – Council has for many years made representation to have the Yass police station made a 24 hour station. The reason for this is the level of vandalism, which occurs when the town is not policed. The cost to Council on an annual basis is \$30,000.
- *Ecological Sustainability Provisions* – Council has had to develop and implement strategies and actions to deal with programs frequently initiated by State and Federal agencies in the "partnership: arrangements mentioned previously. These initiatives include Salinity, Re-vegetation, ESD and Greenhouse Gas programs.
- *On Street Parking Enforcement* – consultation occurred and some income has come with the responsibility. For rural NSW and Yass Shire Council the transfer will incur costs on Council. Councils will be reimbursed this cost for five years, justifying the fund established to subsidise rural areas for five years, however what happens after that?
- *The Latest – EPA Guidelines for Pesticide use in Public Places* - Council is required to develop a plan dealing with notification for all chemical use in public places. These places include State government agencies like schools. Council is required to develop a draft plan advertise, consult with the community, finalise plan & then implement.,

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.*

This provides a much broader opportunity to discuss and propose a fundamental change to Local Government - and lets focus on this word LOCAL . If Local Government had adequate resources then it would have the capacity to take on a greater role in delivering a wider range of services to the community. Coupled with this is the need for Local Government to have an equal say in changing what our roles and responsibilities are.

If there were adequate resources, if there was proper recognition of Local Government, then maybe the local community/government could have some direct control/input into the local operations of education, police, health or any other Federal or State Government service? Is there an opportunity to use/engage local resources to improve outcomes? At the local level there is a much better understanding of the specific issues and needs.

This is not suggesting that Local Government takeover State functions or we dismantle the state education, policing etc, systems but seek an opportunity to put a case forward for more actual input. There may be a case for some State responsibilities being tackled at a federal level, for example a national education standard for primary and High schools or a national health & police system.

Another influence on Local Governments access to resources is the short term budgeting and planning approach by Federal and State governments. With a Local Government required to develop strategic plans for an array of activities – planning, community, financial, management, it would seem reasonable that other levels of government should follow. This approach may improve certainty of future deliver of services.

The diverse range in size and capacity of Councils creates a need to explore and develop a number of reform options, as one solution will not suit all. It is essential that we foster strong, vibrant and viable smaller communities – they are essential to the state and national economy, but more importantly to rural Australia.

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. Local Government has no problem in accepting additional responsibility provided there is commensurate funding.

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.