

SUBMISSION TO FEDERAL GOVERNMENT FOR THE COST SHIFTING INQUIRY, HOUSE OF REPRESENTATIVES ECONOMIC COMMITTEE

Due Date: 26 July 2002

Submission from Hawkesbury City Council

- Population:** 62,485 as at June 2000, 61% live in urban areas, 39% live in rural areas.
- Size:** The Hawkesbury is the largest geographically of any Sydney metropolitan Council with an area covering 2,793km².
- Current Budget:** Operating revenue: \$48,608,822 proposed for 2002/2003

Hawkesbury City Council is a member of WSROC (Western Sydney Region of Councils) and has also contributed to their submission.

Terms of Reference

1. Local government's current roles and responsibilities.
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.
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.
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.
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.
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.

Introduction

In relation the terms of reference this submission gives consideration to:

1. Current roles and responsibilities
2. Local Government's financial arrangements and capacity, and
3. Regional opportunities and outcomes.

In addition, a list of cost shifting examples, not exhaustive, are provided to highlight the importance placed on governance at the local level, which requires recognition and resources to achieve desired outcomes.

Revenue restrictions on Local Government have been in place for many years. Expenditure for services relating to cost shifting and 'forced efficiencies' in revenue raising, impact not only on the services provided by Local Government on a year to year basis, but in the longer term on community services and asset management principles.

Many aspects of cost shifting between the tiers of Government have been considered. Local Government has a restricted capacity to resist legislative or community pressure to accept additional responsibilities. It is recommended that an independent audit of cost shifting examples and case studies be carried out as a result of the submissions to the cost shifting inquiry. An audit would provide credibility to the Standing Committee's outcomes.

This submission will address the terms of reference of the inquiry and their impact on Hawkesbury City Council.

1. Local Government's current roles and responsibilities

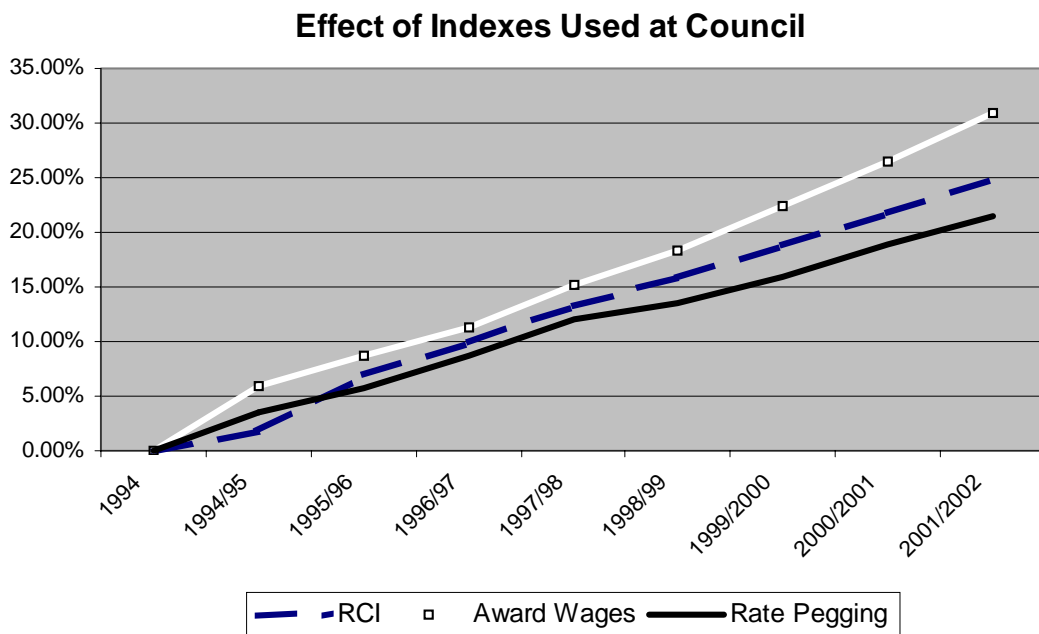
The primary focus of this issue should ensure a clarification of roles and responsibilities between the three tiers of Government. Local Government requires recognition in this regard. The introduction provided above indicates a concern with the ability to resource the functions and responsibilities that have been shifted between the tiers of Government.

The role of Local Government over the last ten to twenty years has changed. The devolution of state responsibilities, legislative requirements and increasing community awareness has dramatically increased roles, responsibilities and accountabilities of Government at the local level. Increasing accountabilities are a positive outcome of this change process. These accountabilities need to be resourced adequately to avoid unnecessary reductions in core Local Government services.

2. Local Governments Financial Arrangements and Capacity (for cost shifting).

For the purposes of this submission, current funding arrangements need to consider revenue restrictions and rate pegging in NSW, National Competition Policy allocations from Federal to State Government in NSW and regional arrangements that support the removal of Local Government service duplication.

Rate pegging has been placed in NSW since 1997. While the impact and effectiveness of rate pegging are not the focus of this inquiry, the merits of rate pegging in relation to cost shifting are important. The graph below indicates how rate pegging has failed to meet the Consumer Price Index and a roads cost index in NSW Local Government for many years. In NSW this variation 'the gap', is known as a forced efficiency. Forced efficiencies over time limit the capacity to provide core Local Government services, particularly during periods of increased accountability and cost shifting.



With the devolution of responsibilities of Local Government, it is recommended that Rate Pegging, if continued, should:

1. Relate directly to a 'basket of goods' impacting on Local Government services such as salary increases, Consumer Price Index and road cost indexes; and
2. Allow for increases in the notional yield calculation of councils where increasing costs due to legislative requirements and responsibility shifting occurs.

Increases in rate revenue due to general or special variations can be difficult to obtain, politically and through stringent departmental processes. Hawkesbury City Council has, since the inception of rate pegging 1997, accepted these increases. However, in 2002/2003 Hawkesbury City Council requested a Special Variation for Environmental/Stormwater programs, which has been approved. The increase for this Special Variation amounts to \$36.55 per assessment, per year.

In relation to national competition policy, the Commonwealth needs to investigate and explain the reasons for the NSW State Government not passing on National Competition Policy payments to Local Government. National Competition Policy and its requirements are again an example of additional reporting requirements necessary to portray a level playing field or recognise a community service obligation provided by Council.

3. *Regional Opportunities and Outcomes*

Hawkesbury City Council, as a member of WSROC (Western Sydney Region of Councils), support WSROC's view that a disproportionate level of the national population and growth resides within our region without an adequate resource allocation to compete with the burden of direct and indirect cost shifting.

Population estimations highlight that one in ten Australian's now live in the Greater Western Sydney region and the regional population has grown from over 135,000 between 1996 and 2001. Population predictions indicate that the region will increase by a further 600,000 over the next twenty years. Opportunities to develop outcomes at a regional level are constantly under review. Within the area covered by the Western Sydney Councils resource efficiencies and duplication reduction are taken at every opportunity. The pooling of funds has seen many initiatives such as regional animal control, purchasing and information services both geographical and technical take place.

Western Sydney Councils and State Government authorities work together continuously to provide regional opportunities and outcomes. Recently, these bodies have worked together on a number of environmental and stormwater issues, such as the South Creek, Hawkesbury/Nepean and Middle Hawkesbury Catchment Management Plans to ensure an improved water quality, health and water environment can exist in the future. These liaisons are required to be funded through special variations which have been applied for and approved to some extent in the immediate future. While the main sources of Local Government funding in Western Sydney continue to be from rates, grants and contributions, a greater need to flexibility is required to avail alternative sources of funding.

Examples of cost shifting effecting Hawkesbury City Council, non exhaustive, are set out below. These examples have been organised into functional areas.

Corporate Services

- Voluntary pensioner rebates for sewerage and sullage services;
- Privacy Legislation administration;
- Freedom of Information Legislation administration;
- Management Plan administration;
- National Competition Policy administration;
- Goods and Services Tax administration; and
- Non rateable Commonwealth land holdings.

Community Services

- Child Protection Act administration;
- CDSE Scheme administration;
- Community Projects Officer funding short fall;
- Community Worker's subsidies funding short fall;
- Childcare operational subsidy reductions;
- Social Planning Legislation administration;
- Family Day Care funding inadequate;
- Occasional Child Care funding inadequate;
- Community Events;
- Department of Community Services licensing requirements administration;
- Grants for rental component, Community Agencies; and
- Limited Library funding.

Environment and Development

- Integrated assessment requirements;
- Private certification, supervision and costs;
- Court costs for legal compliance;
- POEO requirements administration;
- Community land, plans and management;
- Contaminated land costs;
- Threatened Species Legislation; and
- Waste Services levy increases.

Asset Services and Recreation

- Road Safety Officer funding short falls;
- Reduction in roads maintenance grants;
- Roads and traffic sign funding reduction; and
- Parking police transfer; equitable funding arrangement.