



**INQUIRY INTO LOCAL
GOVERNMENT AND
COST SHIFTING**

**SUBMISSION BY
MAITLAND CITY COUNCIL**

JULY 2002

The Secretary
House of Representatives Economics, Finance &
Public Administration Committee
Parliament House
CANBERRA ACT 2601

Dear Sir

RE: INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Council wishes to make the following submission to the above inquiry.

Name: Maitland City Council

Address: PO Box 220
MAITLAND NSW 2320
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Population: 53800 persons (last Census)

Area: 396 sq kilometers

Current Budget: 2002/2003 - \$45m

INTRODUCTION:

1. Maitland City Council has remained an area of stability and growth since its incorporation in December 1944. It was proclaimed a City in December 1945 and reconstituted in 1958 following the dissolution of a number of small adjoining local government areas and subsequent boundary adjustments. There have been no boundary changes since that time and the Council currently has an area of 396 square kilometers.

With a diverse economic base, the LGA is a prime residential area for the regional workforce. The LGA is currently experiencing an annual population growth rate of 1.54% with total population at 2001 Census of 53800 persons.

The annual population growth rate is expected to continue to increase with ongoing major commercial and industrial development along with the relocation to Maitland of such government authorities as the Traffic Infringement Bureau and the Department of Mineral Resources.

2. Maitland City Council is one of the thirteen (13) member Councils comprising the Hunter Regional Organisation of Councils.

IMPACT OF COST SHIFTING

Local Government, particularly in NSW, continues to experience funding difficulties in meeting the expectation of its communities.

The guises of cost shifting can take many forms including:

- (a) unfunded legislative and executive mandates;
- (b) other levels of government absenting from service provision;
- (c) emerging community demands for new services which have no funding basis.

Whilst there have been examples of government withdrawing from service provision, and the demand for new services by a community is recognised, it is in the area of unfunded legislative changes and mandates that have had the greatest impact on local government over the past ten years.

Upon analysis, these impacts have been diverse, significant and have occurred in unexpected areas as the following synopsis of areas of legislative impact will show. In total they show that, in spite of funding challenges, the innovation and flexibility of the local government system has responded to a large degree and it is the continuation of this disguised cost shifting that is of major concern to all councils.

LEGISLATIVE MANDATES - LOCAL GOVERNMENT IMPACT

(a) Flood Plain Management

The release of the Stage Government's Floodplain Management Manual in January 2001 has placed significant burden on Council's planning and administrative resources. While government does provide some funding for implementation of some floodplain management measures, the new Manual introduces a range of requirements (some quite onerous) onto the Council, eg mapping and planning for probable maximum floods. This is quite a significant and expensive task for a Council like Maitland because of its association with the Hunter River.

Such mapping and planning must however be carried out as required by the Manual to receive exemption from liability in respect of flood events.

To adequately complete such work for Maitland City Council is estimated to cost \$50K. This does not include ongoing day to day management of flood plain issues the annual cost of which is estimated at \$30K and could be expected to increase significantly once all Flood Plain Management Manual requirements are met.

(b) Development of Community and Social Plans

The amendment to the Local Government Act in 1998 requiring the development of Community & Social Plans placed a further burden on Councils. While \$33K was received in grant assistance the total cost of developing the plan was \$81K. Its ongoing maintenance continues to be an additional annual cost.

It is understood that consideration is being given to the requirement for Councils to develop "Cultural Plans" on a similar basis. In such circumstances further unplanned costs will be incurred.

(c) Review and Reforms of part 3 of the Environmental Planning & Assessment Act, 1979.

Under the proposed new planning framework, a co-ordinated regional strategy will be prepared for each region in NSW. The new regional strategies will be 'place based' with clear statements about future outcomes to responsibilities for various agencies including local government. Councils will be compelled to participate because they will have to abide by regional strategy, once it has been finalised.

There will also be substantial costs to the Councils involved in the preparation and review of regional plans and a need to consider the capacity of Councils to participate within their existing resource levels. Funding and revenue raising arrangements to local government should therefore be reviewed, including rates, levies and Section 94 contributions. The government must provide sufficient resources to drive the proposed legislative reforms.

The introduction of 'place based' planning is also proposed at a local level. The intention is that local plan users would be able to refer to one document to obtain all necessary information about development in their locality. It would seem to be inevitable that there will be serious resource issues for local councils as a result, particularly for poorer councils with small planning departments.

The maintenance of lengthy local plans is also a potential matter of concern. The proposed review of local plans at least every 3 to 5 years will be onerous. However, it is not clear whether this will be a statutory requirement and what the implications would be if a plan is not reviewed within that timeframe.

Adequate resources must be provided to enable Councils and state agencies to implement the proposed changes to regional and local planning. Administrative, political and cultural reforms will be required, along with on-going support and best practice reform, especially at the state level.

(d) Draft Catchment Blueprint for the Hunter - Department of Land & Water Conservation

There are some concerning issues for local government in the draft Catchment Blueprint in terms of cost and responsibility for implementation.

Local Government appears as a responsible or supporting organisation in 29 of the 50 recommended actions. The success of the Catchment Blueprint will therefore depend, in no small part, on the role of Local Government. It is therefore essential that consideration be given to the demands, which will be placed on the limited resources of local government, in the process of finalising the Catchment Blueprint.

The recommended actions will involve Councils in significant resource utilisation, particularly in relation to the development of policy, management plans and implementation, at the expense of other local services.

(e) Local Government Act (Amendment) On-site Sewerage Management

This amendment had significant impact in rural areas and imposed increased administrative and inspectorial duties on Council. The legislative requirement while understandable in objective, required Council to develop a strategy and system for the ongoing appraisal and regular monitoring of on-site sewerage management which has been costly and time consuming.

(f) Protection of the Environment Operations Act

This new legislation placed greater responsibility on Council's to monitor/police more closely environmental issues in respect of industrial premises. This has required an increased skill base as well as increased pressure on static resource levels.

(g) Food Act

Councils are now required to assist with data collection for the NSW Health Notification data base as well as now responsible for investigating single cases of food poisoning or multiple cases from the same household.

This Act now also requires Councils to undertake food audits at local markets.

(h) Companion Animals Act 1998

Legislative requirements of the development and implementation of a centralised State data base impacted on Council's staff, resources and dollars without new revenue inflows.

The need to establish "off lead" areas for dogs has also required additional processes and resources.

(i) State Records Act

The State Records Act has also pressured Councils into ensuring that systems are in place and up to date for the recording, management and retention of records in accordance with State Government requirements.

While this objective is supported it has put further pressure on limited local government resources.

(j) Human Resource Issues

Industrial legislation/mandates continue to be one of the major impact areas on Council. Recent impacts have been: -

- *Workers Compensation.* An increase from 1 July 2002 in the Workcover multiplication factors for second and third year claims by an average of 11.7% has had a significant negative impact on premium. The actual cost for Maitland City Council is not known at the present time.
- *Superannuation* - The employer contribution under the Superannuation Guarantee Legislation increased to 9% of cash salary from 1 July 2003. Actual Cost \$100,200.
- *Paid Maternity Leave* - As of 1 November 2001, NSW Local Government employees are entitled to a total of 9 weeks paid maternity leave on full pay. Amount allowed in 2002/2003 Budget is \$40,000.
- *Carer's Leave* - The use of sick leave for the purposes of providing care has increased since the inclusion of carer's leave in the Local Government (State) Award. Statistics not kept.
- *Carers' Responsibilities* - The Anti Discrimination Act (Carers' Responsibility) Act 2000 requires employees to review its operations to provide further flexibility for carers.
- *Child Protection* - New child protection legislation was implemented on 1 July 2000. This legislation required Council to implement systems for the recording and investigation of allegations of child abuse; and develop and implement policies and procedures for preventing prohibited persons in child related positions. OH&S.
- *The Occupational Health & Safety Act 2000 and Regulations 2001* - have increased substantially the obligation on employees to develop and implement an OH&S Management System. In addition, the OH&S training that employers are required to provide continues to increase.

- *The Structural Efficiency Principles of 1988* - have increased Local Government salaries and wages through the requirement to provide a skills based salary system.

(k) Emergency Services Legislation

NSW Fire Brigade (NSW FB)

While NSW Councils are consulted in regard to the establishment of new stations and their concurrence sought as to whether stations are permanently manned or use retained fire fighters, this is the only input Council has into budgets that are set by the NSW FB each year and Councils required to contribute to.

The rises in contributions are not usually explained and often have exceeded CPI or the Council's rate pegging imposed by the State Government.

When Council queried the rise in contributions in the past the response received included a statement that we are required to contribute by legislation.

Another difficulty for Council is that the notification of the NSW FB contributions are received after the Council budget has been adopted.

Emergency Management

Each major disaster in Australia or around the world in recent times eg Thredbo landslide, September 11 terrorist attack, UK Foot & Mouth disease, has resulted in directions from the NSW State Emergency Management Committee, whose members mostly come from State Government organisations, to District Emergency Management Committees and hence Local Emergency Management Committees (LEMCs) to incorporate preparedness and response procedures in their disaster plans.

At a local level the majority of this work then falls on the Council representatives on the LEMCs. This creates increased demand on the limited resources provided by Council as no funding has been provided by the State for Council to undertake these additional tasks.

NSW Rural Service (RFS)

Council does not have direct input into the program charges developed by the NSW RFS each year to which Council contributes.

Now that Fire Control Officers (FCOs) are employed by the State, it is less likely that Council's interests in containing these charges will be influenced by the FCOs.

DIRECT COST SHIFTING

While this impact is not prevalent, it has occurred on a number of occasions as the following instances show:

(a) Declassification of Regional & State Roads

While not a regular event, the declassification of regional and state roads with responsibility for future maintenance evolving to local government can impact on valuable road maintenance funds.

This Council has experienced the declassification of 2 such roads recently - Paterson Road and Phoenix Park Road. This has added significantly to the road asset base without commensurate increase in government funding.

(b) State Signage Inventory

The Roads & Traffic Authority required Council to undertake a full inventory of all city wide signage. Details of signage, location, condition and replacement programs were required.

This inventory cost Council \$15K without any government funding assistance.

(c) Contaminated Sites/Noise Assessments

The EPA previously provided detailed advice to Councils to assist in assessing reports relating to contaminated sites/noise. This services is no longer provided and must be now accessed externally to Council.

(d) Increased Government Charges

There have been significant increases in a range of government charges over which Council has no control. For example, valuations, fire services, government corporations (energy authorities) and government agencies introducing charges for hitherto free services (eg DLAWC for land information).

CONCLUSION

In the past eight years NSW State Government revenues have grown by nearly 80%. In the past seven years Local Government finances, constrained also by rate capping, grew by just over 26%. The revenues of the member Councils of the Hunter Regional Organisation of Councils grew by only 22% for this same period. It is clear that with such a low revenue growth rate Local Government is poorly placed in comparison with the State Government to continue to take on added responsibilities.

The above examples of guised legislative mandates and direct cost shifting are by no means exhaustive. They do however show the challenges being met by local government and the justification for a more equitable share of government revenues.