



City Administrative Centre

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Parliamentary Inquiry into Cost Shifting by the States to Local Government

<i>From</i>	Shoalhaven City Council South Coast, NSW
<i>Population</i>	83,548 increasing to approximately 320,000 during the peak summer holidays due to the Shoalhaven being a major tourist destination
<i>Statistics</i>	Area of 4660 square kilometres. 49 Separate towns and villages. 1,000 kilometres of coastline
<i>Budget 2002/03</i>	Operating Expenditure \$93.5 million (excluding depreciation) Non-Operating Expenditure \$61.6 million
<i>Total Rate Assessments</i>	49,680 of which 11,662 (23.4%) are pensioners
<i>Demographics</i>	1996 Census showed 17.6% of population are aged 65+ (NSW 65+ = 12.7%) whilst the 0-14 age group made up 23.4% of population compared to NSW figure of 21.3%. This puts pressure on provision of aged and childrens/youth services.
	Member of Illawarra Regional Organisation of Councils

The devolution of services, and imposition of new legislation and regulation requirements, over the last ten years has placed additional financial burdens on Council, details as follows:

COMMUNITY SERVICES

Shoalhaven City Council is now required to meet a growing expenditure for community services that have initially commenced with 'seed' funding (grants) from Governments. This builds an expectation within the community for the continuation of services after grant funds cease.

Council also incurs capital expenditure to provide accommodation for Government Services. This has been a long-standing complaint from Local Government that State and/or Federal Governments provide initial funding for Services and Council's due to community demands and expectations are unable to step away from the service when the funding support dries up.

Details of this impact on Shoalhaven City Council are:-

Community Development Officer

Position commenced in 1985 initially funded by Department of Employment and Industrial Relations. Reduced Grant funding is now provided by Department of Community Services and Department of Urban Affairs and Planning whilst the actual cost of the position has increased.

Net cost to Council \$24,000 per annum.

Children's Services Development Officer

Position commenced in 2000 initially funded by Department of Employment and Industrial Relations. Reduced Grant funding is now provided by Department of Community Services and Department of Urban Affairs and Planning whilst the actual cost of the position has increased.

Net cost to Council \$24,000 per annum

Community Worker – Aged and Disabled

Position commenced in 1980 initially part funded by Department of Youth & Community Services. Now still partly funded by Department of Aging and Disability.

Net cost to Council \$39,000 per annum.

Youth Development Officer

Position commenced in 1997 initially part funded by Department of Urban Affairs and Planning. Funding level has not increased since and grant funding will cease in early 2003.

Net cost to Council (currently) \$45,000 per annum.

Net cost to Council (after grant funding ceases) \$79,000 per annum.

Aboriginal Development Officer

Position commenced in 1999 initially part funded by Department of Urban Affairs and Planning. Funding level has not increased since and grant funding will cease in early 2003.

Net cost to Council (currently) \$21,000 per annum.

Net cost to Council (after grant funding ceases) \$61,000 per annum.

Crime Prevention Officer

Position commenced in 2002, initially fully funded by Department of Urban Affairs and Planning. Too early to indicate whether Council will ultimately be expected to financially support the position or alternatively cease the position in the future.

Community Services Administrative Staff

Council employees the equivalent of 1.6 full time administrative staff to support the community worker positions. There is no government financial support for these positions. In addition Council meets the normal office costs of telephone, photocopying, computers, office accommodation, cleaning etc.

Net cost to Council \$67,000 per annum.

Community Services – Capital Cost for Infrastructure

During the 1980's and 1990's Council has contributed substantial funds to provide necessary buildings and facilities for a range of community services that arguably should be funded by other levels of Government. Examples of this expenditure since 1990 include:

Nowra Pre-school	\$120,000
Nowra Youth Centre	\$205,000
Sanctuary Point Pre-school/Youth Centre	\$764,800
Uladulla Multi-purpose Centre (land)	\$280,000
Uladulla Youth Centre	\$15,000

There are substantial ongoing operational and maintenance costs incurred by Council each year to support these facilities as detailed:

Youth Centres/Pre-school & Day Care Centres	\$48,000	per annum
Community Services Centres East Nowra	\$20,000	per annum

Night Security Patrols in CBD

In recent years Council has engaged and funded night security patrols in the Nowra CBD to reduce crime and malicious damage to community assets and businesses. This is necessary and is a direct consequence of the inadequacy of police numbers that should be provided by the State Government

Net cost to Council \$46,800 per annum.

RATING ISSUES

Ratepegging Legislation Unfair:

The NSW Government's continuation of ratepegging, imposing a restriction on the revenue raising by Councils, is an obvious double standard. State authorities are not subject to the same revenue constraints, eg in 1996/97 the ratepegging limit was 2.7% compared to the NSW Fire Brigades levy on Council's increased by 10.5% and Valuer General fees increased by 20% for residential properties and 33% for commercial Properties. In 2002/03 the ratepegging limit was set at 3.3% - the NSW Fire Brigades Levy increased by 65% in Shoalhaven City Council.

Pension Rebates:

Council's subsidy to pensioner rates for 2001/02 was \$4,415,715. This amount has increased from \$4,053,573 in 1997/98 – 9% (\$362,142) in four years.

Pensioner rate assessments make up 23.4% of total assessments in 2001/02 an increase of almost 2% in the past four years. This increase is expected to continue and will become a greater burden on Council each year. Clearly this is the responsibility of other levels of Government to carry these social costs.

INFRASTRUCTURE

Traffic Facilities Funding:

Until recent years the Roads and Traffic Authority provided Traffic Facility Services to local and regional road networks. Council is now required to administer and arrange the traffic facilities operations which imposes additional administrative costs of approximately \$20,000 per annum. The Traffic Facilities budget has decreased over a four year period by about \$100,000. Council is either required to fund this reduction from rates or alternatively provide a reduction in service standards to the community.

Community Road Safety Officer

This position commenced in 1996 and in effect is a pre requisite before councils are eligible to receive State Government funding through the RTA for Road Safety Programs (eg Safe Cycling Promotion, Roadside Speed Education etc). The officer's position is funded 50% by the RTA, however it is questionable whether this part funding will continue.

The current net cost to Council is \$29,528 in 2002/03 budget.

Main Road 92

Main Road 92 links the Shoalhaven Region at Nowra to the Southern Highlands and Canberra and is a major economic traffic route. It is considered that Highways and classified Main Roads should be the responsibility of State and Federal Government's and funded accordingly, however, councils are being put under increasing pressure to also financially contribute to road maintenance, improvement and new construction works.

Main Road 92 has been recognised as a strategic route and designated RONI status. However, Shoalhaven City Council has committed expenditure of \$12 million over the next five years for the major reconstruction of this road in an endeavour to also attract State and Federal Government financial support. Council's share of \$12 million will be financed by loans, however, will impact severely on Council's ability to provide a range of other services and facilities to the community. The ratepayers of Shoalhaven City Council are in effect paying for a State/Federal Government responsibility.

ENVIRONMENTAL COSTS

Over the last decade there has been a plethora of new environmental legislation and regulations placed on local government that has required new and additional staff resources and costs.

Protection of the Environment Operations Act 1997

Additional costs due to additional responsibilities from Environment Protection Authority:

Part cost of new compliance office	\$35,000	per annum
Additional workload assessed as equivalent to at least one (1) new position	<u>\$56,000</u>	per annum
	\$91,000	per annum
Less revenue from administrative fees for notices and fines	<u>\$5,000</u>	per annum
Net cost to Council	<u>\$86,000</u>	per annum

Treated Species Conservation Act 1997

The Shoalhaven City Council area reportedly contains more threatened species than any other area in the State. Council has had to employ a "Threatened Species Officer" to assess the impact of DAs on fauna and flora. From time to time other Division's within Council engage consultants to undertake work to comply with this legislation.

The additional costs to Council is assessed at \$75,000 - \$90,000 per annum.

On-site Sewerage Management Systems

Shoalhaven City Council has in excess of 8000 on-site sewerage systems to audit and monitor. There have been substantial costs (ongoing) to comply with the legislation and our ability to off-set these costs is limited by high community resistance to new and costly fees.

The additional net cost to Council is assessed at \$50,000 - \$65,000 per annum.

Urban Stormwater Quality

The development of Urban Stormwater Management Plans (SMP) was by directive of the EPA. The implementation of actions of the SMP is the responsibility of Council. Some grant funding is available but diminishing. Potential costs to Council is assessed at about \$2 million. The initiative, however, is still being driven by the EPA and the community. The requirement on Council for funding will increase, however, Council is only able to allocate about \$38,000 to these works in 2002/03.

Estuary and Coastal Management

The State Estuary Management Program places the responsibility on Council for development and implementation of Estuary and Natural Resource Management Plans. The Works Program is 50% funded by DLWC but funding does not include Shoalhaven City Council staff resources. An additional two fixed-term employees have been budgeted in the 2002/2005 Management Plan at a total cost of \$120,000 per annum to assist in the implementation of the above mentioned programs.

Litter and Dumped Waste

Although these are “traditional” Council areas of operation, the State Government through the EPA, Waste Boards and (now) Resource NSW are applying “pressure” for Council’s to be involved. Programs include the RID Squad and Roadside Litter. Council expends upwards to \$200,000 per annum on litter and dumped waste programs.

Waste Levy

The landfill levy payable to the EPA is to be raised by \$1.50 per tonne each year. The current levy of \$9.50 per tonne currently returns about \$500,000 per annum to the State Government of which very little is returned to Council.

Coastal Lakes Inquiry – Healthy Rivers Commission

Over the past two years, the Healthy Rivers Commission (HRC), on behalf of the State Government, conducted an Independent Inquiry into the planning and management of NSW coastal lakes and their catchments. The “Independent Public Inquiry into Coastal Lakes: Final Report – April 2002” foreshadows substantial costs will be needed for preparation of Sustainable Assessment and Management Plans for each lake (there are 13 lakes in Shoalhaven City) and subsequent implementation of actions from these Plans. The Final Report refers to the Government providing ‘seed’ funding for the preparation of Plans (page 2) and at page 37 “implementation of Sustainability Assessment and Management Plan for coastal lakes should also be supported and reinforced through a more aligned direction of existing state and local government funding programs, such as the Estuary Management Program, Stormwater Management Program, Country Towns Water Sewerage and Drainage Program and the Floodplain Management Program.”

The Department of Land and Water Conservation has advised in its submission that land and water assessments might cost around \$100,000 for each lake.

Whilst Council acknowledges the need for proper planning and development controls within the catchment areas of these lakes the funding implications in a climate of Government imposed ratepegging is difficult. It is also a grave concern if the Government intends to redirect funding from other programs (and thus create a funding shortfall for these) to the Coastal Lakes Program rather than provide proper funding upfront.

Estimated Assessment Costs (13 lakes x \$100,000)	=	\$1,300,000
Estimated Management Plan Preparation (13 x \$20,000)	=	\$260,000
Implementation of Actions	=	unknown
Government Funding	=	unknown

PLANfirst – an initiative of State Government

This will involve a comprehensive review and consolidation of all land use policies into a single plan for each local council in NSW. Council's initial estimate of cost was \$300,000 per annum for three years, however, at this stage with funding options still being considered the net cost to Council cannot be assessed. This is yet another example of a cost imposition onto Local Government by the State Government.

NEW LEGISLATIVE REQUIREMENTS INVOLVING COUNCILS

Privacy & Personal Information Protection Act (1998)

Council is required under this Act to prepare a Privacy Plan, and ensure that Council staff are trained to ensure that no privileged information is disclosed to any party without the consent of the other party.

The preparation of this Plan had an initial cost to Council of approximately \$15,000

Ongoing annual costs of complying with this legislation are approximately \$10,000 per annum

State Records Act (1998)

Council is required under this Act to prepare a Records Management Plan, and ensure that Council's records are managed effectively. The proper storage & disposal of Council records needs to be covered in this plan, and training for all staff on Council's requirements under this piece of legislation is also necessary.

The preparation of this Plan has an initial cost to Council of approximately \$45,000

Ongoing annual costs of complying with this legislation are approximately \$15,000 per annum

Companion Animals Act (1998)

Council is now required to register cats as well as dogs under this legislation, and the control of cats has potentially added a great deal to the ongoing costs of complying with this statute. Council is encouraged to prepare a Strategic Companion Animals Management Plan (SCAMP) as part of this legislation, and this has ongoing resourcing implications.

The preparation of this Plan has an initial cost to Council of approximately \$15,000

Ongoing annual costs of complying with this legislation are approximately \$20,000 per annum

Introduction of the Goods & Services Tax & Fringe Benefits Tax Compliance

Both these taxes have ongoing compliance costs for Council, with the introduction of the GST having a significant initial cost to Council in setting up. Fringe Benefits Tax has quite large on-going costs for Council to keep appropriate records.

The initial set-up cost for Council to introduce the GST was approximately \$100,000

The on-going compliance costs for FBT and GST are approximately \$30,000 per annum

Occupational Health & Safety Act

The latest amendments to the O H & S Act has led to significant costs for Council in re-training of all its staff. On-going compliance with the Act is extremely costly, with regular re-training of staff on a wide variety of issues being required.

Cost of complying with the latest amendment to the Act was approximately \$250,000

Ongoing compliance costs are approximately \$350,000 per annum

Summary

This submission has focused on the cost shifting (imposition) onto council from Governments for services and works that should be the responsibility and fully funded by Government. Whilst this Inquiry is some attempt to quantify the cost shifting from the States without also considering cost shifting from the Federal Government the Inquiry is an incomplete examination of the impacts on Local Government.

Local Government has been required to fund many new initiatives as a result of the devolution of services, legislative change and community expectations. This has been extenuated by two major revenue constraints imposed through ratepegging (by NSW State Government) and a reduction in Financial Assistance Grants as a percentage of total taxation revenue (Federal Government)

Russ Pigg
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Shoalhaven City Council