

# GUYRA SHIRE COUNCIL



## SUBMISSION TO: INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

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## GUYRA SHIRE PROFILE



Guyra Shire is located on the top of the Northern Tablelands in the New England region of NSW. The Council services a population of 4,202 people and an area of 4,369km<sup>2</sup>. The Council is based in Guyra, situated on the New England Highway approx. half way between Sydney (650km) and Brisbane (450km). The Council is a general purpose council which supplies a large range of services to the towns of Guyra and Tingha, together with the villages of Black Mountain, Ben Lomond, Ebor and Wandsworth.

The Shire has a cool climate with the average temperature during summer ranging from 17°C to 27°C and during winter ranging between 5°C and 15°C. The Shire includes spectacular scenic mountain ranges and water falls, national parks and steams, together with the Mother of Duck and Little Llangothlin lagoons.

Guyra Shire is a responsible manager of public infrastructure and funds. The Shire has consistently achieved above average financial performance for a council of its size. This has been accomplished in a difficult environment where income has been reducing and expenditure together with Council's responsibilities have increased. Guyra Shire concedes that its operations are not sustainable in the long term and is unable to meet the funding required to maintain its aging infrastructure. Guyra is however in a far better financial condition than many Councils.

Council has concentrated on its core activities of roads, waste, water and sewer. This has seen relatively less amounts spent on other services, particular social services and tourism, than that spent by a large number of other councils in the state.

Council has embarked on an organisation wide continuous improvement program, which commenced five years ago. This has seen a change in the culture of the organisation resulting in a more innovative council ensuing the introduction of a large number of initiatives that has increased the efficiency, effectiveness and performance of the council. This program is ongoing and key achievements to date include:

- €# Review and rationalisation of plant fleet produced savings of \$100,000pa and ensured its self-funded sustainability;
- €# A 15% reduction of Council's work force (by natural attrition) while at the same time increasing the amount of output produced (savings \$250,000pa);
- €# A focus on producing cost effective outcomes rather on line budgeting;
- €# Introduction of technology into the organisation resulting in increased output achieving savings of \$70,000pa; and
- €# A review of the processes and practices of council resulted in savings of \$150,000pa which has seen production increase, in some areas by 400%: Examples include gravelling program increased from 1km per day to 4km per day as a result of refining the work methods used, pot hole patching reduced from 4 operators to 1, a 25% increase in productivity in the mowing of Council parks.

Guyra Shire provides strong leadership within the community it serves and represents the view of its constituents to other levels of government. The Council consults widely on most issues including its bi-annual community consultative programs which sees Council visit all the towns, villages, and communities in the Shire to discuss current issues, expectations of Council and the aspirations of residents as well as provide residents with an opportunity have an input into the decision making process. Council is fully aware of the issues and concerns of its constituents.



The Shire community has a ‘can do’ attitude, which was highlighted on *Sixty Minutes* in 1998 on a segment entitled *‘The Town that Roared’*. This program highlighted how the community was not going to let the closure of its major employer (an abattoir which employed 400 in a town of 2500) see the town die, and how the town worked together in its time of need. The town has also come together to hold a number of well published special events including the Guyra GP (a parade of historic racing cars around the streets of Guyra). Events like this would not have occurred without the cooperation of all the community groups, service clubs and residents in the town.

Council encourages community cooperation in the provision of services which has seen a number of communities being responsible for the upkeep of their village on a voluntary basis following the provision of equipment by Council. This has meant service levels are determined by the community at minimal cost to council. Without this cooperation, Council would not be in a position to provide the service level expected by residents due to its limited finances.

Council has a focus on agricultural activities and with the community has managed to attract a number of developers in recent time together with undertaken a number of steps to prepare it for the challenges of the future including:

- Ø Promotion of Guyra at Ag Quip (1998);
- Ø Guyra Business Plan completed with assistance of Business Thinking Systems Pty Ltd (1998);
- Ø Purchase of the Wing Hing Long Store at Tingha which is run as a historical museum by the local community (1998);
- Ø Inverell Aggregate Pty Ltd setting up business at the Guyra Road aggregate crusher plant. Six full time equivalent jobs created (1999);
- Ø Guyra Marketing Plan completed (1999);
- Ø Opening of a new branch of the Colonial State Bank (1999);
- Ø Guyra Flower Farm established by G & J Waldon Pty Ltd investing well over \$1M in the Shire. Ten full time equivalent jobs created (1999); and
- Ø Angora City Rabbits Pty Ltd established with 5 FTE jobs created (2001).

The major issues facing Guyra Shire Council include:

- €# Ensuring the sustainability of its operations;
- €# Maintain the infrastructure and service that it provides to a satisfactory standard;
- €# Being able to meet the increasing expectations of its community for service provision;
- €# Being able to meet the increasing role and responsibilities being handed down from other levels of government (without any corresponding revenue);
- €# Managing the decline in its population with the resulting flow on effects to the community;
- €# Being able to attract and retain staff;
- €# Attracting industry and commerce to create and maintain employment opportunity in the area;
- €# Producing economics of scale and efficiencies with declining population.
- €# Producing additional services and funding additional responsibility due to the community’s limited ability to pay for these services (the median income of Shire residents is one of the lowest in NSW).

| KEY STATISTICS        |        |                                    |           |
|-----------------------|--------|------------------------------------|-----------|
| Council               |        | Community                          |           |
| Area                  | 4,369  | Population Statistics              |           |
| Road Lengths          |        | - Total Population..               | 4,206     |
| - Sealed              | 309    | - Population <14                   | 9%        |
| - Unsealed            | 554    | - Population >65                   | 15%       |
| - Regional            | 123    | - Indigenous                       | 10%       |
| Total Revenue         | 8,120K | - Births                           | 64        |
| Rate Revenue          | 1,371K | - Deaths                           | 46        |
| No of Assessments     |        | Economic Indicators                |           |
| - General             | 2,386  | - Median Income                    | \$200-299 |
| - Water               | 1,170  | - Unemployment Rate                | 15.7%     |
| - Sewer               | 723    | - Labor Participation Rate         | 57.3%     |
| FTE Staff             | 49     | - Gross Value of Agriculture       | \$37.7m   |
| No of Bridges         | 58     | Social Indicators                  |           |
| Causeways             | 96     | - 16yo still at school..           | 81.4%     |
| Bush Fire Brigades... | 15     | - Degrees or Higher Qualifications | 4.4%      |
| Rubbish Depots        | 5      | - One parent families              | 11%       |
| Public Toilet Blocks. | 10     | - Living Alone                     | 9%        |
| Public Cemeteries     | 8      |                                    |           |
| Public Halls          | 2      |                                    |           |
| Parks & Reserves      | 23     |                                    |           |



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## CHALLENGES FACING LOCAL GOVERNMENT

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Australian local government is under pressure from all sides. Councils are facing increased expectations from the community to deliver more and more services, and services beyond the traditional focus of local government. State and Federal Governments expectations of local government have also never been greater, with local authorities being used increasingly to implement the policy objectives of these higher tiers of government. At the same time as councils are confronting these increased expectations, they are finding that they have limited means of raising sufficient income to meet the higher expectations.

Local government is currently facing strong financial pressures in which it is unable to meet the increasing needs of the community they serve as well as controlling large amounts of infrastructure which will need replacing or renewing in the not too distant future.

The gap between what the community and other levels of government demand from councils, together with councils assets renewal requirements, when compared to the funds that local government has to meet these demand is growing at an alarming rate.

A number of studies have found that local government infrastructure is under funded by the tune of \$233m in Victoria, \$105m in South Australia with rural council required to quadruple their current infrastructure spending, and Western Australia \$60m. This is, in part, due to the resources of local government being used to fund the costs shifted from other levels of government rather than being available to be spent on renewing and maintaining its existing infrastructure.

Cost shifting is one of (but not the only) problem facing local government that is holding it back from meeting the needs of its community.

Government services need to be delivered at the most appropriate level of government having consideration to the scale of operations and the differential level of services required by individual circumstances. In a lot of cases local government is the most appropriate body to implement these requirements and services. However in most circumstances, the service (cost) is transferred from other levels of government to local authorities, without any corresponding transfer of income to provide the required service.

All of these restrictions limit the ability of local government to meet the needs and expectations of the community. To overcome these additional costs, local government has tended to first reduce their reserve funds, then reduce the amount of infrastructure maintenance carried out and finally reduce the services that they are able to provide. There tends to be no scope to maintain existing service levels, let alone provide more or higher services in order to meet community needs

The cost of a whole range of practices and legislation [are] squeezing local government to the breadline and creating an acute loss of services to local communities. Local government in NSW has been subject to rate pegging for more that 20 years and finding the funds to apply new regulations means important community services are sacrificed (Richard Torbay MP, NSW Parliament, Sept 2001).

In broad terms, there are four main reasons that have placed councils in the current financial dilemma. As outlined by the Commonwealth Grants Commission (NOLG 2001 p39) they are:

- Ø *Devolution* ó where another sphere of government gives local government responsibility for new functions;
- Ø *Raising the Bar* ó where another sphere of government, through legislative or other changes, increased the complexity of or standard at which local government services must be provided, and hence increased the cost;
- Ø *Cost Shifting* ó where there are two types of behaviours. The first is where local government agrees to provide a service on behalf of another sphere of government but funding is subsequently reduced or stopped, and local government is unable to withdraw because of community demand for the service. The second is where, for whatever reason, another sphere of government ceases to provide a service and local government steps in; and



Ø *Increased Community Expectations* ó where the community demands improvements in existing local government services.

Compounding the problems for local government are some of its own practises and the perception that most people outside of the sector have of it. A majority of councils are perceived to be inefficient. Some are operated very inefficiently, they lack scale in their operations, they have been let get in an extremely poor financial position, and the use of strategic and long term planing is lacking.

There also has been a trend toward the general decrease on the cost coverage of grants which have been provided to municipal authorities to enable them to perform specific functions for the granting body. The reduced cost coverage of the grants generally results in the council being required to fund more of the service out of its general revenue, thus leaving fewer funds available to meet other community expectations. This represents a cost shift from the granting body (usually the state government) to local government.

It also appears that state agencies are continuing to respond to pressures on their own resources, and to community demands for action on issues of concern, by devolving responsibilities to local government and increasing fees and contributions payable by local government. This seems to be any easy fix to the situation and has the perception of having a nil voter backlash, as the voter is not paying directly for the increases in fees and charges. It is not until local government is confronted with community complains at the reduction in the service levels that the matter is brought to the attention of constituents.

Councils are also faced with increased expectations on it to perform functions that are traditionally undertaken by other tiers of government. This has been caused by the withdrawal and centralisation of most state and federal services, which has resulted in most communities feeling that they do not have access or influence over the provision of those services.

An overview of some of the challenges facing local government include:

- €# Community expectations
- €# Aging infrastructure
- €# Increase in responsibilities
- €# Reduced grant funding
- €# Limited financial capacity
- €# Under utilised as a platform for introducing government policy and implementing whole of government service delivery
- €# Rate pegging
- €# Lack of autonomy
- €# Devolution of responsibility from the State
- €# Funding the infrastructure deficit
- €# The declining condition of council controlled infrastructure

The Federal Government's *õRoad to Recoveryö* is an acknowledgement of some of the problems facing local government, particularly the decline in the condition of Council controlled infrastructure and has greatly assisted Guyra Shire. Council believes that this is not the solution to the problem in its entirety, only one vital part of the solution to a complex problem.



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## GUYRA SHIRE'S EXPERIENCE WITH COST SHIFTING

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The following is a brief list of the cost shifting activities experienced by Guyra Shire Council:

### **Rural Fire Service: Cost Shift to Council \$30k pa**

Guyra Shire is required to contribute towards the cost of bush fire services in the council area together with the costs associated with supporting the large Sydney based bureaucracy and personnel at the Rural Fire Service.

Council has seen the costs that it has been forced to pay for this service, which it has limited involvement with, increase at an escalating rate in recent years. Particularly those associated with subsidising the extensive costs involved in running the administration and other services provided out of Sydney. These costs (associated with the Sydney operation) represent some 30 per cent of Council's total rural fire service expenditure. An overhead rate in the vicinity of 30 per cent of total operating cost should send alarm bells ringing in any organisation. Council has seen these cost increase from \$34k in 1995/96 to a staggering \$169k in 2001/02.

Council believes it now has no control over these costs and is required under legislation to pay what ever cost that is demanded of it allowing the Rural Fire Service to transfer more and more costs onto local government. This has seen vast amounts of money leave the Guyra community to fund services it will never need and take jobs from the residents of Guyra and transfer them to Sydney.

Given that Council contributes some 13.1% to these costs, Guyra's contribution to the Rural Fire Service has increased by \$30,000 per annum since 1998/99.

### **State Government Fees & Charges: Cost Shift to Council \$25k pa**

Most State agencies are under pressure from State Treasury to generate additional income to improve the government's bottom line (which ironically is a moderate surplus). This has seen a large increase in the fees and charges levied on local government

Fees in this category include, EPA load base licensing for sewer schemes, general increase in EPA licences, amounts payable to the State under the Companion Animals Act, contribution to the NSW Fire Brigade (in addition to amount paid to the Rural Fire Service listed above), increases in registration costs for heavy vehicles and amounts payable for lease fees as a result of council's beautifying of unsightly land owned by Rail Estate.

Council estimates that these additional fees cost council in the vicinity of \$25,000 per annum.

### **HACC Grants: Cost Shift to Council \$30k pa**

Council operates a number of services for the elderly and frail aged that come under the auspices of Home and Community Care. These services include transport, meals on wheels, respite care, and neighbour aid services. The State provides funding for these services however their funding lacks proper indexation that reflects the true costs of providing these services. Council also finds that the cost coverage of these grants are reducing with the increase administration and management of these services having increased dramatically in recent years. This is a result of the States desire to move from a volunteer run service to a more professionally run service.

Council estimates that its general revenue is providing a subsidy to these traditional State run services of \$30,000 per annum.

**Aged Care Hostel: Cost Shift to Council \$50k pa**

Council operates a 22 bed low care aged hostel in Guyra. Council has found that the grants and fees it receives for this facility (particularly given its size) are inadequate given the increases in costs that Council faces in meeting the higher standards expected of it by both the Federal Government and residents. Council believes that it should be providing better services to the hostel's residents in the area of greater access to qualified nursing staff and a more satisfactory staffing situation for overnight. However due to the finances being provided to run the facility it is unable to provide these essential services.

Council has found that more and more of its resources are being required (and funded from Council's general revenue) to ensure that the facility is able to meet accreditation requirements and for the general management and administration of the hostel.

Council is currently subsidising this operation of the hostel by approximately \$50,000 per annum from its general revenue.

**Provision of Doctors: Cost Shift to Council \$20k pa**

Another example of the cost shifting can be seen in the provision of medical services. The federal government receives income from the Medicare levy to provide medical services to residents of Australia. Through agreements reached with the states, it transfers some of these funds to the states for the provision of hospitals and other health related services. It is generally the state responsibility to ensure that it has adequate medical staff, including doctors, to operate their health services. However the state is constantly telling local government that it is their responsibility to find a doctor for their community (and then be available to work in state run hospitals and medical centres). In rural communities the competition for the limited number of doctors prepared to work outside the metropolitan area is fierce. Most local government areas are required to offer expensive inducements in order to attract a doctor. Municipal authorities do not receive any financial assistance for these inducements from the Medicare Levy and therefore must fund the inducements from its general revenue. The result is that ratepayers are subsidising the Medicare levy and the state government

Council currently provides subsidies housing and a fully maintained medical centre in its endeavour to attract and maintain a doctor in Guyra, costing \$20,000 per annum from Council's general revenue.

**Library funding: Cost Shift to Council \$22pa**

Library funding was once provided on a 50:50 partnership between Council and the state government. Today the funding mix for Guyra is 78:22 with council now providing more than three times the funding for its library services than the state government. This represents an annual short fall, when compared to the 50:50 arrangement of \$22,000.

The gap has been funded by providing funds from Council's already stretched general revenue and by reducing services.

Council has seen no indication, under the current government policy and funding method, to propose an improvement in this situation.



### **Increase in Legislative and Other Requirements:- Cost Shift to Council \$70k pa**

By far and large the biggest area of cost shifting that Council has experienced is in the area of new legislation that has been introduced that effect the operations of local government. The new legislation can be divided into three areas:

- €# New legislation that requires Council to administer/enforce new requirements that were not previously the responsibility of Council;
- €# New legislation that requires Council to administer/enforce requirements that were additional to what it was required to administer before; and
- €# New legislation that effects the operations of council in which council must comply with when completing its day-to-day operations.

The table below highlights a number of the changes to legislation that has an effect on the operation of local government. Council estimates that the total cost of implementing and complying with this new legislation is at \$70,000 per annum.

#### ***Protection of the Environment Operations Act 1997***

*This Act involves a devolution of responsibility for the environmental regulation of unscheduled premises and activities to local councils.*

#### ***Local Government Amendment (ESD) Regulation 1997***

*This amendment requires the preparation of comprehensive State of Environment (SOE) Reports every four years and the consideration of comprehensive and interim SOE reports in the council's management plan. Further, there are requirements for councils to undertake community consultation in the development of their management plan.*

#### ***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.*

#### ***Local Government (Approvals) Amendment (Sewage Management) Regulation (1998)***

*This amendment puts in place requirements for the inspection of on-site sewage treatment systems. While it has recently been deferred for a year while the resourcing issues are resolved, there is still obviously an assumption that councils have the "excess capacity" to undertake this role.*

#### ***Waste Minimisation and Management Act 1995***

*Particular concerns relate to the requirement that councils prepare landfill environment management plans (LEMPs). This places substantial financial and resourcing imposts on councils.*

#### ***Contaminated Land Management Act 1997***

*This Act will require councils to more closely scrutinise development on potentially contaminated land. Further, there will be a need to develop information management systems in order to comply with this Act and maintain indemnity from liability for decisions regarding contaminated land management. This -will require a significant investment of resources.*

#### ***Environmental Objectives for NSW Waters***

*Water quality objectives which are assigned to catchments in NSW will need to be considered by councils in their planning and management responsibilities. Councils will need to allocate resources to address catchment management issues.*

#### ***Marine Parks Act 1997***

*While details are at present unclear, it does appear certain that the Act will impose more stringent requirements on developments and activities which may impact on Marine Reserves. Councils will therefore be required to be more vigilant to these potential impacts. This will require more detailed consideration of development applications in the coastal zone and greater resources directed to this task.*

#### ***Companion Animals Act 1998***

*The requirement for councils to prepare companion animals management plans, educate the community and enforce the provisions of the Act will require resourcing.*

#### ***Local Government Amendment (Community and Social Plans) Regulation 1998***

*This requires councils to prepare a social plan by June 1999 and it is to be updated every five years. It is also to be considered in formulation of the annual management plan and there are additional reporting requirements to the Department of Local Government Again, this places additional demand on scarce resources.*

Source: LGSA *Advancing Local Government* Jan 2001 pp15-16



**Community Safety and Policing: Cost Shift \$10k pa**

The state government and the Police force are generally considered to be responsible for law and order issues. In recent times the state has sort to shift more of the responsibility in this area onto local government.

Local government is being asked by the state to set up committees to act as a communication channel between residents and the police force, a job one would have thought would have been the responsibility of the police force. Further, the State Attorney General's Department offers grants to communities to over come some law and order issues, provided that they prepare a community safety plan for their area. Once again one would have though that the preparation of such a plan was the responsibility of the state government and not local government.

Guyra Shire operates, manages, and is responsible for two community safety committees in the Council area, which provides a forum for discussing law and order issues and acts as a liaison between the community and the police force. The cost of administering these committees is estimated at \$10,000 per annum and is solely funded from Council's general revenue.

**Telecommunication Facilities: Cost Shift \$25k (once off)**

Telecommunication is considered the responsibility of the Federal government, and in these competitive times, the responsibility of private operators. Local government is increasingly being asked to determine the communication needs of its community.

Council recently successfully applied for funding from Networking the Nation for two mobile phone base station to fill a gap in coverage in the Shire. Council was required to investigate the communication problems in the area, determine what was required, call for expressions of interest to operate the facility and fund half of the capital costs, determine the quantum of funds required, identify target beneficiaries of the services and outline the key performance indicators for the project. This has all been completed and funded from Council's general revenue. In addition to this Council was required to contribute \$10,000 per tower towards the cost of this project.

This was not only a cost shifting exercise but one which saw Council spend \$25,000 of its general revenue to provide a revenue stream and a profit to a majority owned federal government commercial enterprise.

**Regional Roads: Cost Shift \$50kpa (once off \$1m)**

A number of years ago the NSW State government handed over the responsibility of its regional road network to local government. The State provides Councils with an annual grant to allow it to carry out maintenance works on these roads.

The State government has succeeded in transferring the liability risk together with the under-funded infrastructure renewal/maintenance liability of the regional road network to local government.

If Council request additional grant funding for major projects on these regional roads, Council are usually told that none is available because these roads are the responsibility of Councils, not the State Government.

Guyra Shire has been successful in gaining grant funding from the state government to seal the remaining section of the Guyra Road, the only unsealed section of road between Bourke and Bellingen. The grant was only provided on the condition that Council accept the full risk involved with the project and that it contribute 25 per cent or \$1m to the project as well as being responsible for any over run or unforeseen costs involved in the project.

Council also estimates that it provides \$50,000 of expenditure in managing the regional road network in the Shire from its general revenue in addition to that which is provided by State government grant funding.



### **Pensioner Concessions: Cost Shift \$60kpa**

Local Government currently provides concessions to eligible pensioners on the amount of rates they have to pay. In New South Wales the pensioner concession amounts to a rebate of up to \$250 pa per property for general and garbage rates and, for those Councils that provide water and sewer services, the subsidy is an additional \$87.50 for each of these services provided.

In New South Wales, councils themselves have to make up 45% of this welfare payment. While pensioner concessions are considered a generally accepted entitlement to assist the aged, it should be remembered that under Australian Federalism, the Commonwealth Government, not local government, is responsible for welfare payments. The Federal government is saving \$71m pa from its welfare budget in New South Wales alone by having local government meet these welfare payments.

It should also be noted that the federal government provides rent assistance to some welfare recipients, however it is councils who are providing the assistance to welfare recipients who own their own home. Pensioner rate relief merely adds to the complexity of administering both the national welfare system and the dealings between state and local governments (Chapman 1984 p78).

Pensioner concession, in most councils, is their largest area of community service expenditure funded from its general revenue. Concession to particular groups of ratepayers also impinges on council revenues, and has implications for the amount which other ratepayers are called upon to meet. Again, subsidies from one group in the community to another are effectively involved. All other rate payers are effectively subsidising those receiving the concession (Industry Commission April 1993 p340).

It is also noted that in other states in Australian, the state government funds the entire amount of the concession, unlike New South Wales in which the state only pays fifty five percent of the concession.

With an aging population, as the baby boomers reach retirement age, and the indication that the pensioner rate subsidy may be extended to self funded retirees, it is estimated that the effect of pensioner concession paid by local government will escalate. These people will demand a higher level of services from councils, but contribute considerably less towards the provision of these services.

The result of the pensioner concession payments that are required to be made by local government, is a further deterioration in council's revenue raising capabilities, particularly with rate pegging, and therefore restricts the services local government can provide to meet its community's needs.

It costs Guyra Shire \$60,000 per annum, from its general revenue, as its proportion of welfare expenditure in subsidising pensioner concessions,

### **The Result of Cost Shifting in Guyra Shire**

Guyra Shire, like many other rural councils is facing a general deterioration in the condition of its assets and is unable to provide the basic services required by its residents. Council estimates that it needs approximately \$750k per annum to fund the short fall in its transport infrastructure maintenance programme and a further \$200k per annum to deliver the type and quality of services that Guyra residents demand and could expect to receive elsewhere.

As indicated in the *Guyra Shire Profile*, Council has a very limited ability to obtain this volume of funding from its constituents, given the socio-economic profile of its residents. Council's effort to achieve sustainable funding of its operations is further hampered by the continual cost shifting of other governments onto council.

The savings that council has generated over recent years (refer *Guyra Shire Profile*) have been used to subsidise the activities of the state government rather than being applied to increase the services to the Guyra community.

***• Total cost to the Guyra community through reduction in services as a result of government cost shifting is \$367k pa***

*(This equals: 26% of rate income)*



## CONCLUSION & RECOMMENDATIONS

Guyra Shire is an astute financial manager of the resources it has the control of. Council financial performance has placed it as one of the top in the state and has consistently and continually implemented performance measure that has saved it around \$500k pa. Both of these are remarkable given the size of the council and limited ability that its residents have to pay.

Council's efforts to improve the quality of life, services available to its residents, and the condition of its infrastructure (which despite a massive effort to improve the condition is currently considered sub-standard), are hampered by reduced cost coverage of grants, restrictions on its income raising ability, lack of revenue raising options, cost of implementing unfunded government policies and mandates, and cost shifting by other levels of government.

Council will continue to improve its performance and efficiency levels, however it asks both State and Federal governments to address the issues raised above and provide local government with the capacity to meet the needs of the community they serve. Council should be assisted in their efforts to reform itself and to improve its performance and not hindered or used as an opportunity to take advantage of the situation by shifting more costs on to it.

***öCouncil generated efficiency savings have been transferred to the Sydney bureaucracy via cost shifting, rather than being applied to increased services to the communityö***

Council is losing its population and is unable to attract people to the area, as it is unable to deliver the services they expect. This increases the strain on council's already stretched resources. Council is encouraging both State and Federal Governments to assist it (rather than hamper it) in providing adequate services to the community by eliminating cost shifting and ensuring the local government is adequately funded.

Local Government is far from perfect; you only have to read the news headlines to see some of the self-inflicted problems in the industry. But these tend to be isolated instances, the real problems with local government stems from its lack of capacity and the fact its being squeezed from all directions. Something must happen soon or the sector and rural communities will suffer.

***öSome one must provide strong leadership and give local government the capacity, both to operate effectively and to carry out the needs and expectations of the community they serve.ö***

The following action are suggested to solve the problems facing local government:

- €# All grants should be properly indexed to reflect increases in costs and standards.
- €# Local government needs a large cash injection to ensure that it is sustainable in the long term and to address the neglect and decline in the condition of its assets
- €# Partnership agreements are required between all tiers of government that clearly set out the roles and responsibilities of each tier together with funding arrangements.
- €# All legislation and policies to be implemented by other levels of government should detail the cost of the policy and who is going to pay for it.
- €# Local government needs to have more autonomy in its operation and in its income raising ability, including the possibility of providing access to a form of growth tax.
- €# Contracts/agreements should be entered into ensure that services devolved to local government are adequately funded on an ongoing basis and to ensure that the desired outcomes are reached.
- €# Councils should be encouraged to spell out in their Management Plans and their Annual Reports the restrictions imposed on their revenues and expenditure and to quantify the effect of these restrictions on the council's finances.



As stated by Sproats in his inquiry into several Sydney Councils (April 2001 p37), intergovernmental cooperation and partnerships between the public and the private sectors are perceived to be essential if the pursuit of successful strategies in dealing with issues such as infrastructure management, sustainability, affordable housing and appropriate transport systems are to be achieved.

***Cost shifting represents a transfer of services from small struggling rural communities to prop up the State coffers***

Local government is believed to be the best vehicle, in many cases, for implementing the policies of the state and federal governments. This is due to councils' unique position of being the level of government closest to the people, as well as having a presence in most areas, unlike other government who have embarked on a centralisation policy of removing most of their services from country areas.

There is no doubt the municipal authorities are ideally suited to become a one-stop shop for all government agencies that service the local community. There are believed to be considerable savings that can be achieved by having these agencies housed in the one location to service the same communities. This could also assist in the economic development of rural regions by alleviating the need for residents to leave their area to undertake their dealings with state/federal agencies. Most people also conduct retail or other business at the same time as they undertake their dealings with the government agencies.

The reality is that no one tier of government can by itself, fulfil all of its policy objectives and is reliant on other tiers of government to assist it to meet these objectives. A cooperative approach is needed from all tiers of government to ensure that the needs of their common communities are being met. This will require efficient, effective and adequately funded services. Effective government can be achieved through enhancement partnerships being pursued between the spheres of government (ALGA, 2001-02 *Federal Budget Submission*).

The efforts of the independent member for Northern Tablelands, Mr. Richard Torbay MP, in introducing legislation into the NSW Parliament that seek to make the State government more accountable when it introduces legislation that has a cost affect on local government, is to be applauded. However, given that the Bill lacks support from both sides of Parliament it is unlikely to be passed into law.

In a society in which public accountability of elected representatives is paramount, all Bills introduced into Parliament should, prior to being introduced, be required to have a mandatory cost and benefit analysis prepared as part of the bill. The cost and benefit analysis should be made available for public comment and detail:

- J · The costs involved in implementing the requirements of the Bill (once off and recurrent costs);
- J · Who is responsible for meeting the costs associated with the Bill;
- J · Who are the beneficiaries of the Bill;
- J · What is the total amount of the benefit of the Bill;

This cost and benefit analysis should improve accountability, openness, and transparency of policy makers and lead to better decision-making. It would also let the community know the true cost of legislation and who will pay for it.



## FURTHER INFORMATION

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Council is prepared to provide further information on its submission if and when require. A number of papers have been prepared by the council on related issues affecting local government including;

- €# External Revenue Pressures facing Local Government
- €# External Expenditure Pressures facing Local Government
- €# Community Expectations
- €# Managing the Community Expectation Gap.

These papers are available from council's web site site [www.guyra.nsw.gov.au/projects.html](http://www.guyra.nsw.gov.au/projects.html)

Further information can be also obtain by contacting Council's Director of Finance & Administration, Mr. Andrew K Johnson, at the Guyra Council Office.

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A handwritten signature in cursive script that reads "Robyn Jackson".

**Cr Robyn Jackson**  
**Mayor**