

RIVERINA EASTERN REGIONAL ORGANISATION OF COUNCILS

***SUBMISSION TO
HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON ECONOMICS, FINANCE
AND PUBLIC ADMINISTRATION
ON
COST SHIFTING ONTO LOCAL
GOVERNMENT***

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The Riverina Eastern Regional Organisation of Councils (REROC) is a voluntary association of fifteen local government bodies located in the eastern Riverina region of NSW. Originally formed in 1992 the aim of the organisation is to assist councils to operate more efficiently and effectively through working together to achieve economies of scale and a more informed and representative voice.

REROC's membership is comprised of thirteen General Purpose councils (under the NSW Act) and two Water County Councils. Our members are the councils of: Bland, Coolamon, Cootamundra, Culcairn, Gundagai, Holbrook, Junee, Lockhart, Temora, Tumbarumba, Tumut, Urana and Wagga Wagga as well as Riverina Water and Goldenfields Water.

In addressing the Terms of Reference for this Inquiry, all members have been consulted during the preparation of this response. At the outset our members wish to state their alarm and concern at the growing number of responsibilities that are being devolved to Local Government without appropriate, accompanying funding. In NSW where rates are pegged by the State Government these responsibilities can and have created onerous financial burdens. Local Government has been forced, on many occasions; to sacrifice locally initiated projects in order to fulfil State Government requirements because funding is insufficient to meet both needs or the funding provided only allows a very low or minimal service level.

REROC's response to the Terms of Reference is as follows:

1) Local government's current roles and responsibilities

The old premise that the role of Local Government is roads, rates and rubbish is no longer applicable and hasn't been for some considerable time. Local Government now has roles that encompass and impact on every facet of ratepayers' lives and this is particularly the case for councils that operate in rural

and regional Australia. The roles and responsibilities of Local Government have grown significantly, most notably over the last decade.

The growth in roles and responsibilities can be attributed to the following:

- a) Roles and responsibilities that Local Government has been forced to take on in order to implement State or Federal legislation or regulation
- b) Roles and responsibilities that Local Government has had to take on to fill service gaps that have resulted from the removal or downgrading of State and/or Federal Government services, and/or the loss of private sector services such as banking.
- c) Roles and responsibilities that Local Government has chosen to grow into in response to local community expectations and demand

(a) Roles and responsibilities that Local Government has been forced to take on in order to implement State or Federal legislation or regulation

NSW State Government solutions to state-wide problems have been increasingly reliant on implementation by Local Government. The implementation is enforced through regulation and Local Government is rarely adequately consulted about its new responsibilities or the feasibility or cost of implementation.

There are numerous examples of this occurring and *Appendix One* of this response contains a list and cost estimates relating to implementation and enforcement of State Government legislation and regulation.

Our members would agree that many of the new regulations introduced, particularly those that relate to environmental controls, are needed and that, given our successful track record, Local Government is probably best placed to implement them. However, we cannot agree that we should also meet the substantial on-going costs associated with implementation and maintenance.

The State Government is too Sydney-centric, its policies and responses are based on models that assume large population bases and growing property values. Accordingly, the State Government has often resorted to the use of fee-for-service approaches to funding the implementation of new regulations and legislation. In rural and regional locations where property values increase slowly or in some cases not at all and where populations are falling, fee-for-service funding models do not provide sufficient revenue to cover costs.

(b) Roles and responsibilities that Local Government has had to take on to fill service gaps that have resulted from the removal or downgrading of State and/or Federal Government services, and the loss of private sector services such as banking

In the last decade, with the removal of Federal and State Government departments and agencies, the closure of banks, rationalisation across the health and welfare sectors and the shortage of medical practitioners, the role of Local Government has grown in ways that would have once been inconceivable.

The withdrawal, particularly of State and Federal government offices across regional and rural Australia has also created additional work for councils. Not only does the local community look to its local council to “fill the gap”, the government that created the gap also expects that councils will assist in filling it, creating additional work and expense which is usually either unfunded or insufficiently funded.

State and Federal government departments and agencies expect that councils will embrace the opportunity to deliver their services through outlets such as Rural Transaction Centres, Government Access Centres and Community Technology Centres. However while these initiatives return lost services they rely heavily on Local Government subsidisation. It is our members’ experience that grant funding rarely meets the full cost of service provision and that the community or council is always expected to make up the financial shortfall.

Private sector operators who seek similar assistance further worsens this situation; doctors now routinely request that councils provide medical centres, while financial institutions want councils to provide premises.

Councils anxious to ensure that their communities are not undermined by lack of services are often left with little choice but to provide the assistance demanded. This result either further stretches an already stretched budget or worse, leads to the cessation of other services completely.

It should also be noted that the policy of centralising Federal and State Government services has resulted in cost shifting to consumers. Instead of the government bearing the cost of service delivery it is the consumer who does. In some instances in this region people are forced to travel more than 100 kilometres to access services that were once available locally, without being able to obtain any reimbursement for the cost of the travel nor the time lost.

(c) Roles and responsibilities that Local Government has chosen to grow into in response to local community expectations and demand

Communities now have much higher expectations of the role of Local Government and the range of services that it should provide. Consequently, councils must now resource activities in such diverse areas as economic development and tourism, arts and cultural activities and health and welfare.

The provision of art galleries, libraries and museums are as important to the communities as sporting fields and facilities and community halls. Many councils manage childcare programmes, old age services including nursing homes as well as providing or supporting a range of social and welfare programmes such as meals on wheels and community transport.

In addition the provision of basic services such as water and sewerage, which the State Government administers in metropolitan areas, are the responsibility of many rural and regional councils. Airports, saleyards, helipads and botanic gardens also fall to local government in rural and regional locations.

Addressing the needs of youth is an important priority as well, with most of the REROC members now supporting youth councils as well as a number of other youth activities. This includes the provision of youth spaces such as skate parks and drop-in centres.

While some may question this growing role, others are sure that if councils chose not to provide or support these services then they would simply not exist. There is no other service provider prepared to take on these types of social 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

Currently local government revenue is received from the following sources:

- ◆ Commonwealth Grants Commission via the NSW Grants Commission
- ◆ rates
- ◆ charges for services such as sewerage, water and rubbish removal
- ◆ fee for service such as inspections
- ◆ levies such as Section 94 contributions
- ◆ grant funding for special projects sourced from the Commonwealth and State Governments

It is worth noting that NSW Local Government has not received any National Competition Policy payments despite the fact that many councils have undertaken significant activities in the area. The NSW Government is the only State Government that has failed to pass on the payments and has repeatedly refused to do so.

As stated previously, the Minister for Local Government pegs NSW Local Government rates. In theory, councils can make representations to the Minister for a variation in the rate, in practice even when extensive community consultation has occurred and communities agree to such increases the Minister rarely agrees to the amount requested by council.

Rate-pegging is an offensive policy, implying as it does that Local Government cannot be trusted to responsibly manage its own finances. It is a purely political policy that is particularly harsh on councils operating in non-metropolitan NSW. In metropolitan areas where urban consolidation, increased development activities and rising populations are the norm, rateable properties are increasing and therefore the effects of rate pegging are negligible. However, in areas where populations (and therefore ratepayers) are decreasing and property values are stagnant the effects of this policy are far reaching.

It is in these communities that councils are asked to do the most and where there is the least amount of funding available. Therefore councils find that they are increasingly spending already scarce time on funding applications to a plethora of organisations. Arts, health, economic development, telecommunications and the environment as well as crime prevention, youth and aged care are all areas where Local Government regularly submits funding applications.

The preparation of funding submissions is a time consuming activity and success can at times raise unanticipated problems. Several REROC members have been successful in gaining Television Black Spot funding, however this funding is reliant on volunteers maintaining the new tower. Occupational health and safety requirements together with the age of the volunteers has meant that council has been forced to take over this maintenance (which requires climbing using a harness) and has, as a result, incurred an unexpected cost on council.

In addition there has been no commitment from the Federal Government for funding to upgrade or replace equipment when it reaches the end of its useful life. This means that councils and communities must make future provision for this. One member estimates that council will need to put aside \$10,000 per annum in order to replace the equipment in their Shire.

Often funding is provided as a “seed” or “pilot” or for a limited time after which councils must either provide on-going funding or allow a successful project or service to simply die. The closeness that councils have to their constituents means that the latter course of action is often not possible.

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

REROC members have developed a strong culture of working together and pooling funding to deliver both regional and local outcomes. Our members also pool their purchasing needs to achieve economies of scale and better purchasing outcomes. Over the last four years this activity overall, has saved our members approximately \$3,000,000.

Last year REROC pooled funding to launch a regional Road Safety Officer project. The project, which is 100% funded by the RTA in the first year and then 50/50 funded in the second and third years, has resulted in the employment of four Road Safety Officers to service twelve participating member councils.

REROC has previously attracted joint funding from the National Office of Local Government for a GIS/GPS project, funding from the State Government for the development and implementation of a Regional Waste Strategy. We have recently been advised that we will receive funding from the IPWEA for two regional Road Safety Projects and we are awaiting advice from Environs Australia about a regional project that addresses the disposal of waste oil.

REROC members recognise the opportunities that a joint approach to obtaining funding provides and is constantly looking for opportunities that will enhance the services we provide.

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

As stated above Local Government has been forced to increase expenditure in order to fulfil new obligations placed upon it, without consultation, by the State Government. **Appendix One** outlines many of those responsibilities and estimates the annual cost of delivering a variety of State Government services.

In addition re-focusing by the State Government on operational activities has seen funding traditionally spent on implementation now redirected towards inspection and planning. Our members advise that while funding for noxious weeds remains unchanged, it is now directed at inspection rather than spraying. This means that councils now must meet the full cost of actually treating noxious weeds.

Substantial amounts of roads funding is expended on inspections and traffic management plans instead of actually fixing roads. New requirements under the Single Invitation Contracts (SIC) have resulted in councils expending vast amounts of time completing paperwork about roadworks rather than actually undertaking the roadworks.

Councils are now required by the State Government to prepare social plans, cultural plans, State of the Environment reports, land management plans, stormwater management plans, on-site sewage management plans, occupational health, safety and rehabilitation corporate plans, privacy management plans and crime prevention management plans.

This is in addition to the planning instruments council prepares in order to effectively management its own Local Government Area, these include Development Control Plans, Local Environment Plans, economic and community development plans, strategic Plans and the overall Council Management Plan.

A significant change has also occurred in the way in which State roads are funded. Under the Commonwealth Road Funding Agreement States are responsible for arterial roads and Local Government is responsible for local roads, funding is distributed accordingly. Over the last five years, however, there has been a slow shift by the State Government to push additional responsibility onto councils for the maintenance of regional (arterial) roads. The first major step occurred in 1995 when the State transferred ownership of regional roads to councils. Since then the State Government has shifted responsibility for the maintenance of the roads to Local Government with the State meeting the cost through Block Grants.

However, this year the Secretary to Minister for Roads wrote earlier this year to advise councils that regional roads were councils' responsibility and that the State Government was not obligated to provide funding for their upgrade and maintenance. The Secretary advised that the "*road funding was provided as a matter of policy*". This new stance by the State has the potential to have enormous financial ramifications for councils who are struggling to maintain the local road infrastructure without the added burden of regional roads.

5. The scope of achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities

There is little doubt that Local Government is best placed to deliver a large number of State and Federal Government programs at the local level. Local Government is already represented at 172 locations in NSW alone (and this does include areas where councils have outreach offices).

Local Government is the face of the local community, has a strong understanding of community needs and has the infrastructure already in place to provide additional services and in fact is already doing so in many locations.

However, the ability of Local Government to do so rests on a recognition by both State and Federal Government that there are real costs associated with service delivery; costs that cannot and should not be absorbed by councils. If councils are to take on additional service delivery then it must be on a user pays basis with the user being the government department or agency for which the service is being provided.

There must be recognition that funding should be on-going and not as is often the case now, short-term, leaving councils to pick up the cost if the community continues to want the service. In addition service delivery cannot rely on the assistance of volunteers to offset costs, volunteers in most communities are in short supply and already overworked. It is imperative that governments assess the cost of service delivery realistically and make appropriate on-going provision for it and that the commitment be expressed as a contract for service delivery.

It should also be noted that volunteers in many communities are in short supply and are aging. A policy that relies on their continuing involvement to deliver important government services is not sustainable.

6. The findings of the Commonwealth Grants Commission Review of Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the view of interested parties as sought by the Committee

REROC supports the findings of the Commonwealth Grants Commission Review.

Our members suggest, however, that there is room for the Commonwealth Government to consider utilising the Financial Assistance Grants, in much the

same way as Roads to Recovery has been administered, to fund specific activities that councils now find themselves responsible for.

Direct Commonwealth funding could be provided for activities such as arts and culture, community development, welfare and youth programs as well as to improve local infrastructure such as community halls and sporting facilities. This approach would be particularly beneficial in rural and regional locations that are removed from the services and facilities provided in metropolitan locations which are funded in the main by the State Government.

The provision of direct on-going funding to Local Government is an efficient and effective way of enhancing service delivery across Australia and one which our members support.

Our members however, given the breadth of the work already undertaken by Local Government are reluctant to take on any further responsibilities that are not fully and realistically funded. Our goal would be to have the additional responsibilities that we already have adequately funded by both State and Federal Government.

Our members would like to thank the Committee for the opportunity to put forward our stance with regard to this matter. REROC would like to extend an invitation to the Committee to hold a hearing in our region, REROC would be happy to act as the host for the hearing.

Appendix One

Activities undertaken by Local Government in response to State Government legislation or regulation that are unfunded or insufficiently funded:

- (a) **Local Government Act** – requires preparation of management plans, State of the Environment Reports, social plans, community land management plans and cultural plans. *Estimated cost to councils (based on staff time expended, other works or activities deferred to allow completion or updating of plans and the use of external consultants where necessary) \$35,000 per annum per council*
- (b) **Protection of Environment Operations Act** – has expanded councils' roles in environmental regulations and environmental improvements programs. There are also additional costs imposed through load-based licencing of sewerage treatment plants and through compliance with more and more onerous regulatory measures introduced by the EPA. *Estimated cost \$20,000 per annum per council*
- (c) **Environmental Protection Authority** – preparation of stormwater management plans. While there was funding assistance with the plan there is still the cost to council of implementing the plan and updating it on an annual basis. *Estimated cost \$10,000 per annum per council*
- (d) **Waste Minimisation and Management Act 1997** – has required the upgrading of council landfills and raised the standards to be met for landfills, requiring the licencing of certain types of landfills. In addition councils must now “man” their landfills in order to ensure that there are no breaches to EPA licencing provisions. *Estimated cost: \$50,000 per annum per smaller council and over \$100,000 per annum for larger councils*
- (e) **Environmental Planning, Development and Building Controls** – the demands on council resources in this area are ever increasing. A council's ability to charge appropriate application fees and levy developer contributions, however, is constrained by the State Government. At the same time that the Government is making the process more complex. *Estimated additional cost to council \$25,000 per annum per council*
- (f) **Contaminated Land Management Act 1997** – requires councils to develop management plans/policies about contaminated land and for councils to establish a register of all contaminated land in its LGA.

Council is responsible for the on-going management. *Estimated cost (in loss of staff time) \$3,000 per annum per council*

- (g) **On-site Sewerage Management Plan** – a requirement of the Dept. of Local Government that all councils develop a management plan and prepare a database of every on-site sewerage management system in its LGA and then assess the level of risk and implement an inspection regime that reflects that level of risk. The development of the plan was funded on a fee per site basis and council is able to charge inspection fees. *Estimated cost of developing, maintaining and implementing the Plans (staff time) \$10,000 per council*
- (h) **Companion Animals Act** – Council is required to develop and implement management plans to deal with companion animals (including cats). In addition councils are required to build facilities to house cats separately to dogs. Lifetime registrations mean that income will not cover on-going costs, however councils can recover some costs by increasing the penalties. *Estimated cost \$25,000 per annum per council*
- (i) **Emergency Management Act** – this Act requires that councils establish a local emergency management committee and to provide an executive function. Council also provides the premises for an emergency management operations centre. *Estimated cost, mostly in new outgoings, \$15,000 per annum per council*
- (j) **Noxious Weed Control** – the State Government has decreed that their funds for noxious weed control must be concentrated on inspections, which leaves the cost of actual control to councils. This has increased the cost of control by an *estimated \$40,000 per annum per council*
- (k) **Food Premises Inspections** – once undertaken by the State Department of Health, councils are now required to take on this activity, with the only funding coming from inspection fees which do not cover the cost.
- (l) **Hall and Theatre Inspections** – again these were once undertaken by the State but were passed to Local Government without appropriate funding
- (m) **Rural Fire Service Act** – councils are required by the State Government to fund 13.3% of the total cost of running the RFS, which last financial year was \$113 million. This includes the cost of the RFS bureaucracy and all the RFS staff, regardless of their location. There is no funding cap applied and each year council contributions have been raised substantially. *Total*

estimated cost to REROC councils is more than \$200,000 per annum to support the State Government bureaucracy. Further funding is also provided by councils to support actual fire fighting operations. The total statewide cost to councils in NSW of maintaining the Rural Fire Service \$15,000,000. (13.3% of \$113 million).

- (n) NSW Fire Brigade Levy** –councils have no input into the standard of service offered by the NSW Fire Brigade and no control over their activities, however we are required by law to contribute to the cost of their service provision. *Estimated cost to those councils with an Urban Fire Brigade \$20,000 per annum per council*
- (o) Pensioner Rate Concessions** – councils are required to provide a concession to pensioners on their rates. The level of compulsory concession has remained the same since 1989, however with an aging population the cost has escalated substantially. The State Government requires that Local Government meet half the cost of what is essentially a welfare payment and therefore should be met in full by either State or Federal Government
- (p) Single Invitation Contracts** – introduced by the State Government instead of compulsory competitive tendering. There were substantial costs incurred in the preparation of the initial paperwork in order for a council to qualify to undertake RTA work. Costs are continuing to be incurred because of the substantial paperwork, which must be submitted in conjunction with the work undertaken, and because of the increased inspection regime. *Estimated cost (substantial in lost time by senior engineers) \$60,000*