

NORTH SYDNEY COUNCIL

Submission to the House of Representatives Standing Committee On Economic, Finance And Administration

Inquiry Into Cost Shifting To Local Government

July 2002

Name: North Sydney Council
Population size: 58,000
Geographic size: 10 square kilometres
Current budget: \$48 million

Description:

North Sydney Council is located in the inner metropolitan area of Sydney, and incorporates thriving business districts and diverse residential areas.

Suburbs in the North Sydney area include Cammeray, Cremorne, Crows Nest, Kirribilli, Lavender Bay, McMahon's Point, Milsons Point, Neutral Bay, North Sydney, St Leonards, Waverton and Wollstonecraft.

Almost half of North Sydney's 58,000 residents are aged between 20 and 39 years. There is a comparatively low proportion of households with children.

The population is highly mobile. Nearly half of all residents rent and, over a five-year period, more than half move to a new address.

The dwelling density is higher than in most other parts of Sydney and is increasing. Four in five residents live in medium-density housing (units, townhouses, semis and terraces).

North Sydney has a high level of visitors - some 52,000 people travel to North Sydney for work, and of the 14,000 students attending schools and tertiary institutions, only one in five lives in the area.

The principal commercial activities in the North Sydney CBD, one of the largest in Australia, are advertising, marketing, retail, information technology, finance, telecommunications and property development.

Historical development of the council:

North Sydney is a well-established council area, and the boundaries have been set for many decades. The North Sydney community relates strongly to the council area, and has voted to remain in the current configuration in community referenda in each of the Council elections over the last twenty years.

Regional context

North Sydney Council is a member of the Northern Sydney Regional Organisation of Councils, which consists of North Sydney, Willoughby, Lane Cove, Ryde, Hunter's Hill, Hornsby and Ku-Ring-Gai Councils.

The Submission will address the Terms of Reference of the Inquiry.

1. Local Government's current roles and responsibilities

Section 8 of the *Local Government Act 1993* outlines a very broad mandate for local government as the council's charter. The charter includes responsibilities, such as:

- “adequate, equitable and appropriate services and facilities for the community”
- “provide and plan for the needs of children”
- “properly manage, develop, protect, restore, enhance and conserve the environment of the area”
- be “the custodian and trustee of public assets”
- “raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants”

The traditional responsibilities of roads, rates and rubbish are therefore a thing of the remote past. Local government is required to take on a wide range of responsibilities for physical amenity and safety, for the built and natural environment, for community life, support and well-being. Responsibilities in practice include:

- Infrastructure asset provision and management– roads, footpaths, traffic management devices, plazas, drains, seawalls, public buildings, community centres, family and children's services facilities, sporting facilities, parks and reserves, playgrounds, cultural facilities, street trees, and so on
- Traffic management, and parking provision and control
- Maintenance of the public domain – whether in Council's ownership or not (eg. Care control and management of public lands)
- Social planning, community services provision, community development for all sectors of the community (children, youth, families, older people, people with special needs)
- Recreation and sporting facilities and programs
- Libraries services, cultural facilities and programs
- Community safety
- Planning for and management of development of the built environment – strategic planning, development approvals, building control and enforcement
- Environmental health – public education and enforcement
- Planning for and management of the natural environment – prevention, enhancement, protection and enforcement
- Local business support – physical improvements to retail and commercial areas
- One-stop shop for information and services
- Provision of affordable housing
- Advocacy on local issues

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

There are severe limitations on revenue-raising capacity of local government. The restrictions on local government's ability to raise its own revenue through rating and fees and charges need to be removed, with appropriate checks and balances remaining. The major issues are:

- Rates are pegged by the State Government and are not keeping up with increasing demand and rising costs. Councils are generally going backwards financially.
- Federal Financial Assistance Grant levels are extremely limited. For North Sydney Council the amount received in FAG is 2% of the total revenue.
- Other Government grants are time limited, project directed, available only on an application basis. A lot of time and effort is required for a variable and usually short-term outcome. This does not assist long-term planning and consistency of service provision
- Statutory fees are capped by the State Government and do not cover costs of providing services (eg. Fees for development applications)
- Fines are a source of revenue. However 50% of North Sydney Council's parking enforcement revenue from the recently transferred parking patrol service must be returned to the State Government
- User charges are limited by community service obligations (eg. Financially accessible recreation facilities)
- Rental income from council property is an important revenue source where market rents can be charged; however others are heavily subsidised for community service reasons (eg. Scout halls; community centres)

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

Local government's capacity to meet current obligations is stretched. Restrictions on revenue-raising capacity mean that local government cannot meet the community's demand for service and cannot maintain its infrastructure. North Sydney Council is in a relatively sound financial position and yet capital expenditure falls short of the depreciation on Council's assets. The gap between capital expenditure and depreciation cannot be bridged under the current funding regime. Inevitably infrastructure assets will deteriorate in the medium to long-term – eg. Sea walls along the Sydney Harbour foreshore are crumbling and Council does not have the means at its disposal to rehabilitate them. Patch-up jobs are done, but this is not sustainable in the long-term.

However local government has the experience, expertise, capacity and community backing to take on an enhanced role in strategic planning, asset management and service provision so long as there is the means to fund the additional responsibilities. Local government has demonstrated that it is very efficient and effective, as well as responsive as a service provider.

In numerous situations Council can and does work with other Councils on regional policies, regional projects, and regional service delivery where the infrastructure is regionally focussed or the service clientele is from a larger catchment. The Northern Suburbs Regional Organisation of Councils (NSROC) has been successful in tackling policy and strategic issues in a regional context. A good example of regional cooperation is the library service, where five Councils in the Lower North Shore have combined resources supporting a common library information management system. Examples of asset and service areas where regional coordination and resource-sharing are effective and efficient are:

- Catchment management – management of drainage and pollution control assets within a catchment context
- Waste management – waste disposal and recycling
- Regional transport – regional transport strategies, regional traffic management and road safety and public transport
- Specialist community support services
- Affordable housing services
- Group purchasing schemes

Nevertheless, whilst there is value in regional cooperation and resource-sharing, there is still a need to maintain a local focus for locally-based services with a local client catchment. The responsiveness of local government to its community is its greatest strength.

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

For decades the trend has been that State and Federal government hands over responsibility for services to local government, but not the ability to fund meeting the responsibility in the long term. Inevitably the funding base erodes over time, until in many cases funding becomes the sole responsibility of local government. At this point, the community has the expectation that the services will continue, and it becomes difficult if not impossible to cut services.

Some examples of cost-shifting are:

Management of roads

The New South Wales Roads and Traffic Authority (RTA) has always been responsible for a percentage of certain aspects of road funding. Historically these have been based on some measure of work done or service provided. For example the Traffic Route Street Lighting subsidy was based on the differential cost of providing upgraded lights along selected traffic routes. Council's grant was simply the number of lights provided by the rate differential. The new approach by the RTA is to convert these to a grant where Council gets a fixed percentage of the budget allocation allocated to all Councils. In the first year RTA makes sure that no Council is worse off, however in subsequent years the funding level often

falls behind the real costs. A similar approach is now used for Traffic Facilities. Each year the gap between the grant and the cost of the works gets larger.

Libraries

The State Government's contribution to public libraries has declined from 20% funding in the 1980's to less than 9% in the 2000's. This decline has been counterbalanced by the increasing contribution made by Local Government to a current 91% of total funding to public libraries. Yet the need for increased funding for public libraries remains. There are unmet demands in the community for extended opening hours; expanded electronic resources; improvement of print and audio visual collections; upgrading of reference collections and special services for youth, students, the elderly, Aboriginal and multicultural services. In North Sydney, Council's library service is used by a wide range of people, not only residents and local businesses, but also large numbers of school and university students where their institutions' libraries are not meeting their needs.

The burden is unfair and inequitable on our ratepayers, particularly in the context of funding to public libraries in the States of Victoria and Queensland being almost double the per capita amount provided in NSW.

Environmental management

Changes to the *Local Government Act* in NSW gave greater responsibility to local government for ensuring environmental sustainability, and environmental management. No additional resources followed these major additional responsibilities, apart from occasional grants (on a submission basis) for bushland rehabilitation. Councils have responsibilities for environmental protection and control with insufficient resources to carry out enforcement. As an example, North Sydney Council is currently monitoring and working with local marinas to ensure they have environmental management systems in place and that they comply with environmental laws. This is a complex and difficult job requiring significant expertise.

Parking control

State Government has handed over the responsibility for parking control to local government, but expects 50% of the net revenue from parking fines in return. This is only for North and South Sydney Councils and the City of Sydney. All other Councils in NSW have been given the responsibility and will retain 100% of the revenue.

Graffiti removal

Recent legislation in NSW enables local government to remove graffiti on private property and public assets (such as energy, rail, road and water resources) without the owner's permission. However there is no means of funding this additional work, which would cost conservatively an additional \$200,000 per year in North Sydney.

Fire Brigade Service

All metropolitan councils are required to subsidise the NSW Fire Brigade Service. This means a contribution of \$ \$862,000 per annum from North Sydney Council alone. In the last budget, the Fire Brigade increased the amount by 13%, despite the fact that local government rates were capped at 3.3%.

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

Behind this question, there is the fundamental issue of the structure of government in Australia. A major re-alignment of responsibilities for services currently provided by State Governments, such as education, health, transport and law and order, would need major restructure in the way in which we are governed. It calls into question the role of the States, and the place of local government in the Australian system. This would appear to be beyond the scope of this enquiry.

In relation to such services as education, health, transport and law and order, there is also the fundamental question of equity in service provision. For example, in relation to education, children should have access to quality public education wherever they live. There should not be differences in resourcing and quality of education based on the local government area in which children live. A state education system should mean that funds are fairly distributed across all areas, whether wealthy or poor. For this reason, in the current structure of government in Australia, devolution of such service responsibilities to local government does not make sense. It could mean that people living in wealthy communities receive good services because there is a good local revenue base, and people in poorer communities receive poor services, because the Councils do not have the means to pay for them.

There is nevertheless some scope for achieving a rationalisation of roles and responsibilities between levels of government. Local government has the experience, expertise and the mandate to provide services to local communities. Local government could be the service provider on behalf of State and Federal government for many locally-based services, so long as appropriate and permanent funding mechanisms are put in place. Examples of such services could be:

- Asset management of public assets in the council area
- Affordable housing provision
- Public health programs
- Community support services

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

The problem with the current system of Financial Assistance Grants is not the method of distribution of the funds, rather that the funding base is too low.

The current method of equalisation whereby disadvantaged areas receive a greater proportion of funds is fair and should be continued.

However the overall funding allocation needs to be increased commensurate with the responsibilities of local government for service provision. Local government must receive a fair share of taxation receipts.

