

THE CORPORATION OF THE CITY OF WHYALLA



SUBMISSION

INQUIRY INTO LOCAL GOVERNMENT & COST SHIFTING

INDEX

COUNCIL DETAILS.....	1
BACKGROUND	2
CURRENT RESPONSIBILITIES.....	3
ADDITIONAL AREAS OF RESPONSIBILITIES	3
TRANSPORT & COMMUNICATION.....	4-5
ECONOMIC DEVELOPMENT.....	6
HOUSING & COMMUNITY SERVICES.....	7-8
HEALTH & WELFARE	9-10
RECREATION & CULTURE.....	11
GENERAL PUBLIC SERVICES.....	12-14
PUBLIC ORDER & SAFETY	15
TOURISM	16
WHAT ELSE DO WE DO?	17
CONCLUSION	17
DEMOGRAPHIC STATISTICS.....	Annexure “A”
SERVICE PROFILES	Annexure “B”
PROJECTED FIGURES – LIBRARY & COMMUNITY	
INFORMATION GRANTS	Annexure “C”
MATRIX OF CURRENT FUNDING RESPONSIBILITIES.....	Annexure “D”

Name: The Corporation of the City of Whyalla

Population Size: 22,000 approximately

Geographic Size: 41.5 square kilometres

Current Budget:

Expenditure	
Recurrent budget	\$13,303,640
Capital Improvement	\$ 3,605,395
Loan Principal repayment	\$ 402,889
Allocation to Reserves	\$ 1,210,052
TOTAL:	\$18,521,976

Income	
Cash for projects brought forward (incls Telstra Reserve \$257,979)	\$ 1,530,155
Other recurrent income (incls \$952,476 from Reserves)	\$ 8,396,135
Capital Improvement	\$ 1,601,841
Rates and charges	\$ 6,962,340
TOTAL:	\$18,490,471

Budget Deficit: **\$31,505**

Demographic: Demographic Statistics as per 2001 Census (Refer Annexure "A")

Overview: The Corporation of the City of Whyalla was established in 1970 when it replaced the City of Whyalla Commission.

The Whyalla Council has one of the most diverse operations of any Local Government. In addition to the normal responsibilities, it operates an airport, public bus service, two public libraries, child care centre, visitor centre, maritime museum, marina and boat ramps, crematorium, owns a caravan park, leisure centre and wildlife park (all leased privately), and is responsible for all major developments like the foreshore, wetlands, other water harvesting projects, public works, tourism development, innovative environmental projects, etc.

Membership: Whyalla Council is a member of the Local Government Association of South Australia and regionally, the Eyre Peninsula Local Government Association and the Upper Spencer Gulf Common Purpose Group.

BACKGROUND

On Thursday 30 May 2002, the Federal Minister for Regional Services, Local Government and the Territories, the Hon Wilson Tuckey MP, announced the Commonwealth Parliamentary Inquiry into Cost Shifting into Local Government. The Terms of Reference for the Inquiry includes:-

1. Local Government's current roles and 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.
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.
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.
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.
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.

Currently the South Australian Government and Councils are looking at functional reforms which could involve the transfer of responsibilities between State and Local Governments. Therefore, this Inquiry into Cost Shifting is very relevant to Whyalla City Council.

Whyalla City Council is the second largest regional Council in South Australia with a population of 22,000 and is located on the northern entrance to the Eyre Peninsula region.

There is no doubt that Council is doing many things today that were once undertaken by other spheres of Government. In fact, Whyalla City Council would probably facilitate the most diverse range of local services in the State. This in itself produces a large problem due to the fact that Council's revenue base cannot cope and keep up to match the increased responsibilities in service provision.

The need to fund additional responsibilities has naturally reduced Council's capacity to maintain and renew infrastructure within its region.

Whyalla City Council recognises that it must allocate additional funds into infrastructure maintenance, therefore it will resist increasing its responsibilities without sources of outside funding.

WHYALLA CITY COUNCIL'S CURRENT RESPONSIBILITIES

As part of its budget process, Council has developed thirty (30) recurrent service profiles to enable:

- The identification of principal activities (services) that Council intends to undertake to achieve its objectives in relation to the community;
- Council to state measures (financial and non-financial) that are to be used to monitor and assess the performance of Council during the 2002/03 financial year;
- Council to carry out its services in accordance with the objectives of its Strategic Plan;
- Identify current issues associated with delivery of services to the community;
- The community to assess and comment on the services that Council delivers.

A copy of the Service Profiles has been attached (**refer Annexure "B"**).

Each year, services are premised on the desirability of the Council to first establish its core operations and prioritise funding issues within these areas by identifying strategic planning priorities. Maintenance of current stocks of community assets is seen as a priority, however, funding in this area is being eroded by Council taking on additional responsibilities imposed by other forms of Government with no form of monetary compensation.

ADDITIONAL AREAS OF RESPONSIBILITY

The number of responsibilities imposed on local councils has soared over the past thirty (30) years. Whyalla City Council would like to point out the following areas of responsibility which are additional to its core services or have had reduced financial support from Federal and State Governments.

TRANSPORT & COMMUNICATION

Whyalla City Transport

In most vibrant cities the public transport system is fully funded and controlled either by the State or by private enterprise. In order for the community to have continued access to a public transport system, Whyalla City Council is now in the position of having to provide this service.

Although subsidised by State Transport, the annual cost to Whyalla City Council is approximately \$52,066. This includes Council subsidising concessional fares for patrons, which in Adelaide is fully subsidised by the State Transport Board.

Council continues to investigate methods of reducing operating costs but have had little success in this area.

Aerodrome

Whyalla is heavily reliant upon its Airport both for business and recreation. In order to continue providing this service to residents and visitors alike, Council operates the Aerodrome complex as it is not in a financially viable position to be leased out. The past few years has seen great upheaval in the airline industry in Whyalla. The Whyalla Airlines crash in 2000, then the demise of Ansett in 2001, saw Whyalla first lose one of its two airlines (Whyalla Airlines) then lose its remaining airline (Kendell) only to re-emerge with one new airline (O'Connor Airlines) and a very unstable Kendell.

Maintenance of the complex alone costs Council in excess of \$153,153 per annum with administration and other associated costs budgeted at \$79,487. The 2002/03 capital expenditure is approximately \$126,000. The Federal Government did provide some initial funding when the Airport was handed over to Council, however, there are insufficient funds in order to maintain the runway in the long term. There is no ongoing outside support for this important regional transport hub.

Roads

Council has experienced increased administration costs in the areas of issuing permits for B-double transport within its region.

Also changes in transport standards with the introduction of higher vehicle masses is causing Council to spend more money in the area of maintaining its major roads due to the additional wear and tear of the heavy vehicles.

Many of Council's sealed roads are now reaching the end of their life. Currently there is little or no assistance from the State Government in the area of transport.

More funding from both Federal and State Governments is required in this area in order to balance out the impost of Council carrying out other non-core services.

A recent infrastructure study of Council's road network has indicated that \$1.6 million should be spent annually on maintaining and upgrading this important asset. However due to the lack of Federal and State Funding, the diverse nature of Council's operations and the impost of further non-core activities, Council currently has only allocated the following amounts in its 2002/03 budget:-

- \$584,000 Roads to Recovery Projects
- \$334,200 Sealed Roads

It is important to note that the Federal Roads to Recovery grant funds are a short term allocation to Council and will cease after the 2004/05 financial year.

Therefore, the current funding gap in regard to Council's infrastructure renewal program will increase significantly over the next 25 years. Council must at least triple its expenditure for the next 3-5 years and increase this further thereafter.

Bus Shelters

Bus shelters in metropolitan Adelaide currently are a State Government responsibility, however, Whyalla Council has to maintain its own infrastructure.

Therefore, in order to create a level playing field in the regions, all the costs for bus shelters should be funded via the State Government.

ECONOMIC DEVELOPMENT

With the downsizing of OneSteel (formerly BHP Whyalla) and the continued loss of services, it is imperative that Whyalla moves towards economic diversification in order to arrest the downturn in population, the rise in unemployment rates and develop economic sustainability.

Whyalla City Council provides over \$120,000 annually to the Whyalla Economic Development Board so that it may have adequate resources to meet its obligations. The value of this support far exceeds (on a per capita basis) that of other councils around the State. Additionally, Council has provided subsidies for "one off" projects initiated by the Board.

HOUSING & COMMUNITY SERVICES

Planning and Development Assessment

New provisions related to Community Land make all matters to do with the management of land subject to time consuming and cumbersome controls. All community land must now have management plans and there is a need to go through an exhaustive process to remove the community land designation. Public consultation processes are also required for management plans and revoking of community land designation

Councils are now required under new legislation to undertake a thorough review of their Development Plans every three years. Prior to this a review was at the discretion of Council. There is a whole raft of additional policy issues to consider in the drafting of development plans including performance based control processes for industrial land, rural land, new residential design guidelines, significant tree controls and heritage controls. Coastal development controls now run to over 100 separate principles resulting in a very large increase in the time taken to assess coastal development applications. The new processes and procedures in the formulation of Plan Amendment Reports add more time and complexity to the process - Statement of Intent, Investigations, sign off certificates which place all the onus for correct plans on the councils.

Councils are also required to prepare all mapping up to a standard required by Planning SA. Previously Planning SA prepared final mapping for published development plans, but this function shifted to Local Government.

Due to native title issues, all development on reserve land is required to be checked by Department Environment and Heritage officers to resolve native title.

Building Rules Assessment has increased in complexity due to completely revised codes for residential housing, timber framing etc. These have changed many times over in the past few years and it is a major job just to keep track of the modifications to the current Standards.

Other new requirements include:-

- A check to ensure that Building Indemnity Insurance is taken out prior to domestic work being undertaken which is much more complex since the collapse of HIH;
- Requirement for Statement of Compliance to be signed by a licensed building surveyor before a building can be occupied after building work (used to be owner builder);
- Access requirements per the Building Code and the Disability Discrimination Legislation;
- Sound insulation requirements in residential buildings where two units are together (affects Nursing Homes and residential flat buildings);
- Energy efficiency guidelines are to be introduced in the near future adding further complexity to the approval process.

Councils are the collection agency for the Construction Industry Training Levy for which we receive a minimal fee.

Street Lighting

The decision of the State Government to privatise the provision of electricity in South Australia may lead to increased power costs of between 10 to 30% in Council's street lighting costs.

The vesting of ownership of street lighting infrastructure with the State Government has been at a cost to local government.

In the majority of cases, the cost of the trenching and installation of cables for street lighting was borne by councils. This capital cost is one component of the valuation of infrastructure. Whilst Local Government met the initial cost of this component of the works, there has been no compensation forthcoming from the State Government to reimburse councils for this expense. In other words the State Government now owns assets that were part funded by Local Government.

In addition to this the Australian Standard for street lighting sets standards that are considered by many experts as being too high and too restrictive in setting out what type of lighting can be used. There is no scope to use modern, energy efficient lamps that could reduce ongoing costs to councils. Consideration needs to be given to a re-write of the Australian Standards. ETSA Utilities need to also research and introduce better performing equipment that will reduce power consumption costs for Local Government.

HEALTH & WELFARE

Child Care

Whyalla City Council has owned and operated a Child Care Centre for the past 25 years. Another of its community service obligations, the Centre attempts to keep fees low in order to provide equitable access to those in the community who may otherwise not be in a position to afford childcare. The Centre also works closely with FAYS (Family and Youth Services) as a major provider of emergency and relief care for at-risk children. If this Centre was to be sold and operated as a private venture, fees would inevitably rise and access to care would be beyond the reach of many of its current clients, such as single mothers, low income earners and the working poor.

The annual cost to Council of operating the Centre is some \$36,773 after government subsidies, benefits and fees are taken into consideration.

Aged Care

With a rapidly aging population and the limited provision of aged accommodation, many of the City's elderly are forced to remain in their own homes. In an effort to assist those who continue living in their own homes, Council operates the Home Assist Program. Demand far outweighs that which is funded through the Office of the Aged and the cost to Council has increased annually for the continuation of this program, which is now over \$30,000.

Senior Citizens Centres were transferred to councils in the 1960's and 1970's with heavy Commonwealth and State funding.

Council now subsidises the Senior Citizens Hall at an annual cost of \$20,200 and funding to local nursing homes and hostels of \$12,000.

Health and Environment

The new Food Act requires much higher standards of food safety, more stringent regimes in food handling, establishment of a register of premises and accreditation systems for food premises. No additional fees are able to be obtained from food premises. This is all absorbed by the Environmental Health section (this is part of the justification for employing an additional officer in this section).

The Environmental Protection Authority (EPA) requested Council officers to be authorised to issue environment protection orders under the Environment Protection Act. Some assistance is provided in paying for the cost of training and there is financing for Council staff to undertake EPA duties.

The EPA is also seeking that Council assists with monitoring of dust levels in the City. Some payment has now been arranged for this but in the past this was all done for no cost.

Councils are now required to prepare Environmental Health Management Plans and to work actively to implement such plans - additional requirement for which no resources are available.

There are now more stringent licensing requirements for the operation of waste disposal facilities. The introduction by EPA of a levy in regard to the amount of waste deposited into landfill which is collected locally but nothing given back to Local Government.

An extensive program of leachate monitoring at Council's old landfill site to meet EPA requirements is currently being carried out in the amount of \$60,000 per annum.

There are now new practices regarding sites which might be contaminated due to previous land uses. Council is now required to ensure that previous land uses are taken into consideration when looking at new uses and that an assessment is undertaken by suitably qualified personnel should this be suspected.

RECREATION & CULTURE

Recreation Centre

A major redevelopment of the Whyalla Recreation Centre occurred in 1999/2000. A number of safety issues with the old outdoor swimming pool resulted in this essential upgrade having to be completed in a very short timeframe. The total cost of \$3.8 million was therefore borne by Council who must repay the loan over the next 15 years. There was no State or Federal funding available to assist with this important project. This regional Recreation Centre is the only one of its kind outside the Adelaide metropolitan area.

Libraries

State Government funding for public libraries has fallen in the past twenty years from an average funding mix of 50/50 to the current situation of approximately 75/25, the greater amount borne by local councils. It has also been noted that there is a significant lack of State support for capital costs associated with libraries, including building and equipment costs. In summary, the following points outline actual cuts and changes to funding:

- 2000/2001 twelve month interim funding period introduced before signing of a new five year agreement resulting in a delay in payments to the Libraries Board, with a loss of \$300,000 - \$400,000 in interest; removal of \$2 million in allocation with annual interest benefit of \$70,000 for alternative uses (State Library redevelopment). A campaign run by the LGA, CLASA and the Libraries Board brought funding cuts to the attention of the State resulting in the signing of a new five year funding agreement.
- Introduction of a levy for public access to the Internet on a per capita basis, the levy for Whyalla is \$6,562. Materials grant for the 2000/2001 period was increased by \$2,349 but with the introduction of the Internet levy, the actual deficit in the materials grant for this Council was \$4,213. Electronic database levies were adjusted to offset this, but the figure for materials was down from the previous year's allocation by \$4,100.

1999-2000 \$68,457

2000-2001 \$64,357

2001-2002 \$66,002

2002-2003 Projected figures (**Annexure "C"**) do not show deductions for levies, central services etc, these figures will be forthcoming from the Minister and PLAIN

- Annexure "C" shows projected figures for Whyalla from the funding review. These figures are based on the change to distribution of grants for the purpose of materials and operating costs with the loss of 8.5% loading to country libraries. Variance in figures from the current materials/operating mix is not great, however, any shortfall in operating grants will now have to be carried by Council. In effect, materials grant has increased with an operating detriment to Council.
- Community Information grants figures is unavailable until all councils wishing to access the grant have registered their interest. Historically, the grant was allocated to selected councils only, with the opportunity for a grant made available to the whole State, the grant allocation for Whyalla will necessarily be reduced. This grant will continue to be distributed on a per capita basis to all councils able to report to PLAIN on a community information operation.

GENERAL PUBLIC SERVICES

Rates Income

The ability of Council to raise additional revenue through the collection of rates is hampered by a number of factors.

South Australian Housing Trust

With a large proportion of Housing Trust homes in Whyalla, Council relies heavily on the revenue raised through rates paid by South Australian Housing Trust. Unfortunately with the decrease in population and the ongoing erosion of Housing Trust stock, Council's rate base is decreasing rapidly. SAHT, in a move to curb spiraling maintenance costs, are now demolishing those older homes in overwhelming states of disrepair. This, in turn, reduces rates payable from Capital Improved value to site value. Although SAHT are demolishing houses in various locations throughout Whyalla, this does not reduce Council's responsibility to remaining residents to maintain existing infrastructure such as roads, footpaths and public spaces.

During the early nineties, the State Government made changes to the Local Government Act in regards to Minimum Rates. The changes restricted the amount of rateable properties to 35% that Council could apply the minimum rate to. Council lost at least \$60,000 a year in rates from the SAHT as a consequence due to the large number of low value properties that are located within its boundaries. There was no flexibility in the legislation to deal with unique circumstances.

Due to further legislative changes in the Local Government Act during 1999, SAHT have also altered their payment schedule and now pay their rates quarterly instead of annually. Previously, Council has invested the annual payment of rates by SAHT and has been able to earn upwards of \$25,000 in interest, which provided a way of compensating for the inability of Council to charge SAHT a minimum rate. This change in payment schedule has meant that Council no longer has the ability to raise this revenue.

OneSteel

Due to the BHP Indenture Act, Council is not able to rate property owned by OneSteel. Although OneSteel currently pays Council an ex gratia amount annually, this does not come near to meeting infrastructure costs in these areas that Council is responsible for. In addition to this, OneSteel have a number of tenants on this indentured land which means that they are also exempt from paying rates. Many of these tenants compete against ratepaying businesses located in the City's industrial areas. An example being Pacific Salt and Cognis, who are not related to the operations of OneSteel, but are picked up in the exemption. This impacts considerably upon Council's ability to raise revenue from rates.

Postal Voting

The cost of conducting Council elections has increased during the past decade due to the following changes in the Local Government Elections Legislation:-

- Mandatory postal voting introduced during the year 2000;
- The involvement of the State Electoral Commission in the process;
- Additional material that is required to be posted out with the ballot material.

Taxation

The introduction of the GST has required Council for the first time to implement taxation systems from 1 July 2000. The annual cost of compliance includes:-

- Negative cash flow implications;
- Allocation of additional resources to complete BAS Statements;
- Changes to Council's corporate accounting system.

Grants

South Australian councils receive relatively poor financial support from the Commonwealth relative to other States and Territories. On a per capita basis, South Australian councils receive the lowest national quantum of State Government Grants at \$11 per person followed by Victoria at \$17 per person. Queensland councils are at the top end of the scale, receiving \$190 per person.

Whyalla Council's General Purpose Grant which currently provides 19.6% of budgeted income does not keep pace with inflation and is more likely to experience a decline during the foreseeable future.

Although the calculation for the expenditure component of the Grants Commission grants allocation is based upon the assessment of specific expenditure functions typically undertaken by Councils throughout the State, there is no account taken of typical expenditure functions undertaken by councils. In Whyalla City Council's case these atypical functions include, but are not limited to:-

- Aerodrome
- Economic Development
- Child Care Centre
- Whyalla City Transport
- Tourism
- Cemetery and Crematorium

Council rates levied in Whyalla only account for 40.6% of its total income and is in reality a slow growth tax. Therefore, as Council is drawn into the provision of new services, it has responded by increasing other charges and spending proportionally less on roads, and in Whyalla's case, does not provide for growth due to declining population.

There are also extreme cash flow problems caused by the quarterly payment of Council's annual financial assistance grant. This problem is further compounded by the recent quarterly rate billing legislation introduced in 2001.

The New Local Government Act 1999

The SA Local Government Act was extensively revised during 1999 and has created some new legislative requirements for councils to abide by, which include:-

- Public consultation on various issues;
- The production of an annual report;
- Quarterly payment of council rates;
- Management plans for community land;
- Introduction of new policies, ie rating policy, including a business impact study;
- Changes to local government elections.

Therefore, Council has allocated additional resources to enable it to comply with the new statutory requirements of the Act.

Concessions

There are many ratepayers within the City of Whyalla who are entitled to a concession on Council rates. This covers people who have access to a pensioner concession card, State concession card, or are a TPI, EDA or War Widow. The State Government funds concessions of up to \$190 a year for Council rates for the people with the abovementioned concessions.

However, Council currently levies a separate annual service rate for the collection, treatment and disposal of household waste. When Ministerial approval was originally granted to Council for the introduction of this charge, there was a Government stipulation that all concessions must be paid by the Council. This cost represents an additional \$81,500 per annum to Council and clearly should be a State Government responsibility.

PUBLIC ORDER & SAFETY

Crime Prevention Units

Council's Crime Prevention Program, funded by the State Government in order to target graffiti, car theft and house break-ins, may be axed due to recent announced cuts in funding by \$800,000 – from \$1.4 million to \$600,000.

The State Government in its 2002/2003 budget will be working towards asking Local Government to fund the shortfall.

Whyalla Council currently receives \$70,000 per annum for the next three year period to fund its Crime Prevention Unit. If State funding for this service is withdrawn, then the service may be discontinued due to lack of funds.

The fundamental right of any community is to feel safe and be safe.

TOURISM

Tourism

Economic diversification is a major necessity for Whyalla and tourism is seen as one area that can respond to this need. Whyalla City Council is committed to providing sufficient resources to assist the City's fledgling tourism industry to develop further. Without Council support the industry will not expand which, in turn, means that prospective tourism operators will not be interested in developing tourism oriented businesses within the City.

Council's direct net expenditure on tourism development is some \$344,071 per annum. Tourism is one area where expenditure and the provision of facilities are primarily for non-residential use and therefore difficult to include in calculations based solely on population.

A major tourist attraction is the Whyalla Maritime Museum complex which is owned and operated by Council at an annual cost of \$217,793. The Museum plays an important role in preserving Australia's maritime history with little Federal or State Government support.

State Government grants in the area of tourism have recently been cut with examples being:-

- \$4.8 million for infrastructure projects. Councils in the past could apply for 50/50 funding for upgrading tourism roads in their area;
- Council may be in danger of losing two current and approved grants for the upgrade of its Maritime Museum (\$50,000) and the building of a 24 Hour Visitor Centre (\$50,000);
- Funding for future special events may be cut or decreased.

The decrease in available grants will slow down future economic gains in the tourism industry.

WHAT ELSE DO WE DO?

In addition to those areas detailed above, Whyalla City Council is also charged with the provision of services in areas such as:

- Cemetery and Crematorium – annual expenditure of \$83,267
- Fauna Park – annual expenditure of \$66,000
- Recreation Centre – annual cost to Council of \$889,506 including Debt repayments of \$600,941
- Cultural Facilities – annual cost to Council of \$112,551
- Recreation and Community Facilities – annual cost to Council of \$349,239
- Community Development – annual cost to Council of \$143,124
- Point Lowly Lighthouse

CONCLUSION

Whyalla City Council is continually trying to reduce its operating costs, but its social obligations to the community are quite diverse and substantially deplete the funds available for important areas such as capital works. The City was originally designed with infrastructure built to accommodate a population of 60 - 80,000. Although there is now a population of only 22,000 this does not negate the responsibility of Council to maintain the original infrastructure, such as roads, footpaths and open spaces.

A matrix has been completed (**Annexure “D”**) for your easy reference, identifying most of Council’s services and the government accountable for the funding.

As demonstrated throughout the Report, councils are doing more and more, but their revenue-raising capacity remains a single property-based tax and funding from other Governments is not keeping pace with their diverse functions. As a result, Whyalla Council has typically tended to reduce its level of expenditure on infrastructure renewal and maintenance relative to the long-term need to offset these additional responsibilities. Whyalla City Council is increasingly recognising that this cannot continue and will most likely resist undertaking additional responsibilities without corresponding additional funding.

Should you wish to discuss the contents of this Report, please do not hesitate to contact the writer on (08) 8640 3431.

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