

GUNNEDAH SHIRE COUNCIL

**SUBMISSION TO HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS,
FINANCE AND PUBLIC ADMINISTRATION**

Inquiry into Cost Shifting to Local Government by State Government

▪ **GUNNEDAH SHIRE COUNCIL**

- Population 12,480 (2001 census)
- Area 5021sqm
- Current Budget \$30.2million
- Demographics – Medium age of population 34
- Average Household Size 2.7 (same as average for NSW and Australia)
- Aboriginal/Torres Strait Islander Residents 1,204 (or 10% of population)

- Number of Residents Speak Language other than English is 193 (or 1.5% of population compared to 16.8% of NSW and 13.9% of Australia)

- Unemployment Rate as a percentage of labour force 9.9% compared to NSW of 8.8% and Australia of 9.2%

- Gunnedah's medium individual income \$245.00 per week compared to \$297.00 in NSW and \$292.00 in Australia as a whole.

- Gunnedah's medium household income is \$515.00 weekly compared to \$653.00 in NSW and \$635.00 in Australia as a whole.

- 73% of employees are private sector employees

▪ **OVERVIEW OF HISTORICAL DEVELOPMENT**

Gunnedah was constituted a Municipality on 19 September 1885 with Gunnedah's first Council being elected on 1 November 1885. Council held it's first meeting on 1 November 1885 in the Court House.

Extensive services have been established such as water supply, sewerage, sanitary system, garbage collection, disposal and street cleaning. New amenities included the service abattoir, health and social services, library, swimming baths, parks, playgrounds, building supervision.

The Liverpool Plains Shire Council was proclaimed on 6 March 1906 with the first provisional Council being appointed on 19 June 1906. The first Shire election by ballot was held on 24 November 1906. The Shire included Villages and small community centres of Carroll, Breeza, Curlewis, Mullaley, Tambar Springs, Emerald Hill and Kelvin.

Gunnedah Municipal Council and Liverpool Plains Shire Council were amalgamated in 1980 to form Gunnedah Shire Council.

Gunnedah Shire Council is a multi purpose Local Government authority and undertakes the following principle activities:

- o Corporate/Client Services
- o Public Order and Safety
- o Health
- o Community Services and Education
- o Housing and Community Amenities
- o Recreation and Culture
- o Mining, Manufacturing and Construction
- o Transport and Communication
- o Economic Affairs
- o Water Supply and Sewerage

▪ **REGIONAL ORGANISATION OF COUNCILS**

NAROC was recently disbanded and a smaller regional organization of Councils formed called NAMOIROC comprising of:

- o Manilla
- o Tamworth
- o Barraba
- o Bingara
- o Gunnedah
- o Nundle
- o Parry
- o Walcha
- o Quirindi

NAMOIROC was formed to pursue the traditional objectives of a regional organization of Councils including resource, information and intellectual property sharing, group projects, strategic initiatives and political representation to State and Federal Government on issues impacting upon and affecting on Local Government.

▪ **2002/03 CURRENT BUDGET SUMMARY**

Details of Council's consolidated income and expenditure for water and sewer services are as follows.

Operating Expenditure	\$23,941,000	
Operating Revenue	<u>20,658,000</u>	
Operating Result	3,283,000	(deficit)
Capital Expenditure	6,252,000	
Capital Revenue	<u>546,000</u>	
Budget Result	\$8,989,000	(deficit)
ADD: Non Cash Adjustments:		
Depreciation	\$8,165,000	
Net Increase Leave Entitlement	160,000	
Net Movements in Restricted Asset	<u>670,000</u>	<u>\$8,995,000</u>
ESTIMATED BUDGET SURPLUS		<u>\$6,000</u>

The details of rate revenue are as follows:

General	\$6,477,000	
Less Pensioners	190,000	\$6,287,000
Water Access	\$1,269,000	
Less Pensioners	80,000	\$1,189,000
Sewer Access	\$857,000	
Less Pensioners	73,000	<u>\$784,000</u>
TOTAL NET RATE REVENUE		<u>\$8,260,000</u>

▪ **CHANGES IN COUNCIL FUNCTIONS AND RESPONSIBILITIES**

Over the past 10 years, Council's functions and responsibilities have increased significantly.

Responsibility for new functions, services and activities have been devolved to Council by State and Commonwealth Governments accompanied by new and increased cost delivery – not matched by increase in the Council revenue base or revenue raising capacity.

Service level changes have been imposed on Council caused by either State Government policy, legislative or regulatory changes which drive up service levels and standards and increase Council's administration, compliance and enforcement costs.

Cost shifting has taken place in three different forms.

Firstly, where an offer has been made to Council by State or Commonwealth Government for the provision of a new service. Funding is subsequently reduced or withdrawn and is unable to withdraw from the service due to community reliance or demand.

Secondly, the reason that either the State or Commonwealth fails or refuses to provide what is considered to be an essential service, Council has displayed local leadership and community focus and filled the void by providing the service.

Thirdly, the resources to finance administration and enforcement do not accompany new State or Commonwealth Government legislation, such as current raft of environmental protection legislation and specific privacy legislation, administered and enforced by the Council.

▪ **EFFECTS OF COST SHIFTING TO LOCAL GOVERNMENT**

Contract Works – Outlining any contract works Council has undertaken for any State, Federal or other agency during 2001/02 and it's value

Council undertakes road maintenance on certain designated main roads on behalf of the Roads and Traffic Authority. Council does not incur a loss in undertaking this work. Council repairs flood damage incurred on roads and bridges including roads slips as the result of natural disasters. To date, Council has not incurred a loss in undertaking this work locally or on behalf of the State Government.

These programs are fully funded by the RTA as suggested, as a pre-condition to the awarding of these contracts, Council is required to have in place a number of management systems including: emergency management control, environmental management systems, quality control systems and occupational health and safety programs for specific roadwork contracts.

In addition, the Council is required to implement a more rigorous inspection criteria for roadworks contracts. While the Council acknowledges the overall benefit, the cost of development and implementation of the various contract management systems is borne by the Council without direct financial assistance from the RTA.

Regional Roads

The State Government, through the Roads and Traffic Authority, formally funded improvements to Regional Roads. Approximately three years ago, this was changed so that Local Government must now fund 50% of the cost of improvements. Gunnedah Shire Council received an extension of the regional road length for its Shire, however did not receive any additional funding under that program.

Bridges

The former NSW Government Road Bridge Subsidy Scheme provided for a 50% capital cost subsidy to Local Government for the construction of new bridges and replacement bridges on Local and Regional Roads. However, under the present system, should construction or replacement of a bridge be required on any Local or Regional Road under the Council's control, Council will be responsible for the total capital cost and will not receive any direct financial assistance from the State Government. This obviously has placed a significant potential financial burden on Council.

Noxious Weeds

Council undertakes noxious weeds control and over the last few years funding from the State Government meets minimal control costs with the emphasis moving to inspection. Council incurs cost of \$95,000 per annum in carrying out this function.

Urban Water and Sewerage Schemes

Recent NSW Government funding policy changes for the urban water supply schemes has seen a move away from the traditional 50% of State Government funding subsidy for augmentation of urban water supply schemes.

Given recent trends and policy changes, Council will be subject to a shifting of capital cost from the NSW Government for infrastructure such as water supply, and as a consequence, will be responsible for a greater proportion of any future augmentation capital costs. These NSW Government funding policy changes for urban water supply schemes have also applied to sewerage treatment schemes.

Flood Mitigation Programs

Prior to 1999, funding from flood mitigation works carried out had been funded on the basis of \$2 from Commonwealth, \$2 from State for every \$1 spent by Local Government on approved projects. This is now funded on a dollar for dollar basis between the three levels of Government. There is administration costs also associated with the implementation of the flood mitigation programs. Council also needs to co-ordinate the local component, which for Gunnedah Shire Council funding of any relocation or purchase.

Rural Doctors

One of the reasons Councils find it very difficult to attract doctors to rural areas is the existing State Government policies associated with doctors and charging regimes. Council spends approximately \$20,000 per annum in cash in an endeavour to provide incentives to attract medical practitioners to our community. In addition to this is the in-kind contribution made by Council staff and equipment.

Community Services

Council has employed the services of a Youth Worker and Community Worker to put in place local community services and support programs which have been identified as needed and not provided locally by regional based State or Federal Government Departments. The net costs of salary components for these programs is \$115,600 for 2002/03 year, plus the previous year was \$107,200. There is an expectation from the community that there will be a continuation of these, despite a reduction in State Government assistance.

Council undertakes community services funded by both State and Federal Governments on a recurrent basis for a limited period of time, amounting to approximately \$1.9million per annum. There is no guarantees that these services will be funded in the long term, however there is an expectation from the community that services should continue, therefore any reduction in funding has a direct impact on Council resources. This also encompasses funding from the Department of Veteran's Affairs, Federal Government for the community transport services and the Tambar Springs CTC which is a three year funding program with Council expected to pick up the costs at the end of that three year period.

Information Services

Council has received assistance from the State Government for the establishment of NSW.net enabling internet access for the community through the Library. This funding dissipates in December this year, with an expectation from the community that this service will continue to be provided by Council. It is envisaged that this will cost Council in the vicinity of \$10,000 pre annum.

Sport, Recreation and Cultural Programs

The State Government has provided spot funding for a number of programs and initiatives throughout the community which has again raised expectations that service provision will continue in areas created through this process. Programs such as Senior Citizens Week, Youth Week, NAIDOC Week, to name a few, have again raised expectations that programs will be provided by Council in response to these designated weeks.

Disability Action Plan

Council has spent resources on the production of a Disability Action Plan which further identifies needs in Council infrastructure and service provision for additional resources. The legislation associated with this Plan is often provided for a metropolitan centres and does not consider the reduced needs in rural NSW.

Crime Prevention – Cultural Community Plans

Council has established a Crime Prevention Committee to undertake a number of initiatives costing in the vicinity of \$7,000 at the instance of the State Government and the Police Department. Council has also undertaken a number of cultural and community plans and surveys in response to State Government requirements which are estimated to cost around \$6,000.

Catchment Blueprints

This initiative requires land to be set aside for bio-diversity. There is no doubt that there will be increased costs for managers of public land (including Local Government) without any indication of financial compensation. Whilst this is still in an early stage of development, additional costs cannot be quantified.

Fire Brigades

Both NSW Rural Fire Service and the NSW Fire Brigades have experienced a growth in expenditure over recent years. There may be a demonstrated need by these organizations to increase their expenditures, but Local Government contributes 13.3% of this expenditure. In relation to the NSW Fire Brigade, this represents a 14.4% increase in Council's contribution being a total of \$16,297. Yet in respect of the Rural Fire Service, Council now has little say in the standards being set or the organisation's commitments to efficiency and effectiveness as the control is virtually out of Local Government hands. Obviously rate pegging restrictions mean Council cannot raise any more than 3.3%.

School Speed Zones and Local Roads

The implementation of State wide school speed zones and spread of local roads to 50km per hour have been strongly supported by the State Government. There is no doubt that the maintenance of these facilities will result in increased cost to Local Government in future years without any increased State Government funding to cover these additional costs.

▪ **ENVIRONMENTAL MATTERS**

Load Based Licensing (LBL)

The introduction of LBL by the Environmental Protection Authority for sewerage effluent discharges has the potential to impact significantly on Local Government costs. There are two areas of impact on Local Government, the cost of conforming the requirements of LBL and a potential cost of fees associated with LBL. The State Government controls implementation of augmentation schemes to meet the EPA requirements by control of the Government subsidies. If the Government does not adequately fund the scheme, the community will be unable to meet the EPA requirements, yet if it does not meet requirements, it is further hit by a hefty load based licensing charge.

Further, there is a possibility for LBLs to be charged at the disposal point for those Councils, such as Gunnedah, that have undertaken significant capital investment to ensure no effluent is placed into the river system. This would mean that in Gunnedah's case, there may be an LBL placed on the disposal point at the agricultural plot where the effluent is currently utilised.

Other Matters

The EPA have an expectation and requirement that Council officers will conduct initial inspections in regard to complaints etc including after hours. This costs in excess of \$1500 per annum.

Food regulations continually under review and implementation of Statewide registration or database for food premises is an annual cost for Council.

Companion Animals

Whilst this Act is a big improvement over the Dog Act it replaced, the lifetime registration fees and their percentage return to Council is far from sufficient to cover the cost of enforcement and control of companion animals within the Shire area. The fees are set by a body external to Council who does not consider the situations in different areas when setting fees. Council is required to establish some sinking fund in the form of a restricted asset in an endeavour to cater for situations in the future where there will be very limited income for dog control under the Companion Animals Act.

Fixed Processing Charges

The fees for processing regulatory application is usually fixed and does not take into consideration the differential costs incurred outside metropolitan areas where the use of specialist consultants or highly paid professional staff cannot be levied over the large number of applications. Council simply does not possess the technical expertise sometimes required for consideration of particular applications.

Waste Management and Landfill Sites

Council has been required to spend significant funds in relation to the monitoring of groundwater and gas leachate collection and treatment of leachate from old and new waste management landfills.

Protection of the Environment Operations Act (POEO)

The POEO Act has made Council the appropriate regulatory authority in respect of the premises previously licensed by the EPA under the Contaminated Land Act, Noise Control Act or Clean Waters Act. Previously such premises paid a license fee to the EPA, however the legislation does not require the premises to pay Council a fee, although there is provision in the Act for a fee to be set. The question of any opportunity for cost recovery that Council's duty to recover such fees is raised considering no licenses are required which can be either suspended or cancelled, therefore why pay.

▪ **LOCAL GOVERNMENT ACT AND OTHER LEGISLATION**

Amendments to the Local Government Act 1993 have seen the responsibility for many ordinances relating to hairdressers, food shops and other related businesses removed along with the corresponding license fee. Now NSW Health is also reducing its involvement in such activities and the community is forced to look more and more to Local Government to undertake such services for the protection of the community. A good example of such a service is the approval required to operate an onsite sewerage management system and subsequently special processes and cost.

State of the Environment and Other Statutory Reporting

The additional costs associated with the State of the Environment Reporting to satisfy State Government Environmental Protection Legislation and policy has also become a significant factor in both direct costs and demands on resources. Staff resources to cover the duplication of reporting to the various instrumentalities has further increased costs. More standardisation in the reporting standards and the requirements, particularly in respect of accounting, could significantly reduce the cost to Councils in these areas.

Staff Training

Council has had to apply significant resources for additional staff training to comply with and implement the rapidly increasing number of State Planning Policies such as PlanFirst Regional Planning Policy and Initiatives and many other legislative changes as they occur.

implementation of Privacy and Personal Information and Protection Act 2002

The far reaching implication of this new Act has impacted very significantly on Council's practices and has required extensive training of staff together with the total re-design of forms and other methods of information collection.

Strategic Planning

Councils are required to undertake review of their LEP's. Gunnedah Shire Council is subsequently in the process of a further review of its LEP which has required comprehensive studies. No fees are provided by the State Government to cover such studies, nor is Council able to recoup such costs through fees or charges to the community or the developers who benefit from those reviews.

Pensioner Rate Rebates

Council is required to give pensioner rebates to satisfy State Government legislation. These rebates apply to ordinary rates as well as charges for water and sewerage and waste management. Previously the rebate was returned in full to the Councils, but is progressively dropped until it is now only 55%.

Pensioner rebates from the current budgets for 2002/03 budget is as detailed below.

o	General Pensioner Rate Rebates	\$190,000
o	Water Access Pensioner Rate Rebate	\$80,000
o	Sewer Access Pensioner Rate Rebate	\$73,000
o	Waste Management Charge Pensioner Rate Rebate	<u>\$52,000</u>
	TOTAL	<u>\$395,000</u>

Taking into account the State Government subsidy, this costs Gunnedah Shire Council \$177,750 per annum to assist in the State Government's immediate pensioner rate rebate policy.

National Competition Policy

The costs in applying competitive neutrality and competitive tendering include a total rethinking and application of accrual accounting principles as well as other costs associated with setting up business units and more transparent practices.

It is important to note that the Commonwealth Government paid an amount to the States to cover the costs associated with the National Competition Policy. All States, except NSW, passed a portion of this subsidy onto Local Government.

Additional Staff

Council has had to employ at least one additional employee in the planning section at an estimated annual cost of in excess of \$72,000.

Rural Road Numbering

Gunnedah Shire Council has been encouraged to undertake rural road numbering to enable easier access for Rural Fire Services and State Emergency Services. This comes at significant cost to the organization in excess of \$60,000 in the ensuing 12 month period.

CONCLUSION

Cost shifting from Federal and State Government has been increasing for many years and is at a stage where it has significantly limited Council's ability to maintain its own infrastructure assets, further, to meet basic community needs. Many of the services, some of which are detailed in this submission, have resulted from both State and Federal Government legislation or policy with a lot receiving initial funding and such funding either decreasing or being removed. The expectation and need from the community who have utilised many of these services and facilities initially created by State and Federal Government remains and the pressure is therefore put on Local Government to maintain the quality of life. As has been referred to in this submission, Government charges onto Local Government have increased well in excess of Council's rate pegging legislation, therefore making it very difficult for Local Government to be more business like. Council acknowledges that many of the services that have eventually ended up under the control of Local Government are probably suited to Local Government as they are closest to the people, however the corresponding funding should also remain with that additional responsibility taken on by Local Government authorities.

▪ **GUNNEDAH SHIRE COUNCIL**

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