



NORTHERN SYDNEY REGIONAL ORGANISATION OF COUNCILS

REPORT

**EXAMINATION OF COUNCIL FUNDING
AND COSTING**

**SUPPLEMENTARY SUBMISSION TO THE
COMMONWEALTH GOVERNMENTS INQUIRY
INTO
LOCAL GOVERNMENT AND COST SHIFTING**

Following a review of earlier submissions made to the Inquiry, NSROC perceived a need for some 'hard' data on financial matters in lieu of what appeared to be a more anecdotal approach.

To this end NSROC contacted every council in New South Wales seeking a copy of their latest financial returns to the Dept. of Local Government and then set about making a series of data comparisons across a number of activity areas and over reasonable timescales to look for real trends.

NSROC engaged the services of Mr Dean Holmes of the University of Western Sydney to assist in the compilation of this data and we acknowledge his excellent work for us. We also thank those councils that responded to our request for assistance.

*The purpose of this report is to analyse comparative data
from councils in NSW
with the intention of discovering evidence
to assist NSROC in their submission to the Inquiry.*

1.1 Introduction

The Inquiry will consider cost shifting by state governments and the financial position of local government.

This includes examination of¹: -

1. Local Government roles and responsibilities
2. Current funding arrangements
3. The capacity of local governments to meet existing obligations
4. Impact on the local governments financial position as a result of changes in powers, functions and responsibilities
5. The scope for achieving a rationalization of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities
6. The finding of the Commonwealth Grants Commission (CGC) review of local Government financial assistance act.

¹ Terms of Reference – www.aph.gov.au/house/committee/efpa/localgovt/tor.htm

1.2 Data

Using the comparative data from the DLG and information requests to all councils in NSW for current (2001/02) financial data collection & ABS data return we are able to examine the financial position of 67 councils the period 1994/5 to 2001/2

We believe that the 67 councils represent an even spread across NSW, with data from city and country councils as well as large and small councils.

We shall firstly look at the funding levels and changes of these councils followed by an examination of the changing costs that these councils are incurring.

2. NSW Local Government Grants Commission Revenue (Appendix I)

The analysis of NSW Grants paid to councils sees us concerned with both the dollar figure received by the councils examined and the amount this grant contributes to total revenue available to the council over a financial year.

Of the councils examined there were seven (7) councils that received grants totaling 40%+ of their total revenue in the period 2001 - 2002. These councils apparently have a severe difficulty with the efficient provision of services. During the same period, fourteen (14) councils received grants of 10% or less of their total revenue. All member councils of NSROC fall into this range.

The Inquiry shall be looking at whether the provision of services in established councils are actually cheaper or are the residents of these councils demanding more services, thus increasing costs associated with the provision of services.

ISSUE: - rate pegging has prevented councils from accessing additional resources to pay for the added services that residents are demanding.

3. Community Services (Appendix II)

Community services expenses incurred by councils are totaled from the following expenses: -

- Administration
- Family Day Care
- Child Care
- Youth Services
- Other Families & Children
- Aged & Disabled
- Migrant Services
- Aboriginal Services
- Other Community Services
- Education

Community services are measured on a per capita basis, this allows for a direct comparison between council service levels and council size (i.e. population level)

There are nine (9) councils who provide services to their community at a cost of more than \$100 per capita. It would appear that eight of these nine councils have difficulties in the provision of services as illustrated by the high level of grant assistance. (Appendix I) South Sydney Council provides services at \$102.50 per capita; these services must be funded by alternative methods as only 7% of their revenue is derived from grants. (Appendix I)

Although NSROC members receive a below average provision of grants revenue (appendix 1) its' members are distributed throughout the sample councils ranked (highest spending to lowest) 18th to 55th and from \$72 - \$13 per capita on community services.

4. Planning and Development Services (Appendix III)

The following makes up the expenses relating to Planning and Development: -

- Town Planning
- Building Control

High planning costs are usually associated with large and / or developing council areas, our examination of the sample councils also demonstrates this. Baulkham Hills has the highest planning and development costs and is a large and developing council. NSROC members all have high planning costs between \$600,000 (34th) and \$6 million (6th).

The average spending on Planning and Development Services is \$1.6 million with the highest and lowest being \$8.5 million and \$6,000 respectfully.

In 2000-2001, 9.5% of all planning and development expenses were spent in NSROC while NSROC only housed 8.1% of the population.

During the same period –
SSROC has 17.3% of the total expense and 15.8% of NSW's population,
and
WSROC had 17.8% of the total expense and 23.5% of NSW's population.

5. Environmental Management and Health (Appendix IV)

The following makes up the Environmental Management and Health group of expenses: -

- Administration & Inspection
- Immunisations
- Food Control
- Insect/Vermin Control
- Noxious Plants
- Health Centres
- Other

NSROC members are ranked between 8th and 63rd with respect to environmental management and health.

The average spending per capita in 2001-2002 was \$21.90. NSROC achieved an average of \$14.20, whilst SSROC and WSROC spent 12.88 and 15.17 respectively².

6. Conclusions

The presentation of this data, we perceive is a relevant and useful demonstration that will show to the committee the true picture of growing financial trends within NSW Local Government.

² SSROC and WSROC data from 2000-2001 period as not all members returned our information request.