

# The Vacluse Progress Association

Established 1915

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ives Standing Committee on  
Economics, Finance and Public Administration

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## STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

### AMENDED SUBMISSION

1. The Vacluse Progress Association was established in 1915, to represent residents of the Watsons Bay and Vacluse areas that then comprised the Municipality of Vacluse. Following the amalgamation of Vacluse with Woollahra Municipality in 1948, the Association continued to represent its membership from the same area. Members pay an annual subscription, elect an executive committee at an annual general meeting, and have access to the Committee members at all times. The Committee meets monthly (except December), and issues a Newsletter to members on a two-monthly schedule. It provides an annual report and audited financial statements to members. Much of the work of the Committee focuses on the work of Woollahra Municipal Council, but it is also – very actively – engaged in work with relevant statutory bodies (such as Sydney Water, and the NSW Independent Regulatory and Pricing Tribunal), other spheres of government at State and Commonwealth levels, and relevant private sector organizations and individuals. Membership substantially exceeds 200 persons. The basis of this submission was approved at the Committee meeting on 26 June 2002.

2. As a ratepayer group, the Association takes a special interest in the funding of its local council, and in the impact of rate-capping in NSW. Woollahra has, throughout the 1990s and thereafter, always increased its rates at the maximum level permitted by the rate-capping arrangements, and has – with Ministerial consent – exceeded that maximum on one occasion. A request for a second exceedence is awaiting determination. One such request has been refused. Non-rate income increases do not appear to be sought with the same vigour as is applied to rate increases. The council continues the active subsidisation through rate income of many service users without the benefit of a formal consideration of whether those users have any special claim to subsidy. Additionally, we see no evidence of any strategic effort to reduce or minimise the financial burdens that are imposed on the council from outside.

3. Two extracts from our submission to the council on its current draft management plan for 2002-2005 illustrate the way we see the issues and the council's attitude:

(a) In relation to subsidising library users:

*One of the most costly council undertakings is the **library service**. It costs nearly \$5 for each item borrowed. In line with the terms of library grants arrangements, no fees are charged for the standard service. However, there is no obvious reason why library users might be supposed to be unable to pay for the standard service, especially since they can and do pay for the non-standard services. If library users paid a reasonable use fee for standard services, the revenue would readily exceed the relatively small library grant that would be forfeit. **For example**, the revenue from any adult user contribution in excess of \$5 per head per year for some 20,000 adult users would exceed the current annual value of*

*\$101,000 of the per capita subsidy and reduce the burden on ratepayers. We have asked repeatedly that this issue be examined, but have seen no response. We repeat the request.*

(b) In relation to charges imposed on the council:

**Statutory contributions:** *We have repeatedly explained at length to Councillors and Council Management the desirability for Woollahra to make common cause with certain other councils having high land values, in a co-operative effort to initiate change in the current land-value based system of allocation of statutory contributions among councils. The change we have sought is the establishment a system operating in parallel to the base charge/land value allocation system that is utilised in Woollahra for the residential rate. We noted that the relevant Officer's report to the Council did not describe this approach, did not report any progress, and did not offer any alternative towards easing the inequity associated with the present system.*

*Unless and until the Council acts in a focussed way on this issue, it will be hard for ratepayers to accept that it has attracted any interest among those Councillors who profess to reject the inequity of the present system, nor is any strategy to address the issue apparent. We again state our request for action.*

4. In our experience, it is rare indeed to discern any deliberate action by the council to reduce or remove visible services. When demand appears to reduce, the ordinary response is to adopt measures to restore demand for the service. This restorative approach has, for example, characterised the council's response to declines in use of certain aged people's welfare centres, reductions in borrowing volumes in certain branch libraries, and slipping usage levels of franchised sporting facilities. Such financial economies as do occur appear to be concentrated in areas of low personal interest to individual residents, such as road and drainage repair, where climate and programming exigencies may well explain as much as anything else a failure to attain stated objectives.

5. Despite a population loss of some 10,000 over the last thirty years, Woollahra Municipality has enlarged its financial scope consistently, and its staff complement has increased steadily after a longstanding freeze that effectively ended during the early 1990s. The most obvious enlargement of the council's activities has been the strong growth in the community development sector, encompassing special activities related to security and access as well as cultural activities of various kinds.

6. The functions of local government in NSW are largely unconstrained by the relevant legislation. In effect, this enables councils to do whatever a majority of their councillors think is desirable, as well as those tasks which fall to councils on an obligatory basis. With ongoing program budgets spanning a five-year horizon, changes in electoral balance do not necessarily reflect in changes in program composition; rather, new emphases tend to be grafted onto the existing framework. That is, other than for technical issues associated with works, we think a sense of financial priority is not evident in the treatment of budgets by elected members.

7. Except where there is a statutory requirement to do otherwise, it appears to us that council receipts for most purposes are treated as a consolidated revenue fund. To the extent that this is so, revenue streams are not clearly associated with demand for services or service standards, and cost levels are not subject to any activity-specific disciplines. In the end, ratepayer funding bridges the gap, at least as long as ratecapping permits. It is not surprising that councils are so antagonistic to ratecapping; equally, it is plain to us that ratecapping is the only short-term protection we ratepayers have against adventurism by councillors.

8. Performance by councils of activities usually associated with other spheres of government, such as education and welfare, is often encouraged by the use of seeding funds and grants from state (and commonwealth) agencies, sometimes in full but often in partial co-payment of initial service costs. It seems to be the pattern that such external specific-purpose grants disappear or reduce in real terms over time, but councils decide by default – or describe themselves as being forced - to continue to provide the service(s) at an increasing cost to ratepayers. Our view directs attention to the failure of councils to protect themselves from the consequences of such predictable circumstances, and to the electoral fear (or inertia) which seems to prevent the practical response of either abandonment of the service or active resort to user funding. We think the general passivity of ratepayers is a factor in this, but at least in the Sydney district, and particularly in our area, the level and scope of taxes on land is now such as to be running hard up against the tolerance ceiling.

9. Put briefly, local councils are creatures of their state governments, and those state governments may require councils to undertake whatever functions are deemed to be appropriate. Councils might have difficulty in accepting that, partly because they see themselves as an autonomous government sphere. That latter view reflects part of the practicality that councils can indeed provide virtually any service they wish to provide, and can fund themselves if they are willing to accept the electoral consequences of whatever revenue devices they adopt.

10. On a broader canvas, if there is considered to be a public good in the provision at a local level of services that are the prime responsibility of another sphere of government, and local councils are therefore required to provide such services, then the requirement to provide them should be matched by the funding required to do so. In those circumstances, it is neither appropriate nor equitable to call on ratepayers. This is because ratepayers' means are simply not determinable by assessment of the value of their landholdings, and in many instances, ratepayers are not recipients of the services anyway.

11. The autonomy of local councils may be a convenient fiction for councillors, but it is also widely believed by local communities to be factual. The supplementation of council resources by financial assistance grants of an untied nature from state and commonwealth governments tends to reinforce this perception. Role rationalisation, regional co-operation, and boundary change predicated on scale economies appear, therefore, to override the appearance of local autonomy, and invite resistance. Perhaps more to the point, the often-perceived need for role rationalisation and similar measures indicates to us that the practicalities have moved away from the fundamental concept of local delivery of local services that forms the foundation of local administration. A primary issue for the Standing Committee might therefore lie in discerning the desirable nature of local administration within the Federation of states.

12. We summarise our views by saying that local council ratepayers should not be burdened with financial responsibility for functions other than those which relate directly to property. Broadly, users should pay for services. Commonwealth- and State-wide functions, including those related to welfare and education, that are performed by local councils should be funded by the government that requires their performance and is primarily responsible for them.



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