



NamoiROC

**Submission to the House of Representatives Standing
Committee on Economics, Finance and Public
Administration**

Inquiry into Local Government and Cost Shifting



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NamoiRoc

NamoiRoc is a new organisation of nine Councils who were formerly members of NAROC (Northern Area Regional Organisation of Councils). This body comprised 19 Local Government Bodies within the North Western Slopes and Plains and the New England Regions of northern NSW.

NAROC recently disbanded and nine of its member Councils elected to form a smaller regional organisation comprised of the Manilla, Tamworth, Barraba, Bingara, Gunnedah, Nundle, Parry, Walcha and Quirindi Councils.

NamoiROC was formed to pursue the traditional objectives of a regional organisation of Councils including resource, information and intellectual property sharing, group project strategic initiatives and political representations to State and Federal governments on issues impacting upon and effecting Local Government.

Local government responsibilities facing NamoiRoc members

Local Government exercises the following service and non-regulatory functions:

- Community services and facilities
- Public health services and facilities
- Cultural, educational and information services and facilities
- Sporting, recreational and entertainment services and facilities
- Environment conservation, protection and improvement services and facilities
- Waste removal, treatment and disposal services and facilities
- Water, sewerage and drainage works and facilities
- Stormwater drainage and flood prevention, protection and mitigation
- Fire prevention, protection and mitigation services and facilities
- Land and property development
- Industry development and assistance
- Tourism development and assistance.

Councils exercise a number of regulatory functions including an approvals and orders system under a raft of NSW legislation. The principal legislation directing Councils' regulatory functions is as follows:

- Local Government Act 1993
- Public Health Act 1991
- Food Act 1989
- Environmental Planning and Assessment Act 1979

- Protection of Environment Operations Act 1997
- Roads Act 1993
- Native Vegetation Conservation Act 1997
- Companion Animals Act 1998
- Threatened Species Conservation Act 1995
- Heritage Act 1977.

CHANGES IN COUNCIL'S FUNCTIONS AND RESPONSIBILITIES

NamoiRoc holds the view that over the past 10 years, the Councils' functions and responsibilities, and indeed Local Government generally, have increased significantly. A comprehensive and realistic examination of member Councils responsibilities identified functions, services and activities provided by the Councils which have been

- devolved from the State and Commonwealth Government,
- service levels for services provided by the Councils have been increased by other levels of government
- costs have been shifted to Council from other levels of government.

Responsibility for new functions, services and activities have been **devolved** to the Councils by State and Commonwealth Governments accompanied by new and increased costs of delivery not matched by an increase in the Council's revenue base.

- **Service Levels Changes** have been imposed on the Council caused by either State or Commonwealth 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 the Council by State or Commonwealth Governments to provide funding for the provision of a new service. Funding is subsequently reduced or withdrawn and Council is unable to withdraw from the service due community reliance and demand.
 - Secondly*, for reason that either the State or Commonwealth Government 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*, resources to finance administration and enforcement do not accompany new State or Commonwealth Government legislation, such as the current raft of environmental protection legislation and specific privacy legislation, administered and enforced by the Councils.

EFFECTS OF COST SHIFTING TO LOCAL GOVERNMENT

Infrastructure Capital Cost Shifting

Over the past 10 years, the NSW Government has gradually transferred responsibility for a greater share of capital funding to Local Government Bodies for infrastructure such as roads, bridges, urban water supplies and sewerage treatment systems.

State Roads Administration Costs

The Councils undertake maintenance, reconstruction and construction programs for the NSW Roads and Traffic Authority (RTA) in respect of State Roads located within the Local, Government Areas.

These programs are fully funded by the RTA, however, as a precondition to the awarding of these contracts, the Councils are 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 roadworks contracts.

In addition, the Councils are required to implement a more rigorous inspection criteria for roadworks contracts.

While the Councils acknowledge the overall benefit, the cost of development and implementation of the various contract management systems is borne by the Councils without direct financial assistance from the RTA

Regional Roads

The State Government through the Roads and Traffic Authority formerly 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.**

Bridges

The former NSW Government Road Bridge Subsidy Scheme provided for a 50% capital cost subsidy to Local Government for the construction new bridges and replacement bridges on Local and Regional Roads.

However, under the present system, should construction or replacement of bridge be required on any local or regional road under the Council's control, the Council will be responsible for the total capital cost and will not receive any direct financial assistance from the State Government.

The withdrawal of the 50% subsidy for new and replacement bridge construction has placed a significant potential financial burden on the Councils.

Urban Water Supply and Sewerage Schemes

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

Given recent trends and policy changes, Councils will be subject to a shifting of capital costs 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. **The reduction in subsidy from 50% to 47% resulted in a shifting of capital costs from the NSW Government to the Council of 3%. In the case of Tamworth City Council, this resulted in a reduction of \$1.14 million in the subsidy for its sewerage scheme upgrade.**

Flood mitigation funding

Prior to 1999, funding for Flood Mitigation works carried out had been funded on the basis of \$2 Commonwealth and \$2 State funds for every \$1 spent by Local Government on approved projects.

This is now funded on a dollars for dollar basis between the three levels of government. **In other words, the ratio has gone from 2:2:1 to 1:1:1.** An illustration of the cost increase to Local Government is demonstrated by a project such as the Tamworth CBD Levee with a total cost of \$4.5 million. Under the previous formula, the cost to Tamworth City Council would have been \$900,000, while under the current ratio the cost to TCC is \$1.5 million.

Catchment Blueprints

This initiative requires land to be set aside for biodiversity. **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 its development, additional costs can not yet be quantified.

Fire Brigades

Both the **NSW Rural Fire Service** and the **NSW Fire Brigades (NSWFB)** have experienced a growth in expenditure over recent years.

There may be a demonstrated need by these organisations to increase their expenditures, but **Local Government contributes 13.3% and 12.3% of the cost of running them.**

Yet in respect of the Rural Fire Service, Councils now have little say in the standards being set or the organisation's commitment to efficiency and effectiveness as the control is virtually out of Local Government hands.

The Rate Pegging restrictions mean Councils are restricted in passing on the costs of these increased commitments.

The NSWFB sets contributions without consulting or understanding the ability of other organisations to pay. Whilst under the relevant Act, **the NSWFB is permitted to charge Council 13.3%**, it has not in previous years done so, and the decision to do so this year has created significant opposition when **Councils are restricted to 3.30% increase in rates income.**

School speed Zones and Local Roads

The implementation of State-wide School Speed Zones and the spread of Local Road speed limits of 50kph have been strongly supported by the State Government.

There is no doubt that the maintenance of these facilities will result in increased costs to Local Government in future years without any increased state funding to cover this additional expenditure.

Load Based Licensing (LBL)

The introduction of LBL by the Environment Protection Authority (EPA) for sewage effluent discharges has the potential to impact significantly on Local Government costs.

Whilst the aim of LBL to improve the quality of effluent discharged into our rivers is admirable, the increased cost to Local Government comes at a time when funding for capital works under the NSW Government's Town and Country Water and Sewerage Program has been reduced.

There are two areas of impact on Local Government – the cost of conforming to the requirements of LBL and the potential cost of fees associated with LBL.

The State Government controls the implementation of augmentation schemes to meet the EPA requirements by its control of the funding 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 the requirements, it is further hit by hefty Load Based Licensing charges.

As an example, should Tamworth City Council be unable to conform to the LBL requirements, the annual cost to the city would be in the order of \$800,000 per annum. Instead of its current charge of \$134,000.

IPART Water charges

The State government is now recovering either **partially or totally the costs of infrastructure and maintenance for dams and pipelines.**

These costs are being passed on to Local Government by way of higher bulk water charges.

Fixed Processing Charges

The fees for processing regulatory applications 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 amortised over large numbers of applications.

Frequently, the fees obtained for development applications do not cover the costs incurred in carrying out the necessary investigations and functions, particularly in smaller Councils.

Transfer of Parking Patrol Officers

The current structure of recent transfer of this function from the NSW Police Service to Councils raises the potential for Councils to incur a loss. It is hoped that the transfer may secure sufficient revenue, but this is by no means certain. **Again the State Government sets the fees/fines.**

Protection of the Environment Operations Act (POEO)

The POEO Act has made Councils the appropriate regulatory authority in respect of the premises previously licensed by the Environmental Protection Authority (EPA) under the Contaminated Land Management Act, Noise Control Act or Clean Waters Act.

Previously such premises paid a licence 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 and Councils' duty to recover such fees is raised, considering no licences are required which can be either suspended or cancelled.

The Local Government Act and other Legislation

Amendments to the Local Government Act 1993 has seen many ordinances relating to hairdressers, food shops and other related businesses removed, along with the corresponding licence fee. **Councils now have an inspection fee that only partially covers costs.**

Now NSW Health is also reducing its involvement in such activities and the community is forced to look more and more towards 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 On Site Sewerage Management System (SepticTank).

State of the Environment and other Statutory Reporting

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

New Planning Policies

Significant additional costs are incurred in the training of staff and Councillors to comply with and implement the rapidly increasing number of State Planning policies, such as the planFirst Regional Planning Policy and Initiatives

Implementation of the Privacy and Personal Information Protection Act 2000

The far reaching implications of this new Act has impacted very significantly on Councils' practices and has required extensive training of staff, together with total redesign of forms and other methods of information collection.

Companion Animal Act

Whilst this Act is a big improvement over the Dog Act it replaced, the lifetime registration fees and their percentage return to Councils is **far from sufficient to cover the cost of enforcement and control of companion animals within the city.** The fees are set by a body external to Council who does not consider the situations in different areas when setting fees.

Strategic Planning

Councils are required to undertake reviews of their LEPs. To enable such reviews to be conducted, comprehensive studies are required. **In the case of Tamworth reviewing its 1996 LEP, such a study cost in the vicinity of \$60,000.**

No fees are provided by the State Government to cover such studies, nor are Councils able to recoup such costs through fees or charges to the community or to developers who benefit from such reviews. However, the comprehensive review of the LEP is not possible if the study is not undertaken.

Pensioner Rates Rebates

Council is required to give pensioner rates rebates to satisfy State Government Social policy legislative dictates. These rebates apply to Ordinary rates as well as to charges for Water Supply, Sewerage and Waste Management.

Previously the rebate was returned in full to the Councils, but it has progressively dropped until it is now only 55%.

In addition to this, the number and categories of pensioners to whom the rebate is given has broadened considerably, further depriving Councils of rates income.

National Competition Policy

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

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 this subsidy on to Local Government.

General changes

There have been many other areas where Councils have accepted wider responsibilities and demands on resources without appropriate additional funding. Examples include the Aged Care area, HACC, Youth Services, liaison with the Aboriginal community.

Even in respect of Road Safety Officers, Council is required to pay approximately 50% of the cost.

Conclusion:

The increasing expectations of the community and the willingness of both State and Federal Governments to require more of Local Government without a corresponding increase in funding has resulted in a situation where Councils can no longer meet either of these expectations.

Perhaps the Load Based Licensing case best illustrates the position Councils face – compelled by one branch of the same government to commit to increased expenditure to meet its requirements and severely financially penalised by another branch if they cannot find the extra resources to do so.

Councils are constantly placed in a no-win situation, with the resource base strictly controlled and the cost base in free flight.

As is clear from the above, cost shifting from Federal and State Governments to Local Government has been happening for many years and is becoming increasingly damaging as Councils struggle to meet the expectations of their communities.

It is a situation that cannot be allowed to continue.