



Parramatta City Council

SUBMISSION

Standing Committee on Economics, Finance and Administration Inquiry into Local Government and Cost Shifting

COUNCIL INFORMATION

Population: 148,854 at 30 June 2001 (ABS Regional Population Growth)

Geographic Size: 61 square kilometres

Current Budget 2002/03: \$120,647,000

Member: Western Sydney Regional Organisation of Councils

These comments identify the issues that are of concern to Council in relation to the Inquiry.

1. GENERAL COMMENTS

The Minister for Regional Services, Territories and Local Government has asked the Committee to inquire into cost shifting onto local government by state governments and the financial position of local government.

- The terms of reference are too narrow and should be expanded to include cost shifting by the Federal Government. The current terms of reference could be seen as politically motivated in that all state governments are currently Labor administrations.

2. RESPONSES TO THE SPECIFIC TERMS OF REFERENCE

2.1 Local government's current roles and responsibilities.

- The role of local government has changed considerably over the last decade or two. These changes were brought about by a combination of community expectations for a wider range of services, explicit cost shifting to local government and "surreptitious" cost shifting. This broader level of services is particularly evident in the social and community services area, economic development, environmental services, tourism and cultural development.
- The status of local government needs to be improved in local – State and local – Federal relationships. There needs to be a greater awareness of the primary role of local government in local service provision and urban management with less ad hoc intervention from other levels of government, especially where there is a clear accountability to local constituents.
- Need to develop broad principles to clarify functional responsibilities between all three levels of government in Australia and obtain agreed joint recognition of these functions.

- Ensure that there is the ability for service provision and functions to be responsive to local needs and aspirations as well as to wider government responsibilities.

2.2 Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.

- The continuing restriction of local government revenue by the State Government through rate pegging, coupled with excessive increases in State levies and charges does not allow local government to keep pace with the expectations of the community for service provision. As an example, rates for 2002/03 were pegged at an increase of 3.3% above the previous year while this Council's contribution to the NSW Fire Brigades increased by 11.65%. This trend has occurred over a number of years.

The subject of rate pegging was an issue raised in the NSW Government's Commission of Inquiry into the Structure of Local Government in Eight Council Areas in the Inner City and Eastern Suburbs of Sydney that was conducted by Professor Kevin Sprouts in April 2001.

- There is an inability in expanding CBD areas to address the needs of an expanding business sector within the current rating restrictions.

The Parramatta CBD has been recognised by the State Government, along with Sydney, Newcastle and Wollongong, as the major centres in the Greater Metropolitan Region. In consequence, the CBD has seen extensive commercial development. In accordance with government policy, the CBD will continue to develop as a major focus for office, commercial, cultural and recreational development.

The valuation of commercial property in the CBD has risen rapidly, however, due to restrictions of rate pegging, Council has little opportunity of increasing its rate revenue. Further, the methodology used by the New South Wales Grants Commission in allocating the Financial Assistance Grant to Council is based on the relationship between the average valuation for urban properties in the Parramatta Local Government Area and the average for urban properties throughout the State. Due to the high property values in the CBD, Council's average property valuation is above the State average and therefore a negative revenue allowance results.

The Council is therefore losing Grant income because of a presumed revenue raising capacity that cannot, in practice, be realised.

- There is a lack of ability to address long-term aging infrastructure given the current financial framework. This Council area is mainly an older established area and most of the infrastructure was built as residential areas were being developed prior to Council being able to levy developers for contributions towards the provision of infrastructure. Therefore, as well as maintaining the infrastructure, Council has had to fund its construction from rate income or loan funds.

This issue was also raised in the NSW Government Commission of Inquiry into the Structure of Local Government in Eight Council Areas in the Inner City and Eastern Suburbs of Sydney that was conducted by Professor Kevin Sproats in April 2001. These local government areas are older established areas similar in development to the Parramatta Local Government area.

- There needs to be wider debate on whether rate pegging should remain and what should be under the rate-pegging cap. Consideration should be given to separating out specific charges such as the Fire Brigade levy on rate notices and consequently putting them outside rate capping.
- Methods of funding local infrastructure may still be based on development contributions but there is also a need to consider options such as betterment taxes which tax private gain from public investment in infrastructure, with the proceeds going to local government.
- The difficulty in addressing these issues given that local government's predominant source of funding is determined by the State Government.
- There is a need to establish process to ensure that when a service is devolved to local government this process includes funding sources.
- The costs of accountability, Privacy, Freedom of Information and similar Acts, result in additional administrative resources which take funds away from core areas.
- Reductions in roads funding, whether permanent or temporarily "rephased", affect local government's ability to maintain infrastructure at the level expected by the community.

Two examples of this are the recently announced reduction in the 2002/03 Roads to Recovery Program from the Federal Government and the gradual reduction in the Bus Route/Heavy Vehicle Subsidy from the State Government. This subsidy is reducing while the government is promoting further expansion of bus routes and allowing heavier vehicles to use the road network that will result in greater maintenance costs.

- The Financial Assistance Grant received by Council, when the local road component is excluded, has decreased in real terms. From the commencement of the revenue Sharing Grants in 1976/77 the funding was set at 2% of personal income tax collections of the previous year. This formula was changed at Federal level in the mid-eighties when grants to this council reduced considerably, a reduction of over 9% in 1988/89. Advice from the Australian Local Government Association indicates that the grants are approximately 0.07% of total tax revenue that equates to around 1.5% of personal income tax collections.

2.3 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.

- There is a need for much greater Federal Government engagement in metropolitan high growth regions and the commitment to invest in the physical and social infrastructure of these regions. Australia's population growth is occurring largely in outer suburban areas and needs a much higher level of involvement by Federal and state governments to provide infrastructure and protect sustainability. All levels of government need to review administrative structures to ensure this issue is addressed.

This matter was the subject of a Greater Western Sydney Mayoral Statement, endorsed

by 14 Mayors /Lord Mayors of Western Sydney and the President of the Western Sydney Regional Organisation of Councils.

- It should be recognised that there are distinct regions in urban areas and that these regions may be best suited for the provision of some services.
- Federal and state governments shouldn't reinvent the wheel but use existing structures such as Regional Organisations of Councils rather than duplicating them.
- There is a need for a consistent basis between local, State and Federal governments in defining regions.
- The potential for funding to regional groupings of councils from Federal and state governments and councils themselves, needs to be considered.
- There may also be opportunities for expanding the situation where councils work with other councils to achieve regional outcomes and for the pooling of funds. An article by Rod Brown (Local Government Focus, July 2002) suggests ... "The pooled funding concept can of course apply not only to councils sharing the costs of graders or the like, it should also involve Commonwealth expenditure. There are countless opportunities for the three levels of government to pool scarce resources, if only people took a fresh look at things."

The article also suggests that local government can perform upgraded roles in the areas of health, education, natural resources /environment and border security /immigration /policing, if local government is compensated accordingly by the Federal Government. "Examples are aged care, health centres, citizen security, regional and economic development, environmental management, bedding down of migrants, disadvantaged youth and so forth." Further, "the overwhelming competitive advantage of local government is its proximity to the citizens and taxpayers – this is the achilles heel of the Commonwealth Government".

2.4 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.

- The inequity of measures such as rate pegging, statutory limitations on certain fees and charges on local government when the same restrictions are not applied to State Government activities.

Examples of charges levied on local government by the State Government which have had dramatic increases are the Fire Brigades Levy and tipping fees for the disposal of waste generated by Council's activities. Although tipping fees for domestic and commercial waste can be recovered from ratepayers, the increases that have occurred have placed additional cost burden on these users.

An example of statutory limitations on fees and charges is the limitation placed on Development Application fees that does not reflect the cost of the work involved in processing the applications.

- Shifting of functions and responsibilities from both Federal and state governments to local government, together with reductions in grants received from the other levels of

government, has resulted in increased costs to local government. As mentioned elsewhere in this submission, this is particularly evident in the social and community services area, economic development, environmental services, tourism and cultural development.

- In the social and community services areas, this Council has taken on providing many services that had previously been provided by other levels of government or other providers.

Although some funding is received towards the provision of these services, other funding that had been provided to set up the services ceased after the initial set up period. In all instances Council is responsible for funding the coordination and administration of these services. Community expectations mean that Council needs to at least maintain this level of coordination and administration or the quality of the services provided would fail to meet community expectations. In some instances funding could also be lost to other providers.

Examples of services that council has taken on are:-

- Child Care Centres – Long day and occasional care provided – Part of operational costs funded by State together with fees charged to users - Federal Government offers fee relief to disadvantaged parents – Council receives no funding from Federal Government as was the case previously – Council funds coordination and administration.
- Meals on Wheels – Home delivered meals and centre based meals provided – Part HACC funding for the cost of service together with fee for meals charged to users – Council funds coordination and administration costs.
- Neighbour Aid – Links volunteers with housebound citizens to provide support – Part HACC funding received – Council funds coordination and administration costs.
- Carers Support – Provides assistance for the carers of aged, sick or disabled – Part HACC funding – Council funds coordination and administration costs.
- Peer Support – Links volunteers to people with disabilities to provide outings to various recreational and entertainment venues – Part HACC funding received – Council funds coordination and administration costs.
- Seniors Leisure Centre – Provides facilities and activities for senior citizens - Fully funded by Council except for small fee that is charged for membership.
- Garden Maintenance Service – Provides services for elderly or disabled citizens to maintain their lawns and gardens - Fully funded by Council except for a fee charged to users.
- There are positions within the Community Development Team for which a subsidy is received towards salary costs. These are Community Development Workers for Aged, Youth and Projects Officer. When these positions were established at Council, other subsidies were received in addition but only for the initial set-up period. Council has recently employed an Aboriginal Development Worker for which grant funds will be received for one year then the position will be fully funded by Council. Other positions that are fully funded by Council include Community Safety Worker, Community Events Worker, Arts & Cultural Development Worker and Multi-Cultural Development Worker.
- A report was recently submitted to Council regarding the complex and wide-ranging issues associated with addressing homelessness in the Council area.

Parramatta is Sydney's second CBD and attracts homeless people and other service users from a large catchment area. The number and scope of services, including legal and mental health, has placed Parramatta as a community services hub for a variety of people within the Sydney metropolitan area. With the introduction of new Courts as well as other developments in Parramatta this will increase. In particular, it is important to note that Parramatta is the furthest west that a single homeless man can find overnight crisis accommodation in the Sydney area.

At present, the Department of Community Services, working with councils such as Parramatta, is creating a strategy to address homelessness in western Sydney. This is an acknowledgment of the growth of homelessness in western Sydney and the need to have local strategies in consultation with local government and local service providers. Council is currently in the process of preparing a Homelessness Strategy to provide the Council with a policy position, a pro-active strategy and a clear path to address homelessness in the local government area.

Involvement of the State and Federal Government is essential to the Strategy. Legislative responsibility for homelessness lies with the Federal and State Governments. However, "local government can make a significant contribution as long as it is realistic in its objectives and develops sustainable roles" (Gary Spirak in Parity Vol. 12 No. 5 p. 16 'Addressing Housing Need – Local Government as a contributor but not a Panacea').

Councils have a far more intimate knowledge of their particular area and residents, businesses and visitors than the other levels of government. Councils can bring about a coordinated approach to homelessness through the cultivation of partnerships with local community agencies and other levels of government, as well as businesses, residents and other groups. In the National Homelessness Strategy there is no mention of local government where the impacts of homelessness are felt the most. The centrepiece of the Federal Government's approach to addressing homelessness is the Supported Accommodation Assistance Program, along with a Youth Pathways Action Plan Taskforce.

As homelessness increases the hidden costs to Council increases with no assistance forthcoming from the other levels of government. Council believes that the issue of homelessness is a Federal and State Government matter.

- In the environmental area there are many requirements for which councils are now responsible. In Council's 2002/03 Budget \$3 million has been provided for the environment including management of air quality, tree planting, bushland management, weed control, greenhouse emission reduction, flood risk management, stormwater, water quality and public health. Limited assistance is received from the other levels of government towards these responsibilities.

As an example of these added responsibilities a Waterways Strategy document 'Rivers of Opportunity' has been prepared by Council and is currently on public exhibition prior to adoption incorporating any changes as a result of the exhibition. The Strategy's principal aim is to better manage the waterways' environment in a sustainable manner therefore it will have a positive long-term environmental benefit. The Strategy recognises human occupation of the floodplain and seeks to address the balance between active use and development and protection of environmental quality.

Council has approximately 65km of natural creeks and 13km of open concrete channels that pass through the Local Government area. Most of the water in these creeks originates outside the Local Government area in areas such as Blacktown, Bankstown and Holroyd. Over time many changes have been introduced to these natural assets including pollution, loss of vegetation, introduced weeds, removal of habitat for animals, reduced amenity, erosion, flooding and ultimately an alienation of the residents of the area from the waterways.

While the Strategy sets out where we want to be in 20 years and the actions ahead, the vision will only be achieved if the community, State Government and adjoining councils work together to achieve the vision.

- Legislative changes and changes in government policy have seen a number of functions in relation to environmental services, health and public order and safety transferred or being transferred to local government that have resulted in or will result in increased costs to local government.

Some examples of these functions are:-

- Contaminated land – Rehabilitation of land rests finally with councils.
 - Companion Animals Act – Part of income goes to state for database costs.
 - Regulation of Brothels – Was responsibility of Police Department.
 - Stormwater Catchment Plans – Compulsory for councils to prepare, no funding or limited funding provided to implement.
 - State of the Environment Report – Compulsory to prepare, no funding received.
 - Heritage Management – Approval functions, authority to make Interim Heritage Orders and the heritage Guidelines delegated to local government by the State, no funding received.
 - Traffic Facilities – The State Government through the Roads and Traffic Authority is attempting to shift responsibility for the installation and maintenance of road and traffic signs/lines to local government while only providing 75%-80% of funding. This also raises the issue of public liability.
 - Public order and safety – Various councils have already engaged security staff to patrol trouble spots or have resorted to the installation of closed circuit television monitoring. Other councils are also considering these options in the interest of community safety.
- Local government as a whole has had greater involvement in the provision of cultural development and tourism in the last few years. Some of these functions received assistance from other levels of government in the initial period, however, much of the funding ceased. This Council sees advantages in the continuation of these activities as a means of promoting the area both for the benefit of the community socially and for economic development. Examples of such activities are Australia Day celebrations, Heritage Week, Youth Week, Loy Krathong Festival and other multicultural events.
 - Reductions in the subsidy received from the State Government for the Pensioners Rate Rebate Scheme has shifted costs to local government.

The scheme was introduced in 1972 with a mandatory 50% rebate on pensioners' rates up to a maximum of \$80 with the state reimbursing council the full rebate. At the same time Council provided a voluntary rebate, which was fully funded by Council, to match the mandatory rebate.

This scheme continued, with increases in the maximum limit being the only change, until 1983 when the State subsidy was reduced to half of the mandatory rebate. To ease the burden on councils that had a voluntary rebate policy in existence, the State also reimbursed half of the voluntary rebate to a maximum of \$75. As this Council had a voluntary rebate policy in place, Council continued to receive the same level of assistance from the State.

The next change to the scheme occurred in 1989 when the State Government ceased to reimburse councils for the voluntary rebate. This situation remains the same now, however, Council has reduced the maximum limit of the voluntary rebate that stood at \$210 in 1988 to its current level of \$100.

For the year 2001/02, the cost to council of the mandatory rebate was \$926,355 while the cost of the voluntary rebate was \$721,013.

- The imposition of a levy on Council owned car-parking spaces by the State Government is a further drain on resources. The levy of \$400 per space per year applies to 2,038 parking spaces within the CBD.
- Some of the services provided for the settlement of refugees are located within the Parramatta Local Government Area, however, there is no support to Council from the Federal or State Governments.
- Refusal of the State Government to pass on national competition policy payments to local government in New South Wales. Other states pay local government varying percentages of these payments.
- Administrative costs to local government in the processes associated with Goods and Services Tax and Fringe Benefits Tax.

2.5 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.

- Reform of public revenue assignment is important if a clearer definition of responsibilities is to be effective and lead to better public service delivery.

There are 14 local government areas that make up the Western Sydney Area with a population of 1.75 million people. There are currently many duplicated policies and funding commitments from the various tiers of government. In addressing the issues facing the region, Brendan Gleeson and Bill Randolph of the University of Western Sydney (A New Vision for Western Sydney – Options for 21st Century Governance, April 2002), make the following statement, ...“Decades of under-investment of policy and fiscal resources in Western Sydney by successive State and Federal Governments have left many of the region’s cultural, social and environmental needs unmet. The legacy of this ‘undernourished development’ includes mounting social and environmental problems, including hardening pockets of poverty and social exclusion, a dwindling and fraying public sphere and ever-intensifying ecological stress. Without urgent attention, through new forms of policy initiatives and new public investments, these problems will continue to intensify to the point where regional – and therefore national – well-being is diminished”.

The document proposes a new vision for Western Sydney's governance and stresses the importance of State and Federal Government involvement in addressing the issues. The document states ... "Our statement urges the State Government in its efforts to find and fund new policy and infrastructure solutions to the region's needs. Just as importantly, we see involvement in this renewal process as a responsibility of the Federal Government, justified by the fact that Western Sydney is arguably the nation's most important growing region. In particular, the Commonwealth has a duty to undertake major new investments in the region's social and physical infrastructure. It must also adjust policy settings on health, education, housing and welfare that are contributing to spatial polarisation and a decline in social solidarity amongst the populace of Western Sydney.

Importantly, all new public investment must be guided by and consistent with, a new integrated strategy for the region that will chart a coordinated, multi-sectoral approach to the task of renewing Western Sydney. The strategy would revolve around a multi-level governance approach that integrates the regional contributions of all four tiers of government – Federal, State, regional and local – and seeks also to harness the input of commercial, educational and community sectors. Finally, western Sydney's local and regional governments need to transcend their traditional focus on the delivery of basic services to embrace a 'community stewardship' mode of governance."

- Need to facilitate greater cooperation between councils, particularly small councils, for the provision of urban services and management.
- Need to rationalise government agencies and reduce duplication.
- An article (Rod Brown in Local Government Focus December 2001 'Devolution better than a revolution') on a report released by the OECD titled 'Devolution and Globalisation' states ... "governance is most effective and democratic when decisions are made as close as possible to the population affected". A better use of resources and better quality services to local communities may well be provided by strengthening the Regional Organisations of Councils role in the provision of services. The article also states ... "They are better able to tailor policy instruments, build local linkages, and generally create the environments for competitiveness".

2.6 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.

The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

- The assumptions regarding Federal Government cost neutrality limit the inquiry – see comments regarding the need for greater Federal Government engagement in metropolitan regions and the provision of urban infrastructure.

3 SUMMARY

There are many instances of cost shifting to local government from both the State and Federal Governments. This shifting of responsibilities, both explicit and "surreptitious", combined with changing community expectations has meant that local government now provides a much broader range of services. The wider range of services is particularly

evident in the social, community, economic development, tourism and cultural development areas.

In shifting functions and services to local government, although some funding continues to be received, much of the funding ceased after the initial service establishment. Once the service is established there is an expectation in the community for the continuation of the service. This leaves local government with the responsibility of funding the major portion of the services. Although local government is probably the most appropriate level of government to provide these services, there should be greater funding assistance from the other levels of government for services devolved to local government.

The restrictions placed on local government in New South Wales through rate pegging does not allow Council to keep pace with community expectations for service provision and to address the needs of the Parramatta CBD or long-term aging infrastructure. While restrictions are placed on local government's revenue raising capacity, the same restrictions are not applied to State Government activities as evidenced by the excessive increases in levies on local government.

Legislative changes and government policy has seen a number of functions already transferred to local government with other functions proposed or in the process of being transferred.

The assumptions in the terms of reference regarding Federal Government cost neutrality and the exclusion of cost shifting by the Federal Government limit the inquiry. There is a need for much greater Federal and State Government involvement in metropolitan regions where Australia's population growth is occurring. This involvement should be for the provision of sustainable infrastructure needed in these developing regions.