

Submission to the Standing Committee on Cost shifting Local government from Mudgee Shire Council.

NAME: MUDGEE SHIRE COUNCIL
POPULATION SIZE: 17,682 persons (2001 Census)
GEOGRAPHIC SIZE: 5,440km²
CURRENT BUDGET: Attached 2001/2 EOY financials

ANY RELEVANT DEMOGRAPHIC INFORMATION

- 40% of the population of the Mudgee Shire reside outside the two urban centers of Mudgee and Gulgong.
- As a consequence of this demographic distribution, extra demands on the maintenance of services and facilities, such as roads access, sporting and community facilities are high for the Shire.
- Mudgee Shire Council offers water and sewerage services.
- Cost shifting and grants to local government should consider the services offered by a particular council and acknowledge the differences of Rural councils – those like Mudgee Shire Council who offer a broad base of services compared to urban councils who may have a narrow band of services.
- Consideration for specific demographic distribution characteristics as substantial as those illustrated in the Mudgee Shire need to be considered by the Grants Commission and in the assessment of the impact of the shifting of costs from one tier of government to another.

OVERVIEW OF HISTORICAL DEVELOPMENT OF THE COUNCIL

(Is the council the result of amalgamation, have boundaries significantly changed, etc)

- Mudgee Shire Council was formed in 1975 after the amalgamation of Cudgegong Shire Council and Mudgee Municipal Council.

IS THE COUNCIL MEMBER OF A REGIONAL ORGANISATION OF COUNCILS?

- Yes

WHICH?

- CENTROC

OUTLINE ANY ACTIVITY COUNCIL HAS UNDERTAKEN WHICH WOULD NOT NORMALLY BE PART OF COUNCIL ACTIVITIES, OR TRADITIONALLY HAS BEEN PROVIDED BY FEDERAL OR STATE GOVT DURING 2001/02 AND ITS VALUE

- **Tourism** – the NSW Tourism arm for this region is Explorer Country who have been reviewing their marketing strategies for the last 12 months and

who have declined applications for funding while this work is underway. Consequently financial support has been requested of Council – for e.g. support of the an event has been made to Council for \$10,000 with in kind support expected to be a further \$40,000 for services that Council only can offer (road blocks, access to Crown Land etc.) Council already contributes in excess of \$250,00 to tourism locally.

- Council has run significant programs in the youth sector of the community services department during the past year. There has been minimal support from State funding.

DOES THE COUNCIL BELIEVE THAT DEVOLUTION OF SERVICES OVER THE LAST TEN YEARS HAS PLACED ADDITIONAL FINANCIAL BURDENS ON THE COUNCIL?

- Yes

OUTLINE WHAT SERVICES HAVE BEEN DEVOLVED AND APPROXIMATE ANNUAL COST AND INCOME.

- Community services – Mudgee Shire Council has budgeted additional resources to deliver community services, in particular for youth and aged care. Over the past few years 1 senior position has been created to offer the management of the community services Council now maintains. In this area, there is a substantial need to administer funding through financial and support services so even for those programs which are funded, Council incurs costs. There are additional absorbed costs of administration to Council for the support of some services that do receive funding from other tiers of government. Estimated cost is in excess of \$70,000 for staff (across various positions) to administer the programs offered for community services.
- Youth services – the need for these services locally has increased while State based programs for Youth initiatives funding have not continued at sufficient levels for local government to offset these costs. Annual expenditure in excess of \$40,000 to support the local Drug Action Team to distribute information on drug awareness, part time youth worker, and as a subsidy on rent for youth meeting place, are examples.
- Airport – Annual maintenance costs Income \$24,000, Expenses \$76,000.
- Parking control has recently been devolved to Local Government.
- Control of domestic pet registration – an annual cost of in excess of \$10,000.

OUTLINE COSTS INCURRED BY COUNCIL IN MEETING FEDERAL AND STATE COMPLIANCE/ADMINISTRATIVE REQUIREMENTS.

- Rural Fire Service – Council's contribution has increase by 13.5% in the last financial year and the significance of this cost when compared to the general rate pegging level of 3.3% is noteworthy. In addition the increase in costs has been attributed to increasing administration costs following the State Government assuming control of the service from July 2001,

rather than major increases to the services offered to the community in fire control services. Council must still maintain resources to support and manage the relationship between Council and the RFS. Expenditure in excess of \$90,000 above grants.

- Increasing need to develop, implement and monitor environmental sustainability programs at the local level – for example production of State of the Environment report, salinity programs, water management, requirements of the EPA – has created one extra staff position, an Environmental Officer – associated costs in excess of \$70,000 per annum (on going annual cost).
- More efficient and effective means to manage waste in the Shire are now required to satisfy Health and EPA requirements. For example:
 - Update of leachate collection system to meet EPA licensing conditions.
 - Establishment of 11 rural waste stations to service needs of the community.
- Insurance issue – Council has been forced to offer insurance coverage locally for events of significance to the Shire to enable them to continue – e.g. Wine, Wheels and Air Show. In addition, Council is spending more time assisting community groups as they grapple with trying to find insurers.
- Disability Access issues – e.g. additional costs associated with providing access for all people to public facilities. For example, automatic doors are required on the Library at an estimated cost in excess of \$10,000.
- Requirement to produce a Social Plan – and ongoing costs of implementation.
- Child Care – significant cost shifting has occurred so that Local Government now runs these services with all costs coming to the local level of government – initially these services were built on cost sharing arrangements between Local, Federal and State governments. Implications for local economies of those unable to return to the workforce due to lack of Child Care indicates the importance of this issue. Additionally, a one off maintenance cost of maintaining the Child Care Facilities was provided but the cost of annual maintenance was at least \$25,000 with no consideration for the longer term inevitable upgrading that will be required.
- Youth issues – Council is contributing almost 4 times as much to youth programs as the level of funding received for Youth services. For e.g. Youth Week funding of \$1,000 marginally offsets the costs of \$4,000 to Council. The provision of 6 project managers as part of the NSW government's 2002/3 budget is inadequate for the services required for the state given the significance of the issues being faced at the local level.
- Aged services – One off grant to provide aged facilities and yet Council has to continue to maintain and upgrade these facilities.
- OH&S and risk management programs – requirements to implement OH&S programs to satisfy WorkCover requirements. For e.g. a complete

audit of tasks across the organisation and the production of work method statements is required. This project has occupied much of the time of the dedicated OH&S officer and will require significant staff time to put it in place. A risk management strategy is similarly time consuming. Costs in excess of \$70,000 p.a. to employ full time OH&S officer plus costs associated with management time to satisfy legislative requirements and produce documentation that is required.

- Cultural Plan – Council is pre-emptively undertaking initial investigations to meet expected demand for production of the plan. This is an example of the approach taken by Council to determine projects such as this in terms of the budgetary implications if not considered in the preparation of the annual management plan.
- Federally funded Roads to Recovery funding alterations in the next financial year will impact on the schedule of roads program as Council can not postpone sufficient works until the funding levels are restored in 2004/5. The other concern is to understand what happens after the Roads to Recovery program ends, in the same way that Council's were affected by the diminution of RTA block funding and 3X3 funding programs. Roads programs require multiple year funding options to be planned effectively.
- Local Government increases to funding for library services far outstrips the declining contribution that is being made by State government, and yet the recommended standards for the operation of public libraries, as determined in advice from the State Library, indicates increased expenditure is required locally. In programs such as Networking the Nation, local libraries are locked into services when they can actually get cheaper access to services than the costs incurred by participating in internet access to NSW.net.

The level of state funding received to supplement the costs of the public libraries (there are 2 in this Shire plus a mobile library) has remained static for many years while the costs and expectations of the level of service have risen and hence so have the costs to Local Government.

HAS THE COUNCIL HAD TO EMPLOY ADDITIONAL STAFF TO PROVIDE DEVOLVED SERVICES OR MEET ADDITIONAL COMPLIANCE /ADMINISTRATIVE REQUIREMENTS?

Yes

HOW MANY?

- Community services and emergency services – 1 Equivalent Full Time employee (EFT) at least

- Environmental Officer - 1 EFT to manage the increased level of services expected and legislated in environmental areas.
- Waste management – 2 staff EFT to deliver environmental services and to deliver requirements of EPA and Health conditions.
- Noxious weeds control – will require additional staffing to maintain administrative support.
- OH&S – 1 EFT to develop and implement risk management programs required under Workcover direction.
- Additional resources have been required to support parking control and management of domestic pet registration.
- At least 2 additional administration positions have resulted from the additional support services required for the above services.
- Staff time in the lobbying of other levels of government on behalf of our residents has increased dramatically – particularly in areas of health, policing and environmental protection.
- These positions represent approximately 4% increase in our staffing levels

OUTLINE ANY COUNCIL SERVICES THAT COULD BE BETTER PROVIDED BY ANOTHER SPHERE OF GOVERNMENT OR THE PRIVATE SECTOR?

- Insurance issues must be addressed at the Federal level.
- Community services issues – particularly youth and child care services need to be addressed in conjunction with the State government. e.g. Mudgee Drug Action Team received state based funding for one year only so that while what was established was truly useful in providing information on drug usage in the community, Council has had to fund the service in order to fully realise the benefits of the service in the second year.
- Health issues and in particular insurance issues for Doctors – significant and severe impact on regional areas if health insurance issues are not rectified
- An investigation of the funding of public libraries to identify the necessary level of support from the 3 tiers.
- Environmental issues such as salinity and water management require resourcing at a all levels.

For more information – contact
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Financial statements 2000/2001

MUDGEE SHIRE COUNCIL				
STATEMENT OF FINANCIAL PERFORMANCE				
For the year ending 30 June 2001				
Budget 2001 \$'000		Notes	Actual 2001 \$'000	Actual 2000 \$'000
	EXPENSES FROM ORDINARY ACTIVITIES			
7,021	Employee Costs	3(a)	8,449	7,689
5,144	Materials & Contracts		7,709	6,116
417	Borrowing Costs	3(b)	172	165
6,215	Depreciation & Amortisation	3(c)	5,661	5,727
2,294	Other Expenses	3(d)	1,903	1,627
	Loss from Disposal of Assets	5	233	0
21,091	Total Expenses from Ordinary Activities		24,127	21,324
	REVENUES FROM ORDINARY ACTIVITIES			
9,791	Rates & Annual Charges	4(a)	9,932	9,559
4,723	User Charges & Fees	4(b)	5,830	4,875
414	Investment Revenues	4(c)	636	621
4,919	Grants & Contributions - Operating	4(e)&(f)	6,307	5,144
906	Other Revenues	4(d)	724	372
440	Profit from Disposal of Assets	5	0	209
21,193	Revenues from Ordinary Activities before Capital Amounts		23,429	20,780
102	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS		-698	-544
8,674	Grants & Contributions - Capital	3(e)&(f)	3,537	2,272
8,776	NET SURPLUS(DEFICIT) ATTRIBUTABLE TO COUNCIL		\$ 2,839	1,728
This Statement is to be read in conjunction with the notes included in the Full Financial Statements				

MUDGEE SHIRE COUNCIL
STATEMENT OF FINANCIAL POSITION
For the year ending 30 June 2001

	Notes	Actual 2001 \$'000	Actual 2000 \$'000
CURRENT ASSETS			
Cash Assets	6	9,858	10,991
Receivables	7	2,541	1,912
Inventories	8	1,048	1,013
Other	8	24	39
TOTAL CURRENT ASSETS		13,471	13,955
NON-CURRENT ASSETS			
Cash Assets	6	2,795	
Receivables	7		275
Inventories	8	527	527
Property, Plant & Equipment	9	140,082	135,522
TOTAL NON-CURRENT ASSETS		143,404	136,324
TOTAL ASSETS		156,875	150,279
CURRENT LIABILITIES			
Payables	10	1,612	1,758
Interest Bearing Liabilities	10	520	560
Provisions	10	703	918
TOTAL CURRENT LIABILITIES		2,835	3,236
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	10	5,933	2,145
Provisions	10	2,061	1,691
TOTAL NON CURRENT LIABILITIES		7,994	3,836
TOTAL LIABILITIES		10,829	7,072
NET ASSETS	\$	146,046	143,207
EQUITY			
Accumulated Surplus		123,097	120,258
Asset Revaluation Reserve		22,949	22,949
TOTAL EQUITY	\$	146,046	143,207

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Notes included in the Full Financial Statements