



NARRANDERA SHIRE COUNCIL

Our Ref: KMM:br 10/35/17

18 July 2002

The Secretary
Standing Committee on Economics, Finance
And Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	30
Date Received:	22/7/02
Secretary:	Burdell

Dear Sir

I refer to the inquiry into Local Government and cost shifting and forward this submission for consideration by your Committee.

At the outset Council would like to congratulate the Minister and the Committee for this initiative which is of major significance to our Council and the community we serve.

Background

Our Shire is located in the Riverina Region of NSW and the headquarters are based at Narrandera which is positioned adjacent to the Murrumbidgee River at the junction of two national highways, the Sturt and Newell. The population of the shire is 6,486 and includes the villages of Barellan (400) and Grong Grong (100).

Our Shire has a total area of 4,116 square kilometres and has 1,124 kilometres of unsealed roads and 256 kilometres of sealed roads. Council in addition to usual Local Government services provides and operates an airport and water and sewerage services for the town of Narrandera.

Cost Shifting Services

Over the last twenty (20) years our Council has experienced a major shift in responsibilities, principally from the State Government but has not received adequate funding to maintain these services. Furthermore there has been a trend towards Councils providing Commonwealth Services on an agency arrangement.

This submission presents a commentary on the burdens placed on Councils based on functions as set out below:

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Administration and Corporate Services - (02) 6959 5510
Planning Building and Health Services - (02) 6959 5550
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1.0 Environmental Responsibilities

Council's role on environmental issues has significantly extended since the introduction of the 1993 Local Government Act which under Section 8 empowers Councils:

"to properly manage, restore, enhance and conserve the environment in a manner that is consistent with and promotes the principles of ecologically sustainable development"

This role has been expanded by subsequent legislation well beyond the Environmental Planning and Assessment Act 1979 to include:

- Catchment Management Act 1989
- Threatened Species Conservation Act 1995
- Native Vegetation Conservation Act 1997
- Waste Management Act 2000

Whilst responsibilities of Councils have been increased (often without consultation) there has not been a corresponding provision of revenue to finance these added responsibilities. In a recent discussion paper prepared by the Shires Association of NSW for the 2002 State Conference it had this to say:

"The expanding role of the State and Commonwealth Governments in National Resource Management, particularly in areas like coordination, funding and priority setting, and the exclusion of Local Government from an equal partnership with the other spheres of Government in performing these functions, have distanced Local Government from the core role across the spectrum of NRM activities – from strategy to implementation to performance reporting – which it might have expected to retain and expand"

The cost shifting in this area has continued, largely by state agencies including the EPA who have assigned to Council considerable responsibilities in licensing and enforcement responsibilities with insufficient revenue to meet these responsibilities. Legislation was also introduced to make Councils responsible for on site septic tank licensing. It is difficult for Councils to comply with a uniform inspection fee for septic tanks as the task varies from a small village to rural properties sparsely located across the shire. Considerable cost recovery would be necessary in sparse rural farmland areas and hence Council determines a charge on the lower end of the scale to account for small village situations.

Waste Management

Environmental requirements by State Agencies for waste management have resulted in significant increases in capital and operating costs to rural Councils. As an example it has been estimated that the costs associated with the extension of the Narrandera Waste Depot are in the vicinity of \$350,000 excluding the acquisition of the site. Many of these costs are related to EPA requirements, however no funding is made available to assist in compliance with the requirements.

Roadworks

Most road works now require some form of environmental assessment. This requirement consumes existing funding for shire roads and reduces the allocation for actual roadworks. Other legislation which impacts on road and bridge construction are the Mines Act (regulating gravel pits) and the Fisheries Act (relating to construction over water ways).

1.2 Animal Control

State legislation has extended the responsibility of Council for control of animals. The Companion Animals Act extends responsibilities from dog control to registration of cats. This increased responsibility is not adequately funded. Where Councils had provision to collect animal registration fees for dogs on an annual basis, this arrangement has been replaced by a once only registration for the life of a dog or cat. Animal revenue for this purpose is projected to decline based on Council projections under this state initiative ie.

	2001	2002
Dog Registration/Impounding Fees	\$11,700	\$9,000
Cost of Animal Control Program	\$50,000	\$52,000

The situation is made even more difficult with impounding of dogs and cats where a large number are not microchipped and Council is left with no alternative but to "euthanase" those abandoned. The cost of this responsibility is in the vicinity of \$4,000 per annum. Furthermore the allocation of the registration fee to Council has declined from 90% to approximately 60% due to high costs in development and management of the system.

1.3 Control of Noxious Weeds

The State Government has provided a subsidy to Council over many years to assist with control of Noxious Weeds. The funding available for this subsidy has not kept pace with the cost of this responsibility. For example in the 1980's the subsidy comprised 50% of Councils expenditure on this function. Council's budget for 2001/2002 and 2002/2003 indicates the significance of the short falls as set out below:

	2001/2002	2002/2003
Noxious Plants Subsidy	\$37,000	\$37,000
Noxious Plant Control Costs	\$144,050	\$147,550
Net Cost	\$107,050	\$110,550

1.4 Provision of Residential Land Stock

In many country towns the Department of Land and Water provided for the development and release of residential land. With the advent of "commercialisation" within government in the 1980's the State Government began to limit involvement in release of residential land to larger urban centres as smaller rural centres did not meet viability criteria.

In order to sustain development of the Shire, our Council was left with no alternative but to develop its own residential subdivision. The opportunity cost of the unsold land stock within the second stage of this subdivision would be in the vicinity of \$20,000 per annum.

1.5 Medical Services

Communities are increasingly looking to their local Council to overcome problems with the shortage of general practitioners, dental services and associated health workers. Whilst direct annual costs of subsidies and low interest loans for health services only amount to \$4,000 per annum, there is a significant indirect impact on Council staff resources in making representations and submissions.

Some neighbouring Councils have committed over half a million dollars to provision of medical services and the trend is extending within the region. This role should be the responsibility of the State and Federal Governments.

1.6 Law and Order

Law and order is a state responsibility, however Local Government is being increasingly involved because of inadequate funding and resources resulting from rationalisation of services. Police numbers in Narrandera have been reduced by over 50% in the last five years. A recent example is the transfer of the towns only two detectives to Griffith for a "trial" period of six months. A similar situation exists in relation to the Department of Community Services (DOCS).

The result of this cost cutting can be directly linked to increased costs to Council in the following examples:

- **Installation of Street Cameras** – Program funded by Council in 2001/2002 at a cost of \$38,000. Council's budget for 2002/2003 provides for extension of the program at a further cost of \$20,000. Operational cost is estimated at \$2,000 per annum excluding existing staff resources in managing the installation.
- **Private Security Service** – Over the last three years Council has found it necessary to subscribe to a private security patrol service to cover its property and public places. This service will cost \$18,000 for 2002/2003. It should be noted that this service was not previously provided on this scale in the community in past years.

1.7 Community Services

In order to ensure adequate services are provided in the shire, Council has agreed to agency arrangement for State and Federal responsibilities. It is Councils experience that the agency arrangements do not adequately fund overheads in the following examples:

Community Transport/Home Modifications

This is an excellent service but no provision is made to reimburse Council for overheads such as rent, use of equipment, stationery and supervisory staff.

Aged Care

Council operates a 42 unit aged person hostel which was constructed in 1987. Since that time Federal Policy has forced Council to alter its strategy and cater for higher care residents. The viability of the service has become marginal due to constraints on original subsidy arrangements.

Youth Services

Council's role in youth services has increased significantly over the last five years. Whilst the Attorney Generals Department has assisted with grant funding for youth workers Council has had to fund a range of support services including management supervision, funds for activities and maintenance of a youth centre.

In the current budget Council has provided for the following support to youth

Youth Development Fund	\$3,000
Youth Centre Maintenance	\$5,000
Youth Centre Activities	\$15,000
Capital Improvements	\$4,500
	\$27,500

Rural Counselling

This program was a Commonwealth initiative, however increased contributions have been necessary from Council and community to retain the program. The cost to Council for 2002/2003 is \$4,000.

Television Blackspots Program

Whilst Council welcomes this Federal initiative it will be required to assume responsibility for retransmission of the majority of Television Stations to Narrandera urban area. The estimated annual costs of this additional responsibility is \$3,000 per annum.

1.8 *Level of Mandatory Reporting*

Government reforms have resulted in increased responsibilities to Councils for management reports. Some examples include the requirement for a State of the Environment Report based on a three-year cycle. Compliance with this obligation involves a consultancy fee of \$3,000 as existing staff resources are not in a position to prepare the complex documentation. Council are also required to prepare community plans which require significant staffing resources. Management Plans for certain classes of land under control of Council are also required as well as asset accountability.

1.9 *Rural Fire Service*

The reform of the Rural Fire Service and change of accountability have resulted in major cost increases to Council. This is best illustrated by the contribution required from Council as set out below:

	2000/2001	2001/2002	2002/2003
Contribution Rural Fire Service	\$43,000	\$67,000	\$111,000

1.10 Local Government Funding

Major changes in funding for Local Government is necessary if Councils are to remain viable and continue to deliver services for which the community has come to expect.

The present source of revenue combined with rate pegging is not sufficient to sustain the current level of Local Government services. For example rate income for our shire only represents approximately 35% of total revenue. Most rural shires rate income would vary between 25% 40% of total revenue and the Federal Assistance Grant (FAG) represents only 35% of total revenue.

In 2002/03 rate pegging limited rate income to 3.3% which yielded approximately \$96,000. The Federal Assistance Grant will provide a modest increase of \$100,000. The remaining 30% of revenue includes fees and charges which in smaller rural areas does not have the capacity to provide significant increase in revenue.

On the other hand the total expenditure commitment of Council increased by approximately 5% or \$500,000 – an obvious shortfall in the vicinity of \$300,000.

Some examples of cost increases over the CPI include:

- Wages – 3.5% increase
- Superannuation Contribution - 12%
- Contribution to Board of Fire Commissioners – 12.5%
- Increases in Insurance Premiums – 30%

To name a few.

There needs to be a guaranteed level of funding for Local Government which is linked to a growth tax. Previous proposals have involved 1% of PAYE Tax collection with progression to 2%.

Given the reform of the tax system consideration could also be given to allocation of a fixed percentage of GST payment from the Commonwealth to the NSW Government.

Council appreciates the opportunity to make this submission and would be pleased to elaborate if the Committee of Inquiry is in a position to visit our shire or the region.

Yours faithfully



Ken Murphy
General Manager