

All written communications to be addressed to General Manager

PO BOX 177
MACKSVILLE NSW 2447

Facsimile: (02) 65 68 2201

General Enquiries:
(02) 65 68 2555

Enquiries to: Mr Port
Our Ref: S11

Administration:
(02) 65 68 0213

23 July 2002

Rates:
(02) 65 68 0217

Creditors:
(02) 65 68 0251

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

Environment and Building:
(02) 65 68 0229

Health and Community:
(02) 65 68 0221

Engineering:
(02) 65 68 0230

Dogs:
0408 256 819

Water and Sewerage:
(02) 65 68 0230

Roads and Bridges:
(02) 65 68 0230

Libraries:
Macksville:
(02) 65 68 1422
Nambucca Heads:
(02) 65 68 6906

Swimming Pool:
(02) 65 68 1445

Tourist Office:
(02) 65 68 6954

Depot Store:
(02) 65 68 1079

Waste Officer:
(02) 65 68 0236

Economic Development:
(02) 65 68 0226

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	57
Date Received:	26/7/02
Secretary:	Bardell

Dear Sir/Madam

INQUIRY INTO COST SHIFTING ONTO LOCAL GOVERNMENT BY STATE GOVERNMENT

I thank you for the opportunity to make a submission to this Inquiry.

I forward Council's submission.

Council sincerely hopes that some positive results will stem from this Inquiry.

Please acknowledge receipt of Council's submission.

Yours faithfully

**TOM PORT
GENERAL MANAGER**

TRP:ms

Enc.

NAMBUCCA SHIRE COUNCIL

ABN 71 323 535 981

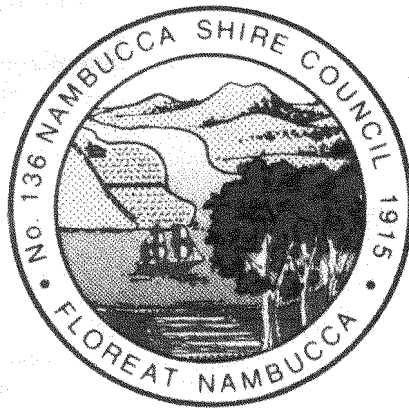
COUNCIL CHAMBERS

44 PRINCESS STREET, MACKSVILLE NSW 2447

Email - nambuc@midcoast.com.au

Website - <http://www.nambucca.nsw.gov.au>

NAMBUCCA SHIRE COUNCIL



SUBMISSION

TO

**THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE
ON
ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION**

**INQUIRY INTO
COST SHIFTING TO LOCAL GOVERNMENT
BY STATE GOVERNMENT**



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Generally the *template* and the questions contained therein designed by the Australian Local Government Association must be regarded as a guide only in preparing Council's submission.

The template does not provide headings for raising issues such as the cost to local government in New South Wales of pensioner rate rebates.

Nor does it address local government legislative changes which are ongoing and which involve a considerable cost in terms of compliance.

Further, Nambucca Shire Council believes that there is not only a devolution of costs to local government but also, in the *Sydney metropolitan area*, the State Government meets considerable costs in terms of road maintenance in regard to the streets in the central business district—a cost which is required to be met locally by rural based local government authorities.

The State Government and many of its agencies appear to support festivals and art, craft and cultural events held in Sydney whereas generally such events held in rural areas must rely on local support.

With regard to legislative reforms Nambucca Shire Council incurred considerable expense in complying with *organisational restructure* as required by the Local Government Act of 1993—including contracting Senior Staff. As events unfolded some of these contracts became no longer applicable because of amendments to the legislation.

Similarly, considerable cost was incurred by Nambucca Shire Council in complying with legislative reform and organisation restructure in regard to town planning legislation, when we saw building applications become part of the development application process and we saw the legislative introduction of private certification. It is likely that much of this legislation will now be undone because of dissatisfaction in regard to the private certification process and the standard of building control achieved.

It is not possible to put a firm cost on these movements. However, Council would anticipate that these changes are costing Nambucca Shire Council at least 1% of its general activities rate revenue each year—estimated \$46,000.

Road infrastructure deterioration is of the utmost concern to Council and is particularly frustrating given the removal of the Highway Principle by the Courts resulting in the loss of non-feasance immunity (the Evans Shire Council case) and rate pegging within which local government must operate in New South Wales.

The Federal Government's recent decision in regard to the Roads to Recovery funding should set the pattern for recognition at the higher levels of Government and very much to the relief of Australian communities and their respective local governments.

It is estimated that the total financial burden faced per annum by Nambucca Shire Council is \$1,591,800—this is explained at page 11 of this submission.

NAME	NAMBUCCA SHIRE COUNCIL
POPULATION SIZE	17,718
GEOGRAPHIC SIZE	1491 square kilometers
CURRENT BUDGET	\$24.5 million—details on next page

ANY RELEVANT DEMOGRAPHIC INFORMATION

Nambucca Shire experiences a positive growth rate. The Community Profile has not yet been updated to reflect the 2001 Census figures however there is no doubt that the populous under 19 years of age comprises around 30% of the total population.

After school age generally the population has to move on to seek advanced education or employment elsewhere and this is reflected in the fact that this section of the population is in the lowest percentage.

The amenable climate and hence the attraction for retirees is reflected in the percentage of the population which falls within the higher aged bracket.

OVERVIEW OF HISTORICAL DEVELOPMENT OF THE COUNCIL

Nambucca Shire enjoys a coastal location and is a relatively small rural council located midway between Sydney and Brisbane.

The first inhabitants were the Aboriginal Gumbayngirr people. Cedar attracted timber getters and these were followed by ship builders then free settlers which saw the establishment of villages and towns.

Nambucca Shire Council was formed in 1915—gazetted as Local Government Authority No. 136.

The quaintness of some of the towns and villages, the wonderful climate and the beautiful scenery attract tourists and retirees.

IS THE COUNCIL MEMBER OF A REGIONAL ORGANISATION OF COUNCILS?

Yes

Mid North Coast Group of Councils.

Details of Council's consolidated income and expenditure for general activities, water and sewer services.

Operating Expenditure		\$17,511,000
Operating Revenue		<u>15,616,000</u>
Operating Result		1,895,000 (deficit)
Capital Expenditure		7,010,000
Capital Revenue		<u>3,294,000</u>
Budget Result		5,611,000 (deficit)
ADD: Non Cash Adjustments:		
Depreciation	6,195,000	
Leave Entitlement	<u>308,000</u>	
		6,503,000
LESS: Net movements in restricted assets		930,000
ESTIMATED BUDGET DEFICIT		<u>\$ 38,000</u>

The details of rate revenue are as follows:

General	5,026,000	
Less Pensioners	<u>396,000</u>	4,630,000
Water Access	856,800	
Less Pensioners	<u>142,000</u>	714,800
Sewer Access	2,097,300	
Less Pensioners	<u>131,000</u>	1,966,300
TOTAL NET RATE REVENUE		<u>\$7,311,100</u>

OUTLINE ANY CONTRACT WORKS COUNCIL HAS UNDERTAKEN FOR ANY STATE, FEDERAL OR OTHER AGENCY DURING 2001/02 AND ITS VALUE.

Council undertakes *road maintenance* on certain designated main roads on behalf of the Roads and Traffic Authority.

Council does not incur a loss in undertaking this work.

Council repairs flood damage incurred on roads, bridges including road slips as a result of *natural disasters*. To date Council has not incurred a loss in undertaking this work locally on behalf of the State.

Council undertakes *noxious weeds control* and over the last few years funding from the State meets minimal control costs—with the emphasis moving to inspection. Council incurs some \$80,000 per annum costs in carrying out this function, including some \$25,000 in regard to treatment of Crown land and public areas.

Council undertakes *fire control* on Crown land, acting as Trustee and without any commensurate revenue at an estimated cost of \$1,000 per annum. Hazard reduction works in the order of \$20,000 per annum are required, however, Council cannot afford to implement the full requirements due to lack of funding.

OUTLINE ANY ACTIVITY COUNCIL HAS UNDERTAKEN WHICH WOULD NOT NORMALLY BE PART OF COUNCIL ACTIVITIES, OR TRADITIONALLY HAS BEEN PROVIDED BY FEDERAL OR STATE GOVERNMENT DURING 2001/2002 AND ITS VALUE*Aboriginal Medical Service*

Council has supported the establishment of an Aboriginal Medical Service (AMS) at Bowraville at minor cost to Council to this point.

It is estimated that Council is supporting the Service to the sum of at least \$100 per week being the rent foregone by Council on the premises currently occupied by the Service—cost to Council \$5,200 per annum.

Council has prepared and submitted many submissions to various Government authorities seeking recognition and funding for the AMS—without success to date. Estimated cost in administrative terms is \$1,000.

Community Services

Council has employed the services of an Aboriginal Community Worker, a Youth Worker, a Youth Development Officer and a Community Worker to put in place local community services and support programs which have been identified as needed and not provided locally by regionally based State Government or Federal Government departments or agencies.

The salary component of these programs will cost the Council some \$112,600 after subsidies for the 2002/2003 financial year.

The cost for the previous year was \$132,201. The cost has reduced because some programs will not be continuing due to the drying up of Government grant funding.

Plans—Cultural, Crime Prevention

Council has undertaken the preparation of a crime prevention plan—very basic—at the insistence of the State Government and the Police Department at a cost of \$6,000.

Council has undertaken a cultural development plan at the insistence of the State Government at an estimated cost of \$8,000.

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

Yes.

Particularly in regard to *environmental compliance* in several quarters.

Not so many years ago, town planning control was exercised by one officer attached to Council's engineering department.

Given the devolution of controls and compliance, it is estimated that an additional five staff members are now employed in planning and environment—yet the demands of the Protection of the Environment Operations Act, for example, are such that an additional officer—an environmental compliance officer—is required.

It is estimated that the actual additional employees engaged to date cost this Council an additional \$280,000 per annum in terms of wages and overhead.

Legislative changes in a number of fields require Council's officers to undertake *training sessions*—usually held in Sydney with Council incurring the costs of travel, accommodation, registration fees and the cost of wages for the period during which officers attend.

As an example Council's training budget for staff engaged in environment and community services is \$8,000 for 2002/2003—this is considerably less than for previous years.

It is estimated that at least half of this training budget is required for training sessions to bring staff up to speed, as it were, in relation to changes in legislation—say a cost of \$4,000 per annum.

OUTLINE WHAT SERVICES HAVE BEEN DEVOLVED AND APPROXIMATE ANNUAL COST AND INCOME.*Environmental Management Costs*

In comparison to inland councils, the costs associated with "compliance" alone are a drain on Council's available resources—particularly for a coastal local government authority.

The high conflict between land uses and environmental values are significant. With following up of complaints/enquiries could easily tie one (1) Compliance Officer up full time—if Council had such an officer.

Unfortunately I do not have such a resource to adequately and promptly attend to such matters of vegetation removal (Native Vegetation Act), Pollution of Water (Protection of the Environment Operations Act), backyard burning (Local Government Act Regulations) or other compliance matters.

It is estimated that Council would face an additional cost of some \$80,000 per annum for such an officer.

The impact of Catchment Management, Resource Management and State of the Environment reporting add to the impost on Council's resources to meet management expectations and legislative requirements.

Council's ability to charge a "fee for service" is almost impossible and when CPI wage increases and increasing insurance costs exceed the allowable increases in rate income due to the states "rate pegging", Council needs to assess its ability to provide service to ratepayers verses responsibilities imposed by the State.

The use of cadastral information has always been one of contention. Councils often have to duplicate costs to purchase such information simply to allow it to meet environmental reporting and management responsibilities devolved by State Agencies.

The estimated cost to Council in this regard is \$46,000 per annum.

Protection of the Environment Operations Act imposes responsibility upon Council in regard to inspections, issuing of licenses, serving of notices--\$10,000 per annum.

The Environment Protection Authority—an expectation and requirement that Council officers will conduct initial inspections in regard to complaints, including after hours--\$2,000 per annum.

Food Regulations continually under review and implementation of state wide registration or database for food premises--\$5,000, offset by an annual income from inspection fees of \$3,000.

Companion Animal Legislation including need to access central database—lifetime registration—control of cats—responsibility in looking after injured stock and animals--\$25,000.

Privatisation of *Building Control* under the EP&A Act sees Council responsible for keeping records (archiving) for a \$30 fee as compared to Council once receiving a building application fee and having the ability to ensure that all records are correct for a fee of \$200 per application.

Further, there are some unknowns waiting to happen in regard to this revised system which will have an impact on Council over time.

Administration of complaints in regard to *private certifiers*—no fee yet again some unknown costs waiting to happen in regard to this revised system which will have an impact on Council over time.

Reduced grants under the *Country Water and Sewer Schemes*—grants reduced from 50% to 30% which effectively puts on a long waiting list, any extension of infrastructure to serve environmentally sensitive areas.

Capital expenditure in regard to water and sewer schemes is approximately \$1 million per annum—thus the reduction in grants is costing this Council some \$200,000 per annum.

On Site Waste Management (Septic Tanks)—the legislation is such that Council cannot charge fees for inspection against the property and recover same in this fashion ie the license fee becomes a charge against the owner—or in many cases the occupier who often moves on without paying.

This does nothing to assist in the process of recovering fees yet the \$27,000 cost to implement would be cost neutral if recovery of fees was by way of a charge on the land.

State of the Environment Reporting has placed an added onus on Council in terms of correlating records and preparing reports—estimated cost to Council \$5,000 per annum.

Monitoring of ground water in the vicinity of sewerage treatment works estimated cost to Council \$2,000 per annum.

In regard to *waste management landfill sites*, monitoring of ground water, monitoring of gas and leachate—collection and treatment of leachate from old and new waste management landfills—estimated cost \$50,000 per annum.

Noxious Weeds—Government funding now directed at inspections—cost to Council in regard to treatment of Crown land and public areas estimated \$25,000 per annum.

Bushfire Hazard Reduction on Crown land where Council acts as Trustee appointed by the Crown—estimated \$20,000 per annum.

Oyster Leases no longer ratable and lessees no longer required to clear debris away from expired lease areas—estimated lost revenue \$40,000 per annum.

Motor Vehicles—taxation—originally sales tax exempt to local government which was swept aside by way of review prior to implementation of GST—cost to local government millions of dollars Australia wide—estimated loss to this Council \$36,000 per annum.

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

Yes.

Council has engaged an additional employee as *Finance Officer—GST/Statutory Reporting*.

Council has also engaged the services of an additional officer whose duties include preparation of the State of the Environment Report—classified as an *Environmental Officer*.

It is estimated that the additional salary component with overheads in regard to these two positions is \$80,000 per annum.

On occasions new legislative requirements dictate a reallocation of Council's resources ie the impact on Council's list of priorities.

It is estimated that *legal costs* incurred by Council in regard to town planning approvals and third party appeals or appeals on the part of the applicant in relation to the Land and Environment Court costs Council some \$300,000 per annum. Council often questions the wisdom of local government being the consent authority, acting on behalf of the State at the local level.

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

Perhaps this heading should be better worded to read “**OUTLINE ANY COUNCIL SERVICES THAT COULD, DUE TO COSTS BE PROVIDED BY ANOTHER SPHERE OF GOVERNMENT OR THE PRIVATE SECTOR?**”

Town Planning Control—Council has, earlier in this submission, addressed the additional requirements and costs in terms of town planning control.

Council has often asked itself whether town planning control shouldn't revert to the State Government, particularly given the number of State Government departments and agencies which must be notified in regard to designated and integrated developments and which are required to comment, including by way of recommendations, in regard to some developments.

The list of agencies must be daunting indeed to a prospective developer—agencies include Planning NSW, Coastal Council, Roads and Traffic Authority, National Parks and Wildlife Service, Department of Land and Water Conservation and so the list goes on.

A new service devolved to Council as from 22 July 2002 involves *Parking Police*. Given the rural nature of the towns and villages in Nambucca Shire, Council will incur a cost which will no doubt outweigh income by way of parking fees. Council was not invited to participate in the discussions leading up to this devolution and the State Government appears to have the attitude that “one size fits all” in such an exercise ie parking demands in Nambucca—and hence policing and revenue—will be the same as in larger centres.

Pensioner Rate Rebates—from the current budget's 2002/2003 summary earlier in this submission, pensioner rate rebates were listed as follows:

General pensioner rate rebates	\$396,000
Water access pensioner rate rebates	142,000
Sewer access pensioner rate rebates	131,000
Total pensioner rebates	\$669,000

Pensioners are deserving of a rate rebate and this was doubtless the philosophy behind the State Government's thinking in introducing such rebates. At the time of introduction the State Government met the full cost of such rebates.

Over time, the State Government now requires local government in this State to meet half the cost of these rebates—and in fact now refers to the State Government's half cost share as a “subsidy” to local government in meeting these rebates.

Council questions what will happen if the State Government ever decides to renege on its “subsidy” payment?

Meanwhile, it costs Nambucca Shire Council some \$335,000 per annum to assist the State Government to meet its pensioner rates rebate policy.

TOTAL FINANCIAL BURDEN—PER ANNUM—ESTIMATED

11

Drawing upon the references to Additional Costs contained in this submission the following schedule is compiled:

PAGE NO.	FUNCTION OR ISSUE	VALUE \$
1	Organisational Restructure Compliance--\$46,000 included at p6 (***)	
4, 8	Noxious Weeds—Crown Land & Public Areas	25,000
4	Fire Control—Crown Land	1,000
5	Bawrunga Aboriginal Medical Service	6,200
5	Community Services' Salaries	112,600
5	Plans—Cultural and Crime Prevention Total Cost \$14,000 w/off over 5 years	3,000
6	Environmental Compliance Addition Staff	(***)280,000
6	Training Sessions	4,000
7	Environmental Management Costs	46,000
7	Protection of the Environment Operations Act	10,000
7	Environment Protection Authority	2,000
7	Food Regulations (net cost)	2,000
7	Companion Animal Legislation	25,000
8	Country Water and Sewerage Schemes—Effect of Reduced Grants	200,000
8	On Site Waste Management (Septic Tanks)	27,000
8	State of the Environment Reporting	5,000
8	Monitor Ground Water—Sewerage Treatment Works	2,000
8	Waste Management Landfill Sites	50,000
8	Oyster Leases—Loss of Rate Revenue	40,000
8	Motor Vehicles—Taxation Adjustments say	36,000
9	Officers—Finance, Environment	80,000
9	Legal Costs Incl. Third Party Appeals	300,000
10	Pensioner Rate Rebates—Cost to Council	335,000
	TOTAL FINANCIAL BURDEN	\$1,591,800

To summarise, this is the cost to local rate payers in order to comply generally with changes brought about by the Local Government Act 1993, increased environmental compliance legislation, legal costs in relation to town planning and local government having to meet part of the pensioner rate rebate burden. This cost has a great influence on Council in setting its works priorities under its annual budget.

In addition, Council undertakes *Economic Development* and establishes and staffs a Tourist Information Centre with a view to improving the local economy, promoting the local area, creating jobs and generally giving people an alternative to welfare—thereby helping the Federal and State Governments to meet their socio-economic aims or objectives—often without recognition or a word of thanks—let alone any financial assistance in regard to smaller local government areas.

TOM PORT
GENERAL MANAGER

23 July 2002