



**SUBMISSION TO THE STANDING COMMITTEE ON
ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
INQUIRY INTO LOCAL GOVERNMENT AND COST
SHIFTING**

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CONTENTS

1.	INTRODUCTION	1
1.1	<i>Summary of Recommendations.....</i>	<i>2</i>
2.	OVERALL COMMENTS	4
3.	RESPONSES TO THE SPECIFIC TERMS OF REFERENCE	5
3.1	<i>Local government's current roles and responsibilities.....</i>	<i>5</i>
3.2	<i>Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.....</i>	<i>6</i>
3.3	<i>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.....</i>	<i>8</i>
3.4	<i>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.....</i>	<i>10</i>
3.5	<i>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.....</i>	<i>10</i>
3.6	<i>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.</i>	<i>11</i>
4.	CASE STUDIES	12
4.1	<i>Companion Animal Act 1996 – Blacktown City Council.....</i>	<i>12</i>
4.2	<i>Commonwealth and Crown Land Holdings – Impact on Rate Revenues – Blue Mountains City Council</i>	<i>12</i>
4.3	<i>Subsidisation to Community Services Sector – Blue Mountain City Council.....</i>	<i>13</i>
4.4	<i>Pensioner Rate Rebates – Parramatta City Council.....</i>	<i>14</i>
4.5	<i>Accountability with State Legislation – Holroyd City Council</i>	<i>15</i>
4.6	<i>Cost of Employment of a Road Safety Officer – Auburn Council.....</i>	<i>14</i>
4.7	<i>Summary of Human Services areas affected by cost shifting – Hawkesbury City Council.....</i>	<i>16</i>
5.	EXAMPLES OF COST SHIFTING AND ASSOCIATED ISSUES.....	18
5.1	<i>GENERAL</i>	<i>18</i>
5.2	<i>HUMAN SERVICES</i>	<i>18</i>
5.3	<i>LIBRARIES.....</i>	<i>18</i>
5.4	<i>ROADS AND INFRASTRUCTURE.....</i>	<i>18</i>
5.5	<i>PLANNING.....</i>	<i>19</i>
5.6	<i>ENVIRONMENTAL MANAGEMENT</i>	<i>19</i>
5.7	<i>OTHER.....</i>	<i>20</i>
6.	APPENDIX – GREATER WESTERN SYDNEY MAYORAL STATEMENT	21



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1. INTRODUCTION

Cost shifting (transferring to another level of government the responsibility for a service but not sufficient resources to provide that service) has long been a common practice, but has had the greatest and most negative impact on local government. Both State and Federal Governments have attempted to shift costs to each other in this manner – and both have practised it on local councils, who have little or no capacity to resist this pressure or to pass the resulting costs on to anyone else.

Councils have the added disadvantage that their sources of income – be they rates, user charges, grants or developer contributions – are determined by the State Government. Therefore their ability to make up any shortfall through either rate increases or user charges is severely limited.

Cost shifting can also be indirect as well as direct, and may involve several intervening parties. For example, costs can be shifted from the Federal to the State government who can pass them on to local government, or either level of government can shift costs to the community or non-government sector, which then put pressure on to councils to offset these costs.

All these processes put council budgets under considerable pressure – especially those in the WSROC Region. Australia's population growth is occurring largely in outer suburban areas such as Western Sydney which are still playing catch-up in the provision of infrastructure. Decisions regarding Australia's population growth and distribution are national ones, yet the Federal Government has little or no involvement in the resulting impacts on particular local communities.

This submission argues that this failure to provide adequate funding for the regional and local infrastructure required to service this population growth is itself a significant form of cost shifting with national implications. Both Federal and State Governments need to engage with the region to provide the infrastructure it needs and to protect the region's sustainability. The key development issues being faced by Greater Western Sydney are summarised in the recent Mayoral Statement which was supported by all 14 Mayors in the region (attached).

Many aspects of cost shifting are explored in this response which has been prepared by WSROC in conjunction with its member councils, whose individual submissions should also be consulted. This submission also includes a number of case studies of cost shifting which have been prepared by the councils, along with a further list of examples of cost shifting.

This submission responds to each of the Inquiry's terms of reference, starting with the preamble.

1.1 Summary of Recommendations

- 1) *The terms of reference for the inquiry into cost shifting should be expanded to include cost shifting by both Federal and State Governments as well as all forms of direct and indirect cost shifting.*
- 2) *The requirement for any proposed reform to cost shifting to be “cost neutral to the Commonwealth” should be removed as unrealistic in light of:*
 - a) *the Federal Government’s involvement in of cost shifting;*
 - b) *the fact that all forms of cost-shifting have been occurring for a considerable period of time and the associated inter-generational cost-shifting;*
 - c) *the financial pressures on councils in Western Sydney which have had to bear the cost of many aspects of population growth, caused by both Federal and State Government policies;*
 - d) *the fact that the Federal Government engagement required in metropolitan regions and the provision of urban infrastructure will inevitably result in additional financial commitments.*
- 3) *All levels of government should cooperate to develop broad principles which clarify the allocation of functional responsibilities between these levels of government in Australia and jointly agree to recognise these functions.*
- 4) *This process should ensure that Councils are able to respond to local needs and aspirations in providing services and functions as well as to wider government responsibilities and in addition should acknowledge that metropolitan councils will have a different capacity and operational context to those in rural areas.*
- 5) *The process should also promote greater awareness of the primary role of local government in local service provision and urban management and ensure that in the future there is no ad hoc intervention from other levels of government especially where there is a clear accountability to local communities.*
- 6) *The NSW Minister for Local Government should be asked to consider this submission and the issue of cost-shifting generally from a state perspective.*
- 7) *An agreed process should be developed between councils and State and Federal Governments to ensure that when a service is devolved to local government it is automatically accompanied by adequate and secure funding sources.*
- 8) *This process should apply not only to the devolution of services, but also to the costs involved in meeting the increased governance, accountability and reporting requirements placed on councils, as well as to less obvious forms of cost shifting such as responding to the needs of specific communities such as first-generation migrants.*

- 9) *Federal, State and local governments should cooperate to undertake a detailed and objective audit of the extent of cost shifting. This audit should cover all forms of cost shifting as described earlier and should include cost shifting by both State and Federal Governments, as well as the impacts of arrangements such as Section 94 contributions.*
- 10) *A wide debate should be conducted on the effectiveness and relevance of rate-pegging and, if it is to continue, what should be placed under the rate pegging “cap”.*
- 11) *Councils should be given greater flexibility to explore, individually and collectively, alternative sources of funding. All levels of government should assess the potential for introducing betterment taxes.*
- 12) *This debate should also consider the inequity of applying rate pegging, statutory limitations on fees and charges, etc to local government when the same restrictions are not applied to State Government activities.*
- 13) *All levels of government should work together to provide adequate infrastructure and to protect the sustainability of the Greater Western Sydney region. All levels of government should review their administrative structures to ensure this issue is addressed.*
- 14) *The Federal Government should realise that there are distinct regions in urban areas and that these regions may be the best level for the provision of some services.*
- 15) *The Federal Government should engage in a more strategic way in metropolitan regions such as Western Sydney and in the provision of urban infrastructure.*
- 16) *As part of this process, consistent common boundaries should be established between local, State and Federal Governments to define regions. Where possible existing ROC boundaries and organisations should be used rather than duplicating them.*
- 17) *Federal and State Governments should consider the potential for pooled funding to regional groupings of councils for strategic projects, such as WSROC’s proposal for a Regional Development Fund.*
- 18) *The State Government should be requested to reconsider the decision not to pass on a proportion of national competition policy (NCP) payments to local government.*
- 19) *Federal, State and local governments be requested to negotiate the payment of a proportion of the GST proceeds which will be passed on to the States.*
- 20) *Federal and State Governments should support greater cooperation between Councils, particularly small councils, for the provision of services. This should be matched by a process of rationalising service provision by Federal and State agencies to reduce duplication.*

2. OVERALL 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 reference to cost shifting needs to be expanded to incorporate cost shifting by the Federal Government, though in the context of this submission it is assumed that cost shifting at the Federal level is covered by the general reference to the “financial position of local government”. It is unfortunate however that the Inquiry does not explicitly include Federal Government cost shifting. This also has an important impact on local government, and the attempt to exclude it may have politicised what is a very important issue.

In practice the term “cost shifting” covers a range of practices, including:

- ◆ Cost shifting directly by State Governments to local government;
- ◆ Cost shifting directly by the Federal Government to local government;
- ◆ Indirect cost shifting, for example, where the either level of government shifts costs either to local communities or to organisations in the non-government sector who then seek support from councils;
- ◆ “Surreptitious” cost shifting. This occurs when Federal or State Governments fail to take into account the differential spatial impacts of their policies and programs, for example, government policies which encourage people with particular needs to congregate in low-income areas. It also occurs when population policies at the Federal level or land releases or urban redevelopment decisions at the State level have a disproportionate impact on certain communities and there is inadequate provision of services and infrastructure to support these communities;
- ◆ Inter-generational cost-shifting. Often accompanied by inter-governmental cost shifting, this arises from the long-term failure to provide or maintain infrastructure, especially in areas with population growth resulting from development or redevelopment. Future generations – and often local councils and communities – are then left with the social, economic and environmental consequences, as well as with the burden of providing or replacing this infrastructure, often at greatly increased expense.

It also needs to be recognised that cost shifting is often a gradual process. Services may initially be fully funded by State or Federal Governments when they are devolved to local government or alternatively councils may be able to recoup these costs. However, over time government funding can be arbitrarily reduced or even removed or restrictions may be introduced to limit the ability of councils to charge for the service provided.

Recommendations:

- 1) *The terms of reference for the inquiry into cost shifting should be expanded to include cost shifting by both Federal and State Governments as well as all forms of direct and indirect cost shifting.*
- 2) *The requirement for any proposed reform to cost shifting to be “cost neutral to the Commonwealth” should be removed as unrealistic in light of:*
 - a) *the Federal Government’s involvement in of cost shifting;*
 - b) *the fact that all forms of cost-shifting have been occurring for a considerable period of time and the associated inter-generational cost-shifting;*
 - c) *the financial pressures on councils in Western Sydney which have had to bear the cost of many aspects of population growth, caused by both Federal and State Government policies;*
 - d) *the fact that the Federal Government engagement required in metropolitan regions and the provision of urban infrastructure will inevitably result in additional financial commitments.*

3. RESPONSES TO THE SPECIFIC TERMS OF REFERENCE**3.1 Local government's current roles and responsibilities.**

As the experience of WSROC member councils clearly indicates, cost shifting is not confined to either Federal or State Governments. Consequently, the issue will not be resolved unless there is a cooperative approach by all levels of government. Federal, State and local governments should be brought together to establish broad principles to clarify the allocation of responsibilities between the different tiers of government.

To this end, a copy of this submission will be forwarded to the NSW Minister for Local Government who should also be invited to consider this important issue from a State perspective.

The process of allocating responsibilities will need to recognise that service provision must be responsive to community needs and aspirations, particularly at the local level. It should be done in a flexible way which recognises that metropolitan councils will have a different capacity and operational context to those in rural areas. There also needs to be greater awareness of the primary role of local government in local service provision and urban management and less *ad hoc* intervention from other levels of government especially where there is a clear accountability to local communities.

It is important to note that cost shifting occurs within a wider context of increasing demands on councils from local residents and others. Councils face increasing community expectations to provide a wider range of services including social, community and economic development services, tourism facilities and cultural development.

Many of these emerging community demands are for new services which have no funding arrangements, such as the provision of information technology services through the public library network. Even here, however, there are instances of cost shifting. For example, part of the pressure for improved council library facilities comes from increased usage by school and university students whose own libraries have been affected by State and Federal Government funding restrictions.

Recommendations

- 3) *All levels of government should cooperate to develop broad principles which clarify the allocation of functional responsibilities between these levels of government in Australia and jointly agree to recognise these functions.*
- 4) *This process should ensure that Councils are able to respond to local needs and aspirations in providing services and functions as well as to wider government responsibilities and in addition should acknowledge that metropolitan councils will have a different capacity and operational context to those in rural areas.*
- 5) *The process should also promote greater awareness of the primary role of local government in local service provision and urban management and ensure that in the future there is no ad hoc intervention from other levels of government especially where there is a clear accountability to local communities.*
- 6) *The NSW Minister for Local Government should be asked to consider this submission and the issue of cost-shifting generally from a state perspective.*

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

There is currently no agreed process between councils and State and Federal Governments to ensure that when a service is devolved to local government it is automatically accompanied by adequate and secure funding sources. This applies not only to the devolution of services, but also to increasing governance, accountability and reporting requirements placed on councils.

For example, councils now have to prepare many reports and plans, including state of the environment reports, management plans, social plans and plans of management for community lands. They must comply with State and Federal environmental, heritage and planning legislation such as the Environmental Planning and Assessment Act, Threatened Species Conservation Act, Rural Fires Act, the Federal Environment Protection and Biodiversity Protection Act, etc.

Many of these plans and acts oblige councils to carry out detailed surveys, studies or consultations and most have complex reporting and accountability requirements. In some cases the cost of meeting the latter is an even bigger burden than the cost of the associated service.

The lack of adequate funding is exacerbated by the limitations placed on councils to recover costs from the local community of providing these services, such as rate pegging, combined with apparently arbitrary increases in levies by government agencies. Grant funding is of course also determined by State and Federal Governments. In addition both levels of government enjoy exemption from council rates. As well as affecting councils' annual budgeting, these limitations make it difficult for councils to raise the capital required to replace and refurbish ageing infrastructure.

Another area of concern are changes to long-standing funding arrangements which aim to increase innovation but which are not accompanied by guarantees of additional resources, thus threatening security of funding to councils. For example, whilst the initiatives proposed in AusLink for changes to road funding by the Federal Government may introduce more flexible transport responses, proposals to "move beyond" the current 100% funding responsibility for the National Highway System and renegotiate the 1991 Roads Agreement may just spread existing roads funding to cover a wider range of projects.

The lack of adequate transport infrastructure and in particular public transport is particularly acute in Western Sydney. Over the past seventy years the region's rail system has had only two extensions, both relatively modest, whilst losing another three branch lines. The State Government has now started construction of the first stage of the Parramatta to Chatswood rail link, announced proposals for a rail line to the north-west sector and commenced development of the regional bus transitway system. However it is facing resourcing difficulties resulting from the long period of neglect by previous State and Federal Governments. This represents a form of inter-generational cost shifting.

At the local level, councils face particular difficulties in providing facilities and services for new and redeveloping residential areas. Whilst Section 94 of the Environmental Planning and Assessment Act allows councils to levy contributions from new development, it has a number of limitations. It is difficult to recover the full cost of providing facilities, especially at the regional level or for facilities to service an increasing population in established areas resulting from redevelopment. Above all Councils have to provide many facilities upfront, especially basic infrastructure such as roads and drainage, and recover the costs afterwards.

As well as the more obvious costs associated with population growth, there are also the less-obvious indirect costs to Western Sydney councils, such as Fairfield and Auburn, whose population has a large proportion of first generation immigrants. In many ways these councils undertake what are effectively Federal Government responsibilities to assist these people adapt to Australian laws, protocols, language and customs. The responsibilities for providing this assistance need to be recognised and clarified and appropriate funding sourced.

A detailed and objective audit of the extent of cost shifting is required. This audit should cover all forms of cost shifting as described earlier and should include cost shifting by both State and Federal Governments. There also needs to be a wider debate on the effectiveness and relevance of rate-pegging and, if it is to continue, what should be placed under the rate pegging "cap". This debate should also consider the inequity of applying rate pegging, statutory limitations on fees and charges, etc to

local government when the same restrictions are not applied to State Government activities.

Whilst the main sources of local government funding will continue to be from rates and grant funding, councils also need greater flexibility to explore, individually and collectively, alternative sources of funding, especially those which can be potentially linked to population growth. Opportunities that should be considered include betterment taxes on private gains from public investment in infrastructure.

Recommendations

- 7) *An agreed process should be developed between councils and State and Federal Governments to ensure that when a service is devolved to local government it is automatically accompanied by adequate and secure funding sources.*
- 8) *This process should apply not only to the devolution of services, but also to the costs involved in meeting the increased governance, accountability and reporting requirements placed on councils, as well as to less obvious forms of cost shifting such as responding to the needs of specific communities such as first-generation migrants.*
- 9) *Federal, State and local governments should cooperate to undertake a detailed and objective audit of the extent of cost shifting. This audit should cover all forms of cost shifting as described earlier and should include cost shifting by both State and Federal Governments, as well as the impacts of arrangements such as Section 94 contributions.*
- 10) *A wide debate should be conducted on the effectiveness and relevance of rate-pegging and, if it is to continue, what should be placed under the rate pegging “cap”.*
- 11) *Councils should be given greater flexibility to explore, individually and collectively, alternative sources of funding. All levels of government should assess the potential for introducing betterment taxes.*
- 12) *This debate should also consider the inequity of applying rate pegging, statutory limitations on fees and charges, etc to local government when the same restrictions are not applied to State Government activities.*

3.3 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.

As indicated earlier, the fact that regions such as Western Sydney support a disproportionate level of the nation’s population growth without adequate resourcing amount to a huge and hidden form of indirect cost shifting. All levels of government should work together to provide adequate infrastructure and to protect the region’s

sustainability. All levels of government need to review administrative structures to ensure this issue is addressed.

A fundamental aspect of this should be much greater Federal Government engagement in metropolitan regions and the provision of urban infrastructure. One in 10 Australians now lives in Greater Western Sydney and the region's population grew by over 135,000 between 1996 and 2001. Population projections indicate that the region will increase by a further 600,000 over the next 20 years.

Yet the Federal Government has very little involvement with Western Sydney as a region. The government needs to realise that there are distinct regions in urban areas and that these regions may be the best level for the provision of some services. In reengaging with Western Sydney in a regional context, Federal and State governments should not reinvent the wheel and should use existing structures such as ROCs rather than duplicating them.

As part of this process, consistent boundaries should be established between local, State and Federal Governments to define regions, for example, by using either ROC or PlanFirst boundaries. In addition Federal and State Governments should consider the potential for pooled funding to regional groupings of councils for strategic projects such as WSROC's proposal for a Regional Development Fund. Councils could also contribute to this fund.

Recommendations

- 13) *All levels of government should work together to provide adequate infrastructure and to protect the sustainability of the Greater Western Sydney region. All levels of government should review their administrative structures to ensure this issue is addressed.*
- 14) *The Federal Government should realise that there are distinct regions in urban areas and that these regions may be the best level for the provision of some services.*
- 15) *The Federal Government should engage in a more strategic way in metropolitan regions such as Western Sydney and in the provision of urban infrastructure.*
- 16) *As part of this process, consistent common boundaries should be established between local, State and Federal Governments to define regions. Where possible existing ROC boundaries and organisations should be used rather than duplicating them.*
- 17) *Federal and State Governments should consider the potential for pooled funding to regional groupings of councils for strategic projects, such as WSROC's proposal for a Regional Development Fund.*

3.4 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.

As indicated earlier, any determination of functions between different levels of government should differentiate between the different roles and capacities of metropolitan and rural councils. In doing so it should recognise that metropolitan councils need to provide additional services and functions above the core functions of local government. They are also subject to additional pressures for service delivery associated with State and Federal Government policies, eg, population growth, urban consolidation and new release area development.

Another area of concern has been the decision of the NSW Government not to pass on a proportion of national competition policy (NCP) payments to local government. Thus Councils miss out on the payments which effectively compensate State Governments for the implementation of NCP.

It also appears that Councils will also miss out on the payment of a proportion of the GST proceeds which will be passed on to the States. They have already been hit by effective double taxation resulting from some aspects of the introduction of the GST (for example, Councils have been charged for GST on disposing of vehicles on which they had already paid sales tax).

Recommendations

- 18) *The State Government should be requested to reconsider the decision not to pass on a proportion of national competition policy (NCP) payments to local government.*
- 19) *Federal, State and local governments be requested to negotiate the payment of a proportion of the GST proceeds which will be passed on to the States.*

3.5 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.

The need to establish a process to reassign roles and responsibilities between different levels of government has already been discussed. It should be emphasised that any reform of roles must be accompanied by a realignment of financial resources.

As part of this process, Federal and State Governments should support greater cooperation between Councils, particularly small councils, for the provision of services. This should be matched by a process of rationalising service provision by Federal and State agencies to reduce duplication.

Recommendations

- 20) *Federal and State Governments should support greater cooperation between Councils, particularly small councils, for the provision of services. This*

should be matched by a process of rationalising service provision by Federal and State agencies to reduce duplication.

3.6 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.

As indicated earlier, this submission challenges the presumption that any outcomes will be budget neutral for the Federal Government. The Federal Government has itself engaged in various forms of cost shifting and in addition, councils in Western Sydney in particular have had to bear the cost of many aspects of population growth, caused by both Federal and State Government policies. The Federal Government engagement required in metropolitan regions and the provision of urban infrastructure will inevitably require an additional financial commitment.

4. CASE STUDIES

4.1 Companion Animal Act 1996 – Blacktown City Council

The Dog Act 1966 was replaced with the Companion Animal Act 1998 which came into effect in July 1999. This new Act provided for lifetime registration of dogs and cats. Councils act as the agent for the Department of Local Government to administer the Act and are paid 80% of the registration fee. The administrative costs to Council to maintain the database is between \$3.50 and \$6.00 per dog per update.

In the lifetime of a dog, there may be changes in address or changes of ownership that need to be made. With a lifetime licence of \$35 for a desexed dog, these types of changes soon eat away at the revenue received. Under the new legislation Councils have been required to provide “Leash Free Areas”, hold the dog for a minimum of 14 days; and continue the regulation and control of animals.

Council received 100% of the revenue collected under the old legislation and had lower administrative costs even though fees were collected on an annual basis. Currently the annual revenue paid to Council is less than that previously obtained under the old Act.

4.2 Commonwealth and Crown Land Holdings – Impact on Rate Revenues – Blue Mountains City Council

Blue Mountains City Council serves 26 townships in a local government area of 1433 square kilometres. The townships are situated from 50 to 120 km west of Sydney, within 1,000 square kilometres of World Heritage listed National Park.

The City is essentially a ribbon of development stretching from Penrith in the East to Lithgow in the West. The geography of the Mountains and the constraints on development due to the environmental significance of the area means that there is little opportunity to expand Council’s existing rating base through the provision of additional parcels of land. Large parcels of land that could be subdivided, sold, and occupied by additional residents are simply not available within the local government area.

Throughout the City there are approximately 1,035 parcels of Crown land (State Government), 730 parcels of land owned by the Sydney Catchment Authority, and 94 parcels of Commonwealth held land – a total of 1,859 parcels. These figures exclude those parcels held by other instrumentalities such as the SRA and Defence Housing etc. Without considering the size and/or value of individual parcels of land, the minimum rate that could be levied by Council on these parcels if they were held privately is in the order of \$1,115,000 per annum (Council’s minimum rates are \$599.80 per rateable property). If we consider that the average rates per parcel across the City is \$870.70, the amount of income that Council must forgo due to the non-rateable status of this land could be closer to \$1,619,000 per annum.

The restrictions on Council’s available rate base when coupled with the rapidly increasing costs of environmental management, being a significant issue in an area such as the Blue Mountains, means that Council is having to considerably reduce the expenditure allocated to traditional services, and most significantly the maintenance of the local infrastructure.

4.3 Subsidisation to Community Services Sector – Blue Mountain City Council

1. Introduction

This case study demonstrates Blue Mountains City Council's subsidisation to Community Services Sector through the provision of Community Buildings - due to lack of defined rental component in the funding arrangements or grants from State/Federal Government.

2. Background

Blue Mountains City Council has been in the process of reviewing its practice in managing community assets and as part of this process Council has identified many areas that potentially could be improved without placing any financial burden on its ratepayers. One of which is the rental provision within community projects funded by various State Government Departments.

Historically, Local Government's involvement in community services in New South Wales is primarily in the planning, coordination and support of services. Blue Mountains City Council has been involved in community services and the provision of community facilities for many years. Many organisations funded by State and/or Federal Government Departments do not have a rental component within their funding sources and rely on Council to assist with providing subsidised accommodation. Others have rental components well below the cost to Council of providing and maintaining the premises.

3. Implications

Council has met the on-going management, maintenance and operating costs of the premises and experienced substantial losses from such provisions. This has affected Council's financial resources and created a backlog of maintenance works on Council's building assets. Attached is a spreadsheet outlining details of financial impact to Council. This spreadsheet takes into account the notional foregone rents (approximately 4% of land and buildings values) as well as the conservative maintenance costs (approximately 1% of building values) of community buildings which are currently occupied by Community Services Sector. Overall, it costs Blue Mountains City Council at least \$435,000 per annum through Council's subsidisation to Community Services Sector's accommodation that is supposed to be fully funded by State/Federal Government.

4. Conclusion & Recommendation

Like State and Federal Government, Council is under increasing pressure to be accountable for the good management of public assets. It is obvious that Council needs assistance from State and Federal Government in the process of funding community projects. A rental component together with a maintenance element should be specifically allocated within the funds of State Government funded community groups. This approach will assist those community groups in becoming more independent in the search for accommodation and the real cost of the project can be reported to the community. On the other hand, Council will minimise its opportunity costs associated with the lease/licence of its building assets.

In view of the above, it is recommended that, as an initial step, discussions could take place between State/Federal Government and Council representatives to establish clear guidelines for the responsibility to accommodate organisations funded by the State Government and to ensure inclusion of full rental allocation within funded community projects and programs.

4.4 Pensioner Rate Rebates – Parramatta City Council

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 pensioner's 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.

4.5 Cost of Employment of a Road Safety Officer – Auburn Council

This is an example of the impact of how Councils are required to pick up increasing costs of a project which is part funded by another level of Government.

Grant and Expenditure History

	1997	1998	1999	2000	2001	2002
Grant Rec'd	30,000	30,000	35,000	35,000	35,000	35,000
Council Expenditure						
Salary	29,378	26,747	35,197	33,313	44,782	48,659
On-cost @ 34%	9,989	9,094	11,967	11,326	15,226	16,544
	39,367	35,841	47,164	44,639	60,008	65,203
Program Costs Administration @10%	2,001	2,116	1,460	1,760	2,049	2,414
	61,382	59,115	63,224	64,001	82,547	91,752
Total Council Cash & In-kind	31,382	29,115	28,224	29,001	47,547	56,752

Minor amounts for individual projects are granted.

The income and matching expenditure for these projects are not included above.

4.6 Accountability with State Legislation – Holroyd City Council

This is a worked example of the costs involved with complying with selected State legislation.

PRIVACY & PERSONAL INFORMATION PROTECTION ACT

Costs

2 enquiries per annum @ 2 hours per enquiry = 4 hours per annum

Total Privacy & Personal Information Protection Act Costs = 4 hours x \$42.50 per hour (includes oncosts) = \$170

FREEDOM OF INFORMATION ACT

Costs

6 applications per month @ 2 hours per application = 6 x 12 x 2 = 144 hours per annum

Sate Govt. FOI Act meetings 4 x 5 hours per meeting = 20 hours per annum

Training courses 1 x 8 hours = 8 hours per annum

Total Freedom of Information Act Costs = 172 hours x \$42.50 per hour (includes oncosts) = \$7,310

CHILD PROTECTION ACT

Costs

Staff committee meetings - 8 meetings per annum x 0.5 hours per meeting x 7 people = 28 hours per annum

Pre/Post committee meeting activities - 1 hour per month x 12 months x 7 people = 84 hours per annum

Training - 4 night sessions x 3 staff (presenters) x 3 hours per session = 36 hours per annum

- 1 day session x 2 staff (presenters) x 6 hours per session = 12 hours per annum

- presenter preparation time 3 hours per session x ((3 x 4) + (1 x 2)) sessions = 42 hours per annum

Investigations per annum - 3 minor investigations x 16 hours per investigation x 2 staff = 96 hours

- 2 major investigations x 32 hours x 3 staff = 192 hours per annum

Committee & child

care directors training - 18 staff x 8 hours per annum = 144 hours per annum

Total Child Protection Act Costs = 634 hours per annum x \$42.50 per hour (includes oncosts) = \$26,945

TOTAL COST OF ENFORCING/IMPLEMENTING THE ABOVE ACTS = \$34,425 PER ANNUM

4.7 Summary of Human Services areas affected by cost shifting – Hawkesbury City Council

These examples involve either State or Federal Governments. Please note that some of the figures used are estimates.

Item	Government Agency	Description	Comments
CDSE Scheme Community Development Support Expenditure Scheme	NSW Department of Gaming & Racing	Community Funding Scheme requiring relevant clubs to allocate set percentage of gaming machine profits to fund community initiatives.	Legislative requirements. Legislation identified Councils as preferred bodies to administer scheme and co-ordinate local committee. This requires allocation of worker hours and associated costs - advertising, printing etc. etc. Cost of administering scheme in excess of \$20,000. No funds are provided to Council to offset these costs.
Western Sydney Area Assistance Scheme	NSW Department of Urban Affairs & Planning	Funding program established by DUAP to resource 'unmet' needs in specific areas across NSW	DUAP provides a contribution of \$11,000 to the cost of employing a Community Projects Officer to assist Council administer the scheme. This contribution does not meet the costs incurred by Council in administering the scheme (estimated at \$30,000 a year)
Community Worker Subsidies	NSW Department of Community Services. Department of Ageing, Disability, & Home Care	Salary subsidy to employ community workers to resource projects funded by relevant agencies	In total DoCS & DADHC provide about \$45,000 in funds as a salary subsidy for three positions. There is an expectation that Council will therefore resources and support projects funded by these bodies and attend to such other matters as required by them. The level of funding provided does not equal the costs of performing these various services (a shortfall of at least \$60,000).
Child Care Operational Subsidies	Federal Department of Family & Community Services	Funds provided to assist low-income families to access child care. Funding withdrawn 1996	Withdrawal of operational subsidies had an immediate impact on the viability of a number of community based children's services. As a result, Council staff were required to intervene to assist these services to restructure staffing and financial arrangements.
Funded Services	Various DoCS DAD&HC	Funding provided to community groups to operate services to residents.	Limited growth funding. Limited allocation of funds for accommodation/rent costs, capital improvements, award increases etc. As a result Council provides a range of subsidies to funded groups (community service obligation), the main one being free 'rent' - this equates to a subsidy of about \$445,000 in income foregone by Council (at market rents).
Social Plan	Department of Local Government	Requirement on Councils to prepare Social Plan	Legislative requirements. Costs of complying with guidelines is about \$30,000. This is an ongoing requirement.
Capital Facilities	Various Government Departments	Construction of facilities to house community services	Contributions of Government departments do not cover full costs of constructing facilities to house their funded services. e.g. - Council had to contribute \$750,000 to construct Peppercorn Place (DADHC contributed \$555,000)
Occasional Care & Family Day Care funding	Federal Department of Family & Community	Children's Services	The nature of these services makes them financially unviable to operate by community groups. As a result many councils are required to provide an ongoing operational

Item	Government Agency	Description	Comments
	Services. NSW Department of Community Services.		subsidy to support these services (\$50,000 for Occasional Care & \$30,000 for FDC).
Various Community Events.	Various government departments	Designated (national) days to promote various aims	Examples include Child Protection Week, Children's Week, Seniors Week, Youth Week, NAIDOC, Cultural Harmony etc. Government departments provided very limited funding to support these events. On average Council contributes up to \$40,000 a year in funding and in-kind contributions to support these events.
Licensing requirements for children's services	DoCS	Licensing regulations impacting on operation of children's services.	DoCS reviews its licensing regulations for children's services on a regular basis. This generally leads to additional licensing requirements. Given the financial pressures on children's services - there is an expectation that Council should meet the costs of renovations and upgrades in the facilities it provides to funded children's services. This can cost anywhere between \$30,000 to \$100,000 per year out of the Building Maintenance Program.

5. EXAMPLES OF COST SHIFTING AND ASSOCIATED ISSUES

5.1 GENERAL

- Rate pegging application and accountability
- Cost of increasing levels of accountability not built into revenue, for example, increased technology costs and increasing managerial/policy focus required of councils as opposed to revenue going to capital expenditure
- Cost of collecting and administering the GST
- Non-payment of rates on Commonwealth holdings which are not rateable

5.2 HUMAN SERVICES

- Childcare funding - reduced Federal Government contribution and cost shifting in fee regime
- Preschools - deficit in funding for service provision
- Subsidy for bus routes – weight/number increase and funding reduced for local roads
- Costs associated with the provision of services to residents in SEPP 5 and SEPP 10 developments
- Social plan process mandated by Government generates increased expectations of the range of services to be provided by local government
- Community sector grants - aged care, youth, road safety officers etc – many State and Federal grant programs provide inadequate funds which are topped up with council cash or in-kind support.
- Migrants and refugees – inadequate support for 1st generation migrants and for TPVs
- Grants for community services no longer include rental for premises, resulting in requests from community organisations for free council rent

5.3 LIBRARIES

- Local libraries being used by uni students as university services are reduced. Consequent cost of providing technology for libraries
- Funding for libraries from State Government also reduced - user charges not allowed and total revenue reducing over time
- Primary school classes use facilities for classes as a result of downgrading of State Government primary school resources (eg, 3-4 classes a day at Auburn Library)
- Library NESB materials/English language not funded directly for TPV holders. The concentration in some local areas of TPV holders whose access to state/regional services is limited

5.4 ROADS AND INFRASTRUCTURE

- Arterial road maintenance – costs not covered by present funding

- Commuter building and maintenance of car parks for state facilities and transport interchanges - not being provided with maintenance costs of rail commuter car parks etc
- Traffic grants for lines/signs responsibility passed on from RTA – public liability issue
- Road and traffic signs – only 75% of installation and maintenance costs provided by State government
- AusLink – proposed changes may result in current funding being spread too widely

5.5 PLANNING

- Federal and State Governments have previously failed to fund adequate infrastructure resulting in social, economic and environmental costs being passed onto current local councils and communities and to future generations
- Development process under EPA Act and the associated integrated assessment requirements of state agencies
- Private certification – Councils have to monitor and report poor work
- Infrastructure in new release areas has risk and up-front costs that are paid by councils under existing s.94 legislation
- S94 does not adequately cover costs of regional facilities and those for population growth in established areas
- Court costs for legal compliance (i.e. Land and Environment court) and state planning policies
- Flood mitigation ratio between Federal:State:Local Government decreased from 2:2:1 to 1:1:1 so that Federal Government pays less.
- Urban growth – Sydney Water etc, infrastructure responsibility (i.e. council undertake provision of water and sewerage up front) – Re: \$100m upfront funding required by council for Edmonson Park upfront for fragmented ownership
- Sydney Water is not pre-investing in new release areas up-front.
- State facilities and developments often constructed without associated facilities – for example, commuter car parks for school and car parks for health centres

5.6 ENVIRONMENTAL MANAGEMENT

- Environmental regulation administration is increasingly costly and directly applies to local government
- SOE – reporting and the cost of supporting programs
- Recycling –an expectation of the community but many of the costs passed on to local government
- Environmental Regulation grant – provided for 1-2yrs on condition that position made permanent (waste minimisation officer)
- Community land plans of management – LG Act responsibility and cost shifting resulting from the additional responsibility required of local councils
- Contaminated Lands Act protocol – EPA can order public authority to rectify if user/landowner not around any more (not state funded)

- Threatened Species legislation – administrative costs.
- Pollution – Councils required to administer controls without additional support
- Environmental monitoring – eg measuring water quality
- Noxious weeds: no funding to support responsibilities

5.7 OTHER

- Waste services levy – transparency
- Food premises database required on behalf of State Government – Local Government required to review to collate
- Brothel regulation now the responsibility of local government instead of police
- Companion animals Act – set registration fees but increasing costs for councils.
- Parking police – some councils facing loss from shifting of the responsibility of the scheme
- SOPA does not pay rates under state legislation

6. APPENDIX – GREATER WESTERN SYDNEY MAYORAL STATEMENT

GREATER WESTERN SYDNEY

MAYORAL STATEMENT

27 JUNE 2002

This Mayoral Statement highlights urban growth as the major challenge facing our region and our councils.

We, the Mayors of the fourteen (14) Cities and Shires that make up Greater Western Sydney, along with the President of WSROC and the Chair of MACROC, seek commitments from the NSW and Commonwealth Governments that all urban growth will be supported by measures to guarantee an equitable and sustainable urban environment.

The Greater West is a key metropolitan region, integral to Sydney's role as a global city. It is essential that the significance of the region is better recognised by all levels of Government and that a coordinated strategy is developed to manage urban growth within the Sydney basin.

The population of Greater Western Sydney is around 1¾ million people, 40% of Sydney's total population. Substantial population growth has already transformed the region, which is predicted to further grow by up to 600,000 people over the next 20 years, many of whom will be born in the region.

We seek major commitments by Government to invest in the physical and social infrastructure of our region. This investment should be focused to meet existing needs in established urban areas, the early provision of infrastructure to support current urban development as well as identification of long-term commitments to meet the needs of future growth.

The NSW and Commonwealth Governments need to develop a clear policy for Sydney that balances longer-term growth pressures on Greater Western Sydney with development in other parts of the Sydney basin. Ad-hoc land release programs and ill-defined urban consolidation policies, which focus urban development without matching infrastructure commitments are not sustainable.

As representatives of local councils in Greater Western Sydney we seek greater support from the NSW and Commonwealth Governments to cope with the challenges of past and future urban growth. We seek:

- A greater say in the rate, type and location of development in our local areas;

- Recognition of the concerns and aspirations of residents in Greater Western Sydney in making decisions about urban growth and land supply;
- A clear commitment and funding program to provide essential infrastructure and services in a timely fashion to address problems in existing communities as well as servicing new communities;
- A real commitment to sustainability and the creation of high quality places in which people can live and work;
- Recognition that the environmental quality of Greater Western Sydney must be maintained as a key regional asset and as a clear constraint to urban development;
- Continued commitment to an inclusive as well as a socially and culturally diverse region that presents opportunities for all our residents;
- A stop to the pressure on local councils to cram unacceptably higher densities into established communities;
- A commitment to assist in the provision of social infrastructure and services in established as well as newly developing areas to promote cultural, social and recreational opportunities;
- A commitment to growing high quality locally-based jobs in Greater Western Sydney to match growth in housing and population and to the development of the regions' educational and training infrastructure; and
- The development of better ways to work with other levels of government to coordinate, fund and deliver a sustainable urban region.

Finally, we seek an opportunity to present our concerns to the NSW Premier and request the convening of a tri-level government leaders summit, facilitated by the NSW Premier's Department, to set a joint direction and establish clear programs and funding commitments for the management of urban growth in Greater Western Sydney.

Clr Michael Tadros
Mayor
Auburn Council

Clr David Blake
Mayor
Bankstown City Council

Clr John Griffiths
Mayor
Baulkham Hills Shire
Council

Clr Alan Pendleton
Mayor
Blacktown City Council

Clr Jim Angel
Mayor
Blue Mountains City
Council

Clr Geoff Corrigan
Mayor
Camden Council
Chair MACROC

Clr Russell Matheson
Mayor
Campbelltown City
Council

Clr Anwar Khoshaba
Mayor
Fairfield City Council

Clr Rex Stubbs
Mayor
Hawkesbury City Council

Clr Mark Pigram
Mayor
Holroyd City Council

Clr George Paciullo, OAM
Mayor
Liverpool City Council

Clr John Haines, OAM
Lord Mayor
Parramatta City Council

Clr Patrick Sheehy
Mayor
Penrith City Council

Clr Colin Mitchell
Mayor
Wollondilly Shire Council

Clr Mark Greenhill
President WSROC