

DISTRICT COUNCIL OF
ELLISTON

SUBMISSION TO:

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

REGARDING THE:

INQUIRY INTO LOCAL GOVERNMENT
AND COST SHIFTING

OUTLINE OF THE DISTRICT COUNCIL OF ELLISTON

SUBMISSION COMMENT

In detailing this submission comment is made on how the implication of cost transfer impacts on this Council. It is expected that general industry comment on collective "State" implications will be compiled by the Local Government Association of SA.

Coincidental to the calling of submissions, this Council has been working through the financial challenges currently facing it. These challenges are quite simply that expenditure is exceeding income and the Council is heading for financial insolvency (if nothing is done).

We have committed a lot of time, energy and resources in an effort to change the buoyancy of the boat (rather than shuffle the deck chairs on the Titanic).

ANALYSIS OF COUNCIL'S KEY FINANCIAL INDICATORS

Net Current Asset Position (working capital)

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------|---------|-----------|-----------|-----------|-----------|
| Current Assets | 210 046 | 194 998 | 394 314 | 280 551 | 338 839 |
| Current Liabilities | 122 018 | (266 138) | (380 588) | (440 123) | (545 120) |
| | 88 028 | 71 140 | 13 726 | (159 572) | (206 281) |

The above figures identify a distinct trend. They show the working capital position of the Council has gone from surplus to a significant deficit.

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|-----------|-----------|-----------|-----------|-----------|
| Bank Overdraft | | 70 843 | 235 797 | 231 974 | 246 370 |
| Loan Borrowings - principle outstanding | 34 171 | 37 526 | 180 619 | 341 599 | 343 343 |
| Capital Expenditure | 514 470 | 767 384 | 713 981 | 1 105 840 | 582 052 |
| Recurring Operational Costs | 1 051 896 | 1 747 128 | 1 837 277 | 1 966 249 | 2 338 067 |
| Rate | 614 877 | 635 832 | 644 770 | 684 845 | 774 409 |

| | | | | | |
|--------------------------------------|--|--|--|--|--|
| Increases (total rate revenue) | | | | | |
|--------------------------------------|--|--|--|--|--|

The conclusions are regrettably very obvious. Operational expenditure for this Council increased by 122% (ONE HUNDRED AND TWENTY TWO PERCENT) over the five year period.

Rate income has increased just over 25.9% over the same period.

This equates to an average of 5.18% a year.

Special mention is made of the single year 13% increased in 2000 in an attempt to undertake some fiscal equalisation. Again quite clearly increasing rate revenue to sustain equity with increasing costs is unsustainable.

With alacrity, this Council has initiated fiscal action to address the financial hole into which it was heading.

Specific actions being considered / undertaken are:

- Reduction of operation expense ie. energy use reductions, water etc.
- Reduction of employment costs / numbers
- Asset sales
- Reduction of customer services
- Reduction of capital works
- Increase user pay charges
- Chase every grant opportunity
- Adhere to strategic directions
- Continually monitor financial performance and audit / benchmark activities

Whilst Council has taken the sharp instrument to its operations the ongoing issue of "making or breaking" Council finances will definitely be the level of increasing costs and functions transferred to Local Government.

FUNCTIONS AND COSTS TRANSFERRED

Remember the older slogan "Councils are Roads, Rates and Rubbish". Recall now the catch cry Local Government is now much more than Roads, Rates and Rubbish.

Has anyone thought what brought this about?

Was it due to a natural evolution of community interest / demand for additional services or was it from devolution, imposition or simple transfer of responsibility from other spheres of Government.

Some examples of what this council is now into:

- Television:** Due to lack of reception the Elliston Community raised in excess of \$60 000 to install their own retransmission service.
- Water:** Venus Bay and Port Kenny townships do not have reticulated water. The Council was required to install and operate bores and pumps to provide a storage facility so that people can cart the water to their homes. SA Water (State Government) has repeatedly refused to have anything to do with installation of a suitable reticulated system. The supply is at crisis and the cheapest water supply solution of desalination is 1.5 million.
- Aerodrome:** The Elliston Community suffered a tragedy when a young mother and child perished during child birth. The main mitigating factor being lack of an airstrip. So the community pooled its resources and volunteered over 5 000 man hours to build an airstrip suitable to accommodate the Royal Flying Doctor aircraft (\$450 000).
- Stormwater:** The township of Lock was expending significant monies on mains water. This prompted installation of a stormwater retention dam which was built entirely by local volunteers who donated time, plant and equipment (\$200 000).

The above are not nominations for innovative awards they are real examples of the measures required by small isolated communities to survive.

With regards to specific cost shifting issues:

- Roads:** Councils used to receive subsidised registration costs for road transport vehicles. Over time the State Government has phased this out eg. Council's prime mover road construction truck used to cost a few hundred dollars to register now it is \$4,700.

Government restructuring resulted in sale of the railway system which has now increased freight tonnage on roads. Increasing road haulage tonnage is mitigating Council's road works with excessive blow outs and break down of road surfaces. This results in additional road work costs for which we receive very little funding.

**Community
Transport:**

The District is located 170 km from the Regional Centre of Port Lincoln. The entire district is without any public transport to the Regional Centre. To provide community service in this area Council has an ageing Toyota Coaster (1988) which is utilised to run a service to Port Lincoln. This bus is manned by unpaid volunteers. Finances required to upgrade the bus \$80,000 - \$100,000 are beyond the community resources. In addition to the community bus, Council is partnering with Red Cross to operate a community transport service. The service provides access for frail aged, disadvantaged people etc. to Port Lincoln by utilizing volunteers to drive the Council administration vehicle to Port Lincoln. Council incurs the cost of providing the vehicle.

Town Planning:

Council is required to review its Development Plans every three years. Currently it takes 18 to 24 months from commencement to gazettal. Associated costs for this small council are in the order of \$50 000. Having finished the plan council is then required to recommence it 12 months later. With annual development application fees of \$5 000 Council is unable to fund the costs.

**Waste
Management:**

Councils are struggling with increasing compliance requirements on waste management and land fill sites. Small rural councils, such as this council, do not have the finance or resource to undertake these waste management requirements. For example council is 400 km from the nearest regional waste management / recycling facility. It is neither practical nor economical to transport materials for recycling.

Health:

Again as an isolated community special incentives are required to encourage medical practitioners to the community. This council has been forced to offer executive housing and provision of fully service motor vehicles as complimentary packages to interested doctors. Health service is clearly a State Government responsibility and councils should not be required to outlay costs associated with securing location of doctors within communities.

Native Title: Native Title is a National responsibility and it is a clear case of both Federal and State Government transferring costs to Local Government. The administrative requirements, protocols and consultation processes are a significant cost imposition that should be met by the Nation.

Native Vegetation: The State Government enacted legislation that prohibited the clearance of native vegetation. Environmental considerations aside, this legislation forthwith curtailed development of productive agricultural land. The consequences being restriction on economic development within the district and direct loss of rateable property to council. Rateable property was lost by way of the legislation exempting the native vegetation from rates. The income loss to council was in fact greater than that of the value of the vegetated land, as the land has a higher rateable value as productive agricultural land.

Jetties: The deal with recreational jetties was that the State Government would refurbish the jetties and for Local Government to then take lease responsibility for 25 years. The alternative was that if Local Government did not accept responsibility for the jetties they would not be refurbished and would be left to deteriorate. Consequently council reluctantly agreed to the proposal. The community of 1230 people are now required to finance maintenance costs for the next twenty five years.

In closing, the issue of cost shifting can be best related to as the fly paper method. Which is, the practice of Government (State and Federal) providing some funds for provision of new services and then withdrawing or reducing the funds. Expectation for continuation of delivery of the service has been created and Local Government is then stuck with funding the new expectation.