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

RE: INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Leichhardt Council is pleased to offer this submission to the Inquiry into Local Government and Cost Shifting.

Leichhardt Council is located in the inner metropolitan area of Sydney. Leichhardt was incorporated as a local government area in 1871. In 1949 the municipalities of Annandale and Balmain were amalgamated with Leichhardt. In 1967, the municipal boundary was varied to include Glebe and parts of Camperdown.

Leichhardt has a population of 62,053 (June 1999 Australian Bureau of Statistics) within an area of 1226 hectares. There is a significant cultural diversity in Leichhardt's population. At the 1996 Census, approximately 28% of Leichhardt's population were born overseas with 15.5% coming from non-English speaking backgrounds. There are 110 parks, gardens or reserves covering 102 hectares providing both active and passive recreation. The Municipality also has a 17km frontage to Sydney harbour.

Leichhardt Council submits that there has been a significant and unsustainable level of cost shifting onto Local Government by the NSW State Government. At the same time, the NSW State Government has not allowed Local Government to raise revenue to compensate financially for these additional costs by imposing Rate Pegging limits.

This submission outlines numerous examples of how cost shifting by the NSW State Government has impacted on Leichhardt Council.

Rate Pegging

The NSW State Government system of rate pegging limits the amount of revenue that can be raised through council rates. The rates pegging limit set each year has often not even matched the CPI increase, and has fallen well short of the specific cost increases relevant to Local Government.

Employee costs comprise approximately 50% of operating costs for Leichhardt Council, which is typical for the industry. Award wage increases have generally been well in excess of the rate pegging limit, resulting in a deficit arising annually between unavoidable cost increases and allowable increases to revenue. In addition, other cost burdens have impacted on local government such as the large increase in insurance premiums, which have increased well in excess of the rate pegging limit. A cost directly imposed by the NSW State Government is the contribution to the NSW Fire Brigades, which has been increased by 13.3% in 2002/03 while the rates pegging limit has been set to 3.3%.

Financial Assistance Grants

Council's allocation for general purpose financial assistance grants have reduced from \$1,630,000 in 1995/96 to \$1,422,000 in 2002/03.

This reduction has occurred throughout a period of increasing demands for Council resources. Leichhardt Council is an inner city local government area with aging infrastructure in conjunction with strong pressures from urban development. The current method of allocating financial assistance grants unfairly disadvantages Leichhardt Council.

The main issue for Leichhardt Council in relation to the horizontal equalisation principles is the calculation of revenue allowances by the Grants Commission. These revenue allowances are intended to compensate councils for their lack of revenue raising capacity, which is assessed by the comparison of land value per property with a standard for the state. The justification for this from the Grants Commission is that rates are the principle source of Council revenue, rates are a tax levied on the value of properties, and that property values indicate the relative economic wealth of local government areas. The Grants Commission also state that the councils showing the greatest decrease in their grant represent those local government areas where property values have remained stable or are rising, compared to the state average.

Leichhardt Council is opposed to this approach as firstly it assumes that higher property values reflects an ability to pay additional rates. There are many ratepayers for whom this assumption is false. Secondly, it ignores rate pegging imposed by the NSW State Government. Leichhardt Council has no capacity to raise additional rates revenue from rising property values. Rates pegging sets a limit on the amount of revenue that can be raised in total by a council, regardless in changes in property values. Changing property values merely redistribute the rating burden amongst properties within the council boundaries. Similarly, a council with falling property values will not experience a fall in rates revenue, as they are entitled to raise a certain amount of revenue regardless of any changes in property values. Leichhardt Council has experienced significant increases in land values and has been penalised for this in the calculation of its share of financial assistance grants. The national principles relating to the allocation of financial assistance grants to local government state that horizontal equalisation "...takes account of differences ...in the capacity of those local

governing bodies to raise revenue.” Rate pegging neutralises any capacity to raise revenue though increased land values.

Leichhardt Council also considers that the expenditure disability factors used in the horizontal equalisation calculation do not adequately compensate Council for the unique problems experienced by an inner city foreshore area. These problems include high maintenance costs due to aging road, footpath and stormwater infrastructure. In addition, Council must maintain its harbour infrastructure including wharves and almost 8km of seawalls. Wharves and seawalls are expensive to maintain by Council, while the benefits are provided to all users of Sydney Harbour including the public ferries. Few councils incur the cost of seawall maintenance yet this disability was rejected by the Grants Commission.

Contribution to NSW Fire Brigades

Leichhardt Council’s contribution to the NSW Fire Brigades has increased by an average of 8% pa since 1994/95, when the contribution was \$381,202 pa. The contribution has increased by approximately 13% for the 2002/03 financial year, to \$708,000 pa. This increase is in sharp contrast to the rates pegging limit imposed by the NSW State Government of 3.3%.

Community Safety

In 1997 the commonwealth government initiated the National Crime Prevention Program and committed \$21 million in funding over 4 years to the project. For a program that has to address even by conservative estimates, a problem worth \$18 billion per annum, the funding barely touches the surface.

The program recognises that most of this work is undertaken by police and the criminal justice system but that it takes place after the event. The focus of the program is therefore to intervene before the crime is committed. Key to success is working within a framework that identifies associated risk factors for various categories of crime.

It is this approach, as valuable as it is that has seen the development of crime prevention and community safety strategies as a role for local government. This has occurred without any of the corresponding funding.

- Most funding available from the NSW Attorney Generals Department requires a Council endorsed crime prevention plan before funding is made available. This requires Councils to make a financial commitment up front in order to develop the plan in a realistic and consultative manner.
- The act of consulting on these matters establishes an expectation within the community that local authorities will be pursuing a role in crime prevention and community safety. Once established it is difficult to keep the perceptions about the extent of the role within reasonable boundaries.

- An example of changed expectations is how people have accepted the failure of the police service to keep pace with needs of the community. Communities have come to accept that there are more important matters for police to be attending rather than walking the beat. They have embraced video surveillance as an acceptable alternative with a corresponding expectation that in public space it is the responsibility of the council to install and operate this equipment. The level of comfort with video surveillance has increased due to the knowledge that in many areas of our daily lives this type of surveillance is being used eg individuals shops, shopping centres, hotels and entertainment venues, doctors surgeries, hospitals and schools.

Graffiti

Recent changes to the NSW LG Act in relation to graffiti is a further example of a response by the State Government that in an attempt to “listen” to the community demands on this issue, completely overlooks the implications for local government.

The new legislation provides for councils to enter into agreements with the owners of private property to undertake a fee for service graffiti removal. Alternatively if the council chooses not to enter into an agreement but wishes to remove the graffiti, they can do so if the council bears the cost.

Even prior to the enactment of this legislation it has become apparent that the community sees only the second part where council bears all the responsibility and all the cost.

To ensure the legislation can be effectively utilised council will be forced to develop policy (probably including community consultation) and education of the community on the new legislation before they actually implement it. The costs therefore are 2-fold: the education and policy development requirements and the actual graffiti removal without an obligation of property owners to contribute. No funding at all has been made available to address these issues.

Youth

The role of local government in providing services, facilities and activities for youth has again evolved from increased demands from the community about an issue that has not ever been adequately funded. As the level of government closest to the community there is an expectation that resources will be provided by local government to keep young people gainfully occupied out of school hours. The perception is that the primary responsibilities of the state are around education, harm minimisation and child protection. While this division of responsibilities may be reasonable, it cannot be overlooked that local government has no capacity to raise additional funds via taxation or otherwise in order to meet the community expectations.

In this Council the state contributes \$1,500 for youth week activities, funding for a youth community development worker for 8.5 hours per week and occasional small grants for youth oriented one-of projects, recreation or crime prevention.

In the early 1980's Glebe Youth Service was established with funding for just one part-time street worker. It has gradually attracted more funding over the years. In 1984, DOCS granted the Youth Service \$100,000 recurrent funding, which was in 1985 a much appreciated windfall, however it was foreseen that even this amount would not meet the community expectation of what the Youth Service should be doing for the youth in Glebe. Since then they have attracted one-off funding for special projects, however have had to come to terms with working on a very tight budget. Repeated requests for increased funds to the Department of Community Services (DOCS) have repeatedly been denied with the same answer; there are no more funds available.

The funding does not allow the centre to undertake the full extent of work (ie surveys, extended opening hours, specialised counselling services) that is required to have an impact on the problems affecting young people in the area. Truancy, drug and alcohol misuse, homelessness, violence, participation in crime and vandalism and broader health issues are all cause for concern in the area.

Council has established partnership programs with the Glebe Youth Service and other youth providers in the area in order to share resources to adequately address the issues and to meet the community expectations. It is likely that both the occasions of partnership and the level of partnership between the Glebe Youth Service and Council will increase in order to meet the basic community need.

Aged/Disability services and facilities

Round 1 of the HACC Program was announced in 1985, and from this time the joint Commonwealth/State responsibilities in relation to Aged/Disability services were devolved to Local Government and community organisations. This was away from the previous situation, where residential care was the main option for older people and those with disabilities, and fully funded by the Commonwealth government.

The funding mechanisms through an EOI process never covered the full cost of programs, but always it was accepted that areas like free accommodation, transport and administrative costs would be covered by the funded organisation.

The costs of employing staff have never kept up with the real costs. Initially, Aged and Disability Development workers were allocated 50% of salary and costs. As the on-costs have grown, so the percentage covered by DADHC has reduced.

The worst inequity in the area of employment is the current refusal of the Federal Treasurer to meet the salary costs, allowed under the new SACS Award. Employees in this sector has suffered low wages for years, whilst at the same time assuming greater and greater levels of responsibility in keeping people from entering expensive residential care.

Capital funding under HACC and its precursor used to provide 3:1 funding for the establishment of HACC facilities, particularly those with multiple use. More recently, this funding has reduced to almost 1:3, as in the case of the recently established St Helen's HACC centre in Glebe.

Capital funds were generous in the 60's and 70's, but as reported in the McLeay Report 1982, what resulted all over Australia was the creation of ghettos in the local Senior Citizen Centres. Here, small groups of ageing and intransigent people, held the facilities to ransom, not allowing other groups of aging people entry. The cause of this was largely that it was an easy political option to fund a building, but the recurrent costs of staffing them was never considered. The few Councils who did provide staffing of Seniors and Neighbourhood Centres, (and Leichhardt LGA was one of these) never received acknowledgment, or recompense from other levels of government for running these community centres and ensuring that justice and equity applied to their usage.

Commonwealth Programs such as Active Australia, and State Programs such as "Make a Move", "Falls Prevention" and other initiatives designed to improve the health of older/disabled people depend heavily on Local Government. Some funds are available through NSW Sport and Recreation, but these are minuscule in relation to the funds spent by Local Government in provision and maintenance and hire of facilities, as well as funding particular programs. Some of these cover "Falls Prevention" workshops, water awareness for children and adults with disabilities, for which there is no State Government funding.

There is a healthy encouragement to involve volunteers in HACC funded programs, but Local Government and community groups have costs involved with recruitment and support of volunteers, some of which have been partially assisted in recent times through funding Volunteer Training. However, it does not meet the full costs of recruitment and placement of volunteers and Local government is being asked to pick up this funding.

Support for Carers is provided through HACC and Disability funding programs. However, Local Government often picks up on the inadequacies of respite care and the real suffering of carers, particularly those for whom it is a life-time commitment. Inadequate and bureaucratic responses are provided to carers who wish to make alternative accommodation arrangements for their dependents.

Information provision is a very important area, where all people know how to contact their local Council and do so very frequently. Councils produce information booklets, and on-line information to assist people to find their way around the complexities of service provision. This is not really recognised by other levels of government

The process of validation (a quality assurance process) for aged services has too imposed an increased cost on councils. It is a valuable process, but requires a huge amount of time from aged care staff and management to meet the requirements. This time is unfunded

Finally, leisure learning/adult education opportunities are not at all the province of local government. In Leichhardt, facilities such as old Town Halls and purpose built facilities are used to provide learning opportunities 7 days a week at very moderate cost to consumers. Some Councils are opening Computer Rooms to assist in teaching older people and those with disability to catch up with technology and learn these skills. All libraries provide Internet training and regular access. This is just being recognised by the NSW Department of Aging, but so far few funds have followed on this rhetoric.

Out of school hours (OOSH) –Glebe

Glebe School Child Care Centre did start out like other Out of School Hours centres - they charged fees and were given a subsidy on the amount of children eligible for assistance. However in 1996, the centre (in cooperation with Council) changed it's constitution to provide a free (or low cost) program to meet the needs of the children who were at that stage roaming wild and causing havoc on the streets. Leichhardt Council staff could see there was a need for this service to provide a free childcare service for these children, as the parents were unable to pay for it. The centre was granted "Unusually funded" status by the Commonwealth Department of Family and Community services in 1997, when the operational subsidy to OOSH centres was withdrawn, however the amount granted was never related to the real numbers and costs of running this program. Workers in the centre have for many years fulfilled roles that DOCS and other agencies failed to provide and for which they were not funded nor supported in any way. There is hope that after much community and council lobbying, that the establishment of the Families First project in the area will shift some of the burden back to state agencies where it belongs.

In 1999 the Centre asked the Commonwealth FACS office to review the funding, however this has not happened. Council has provided the service with "top-up" funding every year in order to keep the service solvent.

Meetings have been held this year to enable the Centre to receive Child Care Benefit subsidies, with some concessions regarding the nature of the service and the strict requirements of the funding, however this has yet to be tested and proven viable. Council in the meantime has again provided limited assistance.

Childcare

Operational financial support was withdrawn from the long day care centres in 1997. This means that that Council has had to assume all financial aspects of maintaining the childcare services. Consequently, the fees have increased dramatically in order that the services remain operationally breakeven. Council is therefore unable to defray internal costs, eg HR, finance, payroll, insurance without increasing the fees for the parents to a level that would make the services non viable. A recent benchmarking exercise identified that these costs for each service were \$60,000 per annum. Only this week a report has been released identifying the critical shortage of childcare available and in particular to lower income working families.

The time required to complete accountability documentation (ASSPARDS, Funding Agreements, licensing documentation) has increased greatly over the last three years as requirements of the State & Federal Governments become increasingly complex. This time is entirely unfunded.

Child Care Benefit is paid to the families enrolled in Council's long day care and Family day Care services meeting the criteria of the Federal Govt through the Family Assistance Office. Accounting for these funds is a very complex process, and has required the employment of a full time staff member, and the purchase and annual maintenance of a software program for each service.

Accreditation is a quality assurance process for long day care services. It is a valuable process, but requires a huge amount of time from child care staff and management to meet the requirements. This time is unfunded.

Statutory Fees for Development Applications

The fees that Councils are able to charge applicants associated with the processing of development and associated applications are currently highly regulated and calculated on a single indicator, the cost of the development. This highly regulated fee structure does not provide the opportunity for Councils to charge for the real costs associated with the processing of applications, and does not take into account circumstances associated with particular applications. In many cases the cost of development does not reflect the complexity of the matter and the extent to which Councils must expend resources in assessment and determination.

The inability for Councils to charge the real costs associated with the service means that, in the majority of cases, Councils are in fact subsidising the service. In the current climate of unprecedented development in Sydney, the gap is ever increasing, ie. the more applications received and processed, the greater the gap between regulated fees and real costs and the greater the subsidy required. Inevitably local authorities do not have the resources available to address the subsidy without impacting on other service areas. The end result is that the processing of applications, particularly for areas experiencing increasing application numbers, comes at the expense of other services.

It is the Council's submission that it should be able charge processing fees which reflect the real cost to the Council for providing the regulatory function. The provision of the service may vary from Council to Council depending on the particular circumstances and the community's expectations, ie. level of consultation, use of mediation, extent of officer involvement in determining appropriate and acceptable design etc. Such an approach would benefit applicants, Councils and the local community.

Environmental legislation and pollution control

The changes to environmental and pollution legislation in recent years has resulted in much greater enforcement responsibility resting with local government. Councils are now primarily responsible for policing littering, smoky

vehicles, water pollution, noise pollution and air pollution. Some industries that were formally licensed are no longer covered by State regulation, with the responsibility for effective pollution minimisation falling to councils.

In order to undertake these enforcement responsibilities effectively councils invariably have had to employ additional staff to both prepare appropriate policies and procedures, as well as enforce the legislation. Leichhardt Council has numerous officers now employed to enforce the Protection of the Environment Operations Act. Additional officers have been employed to prepare environmental policy. The financial impact on Council amounts to \$120,000 pa to employ one environment officer and one compliance officer.

Companion Animals legislation

Changes to this legislation in recent years has also resulted in additional policy and enforcement responsibilities falling on local government. While councils have historically been responsible for “dog control”, the legislation goes further in relation to requirements regarding companion animals. Additional costs include the preparation of a companion animals plan of management, the operation of a companion animals committee and the generally greater level of community consultation in relation to this issue.

Road Safety

The State government has shifted much of the local area planning and management of road safety to councils, with some subsidies from the Roads and Traffic Authority. The Council has had to employ a Road Safety Officer and fund project work.

Administrative Decisions Tribunal

The introduction of the Administrative Decisions Tribunal (ADT) has led to increased costs for Leichhardt Council. The ADT has the power to review Council's Freedom of Information decisions. Previously this role was undertaken by the Ombudsman at little or no cost. It should be noted that while Council has substantially won all cases, costs are not awarded in the ADT leading to a significant cost burden to Council regardless of the merits of any case brought against it.

State Emergency Services

Provision of equipment, accommodation and other assistance to State Emergency Services is a cost born by local government. Leichhardt and Ashfield Councils meet the daily operational costs for the local State Emergency Services on a 50 / 50 basis. Last year the SES cost Leichhardt Council \$45,000.

In addition, Leichhardt Council prepares an agenda and records minutes for a quarterly Local Emergency Management Committee meeting held at the Annandale Police Station - Operations Centre. Council also provides

representation on the Sydney Mid Western Emergency Management Committee at a bi-monthly meeting.

Undergrounding of Power Lines

Leichhardt Council has given qualified support to the undergrounding of power lines but is concerned about the potential financial burden on ratepayers. An interim report from the Independent Pricing and Regulatory Authority (IPART) indicates there is still a lot of work to be done to show that the benefits outweigh the \$4 billion cost.

In principle Leichhardt supports power undergrounding to improve the reliability of electricity supply during storms, as well as for the aesthetic enhancement of suburban streetscapes. However, we are concerned about a number of issues, especially equity and the perception that the cost of improving the State's power distribution infrastructure is being shifted directly onto households.

The financial and administrative arrangements should be a State Government responsibility, rather than the current suggestion that Councils collect additional rates for power undergrounding.

Cost shifting by Energy Australia

Energy Australia now charges councils for the assessment of customer complaints on public lighting. Energy Australia now charge Council's to prepare a design and quotation (no matter how minor or straightforward) for improvements to their lighting infrastructure for areas that do not meet appropriate Australian street lighting standards.

Energy Australia's infrastructure has been allowed to deteriorate over many years and Council's are now expected to pick up the cost for design upgrades for a poorly maintained street lighting network.

Energy Australia has withdrawn from a long-standing practice of maintaining and repairing damaged or vandalised lighting in parks. For one park alone in the Leichhardt Council LGA (Bicentennial Park) there are initial upgrade costs of \$20,000 which in future will extend to over \$250,000 in capital replacement.

State Transit Authority

The NSW State Transit Authority have taken the position that they are a transport provider only and will not maintain infrastructure relating to their services. Councils have to maintain bus shelter sheds, signage for bus stops, and quite often have to replace the road pavements at bus stops with concrete bus slabs due to the diesel spill and the weight of the buses causing damage to asphalt.

Ferry Wharves

Ferry wharves, used primarily for public transport, are currently owned & maintained by Leichhardt Council. For some time now Council has been negotiating with Waterways and the Dept. of Transport to accept ownership and management responsibility for these commuter wharves. Council needs to spend \$775,000 over the next five years to bring these up to satisfactory condition and a further \$42,000 per annum for yearly maintenance. In addition 3 of these wharves will need total replacement in order make them accessible and satisfy the Disability Discrimination Act which will cost approximately \$750,000 per wharf.

Sea Walls

Maintenance of sea walls is a Council responsibility yet it is the commuter ferries that cause most of the damage. The State Government should provide funding to Local Government for the repair and replacement of sea walls due to the destruction caused by their ferries. Most often, any part funding opportunities for repairs or rebuilding are either extremely limited or non-existent. Council has to spend \$575,000 per annum to maintain the sea walls to a satisfactory condition. This amount excludes additional funding for major capital works that are undertaken periodically such as Illoura Reserve located on Johnston Bay which cost \$340,000 in the last financial year.

The State Government's latest litter campaign.

An information package was recently established, including posters, stickers and media releases. However the onus was on local government to implement the program within their local community

Resource NSW (previously Waste Boards)

With the incorporation of all of the Waste Boards into Resource NSW, resourcing towards implementation of the Board's projects has been abolished and Council now has to totally fund the associated works including the position of Waste Projects Officer.

Resource NSW also appears to be heading in the same direction as other State Government Departments, where Council is responsible for the implementation of partially funded programs. An example is the latest Illegal Dumping Grant Program, where Council has to apply for a grant and match the funding.

The Inner Sydney Waste Board required a Waste Development Control Plan for all Councils in the region, and this initiative is being continued through Resource NSW. This requires Council resources to ensure that the Waste DCP is implemented.

Sydney Water

Sydney Water own a number of major drainage lines throughout the Leichhardt Council area which have been assessed as being under-capacity by contemporary design standards, causing flooding problems. Sydney Water

have adopted the position that their responsibility is only to maintain the existing system to its current capacity and that Council has to meet the cost of any upgrading works or any water quality improvements to this drainage system. Sydney Water own part of the drainage system and yet are trying to pass the required upgrading costs onto Leichhardt Council.

Conclusion

This submission has outlined many areas in which there has been cost shifting by the NSW State Government onto Leichhardt Council.

This supports Leichhardt Council's submission that there has been a significant and unsustainable level of cost shifting onto Local Government by the NSW State Government. At the same time, the NSW State Government has not allowed Local Government to raise revenue to compensate financially for these additional costs by imposing Rate Pegging limits.

Peter Head
ACTING GENERAL MANAGER