

2 March 2010

Mr Mark Croxford  
President  
Jerrabomberra Residents Association Inc  
PO Box 132  
JERRABOMBERRA NSW 2619

Dear Mr Croxford

In response to your letter of the 24 February 2010 concerning the CityCARE levy I advise as follows;

1. How did Council determine the CityCARE levy would be 5.8% and not some other number?

The proposed CityCARE levy is seeking to raise \$1m per annum (5.8% increase) to begin reducing the \$15m backlog in asset maintenance that Council has identified as it implements the requirements of Integrated Planning & Reporting. All Councils in NSW must produce an Asset Management Plan and a Long Term Financial Plan.

Under these new requirements all councils must have in place a Community Strategic Plan which reflects the community's long term aspirations for their local government area and this must be informed by a Resourcing Strategy which consists of:

- A **Long Term Financial Plan** which covers a minimum period of 10 years and clearly sets out projected income and expenditure over this period.
- An **Asset Management Plan** also covering a minimum 10 year outlook which must identify assets critical to the council's operations as well as projected resource requirements in respect of asset maintenance, rehabilitation and replacement costs.
- A **Workforce Management Strategy** which addresses the human resourcing requirements for council to deliver the projects and programs identified by the community within the Community Strategic Plan.

Queanbeyan City Council has been very proactive in taking on-board these reforms and in anticipation of these new requirements Council commenced work on their implementation as part of its 2009-10 Management Plan development. When undertaking the work to develop its Long Term Financial Plan and its Asset Management Strategy it became very clear that over the years the Council has not been setting aside sufficient funds to adequately resource on-going asset maintenance and asset renewal. The Community Strategic Plan noted:

*“Based on the current data available significant issues have been identified which will require Council to strategically manage. With regard to the General Fund, Local Government benchmarking recommends “whole of life” expenditure should be around 85% of Depreciation. Currently Council provides only minimal programs of renewal due to lack of funding and other programs requiring higher priority. Based on the premise, that Council will need at some stage to replace its infrastructure on a systematic basis, it is still clear that significant increases in capital expenditure will need to be funded.*

*Based on the current Asset Renewal Ratio, Council is only replacing around 25% of its annual deterioration of its infrastructure and if in the long term this continues Council’s infrastructure will need significant replacement all at once and place a large burden on ratepayers.*

*Whilst Council’s assets may currently be in a reasonable state, the life span of the asset may be reduced due to inadequate levels of maintenance resulting earlier expenditure to replace the asset (for which we may not have reserved adequate funding) or a higher level of maintenance because the regular minor maintenance has not occurred...”*

(Queanbeyan Community Strategic Plan 2009 – 2019 p33)

2. Will the proposed 5.8% CityCARE levy be enough to undertake all the required works and services currently identified by Council?

The Citycare levy seeks to respond over time to those works that require immediate attention. This will be monitored over the next 5-7 years to gauge the effectiveness of the Citycare program.

3. Was a single flat amount for the CityCARE levy considered as an option, rather than a percentage based on land value?

This option is not available under the Local Government Act.

The funding of councils within NSW has been functioning under a highly prescriptive and restrictive regimen since 1977 known as ‘rate pegging’. This system requires the Minister of Local Government to set the permissible level that rates can increase be on an annual basis. This level is based around an estimate of the Consumer Price Index (CPI). When rate pegging was established there was a degree of recognition that the costs faced by councils are higher than CPI. Accordingly, a special rate variation option was built into the legislation which would allow councils to apply to the Minister for approval to increase their rates above the permissible level.

Under the legislation Councils have only TWO avenues available under the Local Government Act to apply for an increase in their general income. These consist of:

- A Section 508(2) application or
- A Section 508A application

Neither of these options allows a council to add a single flat amount to their rates as both allow only percentage increases. Perhaps it would be more appropriate for the JRA to direct this form of request to the State Government as councils operate under a prescriptive system as set out in the Local Government Act 1993 when it comes to raising rates. If the Association wants a more flexible system then this question needs to be directed to the appropriate area – Queanbeyan City Council has no legal basis to vary its rates on the basis as this question is proposing.

4. Can Council confirm that the CityCARE levy of 5.8% is only the first of more such levies intended by Council and Council management?

The current Council (ie the councillors elected at the 2008 election) is only considering an increase of 5.8% to commence addressing maintenance backlogs in the areas of roads, footpaths, parks and sportsfields. What other councils (ie. Those elected in 2012, 2016, 2020 etc) do in the future is a matter for them to determine.

However, the Association's attention needs to be drawn to an Information Paper released by the Australian Council of Local Government which states:

*In 2007-08, local governments were estimated to own land and fixed assets worth \$244 billion. Over \$50 billion of this is land, leaving local governments to manage about \$194 billion in infrastructure, much of this critical to our day to day lives. The \$2.16 billion annual underspend on infrastructure renewal identified in the PricewaterhouseCoopers report, equates to eight per cent of 2007-08 aggregate local government income of \$27.1 billion. This is a sharp reminder of the urgency of the challenge to improve strategic level financial planning and asset management, which remains vital for sustainable, well managed local government.*

*Good planning by government is vital. Planning helps removes financial vulnerability and increases resilience to cope with unexpected challenges, such as climate change. It improves decision-making by the community and its leaders about investments in new infrastructure and the maintenance of existing assets. Transparent planning and reporting provide improved accountability and transparency – hallmarks of good governance. At the future Commonwealth level, infrastructure investments can be linked to the implementation of nationally consistent asset management systems.*

*While nationally consistent asset management and financial planning systems have been on the agenda of the Local Government and Planning Ministers' Council (LGPMC), the issue has been given added importance by the global economic recession and climate change. Accordingly, the LGPMC, which is chaired by the Commonwealth Minister for Infrastructure, Transport, Regional Development and Local Government, recently agreed to accelerate the implementation of enhanced frameworks for asset management and financial planning. State and Territory governments have committed to implementing these new frameworks in consultation with local government with **a target date of 31 December 2010.***

*The implementation of these frameworks is not without its challenges. The level of implementation within jurisdictions varies. While councils in some jurisdictions are well advanced on asset management and financial planning systems, others will struggle to meet the deadline set by LGPMC. The challenges are underscored by the lack of consistent and reliable data about the quantity, value, condition and maintenance of assets owned by local government.*

What this information paper is outlining is that both the Federal and State governments have recognised that infrastructure maintenance and renewal is a national issue which needs to be addressed urgently. Accordingly, all state and territorial jurisdictions have agreed to develop and implement nationally consistent asset management and financial management plans within local government. The NSW Government has picked up this challenge and implemented integrated planning and reporting which now requires all councils within the State to develop and implement:

- **A Long Term Financial Plan** which covers a minimum period of 10 years and clearly set out projected income and expenditure over this period.
- **An Asset Management Plan** also covering a minimum 10 year outlook which must identify assets critical to a council's operations as well as projected resource requirements in respect of asset maintenance, rehabilitation and replacement costs.

Currently no Council within in NSW has a comprehensive Asset Management Plan which quantifies 100% of the assets a council administers. Work to achieve this will take several years and Queanbeyan City Council, although advanced in its implementation of Integrated Planning & Reporting is in a similar situation. Once this information is available then it is up to the council of the time to determine what course of action to take.

5. With regard to question above what would be the ultimate or desirable rate increase from the current level to satisfy Council's longer term desires?

This will be matter for future councils to determine.

6. Effectively only two options have been proposed: 1. The status quo; and 2. increased rates revenue via a special CityCARE 5.8% levy on rates. Where any other options presented to or considered by Councillors, for example;

- (a) Operational efficiency including reviewing services and operational administration costs;

Council has considered reports in reducing services and chose to close the South Queanbeyan Childcare Facility (\$150,000 annual savings). Other reduction in services do not generate sufficient funds to allow the \$1m to be generated. Redundancies have been considered however, all that achieves is a reduction in services.

- (b) Review council real-estate assets with a view to selling off non-operational investment properties - Council playing landlord does not seem appropriate or a wise use of ratepayers dollars;

The General Fund does not own any investment properties that upon sale would realise the necessary funds. Of course any sale, if at all possible, would only generate funds for 1-2 years and that is insufficient for a 10-15 year program.

and;

- (c) Investigate opportunities with ACTEW or other service providers re water & sewerage services with a view to freeing up the many millions of dollars held in trust for those purposes?

Funds held in water and sewerage trust funds cannot, by law, be used to fund General Fund activities

Other options were raised with Council as far back as 2008. In the draft *Community Strategic Plan 2009 – 2019* a section was included entitled ‘Issues for future consideration – Asset Maintenance & Replacement. This section noted:

*Based on the current data available significant issues have been identified which will require Council to strategically manage. With regard to the General Fund, Local Government benchmarking recommends “whole of life” expenditure should be around 85% of Depreciation. Currently Council provides only minimal programs of renewal due to lack of funding and other programs requiring higher priority. Based on the premise, that council will need at some stage to replace its infrastructure on a systematic basis, it is still clear that significant increases in capital expenditure will need to be funded.*

*Based on the current Asset Renewal Ratio, Council is only replacing around 25% of its annual deterioration of its infrastructure and if in the long term this continues Council’s infrastructure will need significant replacement all at once and place a large burden on ratepayers.*

*Whilst Council’s assets may currently be in a reasonable state, the life span of the asset may be reduced due to inadequate levels of maintenance resulting earlier expenditure to replace the asset (for which we may not have reserved adequate funding) or a higher level of maintenance because the regular minor maintenance has not occurred, (this scenario simply does not represent value for money of Council funds).*

*As noted earlier, all Council's within NSW are facing the same financial problems and need to seek solutions. In order for Council to meet its obligations, in the long term, it will need to consider ways of improving its ability to adequately plan and fund all of its activities.*

*Some of the options to source the required funds include:*

- *Increased fees and charges*
- *Review Council's levels of service and the impacting effects on council's workforce*
- *Review core services being delivered by council.*
- *Seeking additional funding from State and Federal Governments*
- *Loan Borrowings*
- *Special Rate Variation Increases.*
- *Stormwater Levy*
- *Use of Reserve Funds*

This report went on to note in respect of these options:

#### ***Increased Fees and Charges***

*There may be some cases where Council could increase their fees and charges to reflect the actual cost of providing the service to the users and thereby providing a lower net cost of service to the community and additional funds for other programs. This option will only produce minimal increases as a significant portion of Council's fees and charges are set by statute and in some cases Council's community service obligations may be deemed by Council as more important.*

#### ***Levels of Service to the Community***

*An assessment of the current level of service provided to the community is another option that may require consideration. There may be an opportunity to identify areas where Council is supplying a service that the community is willing to accept a lower level of service in order to reduce costs where there may be little reduction in the quality provided.*

#### ***Review of Core Services currently being provided***

*Council could consider the current services being delivered, and if they are deemed non-essential they could cease providing the service thereby reducing costs incurred.*

#### ***Seek Additional Funding From State and Federal Governments.***

*Funding from the other tiers of government are available from time to time but have not been included in the Long Term Financial Plan as they are irregular and largely unpredictable. However endeavours could be made to position Council to maximise access to State and Federal grants.*

#### ***Loan Borrowings***

*Council could consider the use of loan borrowings as a way of achieving intergenerational funding, which spreads the burden on ratepayers over a number of years depending on the length of the loan to ensure future ratepayers share their portion of the investment /financial burden. However, Council recognises that borrowing is only a viable option for asset acquisition or replacement and significant projects.*

### ***Special Rate Variation Increases***

*Queanbeyan City Council has never applied for a special rate variation since the inception of Rate Pegging in the late 1970s. During this time cost increases have exceeded the rate pegging rate increases, and to ensure the annual budget is always balanced Council, like most councils, has decided to reduce expenditure levels to offset the net cost increases or use reserves to fund expenditure. Council has the option to apply for a Special Rate Variation to increase rates over and above the rate pegging value in order to raise the funds required to appropriately maintain and manage all of its assets.*

### ***Storm Water Levy***

*Once the Storm Water Management Plan has been finalised Council will need to determine the funding required for the projects identified and has the option to increase the Stormwater Levy from \$5 up to the permissible maximum of \$25 per property to enable the required increased expenditure.*

### ***Reserve Funds***

*In prior years Council has used this source of funds to the extent that now there is very little left in Internal Reserves to fund the required increased level of expenditure. To build up its reserves Council will need to move away from this traditional approach and adopt the practice of placing surplus funds into reserves for expenditure on strategic projects.*

In respect of actions relating to these options the CityCARE booklet & survey which was directly mailed out to ALL ratepayers in early December 2009 outlined the actions Council has undertaken within these areas. It notes:

- ***Reviewing its Fees & Charges***

*This year Council raised some of its fees and charges for the use of community facilities. Although proving unpopular within the community, this action does not raise a major income stream and only goes part way to addressing the costs of operating these community facilities.*

- ***Reviewing staff costs***

*Council has had in place a staff freeze since February 2009 and all vacancies must be re-examined to see if a position should be retained or not.*

- ***Reviewing service delivery levels***

*As part of its 2009-10 budgetary process Council undertook a review of service levels. Library, Pool and Youth Centre hours were discussed as part of this review and Council decided to reduce the hours of operation of the Youth Centre.*

- ***Reviewing Core Services***

*Earlier this year a review of core services was undertaken and Council decided to close down the South Queanbeyan Child Care Centre.*

- ***Borrowing Funds***

*Council has adopted a Borrowings & Asset Financing (Debt) Policy which recognises that borrowing is only a viable option if it is for asset acquisition or replacement and should not be used for operational expenditure such as maintenance and repair of assets.*

- **Using Reserves**

*Council currently has over \$70 million in reserves. However, the vast majority of this money is in 'restricted' reserves which can only be used for specific purposes such as water and sewer activities. Over the past 10 years Council has used its 'unrestricted' reserves and Section 94 funds for projects like the extensions to the Aquatic Centre, main street repaving and construction of The Q. The outcome of this has seen Council's unrestricted reserves reduced dramatically and Council now has in place a policy of placing surplus funds into reserves to build them up to an adequate level.*

*As can be seen here Council has given extensive consideration to all other options of raising additional funds, except for one—applying for a Special Rate Variation.*

7. Has Council already lodged a special rate variation application with the Minister for Local Government or the Department of Local Government before the community consultation is complete?

No; however, the Department of Local Government has sought advice from all NSW councils contemplating a SRV for 2010/11 written notification which was forwarded to DLG by 29<sup>th</sup> January, 2010.

Your Association needs to understand that Council has to follow a prescriptive process which is set by the NSW Department of Premier & Cabinet. In their Guidelines for the preparation of an application for a special variation to general income in 2010/2011 (a copy of which was provided to your representative on the Residents & Ratepayers Forum) it states on pp14 -15:

***Councils applying for a special variation in 2010/11 are required to submit their application in accordance with the following:***

***Stage 1: Intention to Apply – to be submitted by Friday 29 January 2010.***

***Stage 2: Final application (including community engagement outcomes) to be submitted by Friday 30 April 2010.***

***The Intention to Apply and the subsequent Application, including Parts A & B and all supporting documents MUST be submitted by e-mail to the Division at sv@dlg.nsw.gov.au. 15***

### ***5.2 Intention to apply***

*As previously noted, councils should contact the Division to advise of their intention to apply for a section 508A special variation well in advance of submitting their application.*

*Once a council has made a final decision to proceed with an application, it must advise the Division in writing of its intention to submit an application. This notification, which must be received by **Friday 29 January 2010**, is to consist of no more than two pages and must address the following:*

- ***Nature of the request:*** A brief statement outlining the purpose of the special variation.
- ***Proposed increase:*** Details of the proposed increase, both in percentage and dollar terms, for each year of the variation.
- ***Status of Integrated Planning and Reporting implementation:*** A brief outline of where Council is currently positioned with regard to the implementation of Integrated Planning and Reporting.
- ***Contact details:*** Council contact officer and relevant contact details.

By submitting this ‘Intention to Apply’ it does NOT mean that Council has already made its mind up on this matter. All that has happened is that Council has signalled to the Division of Local Government that it ‘MAY’ be making an application. What takes precedence here is Council’s resolution of its 28 October 2009 meeting which states:

346/09 **RESOLVED** on the motion of Crs Overall and Bray that:

1. Council commence consultation with the Queanbeyan community to seek their views on the issue of on-going funding of asset maintenance and renewal, for roads, footpaths, parks, playgrounds and sports fields, and options for their funding with the view to applying for a Special Rate Variation of 5.8%.
2. Subject to there being general community support, Council:
  - (a) apply to the Department of Local Government to seek approval for a Special Rate Variation of 5.8% to fund asset maintenance and renewal shortfalls identified within the City as part of its 2010-2011 budget process and Operational Plan development, and
  - (b) investigate the development of an additional Pensioner Rebate Scheme to a maximum of \$40 per annum to alleviate the impact of a Special Rate Variation Levy, subject to approval by the Minister of Local Government.
8. For the purpose of satisfying the criteria for community consultation when applying for a special rate variation to the Minister for Local Government what community consultation benchmarks must a local government authority achieve in order to satisfy the community consultation criteria?

There are no set benchmarks however in our discussions with DLG we are following Kiama Council’s model which is considered to be “best practice”.

The Guidelines issued by the NSW Department & Premier notes that:

*Under the new framework the level of “community consultation” has been extended to include “community engagement”. It is important to understand the difference and to incorporate these changes as much as possible into any 508A special variation application.*

*The current level of participation required for the annual management plan process could be described as “informing” and “consulting” - each council being required by the Act to place a copy of the draft plan on public exhibition and to consider comments from the public before adopting the plan.*

*The new requirements expect a more comprehensive approach, as they result in the development of long-term plans that will significantly affect all members of the community. The new system is built on the principle that all members of the community have a right, and a responsibility, to contribute to their community’s future. In developing and reporting on its community engagement approach, councils should consider the levels described below:*

***Inform:*** *To provide the public with balanced and objective information to help them understand a problem, alternatives, opportunities and/or solutions.*

***Consult:*** *To obtain public feedback on alternatives and/or decisions.*

***Involve:*** *To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.*

***Collaborate:*** *To partner with the public in each aspect of the decision including the development of alternatives and identification of the preferred solution.*

Council; developed a community engagement strategy based around these levels of community engagement and discussed this with the NSW Department & Premier at the end of 2009 to see if the proposed engagement process met the new criteria. Officers noted the comprehensive nature of Council’s approach and said that we were the first council to take such a wide approach to community engagement.

9. Compared to other comparable NSW Local Government Councils re residential rates charged - how does Queanbeyan rank? (In the context of Department of Local Government rankings)

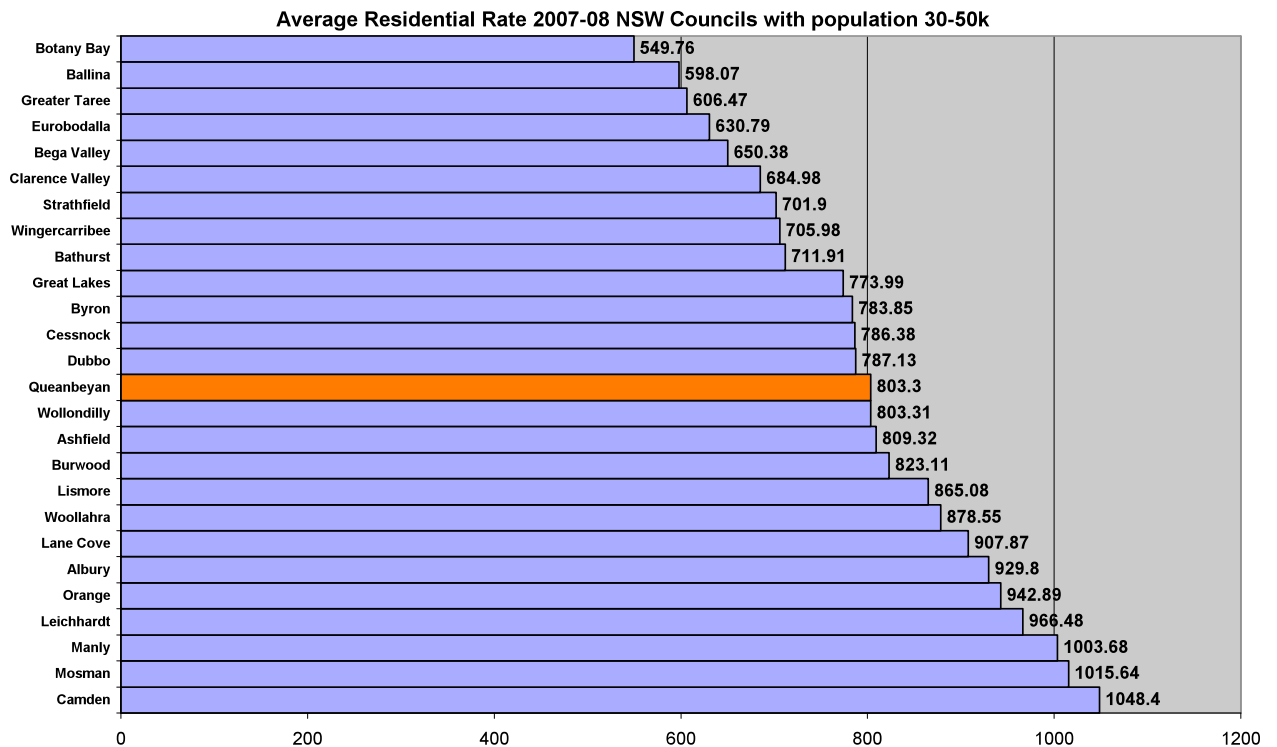
The answer to this question is dependent upon the definition of what constitutes the term ‘comparable’ when looking at other councils in NSW. There are two possible measures of comparability which can be looked at consisting of:

1. Comparing Queanbeyan with councils of a similar size (ie. Within the 30,000 – 50,000 population range). There are 26 councils within NSW which fall into this population range.
2. Comparing Queanbeyan to councils which have similar geographical characteristics such as being located adjacent to a State/Territory border or are located on the fringe of a major metropolitan area and have a significant proportion of their working population who commute to work in that metropolitan area.

Set out below are the results of this comparison.

### **Comparison 1: NSW Local Government Areas with a similar population to Queanbeyan**

A comparison of the average residential rate of NSW councils within the 30,000 – 50,000 population range shows that Queanbeyan City ranks 13<sup>th</sup> out of 26. (See chart below). This chart is based on figures provided by Division of Local Government's latest annual comparative information report which was published in 2009.



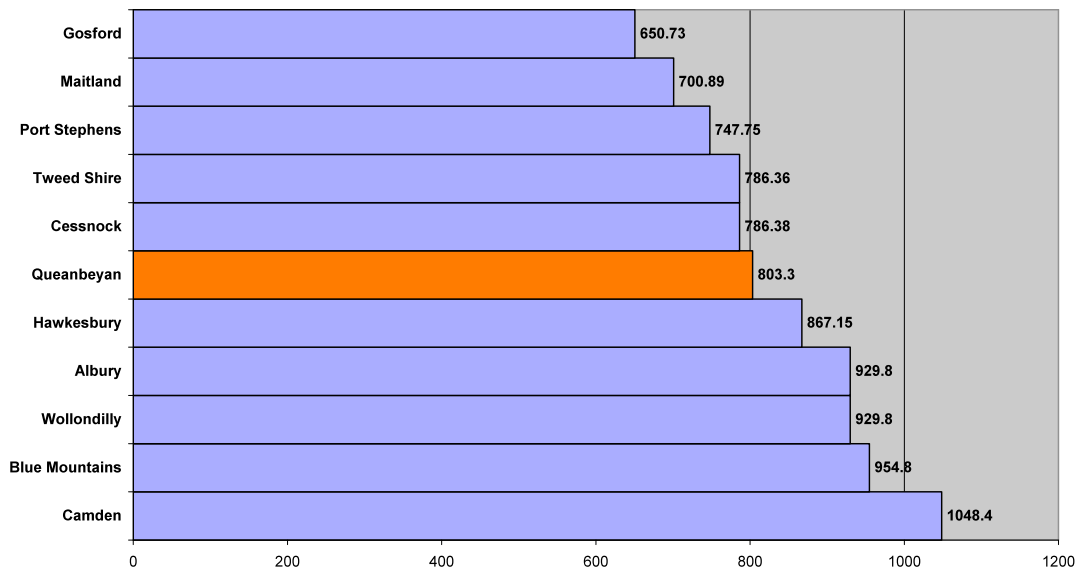
**Comparison 2: NSW Local Government areas which have similar geographical characteristics to Queanbeyan**

When you look at local government areas within NSW which have similar geographical characteristics such as adjoining another state or territorial border or are adjacent to a large metropolitan area and are residence to a significant number of commuters who reside there but work in the adjoining metropolitan area there are 11 councils that fall into this category consisting of:

- Tweed Shire
- Port Stephens
- Cessnock
- Maitland
- Gosford
- Hawkesbury
- Blue Mountains
- Camden
- Wollondilly
- Shellharbour
- Albury

When a comparison is made of their average residential rate Queanbeyan falls exactly in the middle being 6<sup>th</sup> out of 11. (See chart below)

Average Residential Rate 2007-08 NSW Councils with similar geographical characteristics to Queanbeyan



10. Could you please advise the top 20 comparable NSW Local Government Councils and what each council would charge for residential rates of a UCV property of \$250,000.

Unfortunately Council does not hold this information nor is it feasible to provide this. All Councils in NSW are re-valued on a three year rotating basis. This means in any one year only 1/3 of NSW councils have the same base date. This means that the base date for the 26 councils outlined in Comparison 1 and the 11 Councils outlined in Comparison 2 have differing base dates for when their valuations were undertaken.

11. What percentage and number of ratepayers in the Qbn City Council area pay the minimum residential rateable amount?

26% of Queanbeyan ratepayers (3443) pay the minimum rate.

12. Does Queanbeyan have a larger proportion of ratepayers that pay the minimum rateable amount, due to the large number of units etc, compared to others in the top 20 comparable NSW Local Government Councils, forcing the Queanbeyan 'average' to seem low compared to other areas.

No.

Of the 26 comparable councils identified in Comparison 1, 70% use a Base Rate and 30% use a Minimum Rate. Examples of councils outlined in Comparisons 1 and 2 who use the minimum rate are Blue Mountains City, Great Lakes, Lane Cove, Wollondilly and Dubbo. The percentage totals for these local government areas are:

- Blue Mountains City      28%
- Great Lakes                50%
- Lance Cove                44%
- Wollondilly                43%
- Dubbo                        24%

13. What will be the CityCARE levy 'average' for Jerrabomberra ratepayers?

The average value for Jerrabomberra for 2009/10 is \$199,000 or \$1110.42 in general rates. After revaluation the average Jerrabomberra assessment for 2010/11 will be \$256,500. Under rate option 'B' (8.4% increase, which includes the rate-pegging figure of 2.6%) the average Jerrabomberra rate will be \$1174.94 -a 5.81% increase

14. In the Resident & Ratepayers Forum 16 February 2010 there is a reference to Jerrabomberra being a "timebomb". What is meant by the reference?

Infrastructure in Jerrabomberra is approaching 15-20 years into its life and there are no funds set aside to undertake the right level of maintenance into the future. Over the next 10 years we will start to see significant road failures in Jerrabomberra. The appropriate level of road maintenance cannot be met now because of significant funding limitations.

15. How much in dollar terms has been collected and what percentage of rates revenue collected from Jerrabomberra (postcode 2619) since 1987 has been re-invested directly into Jerrabomberra by Council (excluding s94 contributions).

That information is not available.

16. How much has been saved or set aside for capital depreciation on Jerrabomberra located assets.

For General Fund; NIL

17. What is the current total amount held by Council in S94 funds?

For General Fund activities about \$1.2m for community facilities is available for Jerrabomberra for example; to extend the Jerrabomberra Community Centre.

In any case, Section 94 funds, by law, cannot be used to fund maintenance activities for the type of works that the SRV is being levied for.

Description	Balance 30/6/2010
Parking	\$0.00
<b>Total Parking</b>	<b>\$0.00</b>
Qbn Multipurpose Centre	\$222,033.78
City Cultural Centre	-\$7,626.73
City Indoor Pool	\$14,735.31
Library Facilities	\$48,595.89
Civic Improvements	\$32,317.27
Jerrabomberra	\$1,525,627.86
<b>Total Community Facilities</b>	<b>\$1,835,683.37</b>
Open Space	\$638,925.12
Queanbeyan River Corridor	\$0.00
Mt Jerrabomberra	\$28,054.70
<b>Total Open Space</b>	<b>\$666,979.81</b>
Local Roads	\$1,325,488.18
<b>Total Roads</b>	<b>\$1,325,488.18</b>
Drainage	\$0.00
<b>Total Drainage</b>	<b>\$0.00</b>
Admin & Plan Studies	\$209,633.70
<b>Total Admin &amp; Plan Studies</b>	<b>\$209,633.70</b>
Bicycle Paths	\$131,086.58
<b>Total Bicycle Paths</b>	<b>\$131,086.58</b>
Footpaths	\$165,837.71
<b>Total Footpaths</b>	<b>\$165,837.71</b>
	<b>\$4,334,709.36</b>

<b>Description</b>	<b>Balance 30/6/2010</b>
Extractive Industries - C.S.R.	\$1,504,268.71
	<b>\$1,504,268.71</b>
Fernleigh/Burra Location 1	\$508.26
Fernleigh/Burra Location 2	\$70,916.88
Fernleigh/Burra Loc 3&4 other than Royalla	\$0.00
Fernleigh/Burra Loc 3&4 Old 1(d) zone	-\$440,258.03
Fernleigh/Burra Loc 3&4 New 1(d) zone	-\$169,702.63
Fernleigh/Burra Loc 5	\$0.00
Fernleigh/Burra Loc 5 Case 3	\$0.00
The Ridgeway	\$8,300.91
Wanna Wanna Rd Loc 1 Case d	\$340,175.98
Wanna Wanna Rd Loc 1 Case a,b,c,e,f	\$4,332.95
	<b>-\$185,725.67</b>
Carwoola	\$2,288.68
Googong	\$4,624.07
Royalla	\$2,653.46
	<b>\$9,566.22</b>
<b>Description</b>	<b>Balance 30/6/2010</b>
Water Augmentation - Qbn	\$2,551,256.58
Water Augmentation - Jerra	\$1,240,254.60
Water Augment - South-West	\$0.00
Water Augmentation - Googong	\$0.00
<b>Total Water Supply</b>	<b>\$3,791,511.17</b>
Sewer Augmentation - East	\$5,766,618.36
Sewer Augmentation - West	\$5,316,545.77
Sewer Augment - South-West	\$0.00
Sewer Augmentation - Googong	\$0.00
<b>Total Sewerage Services</b>	<b>\$11,083,164.13</b>
	<b>\$14,874,675.31</b>
	<b>\$20,537,493.93</b>

18. With regard to the question above what areas benefit from S94 funds and what percentage of S94 is allocated to these areas?

Section 94 funds are spent in the area which they were levied for; both in terms of the geographical context and for the purpose they were collected for. They can only be spent on capital works. The above table indicates where funds have been collected from.

This has no bearing on a SRV.

19. With regard to the question above does Council have a plan to build facilities for improve services with S94 funds?

No. The Act does not allow for this. Those projects identified as SRV related CANNOT be funded from S.94.

This has no bearing on a SRV.

20. What is the approximate value of Council non-operational investment real-estate properties? What is the ratio of borrowings against these properties and how are these real-estate investments funded?

All investment real estate is owned by the Sewer Fund. Any sale of properties will only return profits back to the Sewer Fund. The SRV is a General Fund matter.

21. Could any of these properties referred to at the question above be sold off to help fund the building of new infrastructure and what is the longer term intention with these properties.

No. These properties were purchased for strategic purposes to allow CBD redevelopment to take place. They were purchased using surplus sewer funds. They will be disposed of at some time in the future and any return on capital will be repaid to the Sewer Fund.

What do you mean by “new infrastructure”?

This has no bearing on a SRV.

22. Regarding Council’s reported deficit: How much of this reported deficit, if any, involves depreciation on Council owned 'non-operational' real-estate investment properties e.g. Westpac Bank building etc.

This is not relevant. The Westpac building is owned by the Sewer Fund.

This has no bearing on a SRV.

23. With regard to Council’s deficit please advise in both percentage and dollar terms how much of Council’s deficit is real and how much deficit is ‘a paper deficit’ brought about by accrual accounting.

There is no such thing as a “paper deficit”. Council’s are obligated by accrual account principles and NSW State Government Policy to make provision for the renewal of aging assets that will required to be replaced in the future or maintained in a proper manner to achieve design life.

Previous councils have argued that it is a “paper deficit” and did not need to be funded which is the very reason we are confronted with the current backlog problem. To suggest it is a “paper deficit” indicates a poor understanding of proper accounting and asset management principles.

I ask you how else will community assets be replaced in the future given that it is this generation that has had the benefit of them? Are they going to repair themselves? Please refer to the handouts provided to Margot Sasche as the JRA representative.

This has no bearing on a SRV.

24. How much of the depreciation involves Council owned 'operational' real-estate properties e.g. The Q etc.

A very minor amount given that the asset value of roads, footpaths and open space requirements are significantly more in value than The Q. I should also state that The Q is not a "real estate property" and is simply a part of the community assets that council owns, being no different from the Library, swimming pools, community centres and open space.

This has no bearing on a SRV.

25. What would be the financial position of Council if depreciation was excluded?

NIL. The future replacement of assets needs to be provided for. This is what accrual accounting is all about. This is the very reason we have a problem because of a lack of understanding of what is meant by depreciation and a very simplistic approach of not making provision for it and continuing to ignore the problem. Please refer to the handouts provided to Margot Sasche as the JRA representative.

There is no difference if depreciation is excluded. There still remains an unfunded depreciation backlog of \$15m.

This has no bearing on a SRV.

26. What amount of Council's budget in both dollars and percentage terms is allocated to roads?

The 2009/2010 budget includes expenditure of \$1,819,574 on rural and urban Local Roads.

This amount is spent on:

- Pot hole Patching
- Minor pavement repairs
- Pavement Stabilisation/Rehabilitation
- Bitumen reseals and Asphalt overlays
- Linemarking

27. Please list each of the services Councils provides to the community as funded by rates contributions?

Council receives \$77m in income of which 40% is generated from rates and annual charges generated through the General, Sewer, Water and Domestic Garbage. The remaining income is generated from a number of other sources. There is no split which is definitive on how funds are applied to community services.

28. With regard to the question above what core services are Council expected to provide to a community?

There is no such definition as to what is described as a “core services” The services provided to the community are those that are NOT provided by other levels of government and are determined by each council differently. Clearly those relating to roads, drainage, open space, water, sewerage, domestic garbage, community services, governance and regulatory services are those services which are well known to the local community.

This has no bearing on a SRV.

29. What is the actual cost to Council for each Council service supplied to each and every residence, not including excess water?

The cost of providing services particularly, those in the General Fund are often determined by a statutory fee or determined through council’s fees and charges. Councils usually don’t recover full cost recovery as there are often community services obligations in providing services. For example sport played by children, the cost of street lighting, cost of the library where not everyone uses those services but are funded by the wider community. Those who don’t use the road network, playing fields, swimming pool still pay the same rate for those who do. This is what is described as a “social good” where the cost of the service is provided through a rating system levied for the greater good of the community.

How is this relevant to the SRV?

This has no bearing on a SRV.

30. What sections of the Queanbeyan community who receive Council services do not pay rates? e.g. religious exemptions, State and Federal government exemptions, charities exemptions, sporting exemptions.

All those mentioned are exempt from paying rates, except what is described as a “sporting” exemptions. Charities if they own land will pay the General Rate.

This has no bearing on a SRV.

A total of 435 properties are exempt from paying rates within Queanbeyan. The properties fall into the following classes:

• Aboriginal Land	9
• Benevolent Society	10
• Reserves	248
• Carparks	11
• Cemeteries	3
• Churches/Manses	31
• Crown Land	28
• Utilities	11
• Hospitals	4
• Playgrounds	15
• Public Halls	4
• Recreational Reserves	25
• Schools	14

Except for the Hospitals all the other properties pay for water, sewerage and waste collection charges/levies.

It is important to note that it is not Queanbeyan City Council that specifies what land is exempt from paying rates. This is defined within S555 & 556 the Local Government Act 1993. The Act states:

*LOCAL GOVERNMENT ACT 1993 - SECT 555*

***What land is exempt from all rates?***

***555 What land is exempt from all rates?***

*(1) The following land is exempt from all rates:*

- (a) land owned by the Crown, not being land held under a lease for private purposes,*
- (b) land within a national park, historic site, nature reserve, state game reserve or karst conservation reserve (within the meaning of the [National Parks and Wildlife Act 1974](#) ), whether or not the land is affected by a lease, licence, occupancy or use,*
- (b1) subject to subsection (3), land that is the subject of a conservation agreement (within the meaning of the [National Parks and Wildlife Act 1974](#) ),*
- (b2) land that is vested in, owned by, held on trust by or leased by the Nature Conservation Trust of New South Wales constituted by the [Nature Conservation Trust Act 2001](#) ,*
- (c) land that is within a special area or controlled area (within the meaning of the [Water Board \(Corporatisation\) Act 1994](#) ) for Sydney Water Corporation referred to in that Act and is Crown land or land vested in the Corporation,*
- (c1) land that is within a special area (within the meaning of the [Hunter Water Board \(Corporatisation\) Act 1991](#) ) for the Hunter Water Corporation and is Crown land or land vested in that company,*
- (c2) land that is vested in or owned by State Water Corporation and in, on or over which water supply works (within the meaning of the [Water Management Act 2000](#) ) are installed,*
- (d) land that is within a special area (as declared by an order under section 302 of the [Water Management Act 2000](#) ) for a water supply authority and is Crown land or land vested in the authority,*
- (e) land that belongs to a religious body and is occupied and used in connection with:*
  - (i) a church or other building used or occupied for public worship, or*
  - (ii) a building used or occupied solely as the residence of a minister of religion in connection with any such church or building, or*
  - (iii) a building used or occupied for the purpose of religious teaching or training, or*
  - (iv) a building used or occupied solely as the residence of the official head or the assistant official head (or both) of any religious body in the State or in any diocese within the State,*

- (f) land that belongs to and is occupied and used in connection with a school (being a government school or non-government school within the meaning of the Education Reform Act 1990 or a school in respect of which a certificate of exemption under section 78 of that Act is in force), including:
- (i) a playground that belongs to and is used in connection with the school, and
  - (ii) a building occupied as a residence by a teacher, employee or caretaker of the school that belongs to and is used in connection with the school,
- (g) land that is vested in the New South Wales Aboriginal Land Council or a Local Aboriginal Land Council and is declared under Division 5 of Part 2 of the [Aboriginal Land Rights Act 1983](#) to be exempt from payment of rates,
- (g1) land that is vested in or owned by Rail Infrastructure Corporation, Rail Corporation New South Wales, Sydney Metro or Transport Infrastructure Development Corporation, and in, on or over which rail infrastructure facilities (within the meaning of the [Transport Administration Act 1988](#)) are installed,
- (h) land that is below high water mark and is used for any aquaculture (within the meaning of the [Fisheries Management Act 1994](#)) relating to the cultivation of oysters.
- (2) Land is not rateable under subsection (1) (a) only because the land is leased by the Crown to a caretaker at a nominal rent.
- (3) If part of a single parcel of land is the subject of a conservation agreement within the meaning of the National Parks and Wildlife Act 1974 (as referred to in subsection (1) (b1)), any rate levied on that whole parcel (for any period on or after 1 July 2008) is to be reduced by the following percentage:
- $$\frac{A_{ca}}{A_{whole}} \times \frac{100}{1}$$
- "A<sub>ca</sub>" is the area of that part of the parcel that is the subject of the conservation agreement, and
- "A<sub>whole</sub>" is the area of the whole parcel.
- Note:** For example, if a parcel of land would normally be subject to a rate of \$1,000, but 40% of the area of the land is subject to a conservation agreement, that rate is to be reduced by 40% to \$600.
- (4) Land that is a lot in a strata plan registered under the [Strata Schemes \(Leasehold Development\) Act 1986](#) is taken, for the purposes of subsection (1) (e), (f), (g) and (g1), to belong to or be vested in the lessee (within the meaning of that Act) of the lot and not the lessor (within the meaning of that Act), unless the lessor is the lessee for the purposes of that Act.

*LOCAL GOVERNMENT ACT 1993 - SECT 556*

***What land is exempt from all rates, other than water supply special rates and sewerage special rates?***

***556 What land is exempt from all rates, other than water supply special rates and sewerage special rates?***

- (1) *The following land is exempt from all rates, other than water supply special rates and sewerage special rates:*
- (a) *land that is a public place,*
  - (b) *land used for a public reserve and vested in the Crown, a public body or trustees,*
  - (c) *land used for a common and vested in the Crown, a public body or trustees,*
  - (d) *land used for a public cemetery and vested in the Crown, a public body or trustees,*
  - (e) *land used solely for a free public library and vested in the Crown, a public body or trustees,*
  - (f) *land acquired under an environmental planning instrument for the public purpose specified in the instrument and not leased for private purposes,*
  - (g) *land that is held under a lease from the Crown for private purposes and is the subject of a mineral claim granted under Division 4 of Part 9 of the [Mining Act 1992](#) and that the council has declared is not rateable,*
  - (h) *land that belongs to a public benevolent institution or public charity and is used or occupied by the institution or charity for the purposes of the institution or charity,*
  - (i) *land that belongs to a public hospital,*
  - (j) *land that is vested in the Minister for Health, the Health Administration Corporation or the New South Wales Health Foundation,*
  - (k) *land that is vested in an area health service constituted under the [Health Services Act 1997](#) ,*
  - (l) *land that is vested in a university, or a university college, and is used or occupied by the university or college solely for its purposes,*
  - (m) *land that is vested in the Crown or the Sydney Cricket and Sports Ground Trust and is used or occupied for the purposes of or in accordance with the [Sydney Cricket and Sports Ground Act 1978](#) ,*
  - (n) *land that is vested in the Crown or the Zoological Parks Board and is used or occupied by the Board for its purposes,*
  - (o) *land that:*
    - (i) *is vested in the mines rescue company, within the meaning of the [Coal Industry Act 2001](#) , and*
    - (ii) *is used for the purposes of a mine rescue station controlled by that company,*
  - (p) *land that is managed by the Teacher Housing Authority and on which a house is erected,*
  - (q) *land that is leased to the Crown for the purpose of cattle dipping,*
  - (r) *land that is specified or described in the regulations as being exempt from all rates, other than water supply special rates and sewerage special rates.*
- (2) *Land that consists of a lot in a strata plan registered under the [Strata Schemes \(Leasehold Development\) Act 1986](#) is taken, for the purposes of subsection (1) (h)-(o), to belong to or be vested in the lessee (within the meaning of that Act) of*

*the lot and not the lessor (within the meaning of that Act), unless the lessor is the lessee for the purposes of that Act.*

If the Association has issues in respect of the exemption of properties from rating then this is a matter which they should take up with the State Government. Queanbeyan City Council is required to meet the obligations as set out in the Local Government Act 1993. Sections 557 – 559 of the Local Government Act also contain provisions on exemptions from water supply and sewerage special rates and the determination of whether a body is a public benevolent institution or a public charity.

31. With regard to the question above what sorts of council services do they receive and what percentage of each category of service overall delivery does that represent?

Those exempt are still required to pay water, sewerage and domestic garbage charges.

This has no bearing on a SRV.

32. With regard to the question above is a loading applied to ratepayers for the provision of Council services to areas such as Weetalabah, Jerrabomberra or The Ridgeway?

No (why would there be?). Everyone pays the same charge regardless of location.

This has no bearing on a SRV.

33. What services that should normally rest with State and Federal governments has Council taken responsibility for?

This question is asking about ‘cost shifting’ and its impact upon councils. The best overview of functions/responsibilities which have been cost shifted from State and Federal Government to councils was provided in the **2003 Inquiry into Local Government and Cost Shifting**. Chapter 3 of the Report arising from this inquiry provides the best summary of the extent of this problem and its impact upon the local government sector as a whole. The report noted:

*Cost shifting*

- 3.1 On the basis of the evidence presented to the Committee, the majority of cost shifting was from State to local government but there was also evidence of cost shifting by the Federal government.*

3.2 ALGA claimed that cost shifting occurs in (but not exclusively limited to) circumstances where:

1. local government is required to provide services that had been previously provided by the other spheres of government;
2. other spheres of government require provision of concessions and rebates with no compensation payment;
3. services are formally referred to, and/or are assigned to local government through legislative and other State and/or Federal instruments without corresponding funding;
4. local government is required to be the sole provider of essential/important local services that clearly contribute to local, regional, state and national public good;
5. local government is required to be the sole provider of new and innovative services that have no historical funding precedent;
6. local government is required to 'pick-up' services as a result of the direct transfer of 'ownership' of infrastructure from another sphere of government;
7. government policies are imposed that require local government to undertake costly compliance activity [and increased regulations]; and
8. fees and charges that local government is permitted to apply, for services prescribed under state legislation or regulation, are not indexed [or related to increase in costs of provision].<sup>1</sup>

3.3 The Committee is of the opinion that cost shifting does not occur where local government voluntarily extends its activities beyond its current responsibilities, including where adequately provided by another sphere of government.

### **The extent of cost shifting**

3.4 The assessment of the true extent of cost shifting from other spheres of government to local government is extremely complex. There is no clear definition of cost shifting, so most representatives of local government were careful not to provide an estimate of the extent of cost shifting.

3.5 ALGA did not develop data on the extent of cost shifting because it claimed that there are methodological difficulties as well as a lack of resources to enable a reliable national estimate of cost shifting.<sup>2</sup>

3.6 DOTARS stated that it was unable to provide an estimate of the increased costs to local government as a result of cost shifting:  
Such an exercise is extremely difficult as there is no agreed definition of cost shifting and there is no agreed allocation of responsibilities of the different spheres of Government in Australia.<sup>3</sup>

3.7 Similarly, the LGGCs stated they could not provide an estimate of cost shifting because they do not collect data from councils on the basis of cost shifting or why the expenditures of councils change. The NSW LGGC indicated that there is a challenge in differentiating between expenditure related to council policy, accounting practices and cost shifting. Therefore, things that might be interpreted as an example of cost shifting in terms of one council's budget might not be a cost for another council.

- 3.8 *The Queensland LGGC elaborated on this matter:  
When determining the State standard, the Commission considers those functions that an average council would provide and applies these functions to all councils. It is not a part of the Commission's role to consider the appropriateness of the functions or what led councils to provide the service.<sup>4</sup>*
- 3.9 *The Tasmanian LGGC stated it had received numerous submissions referring to newer and higher standards being imposed particularly in the environment and health area. However, it stated it was a matter of opinion whether this could be called cost shifting.  
An argument can be advanced that Local Government, through its ratepayers and users of the service is the appropriate sphere of government to bear these additional costs and recover them from the users of the service<sup>5</sup>.*
- 3.10 *The SA government suggested that the issue is not one of shifting costs but more the allocation of tasks and responsibilities, that is:*
- whether allocation of responsibilities is with or without revenue or revenue raising power. The aim is to ensure responsibilities are exercised by the area which is most effective;*
  - whether the allocation is one of choice or foisted on local government (different levels of government may have different priorities); and*
  - whether the allocation will lead to increased effectiveness and efficiencies.<sup>6</sup>*
- 3.11 *The Victorian Department of Infrastructure (VDOI) in its September 2002 report, Trends in State Funding of Local Government, argued that while in some areas there have been reductions in State grants, councils have benefited from government policies in other areas. The VDOI further stated that the diversity of trends considerably complicates efforts to assess overall patterns of cost shifting between State and local government.<sup>7</sup>*
- 3.12 *ALGA believed that this lack of detailed and comprehensive data allows cost shifting governments to avoid public scrutiny. In light of this, ALGA suggested that the Committee recommend the Productivity Commission undertake a technical assessment and report on the extent and quantum of cost shifting that has occurred from the Federal and the State governments to local government. This, ALGA believed, would be the best way to obtain a credible, robust quantification of cost shifting.<sup>8</sup>*
- 3.13 *Cost shifting is a complicated issue requiring agreed definitions of what constitutes a shift of costs and services, supported by a robust methodology. The Committee considers that addressing cost shifting and the financing of local government should begin now.*
- 3.14 *The Committee would like to see the appropriate division of responsibilities of each of the three spheres of government in serving the people of Australia. The Committee hopes that this Inquiry will drive reform of the governance of the nation.*

### *Cost shifting in \$ terms*

- 3.15 *The Committee received three estimates of cost shifting on a State-wide basis from Victoria and Queensland:*
- *the Municipal Association of Victoria (MAV) estimated the cost shift in Victoria to be \$40 million per annum in the recurrent funding of three major specific purpose programs – Home and Community Care (HACC) services, Libraries and Maternal and Child Health. A further \$20 million was estimated to be the cost shift on a range of other specific programs;<sup>9</sup>*
  - *the CEO of the City of Stonnington provided a similar indicative figure of cost shifting in Victoria at \$10 per head per annum or \$50 million per year;<sup>10</sup> and*
  - *The Local Government Association of Queensland (LGAQ) surveyed its councils and estimated the overall financial impact of devolved, discretionary or compliance requirements from other levels of government amounted to around \$80 million per annum in outlays.*
- With \$33 million being received in revenue from grants, fees and charges, the cost shift was estimated to be about \$47 million.<sup>11</sup>*
- 3.16 *ALGA estimated cost shifting could be between \$500 million and \$1.1 billion per annum.<sup>12</sup>*
- 3.17 *Some councils provided comprehensive data and their best estimates of cost shifting. The table below lists councils which provided dollar figures for cost shifting occurring in their local government areas.*

**Table 3.1 Examples of annual cost shifts Council State Classification  
Estimated annual cost shift**

<b>Council</b>	<b>State</b>	<b>Classification</b>	<b>Estimated Annual Cost Shift</b>
<b>Nambucca Shire</b>	<b>NSW</b>	<b>Rural, agricultural, very large</b>	<b>\$1,591,000</b>
<b>Eurobodalla Shire</b>	<b>NSW</b>	<b>Urban, regional, medium</b>	<b>\$732,000</b>
<b>Newcastle City</b>	<b>NSW</b>	<b>Urban, regional, very large</b>	<b>\$4,481,000</b>
<b>Albury City</b>	<b>NSW</b>	<b>Urban, regional, medium</b>	<b>\$8,109,000</b>
<b>Manilla Shire</b>	<b>NSW</b>	<b>Rural, agricultural, medium</b>	<b>\$381,479</b>
<b>Guyra Shire</b>	<b>NSW</b>	<b>Rural, agricultural, medium</b>	<b>\$367,000</b>
<b>Geelong city</b>	<b>VIC</b>	<b>Urban, Regional, very large</b>	<b>\$20,770,500</b>
<b>Moonee Valley City</b>	<b>VIC</b>	<b>Urban, metropolitan, large</b>	<b>\$10,184,500</b>
<b>City of Casey</b>	<b>VIC</b>	<b>Urban, fringe, very large</b>	<b>\$14,800,258</b>
<b>City of Salisbury</b>	<b>SA</b>	<b>Urban, metropolitan, large</b>	<b>\$1,930,000</b>
<b>Loxton Waikerie</b>	<b>SA</b>	<b>Rural, agricultural, very large</b>	<b>\$545,850</b>
<b>Ipswich City</b>	<b>QLD</b>	<b>Urban, fringe, very large</b>	<b>\$5,307,504</b>
<b>Redland Shire</b>	<b>QLD</b>	<b>Urban, fringe, large</b>	<b>\$2,865,231</b>
<b>Maroochy Shire</b>	<b>QLD</b>	<b>Urban, fringe, very large</b>	<b>\$3,260,000</b>
<b>Sarina Shire</b>	<b>QLD</b>	<b>Rural, agricultural, very large</b>	<b>\$856,230</b>
<b>Diamantina Shire</b>	<b>QLD</b>	<b>Rural, remote, extra small</b>	<b>\$1,370,000</b>
<b>Manjimup Shire</b>	<b>WA</b>	<b>Rural, agricultural, very large</b>	<b>\$430,100</b>
<b>City of Armadale</b>	<b>WA</b>	<b>Urban, fringe, medium</b>	<b>\$1,801,000</b>
<b>City of Cockburn</b>	<b>WA</b>	<b>Urban, fringe, medium</b>	<b>\$1,061,421</b>

### ***Nature of cost shifting***

- 3.18 *The Committee recognises that the evidence received does not give an overall dollar figure, however the detail received on cost shifting is comprehensive. The large volume of evidence to the Committee clearly shows that cost shifting onto local government by the States has occurred over many years.*
- 3.19 *The Committee received over 290 submissions from individual councils or regional council organisations and heard from 118 councils at hearings on cost shifting to local government from the States, the Northern Territory and the Federal government.*
- 3.20 *The major areas of cost shifting reported were:*
- *the **withdrawal or reduction of financial support** once a program is established, therefore leaving local government with the choice of continuing a program or suffering the political odium of cancelling the service;*
  - *the **transfer of assets** without appropriate funding support;*
  - *the requirement to provide **concessions and rebates without compensation** payments;*
  - *increased **regulatory and compliance requirements**; and*
  - ***failure to provide for indexation of fees and charges** for services prescribed under state legislation or regulation.*
- 3.21 *Examples of these types of cost shifting are provided in Appendix C. This is not an exhaustive list. For further examples of cost shifting refer to the submissions received on the Committee's web site at <http://www.aph.gov.au/house/committee/efpa/localgovt>.*
- 3.22 *Five of the major areas of cost shifting (community security, fire services, health and welfare, libraries and airports) are discussed below.*
- 3.23 *Part of the solution to these cost shifting examples lies in the definition of responsibilities of each sphere of government and how funding would match those responsibilities. Also, the involvement of local government earlier in negotiations on inter-governmental agreements is extremely important. The Committee made recommendations in Chapter 2 along these lines (see Recommendations 1 and 2). Further ways to address cost shifting are discussed later in this Chapter.*

### ***Community security***

- 3.24 *Local government is now providing community security and crime prevention services. Indeed, some local government bodies raise a levy from their community to fund security surveillance programs which employ and train staff to patrol the local government area.<sup>13</sup>*
- 3.25 *The Western Australian Local Government Association (WALGA) stated that security services or patrols are now a very common sight within many local government areas, particularly metropolitan councils:*

*This scheme is where a Council, in responding to community pressure brought about through lack of police resources, has initiated a private security patrol. ... The patrols provide varying degrees of community security at a cost of around \$25 - \$30 per household. The prime outcome is a response of somewhere between 10 and 15 minutes after a report whereas the police may never come or may take several hours. 14*

- 3.26 *Councils in NSW believed that the State government has the prime responsibility for crime prevention. However, there are an increasing number of pro-active councils that participate in crime prevention. Moreover, there is widespread community perception that police numbers and services are inadequate.15*
- 3.27 *Councils in other States and the NT complained about the withdrawal of policing services, a traditional responsibility of State governments. However, the Australian Institute of Criminology has reported that police numbers have increased in all States.16*
- 3.28 *The Police Federation of Australia (PFA) was totally opposed to local government undertaking the role as employer of sworn police. Moreover, it was concerned with the lack of professional regulation of the private security industry. Also, the PFA would not like to see a greater proliferation of private policing as opposed to public policing as it believed the people in the community who would suffer the most are those who could not afford their own policing service.17*
- 3.29 *The PFA noted that the experience in the United States is that best practice and effective policing occurs in large well resourced agencies whilst small local agencies 'are often shoddily run and prone to corruption'.18*
- 3.30 *ALGA also saw significant difficulties in establishing local government run police forces and it was not a direction ALGA would be seeking.19*
- 3.31 *The Committee notes the House of Representatives Standing Committee on Legal and Constitutional Affairs is conducting an Inquiry into crime in the community, including the examination of the adequacy of policing in the community. It is hoped that the evidence received during this Inquiry will be of assistance in the development of recommendations by the Legal and Constitutional Affairs Committee.*

### ***Fire services***

- 3.32 *The Committee heard that cost shifting is also occurring in fire services. For example, Pittwater Council in NSW claimed that it has heavily subsidised the State government for their fire management. Pittwater Council has established five bushfire brigades and funds much of the fire fighting infrastructure within its shire to protect residents from fires emanating within the nearby national park. Pittwater Council also contributed \$1 million per annum to the NSW Fire Brigade Levy.20 Councils in other States referred to the costs of collecting fire and emergency services levies on behalf of the State government.21*

- 3.33 *The Committee notes the House Select Committee on Recent Australian Bushfires is inquiring into measures that can be implemented by governments, industry and the community to minimise the incidence and impact of bushfires on, life, property and the environment. The House Select Committee is expected to report in November 2003. The Committee will be interested in the House Select Committee's conclusions on the roles and responsibilities of the different spheres of government, the community and volunteers in fire fighting.*

### **Health and welfare**

- 3.34 *Health and welfare is a major area of cost shifting onto local government.*
- 3.35 *Many rural and remote councils use their own resources to attract doctors to their areas. Some councils financially support the housing, travel, and salary of doctors, nurses and dentists. For example, to secure medical services, the Shire of Laverton in Western Australia provided incentives totalling \$170,000 per year to retain a doctor and about another \$48,000 per year to nurses who complete at least six months service at the local hospital.<sup>22</sup> Many other councils around Australia provide incentives, such as accommodation, to attract doctors to their area.<sup>23</sup>*
- 3.36 *The Tennant Creek Council in the NT claimed it does not receive adequate funding to cover the service and compliance costs associated with its delivery of aged care services.<sup>24</sup>*
- 3.37 *In Victoria, much focus has been on HACC funding. Victorian councils are major providers of human services and many councils claimed that the State and Federal governments have failed to keep funding apace with service costs and increases in demand. Whitehorse City Council stated:  
... the Home and Community Care Program is the single largest program in human services in the City of Whitehorse, consuming over 10 per cent of the council's recurrent expenditure. In the last four years, council's overall contribution to the provision of HACC services has increased from 22 per cent to 30 per cent—that is, from \$1.1 million in 1997-98 to \$2.5 million in 2000-01. The greatest increases have occurred in home care, where council's contribution has nearly quadrupled in four years—from \$310,000 in 1997-98 to \$1.1 million in 2000-01. <sup>25</sup>*
- 3.38 *The City of Ballarat has been reducing the amount of funding towards HACC. The CEO of the City of Ballarat stated that the council: ... clearly recognises the need, but finds that pressures for other priority areas of expenditure, particularly infrastructure, mean that this course of action is absolutely essential.<sup>26</sup>*
- 3.39 *MAV stated that local government contribution is currently estimated at more than 30% of the total cost of HACC services, a considerable shift from the 80% Commonwealth/State government – 20% local government basis that originally characterised responsibilities for HACC funding. MAV also claimed that as the Australian population ages, demand will continue to rapidly increase.<sup>27</sup>*

### **Libraries**

- 3.40 *Libraries were another area of cost shifting referred to by councils in every State and the NT. There has been a trend of decreasing State government funding of public libraries over the past 20 years.*
- 3.41 *In Victoria the share of recurrent funding of public libraries has fallen from as high as 51% of total expenditure to the present level estimated at about 20%. MAV claimed that, as a consequence, there has been falling investment in book stock and infrastructure.<sup>28</sup>*
- 3.42 *In NSW the State government contributed 23.6% of funding to libraries in 1980 while local government contributed 73.4%. By 2000-01 the State's contribution had declined to 8.9% of funding in comparison to local government's proportion of 91.1%. The Country Public Libraries Association of NSW also referred to the substantial costs associated with providing online and electronic information resources as a cost shift from both the State and Federal governments.<sup>29</sup>*
- 3.43 *In Queensland local government outlays to public libraries in real terms per capita have almost doubled over the period 1990-91 to 1999-2000. State government funding, however, has only been maintained at the 1990-91 level in real terms per capita. LGAQ claimed that the increased local government funding is required for the increasing membership, an expanding level of services in relation to information technology, and community expectations.<sup>30</sup>*

### **State grants to local government**

- 3.49 *Much cost shifting has occurred by the level of States' grants failing to keep pace with changing responsibilities and cost increases.*
- 3.50 *ALGA claimed that a base line indicator of the cost to local government resulting from cost shifting is the change in Specific Purpose Payments (SPPs) from the States to local government over time: The failure of State SPPs to maintain parity with the growth rate of local government own source revenue, or even Commonwealth payments to local government, represents a significant transfer of responsibility to local government from States.<sup>36</sup>*
- 3.51 *The steady growth in FAGs and other forms of Federal funding to local government has been accompanied by a relative decline in State support.*
- 3.52 *The CGC reported that the level of State SPPs has increased over time, but has fallen as a proportion of local government revenue. Indeed, State SPPs have fallen as a proportion of local government revenue from about 15% in 1974-75 to about 7% in 1997-98.<sup>37</sup>*
- 3.53 *The CGC report demonstrated that although the amount of State assistance has increased in real terms since 1974-75, its rate of increase (0.4 per cent per annum in real terms) is about one-tenth of the rate of increase of local government own-source revenue (4 per cent per annum in real terms).<sup>38</sup>*

- 3.54 *Since the introduction of the Act in 1974–75, local government revenue from all sources has grown on average by 3.6 per cent per annum in real terms. The fastest growing revenue source was user charges (6.4 per cent per annum in real terms). Other local government revenue (4.5 per cent), Commonwealth assistance (4.3 per cent) and municipal rates (3.0 per cent) grew at about the average rate. The slowest growing revenue source was State assistance (0.4 per cent).*<sup>39</sup>

**Table 3.2 Changes in local government revenue sources in constant 1997-98 prices**

	<b>Rates</b>	<b>User Charges</b>	<b>Other</b>	<b>Federal Transfers</b>	<b>State Transfers</b>
<b>1974/5</b>	<b>2,842</b>	<b>703</b>	<b>381</b>	<b>550</b>	<b>779</b>
<b>1997/98</b>	<b>5,620</b>	<b>2,947</b>	<b>1,052</b>	<b>1,443</b>	<b>848</b>
<b>Average Annual Growth</b>	<b>3.0%</b>	<b>6.4%</b>	<b>4.5%</b>	<b>4.3%</b>	<b>0.4%</b>

*Source Commonwealth Grants Commission, Review of the Operation of the Local Government (Financial Assistance) Act 1995, June 2001, p. 50.*

- 3.55 *ATSIC Queensland stated:*  
*The steady growth in FAGs and other forms of Commonwealth Government funding to local government has been offset by a relative decline in State Government support. There has also been a very real expansion in the roles taken on by local councils, which has not been matched by this increase in revenue.*<sup>40</sup>
- 3.56 *DOTARS also referred to local government increasingly looking to the Federal government for revenues due to the decline in State government revenue support:*  
*... the share of revenue coming from State Government has declined. This, combined with the limitations many councils face in increasing their own-source revenue, has placed an increasing focus on revenue from the Commonwealth to support local government activities. This has been recognised by the Commonwealth in the development of the Roads to Recovery Programme which has been well received by local governments across Australia.*<sup>41</sup>
- 3.57 *Guyra Shire Council indicated the amount of Roads to Recovery (R2R) funding received from the Federal government was very close to the amount of cost shifting by the State government; in effect, the Federal government was funding the State's liability to local government via Roads to Recovery.*<sup>42</sup>
- 3.58 *The State governments contend that it is not possible to examine levels of State funding for local government in isolation from consideration of levels of Federal government funding to the States. For example, the Queensland government stated:*  
*In Australia, only the Commonwealth has a capacity to raise revenue in excess of its expenditure requirements. Both State and local governments have expenditure responsibilities in excess of revenue raising capacity. The level of financial transfers between the Commonwealth and States, and cost shifting by the Commonwealth to the States impacts on States' capacity to provide additional assistance to local government.*<sup>43</sup>

3.59 *The States claimed that they provide significant specific purpose funding to local governments across a broad range of programs. The WA government listed some programs it funds including roads, heritage, sport and recreational facilities, country housing, community safety, cycleways and recycling.*<sup>44</sup>

### **Restrictions on revenue raising**

3.60 *In Chapter 2, the Committee referred to local government in some circumstances wanting to take on more responsibilities because they believe they are in the best position to do so. In fact, local government is seen as the best partner in delivering certain programs on behalf of the other spheres of government.*

3.61 *However, local government can not take on these additional responsibilities if adequate funding and resources are not provided; without increases in State funding support, local government must rely on its own revenue.*

3.62 *There is a disparity in the ability of councils to raise revenue, due largely to differences between the ability of urban, rural or remote councils to increase rates and levy user charges. Also, there are differences in the cost of providing services.*

3.63 *Local government receives a significant proportion of its revenue from the sale of goods and services. This represents, on average, close to one third of council revenue, with Tasmania and Queensland receiving more than 40% of their revenue in 2000–01 from these sources. This may be because, in those States, local government has responsibility for provision of water and sewerage services.*

3.64 *Revenue from government grants, at almost 12% of total local government revenue, continues to be a significant source of income to local governments, especially for rural and regional communities. In general, urban councils have the greatest degree of financial autonomy. In some rural and remote areas, government grants can constitute more than 50 per cent of revenue for some councils.*<sup>45</sup>

3.65 *The Committee recognises that rural and remote councils will always rely on grants because they have limited options to increase their own revenue. For example, the Shire of Ngaanyatjarraku has a budget in excess of \$4 million but receives less than \$50 000 in rates, primarily due to large tracts of non rateable land.*<sup>46</sup> *However, those councils that have the financial autonomy should be able to exercise it and increase revenue within reasonable grounds.*

3.66 *The Queensland government claimed that local government within Queensland has the widest jurisdiction and most flexible powers of any jurisdiction in Australia, therefore, the revenue raising powers of Queensland councils are seen to be wide.*<sup>47</sup>

3.67 *State restrictions on revenue raising include:*

- *rate capping;*
- *constraints on the fees and charges councils are allowed to levy under other legislation (refer to Appendix C for examples);*
- *non-payment of rates to councils by a number of State commercial enterprises; and*
- *restrictions on borrowings.*<sup>48</sup>

**Rate capping**

- 3.68 *Rate capping was introduced by the State government in NSW in 1977. Under this system, councils must seek special approval from the Minister for Local Government for annual increases in rates and charges, or in total revenue, beyond a specified level.*
- 3.69 *The rate capping system in NSW exacerbates local government's inability to raise sufficient revenue. Moreover, it has negative implications on local revenue stability and strategic planning. In support of this view, Access Economics referred to the inefficiency of rate capping:  
Rate capping ... is inconsistent with the call for local governments to become more financially secure and to develop broader sources of revenue. It also rewards poor management and promotes inefficiency because, if anything, local councils are encouraged to increase rates by the full extent of the allowed limit irrespective of need.<sup>49</sup>*
- 3.70 *Indeed, Bombala Council stated councils will take up the rate pegging allowance even if not needed, as they are aware that if they do not take the increase it will be lost forever:  
Without a mechanism for recouping the foregone revenue over the longer term a degree of flexibility has been removed. This has a larger impact in the rural areas as rate increases cannot be put through cycles matching the good and poor agricultural seasons.<sup>50</sup>*
- 3.71 *The Local Government Association of NSW and Shires Association of NSW (Lgov NSW) agreed that the current system is:  
... inefficient and inappropriate as it deprives councils of the ability to respond to the needs of their respective communities and the increasing demands being placed on Local Government by other spheres of government.<sup>51</sup>*
- 3.72 *Many councils in NSW argued that rate capping lacks transparency and is vulnerable to the political expedience of the State government of the day. Furthermore, rate capping is seen as an oppressive policy because it does not allow local government to have the responsibility of determining its own level of taxation and it affects local government's capacity to serve its constituents. Lgov NSW explained that the approved percentage increases frequently do not match consumer price index increases.*
- 3.73 ***The limit for 2002-03 was, for example, set at 3.3% at a time when councils were facing average premium increases for public liability insurance of 30-50%. Further, NSW Fire Brigades increased the levy on councils by 13.3% in the same year.<sup>52</sup>***
- 3.74 *Lgov NSW contested the rate capping policy and pointed out that government instrumentalities, such as the NSW Fire Brigade and Rural Fire Service, commonly increase their levies by amounts that exceed the rate capping limit imposed on councils. Lgov NSW provided the following table which demonstrates the gap between the NSW Fire Brigade Levy and the rate capping limit over the last 10 years.*

**Table 3.3 NSW Fire Brigade levy increases v Rate Capping Limit**

<b>Year</b>	<b>NSWFB Levy Increase</b>	<b>% Rate Capping</b>
<b>Limit %</b>		
1993/94	Nom	2.6
1994/95	5.9	2.3
1995/96	8.7	2.2
1996/97	10.5	2.7
1997/98	7.5	3.1
1998/99	12.8	1.7
1999/00	2.8	2.4
2000/01	2.7	2.7
2001/02	5.0	2.8
2002/03	13.3	3.3
<b>Average Annual Increase</b>	<b>6.9 %</b>	<b>2.6%</b>

- 3.75 *Rate capping is affecting councils in NSW to such an extent that the increase in the NSW Fire Brigade Levy has surpassed the increases in rates allowed. As an illustration of this, Eurobodalla Shire Council is paying \$100,000 more in levies to the Fire Brigade and Rural Fire Service while its rates revenues have increased by \$30,000 due to the rate cap.<sup>53</sup> For other examples of limits imposed by State governments on fees and charges refer to Appendix C.*
- 3.76 *Lgov NSW commented on the inequities in this system: Councils are not consulted about the NSWFB budget and they have no say in its operations or management but they are legally obliged to meet the increases in the levy. On one hand the Government is approving increases in the NSWFB budget in excess of the CPI while on the other, constraining Local Governments ability to meet the cost of the increases. This inevitably compromises the provision of council infrastructure and services. Further, as the levy is imposed on councils and not individual property owners, the levy is not readily apparent to the public. The levy is ultimately hidden in council rates with most rate payers unaware that they are funding a State Government agency in addition to their local council.<sup>54</sup>*
- 3.77 *Further on the rate capping issue, DOTARS referred to a draft discussion paper, Advancing Local Government, Partnerships for a New Century, by the UTS Centre for Local Government which argued that there are frequent cases where adequate provision of services and infrastructure cannot be maintained within rate capping limits, even with efficiency gains, due to special local needs, rapid population growth, or other factors.<sup>55</sup>*
- 3.78 *At hearings, the Committee heard of a number of distortions that rate capping had created in NSW. Due to rate capping, councils are finding it extremely difficult to develop unless their rating base level was appropriate when rate capping was introduced 30 years ago. A number of now rapidly developing councils were caught with a very low rate base at the introduction of rate capping. For example, if Tweed Shire Council was able to rate its properties on the same basis as its adjoining council, Lismore City, it would have an extra \$12 million income on a \$22 million income base.<sup>56</sup>*

- 3.79 Similarly, Eurobodalla Shire Council was an underdeveloped fishing village when rate capping commenced so its rating level started at a very low level. Since then, the Council has taken every rate increase but is behind \$1 million in income compared to its neighbouring councils.<sup>57</sup>
- 3.80 ALGA stated that rate capping in NSW could be said to cost local government around an average of \$200 million per annum, assuming 3.81 The Committee also acknowledges the particular difficulties of local government in NSW due to its limited capacity to raise funds. The CEO of North Sydney elaborated on the difficulties in NSW:  
There is less capacity to raise local funds. The expectations from the community are still there but the ability to provide for or meet those expectations with the revenue that local government can raise within the constraints imposed by the state government is quite low. That is not the case in Victoria where the state government has listened to local government's needs and rates have increased. In addition to that there are, in my view, a considerably greater range of state grants to local government in Victoria than there are in New South Wales. I think local government does fare worse in New South Wales than in Victoria.<sup>59</sup>
- 3.82 Another viewpoint was raised by a few councils which claimed that rate capping promotes discipline. The Committee heard that rate capping may be a good way for councils to maintain their rating levels.  
The Director of Corporate and Community Services, Wyong Shire stated:  
... a number of councils have found rate pegging a convenient method to fix the level of rating and then blame it on somebody else.<sup>60</sup>
- 3.83 The point was also made that rate capping has given councils the incentive to review their operation and to be as efficient as they can be.<sup>61</sup> The Mayor of Tumut Shire Council stated that under the rate capping regime, his council has been forced to look at other areas to boost economic activity.<sup>62</sup>
- 3.84 The Committee notes that in many circumstances councils are largely financially self-sufficient; councils on average raise about 80% of the revenue they require, principally from property rates and service fees and charges.<sup>63</sup> At the same time, there may be room for further increases in local government revenue and the Committee received evidence that some councils had room for further rate increases.
- 3.85 The Committee is of the view that local government should be given responsibility for determining its own level of taxation particularly in the climate of increased expectations and less revenue in the form of grants. After all, local government is subject to the test of rate increases and of management of its fiscal position at the ballot box.

### **National Competition Payments**

- 3.86 At the 11 April 1995 meeting of the COAG, Federal and State governments agreed to implement a package of legislative and administrative reforms called National Competition Policy (NCP). NCP is a national, coordinated approach to increasing competition in Australia across both business and industry in the public and private sectors.
- 3.87 As part of NCP, the Federal government agreed to provide competition payments to the States. These payments are subject to regular assessments by the National Competition Council (NCC) that the States are achieving satisfactory progress with NCP implementation.

- 3.88 *The NCC estimated that in 2001-02, \$733.3 million was provided to the States and Territories in competition payments. These ranged from \$242.5 million to New South Wales to \$7.6 million to the Northern Territory. It was estimated that by 2005-06, a total of \$796.5 million would be provided in competition payments to the States and Territories.*<sup>64</sup>
- 3.89 *The NCC accepted that there had been circumstances where particular local governments had incurred significant reform costs without necessarily being able to accrue a proportionate share of the benefits. The NCC supported an approach whereby the States and the Northern Territory provide local government with a dedicated share of competition payments.*<sup>65</sup>
- 3.90 ***NCP agreements were a significant and costly exercise for local government. NCP payments, however, are not being passed on by some States – NSW, TAS, SA and NT - despite local government’s key role in achieving NCP goals and requirements. Queensland, Western Australia and Victoria passed on a portion of their payments to the local sector:***
- *In Queensland, the State government provided local government with \$150 million in NCP dividends.*<sup>66</sup>
  - *In Victoria, local government received 9% of the State government’s allocation over 5 years. The allocation for the next four years is \$65 million.*<sup>67</sup>
  - *Originally WALGA negotiated a deal with the State government for local government to receive \$4 million in NCP payments. The State government discontinued the arrangement after the first three years.*<sup>68</sup>
- 3.91 *The Committee is encouraged by the approach of those States which have passed on NCP payments to local government in recognition of its work and associated costs on competition reform. In particular, the large NCC payments passed on by the Queensland State government were extremely useful to local government in that State.*<sup>69</sup>
- 3.92 *The Committee notes that some States did not pass on payments. As Lgov NSW stated, a share of payments to local government would have helped compensate for the costs of implementing NCP and could have acted as an incentive for future reforms.<sup>70</sup> The LGAT claimed that the implementation of NCP policies has been quite expensive, yet they have not received any fiscal resources with which to assist in accomplishing this task.<sup>71</sup> Many councils stated that NCP has had a significant impact which was not supported financially. It is expected that local government should enjoy lower costs in the future due to lower input costs as a result of NCP implementation.*
- 3.93 *The Committee recognises that NCP payments are only a temporary measure, however a share of the payments would have provided local government with some financial return for the costs of implementing competition reform.*
- 3.94 *The Committee believes all Federal-State financial agreements should involve consultation with local government and include financial recognition of the work done by local government.*

**Recommendation 4**

3.95 *The Committee recommends that, when developing Federal-State intergovernmental agreements, the Federal government consider: – including representation from local government during negotiations; and – requiring a commitment from State governments to identify and provide a share of payments to local government when it is seen as having a significant role in the delivery of programs under the agreement.*

**Non-rateable land**

3.96 *DOTARS explained that under the Competitive Neutrality principle of the National Competition Policy, State enterprises should pay all applicable taxes. This is to ensure that public ownership does not derive an advantage in the market place by being exempt from taxes, which are normally paid by competing private sector enterprises. It appears there is no consistency in the way this is applied in States and the Northern Territory.*

3.97 *In the NT, the Government Owned Corporations Act states that a government owned corporation (GOC), such as Power and Water, must pay the equivalent of local government rates to the Consolidated Revenue Account of the NT government. However, this revenue is not passed on to local government.*

3.98 *A similar situation is found in SA and WA where **State enterprises pay the equivalent of local government rates to their respective State treasuries which are not passed on to local government** and therefore represent a loss of revenue from local government's perspective.*

3.99 *These issues are being addressed in NSW and Queensland. In NSW, land is rateable as a result of the corporatisation of a State Owned Corporation that has been specified under the State Owned Corporations Act 1989. For example, State enterprises such as the Sydney Water Corporation and energy corporations pay rates. Also in NSW the State government's Reciprocal Charges Committee report recommended a number of policies and principles that, if adopted in full, would establish a fair and efficient reciprocal charging regime between State and local government in NSW.<sup>72</sup>*

3.100 *In Queensland, a government entity has to pay rates if it is a non-exempt GOC. A number of GOCs in the ports, rail and electricity sectors have been declared recently as non-exempt GOCs and are now paying rates.*

3.101 *In Victoria, properties which are public, educational, religious or charitable in use or ownership, are exempt from council rates in accordance with the Local Government Act 1989.<sup>73</sup>*

3.102 *On 29 July 2003 the government of Tasmania and Tasmanian councils signed the Statewide Partnership Agreement on financial reform. The major reforms included:*

- the payment by State government of council rates on crown land, apart from certain types of reserves, roads, bridges and Hydro land;*
- the payment by councils of all State government taxes including payroll tax and land tax, with the exception of parks, reserves and conservation areas; and*
- the abolition of up to \$10 million in State government levies on councils.*

- 3.103 *The reform package was developed over a two year period by a Working Group established by the Premier's Local Government Council. The Working Group, comprising State and local government representatives, undertook close consultation on a range of matters dealing with valuation, rating and revenue neutrality. 74*
- 3.104 *Councils in all States and the NT referred to large areas of land which are non-rateable. For example, Katherine Town Council's non-rateable properties added up to \$95 394 per annum and included churches, charities, NT government bodies, crown land and Aboriginal hostels.75*
- 3.105 *WALGA also referred to church groups, indigenous communities and other community groups which seek exemptions from rates. Councils in Western Australia have estimated rate exemptions cost between \$50,000 and \$500,000 in lost revenue per annum.76 LGMA Western Australia referred to Homeswest, a substantial property holder throughout metropolitan and rural areas, transferring responsibility for rental properties to the Community Housing Authority, a body exempt from rates.77*
- 3.106 *The District Council of Elliston in South Australia assessed the annual additional cost and revenue impact on areas subject to Native Vegetation Heritage Agreements was nearly \$50,000 per annum, which is 6.5% of the 1999/2000 rateable income of the council.78*
- 3.107 *Waggamba Shire Council in Queensland faces a similar problem in that its costs \$450,000 per annum to manage stock routes and reserves, yet all revenue from de-pasturage and travelling stock fees goes to the State government.79 Some councils in Queensland were spending close to 18 per cent of their rate base on stock routes to maintain them for travelling stock that may come from anywhere for no revenue return.80*
- 3.108 *The level of non-rateable land is a factor in the allocation of FAGs to councils in some States. In NSW the State Grants Commission has advised that non-rateable properties are excluded from the Commission's calculations. This is because the calculations deal with relativities between councils, based in part on the theoretical revenue raising capacity of each rateable property. Accordingly, the impact on councils of non-rateable land is taken into account in some states when allocating FAGs.81*
- 3.109 *The Committee would like to see the use of this calculation continued in a new funding methodology for FAGs. Funding is discussed further in Chapter 6.*
- 3.110 *The Committee is sympathetic to the view that some rate exemptions for charitable and other organisations should be a matter for local government and not other spheres of government.*

### **Recommendation 5**

- 3.111 ***The Committee recommends that, in line with the Tasmanian Partnership Agreement, Federal and State governments pay rates to local government.***

### **Addressing cost shifting**

- 3.112 *ALGA called for the Committee to recommend that the Federal government implement the following five-point plan to address cost shifting:*

- *acknowledge cost shifting occurs and that it is a substantial problem;*
- *quantify the extent of cost shifting;*
- *take measures to ensure public sector revenue is fairly shared across all three spheres of government;*
- *develop an inter-governmental agreement to address cost-shifting on specific service provision; and*
- *enforce the terms of the inter-governmental agreement through appropriate compliance provisions.*<sup>82</sup>

34. With regard to the question above how much funding does Council receive for the provision of such services?

NIL

As outlined in the extract from the Report on Cost Shifting in answer to Question 33 Queanbeyan City Council is subject to the same cost shifting impacts as outlined by other NSW councils.

35. What is Council's total Community Services budget?

Budget is \$12.2m

36. With regard to the question above how much of the Community Services budget is funded by other authorities and how much is costed to ratepayers?

Rates \$4.3m

37. What is the increase in Council staff numbers over the past 5 years?

2004/2005 263  
 2005/2006 266  
 2006/2007 248  
 2007/2008 289  
 2008/2009 304

38. What is the increase in staff costs over the past 5 years (including administrative overheads)?

The following table includes all funds and is NOT restricted to the General Fund. It also includes annual award movements which on average have been about 3.5%. It also includes the increase in salary as a result of staff moving through their salary bands under their performance measures.

This needs to be read in the context of creating new positions at The Q and the increases that have resulted from an increase in grant funds being received through community services. It also includes recruitment in the water and sewerage areas.

2008/09 overheads increased as a result of the cessation of the superannuation payment holiday through the Local Government Superannuation Fund.

Council also approved the recruitment of a Manager Communications, Manager Water Sewerage, senior HR officer and Business Analyst.

Staff numbers were also increased when the amenities cleaning contract was converted to day labour because of excessive costs.

	2008/2009 '000	2007/2008 '000	2006/2007 '000	2005/2006 '000	2004/2005 '000
Employee Costs	20,006	17,202	15,819	14,844	13,940
% Increase Annually	16.3%	8.7%	6.6%	6.5%	
5 year % Increase	43.5%				

39. What is the increase in total administration cost of running Queanbeyan City Council over the past 5 years?

Everything that council does has an administrative component from corporate, engineering and so on. What do you mean by this?

40. Can you advise the participant category for each of the 40 invited attendees who took part in the Residents & Ratepayers forum held on 16 and 23 February 2010?

It was proposed that the Residents & Ratepayers Forum was to be made up of 40 representatives consisting of:

- 20 randomly selected from across the city based upon geographical location (suburb), age and gender – to ensure that a representative sample was achieved of the Queanbeyan population. For example this spread recognised that there needed to be 2 male and 2 female representatives from Jerrabomberra.
- 10 Invited community organisations
- 10 Self nominated nominees who responded to advertisements calling for expressions of interest

Council received only 4 responses wishing to participate in the forum from the invited community organisations, but also received 15 self nominations. In light of this the Stakeholder Steering Group (which consisted of 2 councillors and 3 community representatives) which oversaw the selection process recommended that the vacant positions be filled by the additional 5 self nominated representatives and by further randomly selected representatives.

41. In the Residents & Ratepayers Forum Q&A a question was asked 'can repair and maintenance be pegged to asset value'. What are the predictive modelling tools referred to in the answer, who are these tools used by and what guarantee is there they will give correct answers?

I am unsure of the question of pegging repairs and maintenance to asset value. I will assume the question to be "can the residual value of the asset dictate the amount of money spent on repairs and maintenance".

The condition of the asset should dictate expenditure levels. Poor asset condition should result in greater maintenance expenditure. Well maintained assets are generally cheaper to maintain in the longer term. Assets that cannot function with reasonable levels of routine maintenance should be replaced.

The predictive modelling tool used by Council for roads is called SMEC. This modelling tool is operated by the Snowy Mountains Engineering Corporation and is a sophisticated model that is highly respected and accepted in the industry.

Very good information has been provided for use by the model. This information is updated constantly to permit the further refinement of the model.

42. With regard to the question above how much is Council spending on consultants to use the predictive tools?

About \$10,000 per year.

\$7,000 is an annual maintenance charge. About \$3,000 on specific work.

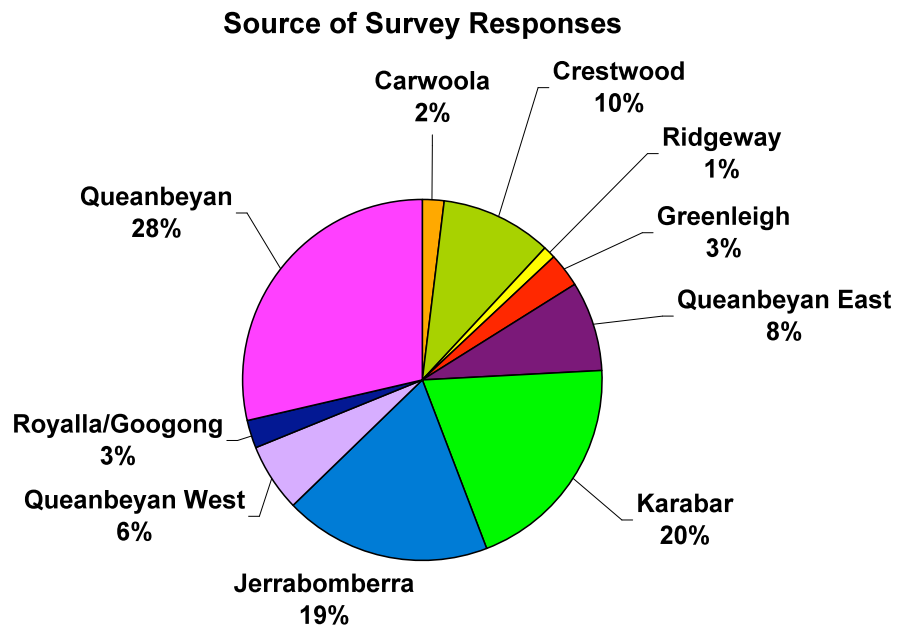
43. In the Residents & Ratepayers Forum Q&A reference was made to basic asset maintenance responsibilities. Please define basic asset maintenance responsibilities?

This is ensuring that all asset classes are “fit for purpose” and that they reach their optimum life through appropriate maintenance practices having regard to safety, the needs of users and financial efficiencies.

44. Was the CityCARE booklet delivered using the same service provider that recently delivered rates notices containing missing pages?

No – Council’s rate notices are printed by a service provider in Victoria and posted out from there. The CityCARE booklet was printed locally and delivered to a mailing house (along with the Council’s Ratepayer Mailing list). They printed the envelopes with the ratepayer addresses, inserted the booklets, sealed them and then delivered them to Australia Post to be posted out to the ratepayers. From the distribution of the responses received it is clear they were posted and not delivered with junk mail as claimed by the JRA.

Responses were received from property owners as far away as Perth, Darwin, Adelaide and Sydney – areas where council certainly does NOT utilise pamphlet delivery services. Also, Council received a high response rate from its rural areas where no pamphlet delivery service is undertaken. (See Chart below).



The spread of these responses closely mirrors the demographic make up of the Queanbeyan Local Government Area.

45. Is the effect of the Global Financial Crisis still regarded as a reason for requiring the additional funds?

NO and it was never regarded as a reason for the SRV. The SRV is required for asset maintenance.

The primary driver for Queanbeyan considering an application for a Special Rate Variation has been Council's move into Integrated Planning & Reporting as required by the NSW State Government. Because Queanbeyan has been so proactive in embracing these reforms it allowed Council to commence work on its Resourcing Strategy (which is made up of a Long Term Financial Plan, Asset Management Plan and Workforce Management Strategy) to inform the development of a Community Strategic Plan. This work, which was commenced in late 2008, has allowed Queanbeyan to have its Community Strategic Plan developed well ahead of many other councils in the state. It was the work on the Community Strategic Plan which identified issues relating to the on-going funding of asset maintenance and renewal. This issue was highlighted in the Community Strategic Plan when it noted:

*“Based on the current data available significant issues have been identified which will require Council to strategically manage. With regard to the General Fund, Local Government benchmarking recommends “whole of life” expenditure should be around 85% of Depreciation. Currently Council provides only minimal programs of renewal due to lack of funding and other programs requiring higher priority. Based on the premise, that Council will need at some stage to replace its infrastructure on a systematic basis, it is still clear that significant increases in capital expenditure will need to be funded.*

*Based on the current Asset Renewal Ratio, Council is only replacing around 25% of its annual deterioration of its infrastructure and if in the long term this continues Council's infrastructure will need significant replacement all at once and place a large burden on ratepayers.*

*Whilst Council's assets may currently be in a reasonable state, the life span of the asset may be reduced due to inadequate levels of maintenance resulting earlier expenditure to replace the asset (for which we may not have reserved adequate funding) or a higher level of maintenance because the regular minor maintenance has not occurred..."*

(Queanbeyan Community Strategic Plan 2009 – 2019 p33)

What the Community Strategic Plan, the Long Term Financial and Asset Management Plans are pointing out is that Council has a funding gap between the money it currently receives in rates and the funds it needs to spend to keep the city's \$560 million worth of assets in good shape. Under the new Integrated Planning & Reporting requirements councils have a duty to place this information before the community so that they can be fully aware of the resources required to maintain their local government area. The CityCARE levy proposal is Council being proactive in respect of this situation as well as informing the community of the need to address this issue.

It is important for residents of Queanbeyan to understand that this is an issue which IS NOT GOING TO GO AWAY. Under Integrated Planning & Reporting Council will continue its work in refining its Asset Management and Long Term Financial Plans to ensure there is on-going rigour in the figures produced. This is an issue ALL councils within Australia have to address. The Federal and State governments have adopted a National Framework on Asset Planning & Management which is required to be in place by December 2010. In outlining this approach the Australian Council of Local Government has noted:

*"Assets deliver important services to communities. A key issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement. Infrastructure assets such as roads, drains, water and sewerage assets, bridges and public buildings present particular challenges as their condition and longevity can be difficult to determine, and the increasing demands in terms of quality and standards. The creation of new assets also presents challenges in terms of funding for initial construction and ongoing service costs.*

*The development of a national framework for asset management supports improved asset management by local governments across Australia. It will assist in highlighting key asset management issues where a common approach is needed.*

*A national approach promotes prudent, transparent and accountable management of local government assets. It introduces a strategic approach to meet current and emerging challenges for local government."*

It is the introduction of this new way of councils undertaking their business which has driven Queanbeyan's move to seek approval to introduce a CityCARE levy. The Global Financial Crisis has no bearing on Council's decision in respect of this issue.

Yours sincerely

**GARY CHAPMAN**  
**GENERAL MANAGER**