

The Impact of Cost Shifting on NSW Local
Government: A Survey of Councils
- Financial Year 2013/14 -

Report by Local Government NSW

2015

KEY FINDINGS

Cost shifting by the NSW Government and the Australian Government on to Local Government in NSW in the financial year 2013/14 is estimated to amount to \$670 million or 6.96% of Local Government's total income before capital amounts – about \$88 million higher than the result for 2011/12 of \$582 million.

Since the first cost shifting survey, cost shifting is estimated to have increased significantly from \$380 million in 2005/06 to \$670 million in 2013/14.

The cost shifting ratio has increased significantly from 6.26% of total income before capital amounts for 2011/12 to 6.96% for 2013/14. The increase is mainly driven by significant increases above total sample trend in cost shifting in the metropolitan and urban regional council groupings associated with the functional areas “waste levy” (question 21) and, to a lesser degree, “community and human services” (question 20).

The majority of cost shifting is attributed to the NSW Government; with only a small portion of cost shifting attributed to the Australian Government.

INTRODUCTION

The LGNSW cost shifting survey is an annual survey which seeks to establish the extent of cost shifting by the Australian and NSW Governments on to Local Government in NSW. The survey measures the amount of cost shifting for a representative sample of the 152 general purpose councils in NSW, calculates a cost shifting ratio for each council in the sample and for the whole sample and extrapolates, from the sample ratio, an estimate of the amount of cost shifting on to the whole of NSW Local Government.

This report provides the findings of LGNSW's cost shifting survey for the financial year 2013/14. The project was conducted during May to November 2015 and 72 councils were included in the final survey sample. LGNSW would like to thank all councils and the staff involved for their participation.

The survey is based on the work of the *Independent Inquiry into the Financial Sustainability of NSW Local Government* which found that more "hard data" about cost shifting was required and recommended that LGNSW undertake an annual survey of all councils to measure and monitor cost shifting. LGNSW's survey is a continuation of the cost shifting survey for the financial year 2004/05 undertaken by the inquiry in 2006.¹ LGNSW conducted surveys for the subsequent financial years 2005/06, 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12.² Since the survey for 2011/12, LGNSW conducts the survey biennially.

The survey results help quantify the extent of cost shifting onto NSW Local Government and support Local Government's argument for that practice to end. It also assists in monitoring compliance with the national *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations on Local Government Matters (2006)*.

WHAT IS COST SHIFTING?

Cost shifting describes a situation where the responsibility for, or merely the cost of, providing a certain service, concession, asset, or regulatory function is “shifted” from one sphere of government on to another sphere of government without the provision of corresponding funding or the conferral of corresponding and adequate revenue raising capacity.³

¹ Independent Inquiry into the Financial Sustainability of NSW Local Government, *Final Report: Findings and Recommendations*, (2006), page 66-72.

² See for survey reports the LGNSW website at www.lgnsw.org.au/policy/finance/cost-shifting-survey.

³ This description does not necessarily address the question of which sphere of government should be assigned a particular expenditure function.

The definition adopted for the survey is based on the definition used in the survey undertaken for the *Independent Inquiry into the Financial Sustainability of NSW Local Government in 2006*.⁴ The following cost shifting scenarios are covered:

The cost related to:

- the imposition of responsibility for providing a certain service, asset or regulatory functions upon Local Government by other spheres of government (Australian or State Government) without the provision of corresponding funding or compensation or the conferral of corresponding and adequate revenue raising capacity;
- the transfer of responsibility to Local Government for funding certain services or functions (including concessions and rebates) where the responsibility for the funding of which lies with other spheres of government;⁵
- the situation where Local Government agrees to provide a service/function on behalf of another sphere of government but funding is subsequently reduced or stopped, and Local Government is unable to withdraw because of community demand for the service/function;
- the situation where, for whatever reason, another sphere of government ceases or provides insufficient levels of a service/function it is responsible for and Local Government steps in because of community of demand for the service/function.

PARTICIPATION

The survey for 2013/14 was provided online and was accessible to all 152 general purpose councils in NSW during a period of about ten weeks during May, June and July 2015. 81 councils completed the survey.

During August to November 2015, returned surveys were assessed and issues clarified with councils. Nine returned surveys were rejected from the sample. Rejection took place in the following circumstances:

- Returned surveys were incomplete;
- Doubtful data could not be satisfactorily clarified with council; or
- Cost estimates could not be provided in more than 25 per cent of the 26 functional areas.

Of the 72 councils included in the final sample, 23 are classified metropolitan; 28 urban regional and 21 rural.⁶

METHODOLOGY

The survey establishes the following figures:

Cost shifting amount for each participating council

The survey establishes the total amount of cost shifting based on the council estimates of the net ongoing cost (excluding capital expenditure) in each of the 26 functional areas identified by the survey. Councils were invited to add further financially significant examples of cost shifting. These additional examples were accepted where they were considered consistent with the survey's

⁴ Independent Inquiry, op cit, pages 67 to 70; Moege S, *The Impact of Cost Shifting on Local Government in NSW - A Survey of Councils*, (2006).

⁵ Mere price increases (as long as they are appropriate and apply to all service recipients equally) are not considered cost shifting. In the context of payments to state government agencies, cost shifting can only occur where cost related to a service/function are transferred onto Local Government even though responsibility for funding lies with other spheres of government (e.g. pensioner rate rebates). This is not the case where Local Government pays for a service like all other recipients.

⁶ The classification is based on the Australian Classification of Local Government. Metropolitan councils include the sub-classifications "capital city" (UCC), "metropolitan developed" (UD...), and "fringe" (UF...) if within the Sydney metropolitan area; urban regional councils include the sub-classifications "regional town/city" and "fringe" if outside the Sydney metropolitan area; rural councils include all rural sub-classifications (R...).

approach towards cost shifting. A list of the 26 functional areas can be found as appendix A to this report.

Two additional cost shifting examples continue being included since the survey for 2009/10:

- *Question/example 24 - Revenue limitations on crown reserve land under council management*
Cost in \$ associated with limitations imposed by the State Government on revenue raising ability on council managed crown reserve land or requirements to transfer revenue from council managed crown reserve land to the State Government.
- *Question/example 25 - Processing of development applications*
Cost in \$ of processing development applications under the *Environmental Planning and Assessment Act (NSW) 1979* and associated regulations less any revenue related to this function (e.g. development application fees, state government payments/subsidies).

Net ongoing costs generally refer to the total annual cost of providing the service or function (operational and administrative, excluding capital expenditure) less any annual revenue related to the provision of the service or function, (e.g. grants or subsidies from the NSW or Australian Government, fees or contributions collected by councils).

For consistency purposes, councils were asked to exclude corporate overheads and base their estimate of the direct net ongoing costs only.

In the instance that councils were unable to provide an actual estimate they were given the two following options which both received a cost value of "zero":

- "n/a" (not applicable) if the functional area does not apply; or
- "unable" (unable to reliably estimate) if the functional area applies to council but council is unable to reliably estimate the cost.

Cost shifting ratio for each council

As a second step, the survey establishes the cost shifting ratio for each individual council by dividing the cost shifting amount established for the council by the council's total income from operations before capital amounts.⁷

Cost shifting ratio for sample

As a third step, the survey establishes the cost shifting ratio for the sample councils by dividing the cost shifting amount established for the sample of councils by the sample's total income from operations before capital amounts.

Cost shifting amount for all councils in NSW

Finally, the survey extrapolates the total amount of cost shifting on to NSW Local Government in NSW by applying the established cost shifting ratio for the sample to the total income from operations before capital amounts of all NSW councils.

⁷ Total income from continuing operations less grants and contributions provided for capital purposes, less profit from disposal of assets, and less profit from interests in joint ventures & associates as shown in the income statement of council's financial statements.

FINDINGS FOR INDIVIDUAL COUNCILS

Table 1 below shows the survey findings for individual councils and council groups for the financial year 2013/14.

Table 1: Proportion of cost shifting in relation to total ordinary revenue for the sample of 72 NSW councils, 2013/14

Council	ACLG Cl.	Total income from operations before capital amounts in \$	Excluding questions 24 and 25		Including questions 24 and 25	
			Total amount of cost shifting in \$	Proportion of cost shifting in relation to total income	Total amount of cost shifting in \$	Proportion of cost shifting in relation to total income
Metropolitan						
Blacktown City Council	UDV	245,638,000	14,538,942	5.92%	14,710,808	5.99%
Botany Bay City Council	UDM	57,374,000	2,778,240	4.84%	3,550,240	6.19%
Burwood Council	UDM	37,650,000	3,556,644	9.45%	3,992,477	10.60%
Camden Council	UFM	64,851,000	4,013,436	6.19%	4,013,436	6.19%
Campbelltown City Council	UFV	125,630,000	6,503,536	5.18%	6,938,113	5.52%
Canada Bay City Council	UDL	73,931,000	4,768,940	6.45%	5,462,970	7.39%
Hornsby Shire Council	UFV	129,232,000	10,251,003	7.93%	11,077,069	8.57%
Hunters Hill Council	UDS	13,288,000	1,201,895	9.04%	1,669,549	12.56%
Hurstville City Council	UDL	66,162,551	6,328,008	9.56%	6,680,354	10.10%
Kogarah City Council	UDM	46,373,000	3,906,109	8.42%	3,906,109	8.42%
Ku-Ring-Gai Council	UDL	102,429,000	8,649,293	8.44%	8,723,630	8.52%
Leichhardt Municipal Council	UDM	78,845,000	5,644,629	7.16%	6,709,031	8.51%
Liverpool City Council	UFV	142,112,000	10,599,095	7.46%	10,778,487	7.58%
Marrickville Council	UDL	92,481,000	6,096,567	6.59%	7,343,913	7.94%
Mosman Council	UDS	41,359,000	3,355,958	8.11%	3,958,063	9.57%
Penrith City Council	UFV	177,686,000	11,896,258	6.70%	13,601,632	7.65%
Randwick City Council	UDV	128,467,000	9,736,784	7.58%	11,096,125	8.64%
Ryde City Council	UDL	96,058,000	12,219,529	12.72%	13,859,803	14.43%
Strathfield Municipal Council	UDM	30,871,000	2,964,264	9.60%	3,323,622	10.77%
Sutherland Shire Council	UDV	194,669,000	15,521,398	7.97%	15,817,598	8.13%
Sydney City Council	UCC	510,882,010	13,948,718	2.73%	18,465,662	3.61%
Warringah Council	UDV	150,351,000	12,526,447	8.33%	14,003,616	9.31%
Willoughby City Council	UDL	111,397,000	7,316,931	6.57%	9,524,580	8.55%
Summary Metropolitan		2,717,736,561	178,322,624	6.56%	199,206,887	7.33%

Council	ACLG Cl.	Total income from operations before capital amounts in \$	Excluding questions 24 and 25		Including questions 24 and 25	
			Total amount of cost shifting in \$	Proportion of cost shifting in relation to total income	Total amount of cost shifting in \$	Proportion of cost shifting in relation to total income
Urban Regional						
Albury City Council	URM	101,888,000	3,185,765	3.13%	3,185,765	3.13%
Ballina Shire Council	URM	69,263,000	2,589,819	3.74%	3,222,719	4.65%
Bathurst Regional Council	URM	73,452,000	2,358,400	3.21%	2,499,323	3.40%
Blue Mountains City Council	UFL	92,791,000	6,575,228	7.09%	8,006,171	8.63%
Broken Hill City Council	URS	29,713,000	1,493,497	5.03%	1,565,497	5.27%
Cessnock City Council	URM	64,836,000	9,066,043	13.98%	10,421,225	16.07%
Clarence Valley Council	URM	107,354,000	6,179,511	5.76%	7,027,918	6.55%
Coffs Harbour City Council	URL	135,882,000	4,694,898	3.46%	5,138,088	3.78%
Dubbo City Council	URM	86,739,000	2,998,761	3.46%	3,497,385	4.03%
Greater Taree City Council	URM	52,287,000	4,821,110	9.22%	4,974,131	9.51%
Hawkesbury City Council	UFM	64,461,000	5,793,527	8.99%	5,801,133	9.00%
Kempsey Shire Council	URS	53,466,000	4,750,151	8.88%	5,382,264	10.07%
Kiama Municipal Council	URS	48,796,000	1,677,954	3.44%	1,783,529	3.66%
Lake Macquarie City Council	URV	191,840,000	17,287,044	9.01%	17,756,696	9.26%
Lismore City Council	URM	90,709,000	5,660,587	6.24%	6,065,931	6.69%
Maitland City Council	URL	72,914,000	10,583,628	14.52%	10,583,628	14.52%
Newcastle City Council	URV	223,591,000	14,926,574	6.68%	14,984,219	6.70%
Orange City Council	URM	80,783,000	3,066,875	3.80%	4,171,992	5.16%
Port Macquarie-Hastings Council	URL	133,186,000	6,871,727	5.16%	6,871,727	5.16%
Queanbeyan City Council	URM	68,418,000	2,073,623	3.03%	2,269,427	3.32%
Shellharbour City Council	URM	69,303,000	8,061,667	11.63%	8,174,270	11.79%
Shoalhaven City Council	URL	187,946,000	13,281,172	7.07%	14,442,457	7.68%
Tamworth Regional Council	URM	121,288,000	2,980,213	2.46%	2,980,213	2.46%
Wagga Wagga City Council	URM	103,135,436	2,984,319	2.89%	3,570,319	3.46%
Wingecarribee Shire Council	URM	81,639,000	3,614,528	4.43%	3,614,528	4.43%
Wollondilly Shire Council	UFM	42,220,000	2,899,511	6.87%	3,360,592	7.96%
Wollongong City Council	URV	224,312,000	24,479,720	10.91%	27,507,015	12.26%

Council	ACLG Cl.	Total income from operations before capital amounts in \$	Excluding questions 24 and 25		Including questions 24 and 25	
			Total amount of cost shifting in \$	Proportion of cost shifting in relation to total income	Total amount of cost shifting in \$	Proportion of cost shifting in relation to total income
Wyong Shire Council	UFV	227,450,000	16,501,202	7.25%	17,554,554	7.72%
Summary Urban Regional		2,899,662,436	191,457,054	6.60%	206,412,716	7.12%
Rural						
Cabonne Shire Council	RAV	32,638,000	1,219,763	3.74%	1,219,763	3.74%
Carrathool Shire Council	RAM	13,641,000	476,096	3.49%	522,244	3.83%
Cobar Shire Council	RTL	23,628,000	844,439	3.57%	1,022,973	4.33%
Coonamble Shire Council	RAM	16,417,000	463,782	2.83%	479,599	2.92%
Cowra Shire Council	RAV	27,628,000	780,483	2.82%	942,221	3.41%
Dungog Shire Council	RAL	11,739,000	662,652	5.64%	947,179	8.07%
Forbes Shire Council	RAL	30,471,000	913,290	3.00%	974,790	3.20%
Gilgandra Shire Council	RAM	24,243,000	639,605	2.64%	639,605	2.64%
Gunnedah Shire Council	RAV	34,477,000	610,348	1.77%	996,799	2.89%
Inverell Shire Council	RAV	32,174,000	2,089,612	6.49%	2,377,925	7.39%
Leeton Shire Council	RAV	21,762,000	745,299	3.42%	745,299	3.42%
Lockhart Shire Council	RAM	9,451,000	317,445	3.36%	317,445	3.36%
Murrumbidgee Shire Council	RAM	5,991,000	162,171	2.71%	162,171	2.71%
Narrabri Shire Council	RAV	43,906,000	1,063,215	2.42%	1,063,215	2.42%
Narromine Shire Council	RAL	15,884,000	671,634	4.23%	671,634	4.23%
Temora Shire Council	RAL	15,196,000	778,818	5.13%	831,515	5.47%
Tumut Shire Council	RAV	28,072,000	1,210,140	4.31%	1,210,140	4.31%
Upper Hunter Shire Council	RAV	34,721,000	1,745,679	5.03%	1,783,464	5.14%
Upper Lachlan Shire Council	RAL	22,339,000	876,390	3.92%	884,390	3.96%
Walgett Shire Council	RAL	28,223,000	807,822	2.86%	807,822	2.86%
Warren Shire Council	RAM	10,937,000	515,061	4.71%	577,828	5.28%
Summary Rural		483,538,000	17,593,744	3.64%	19,178,021	3.97%
Total sample		6,100,936,997	387,373,421	6.35%	424,797,623	6.96%

GENERAL FINDINGS AND DISCUSSION

Survey ratio - baseline (questions 1 to 23)

The cost shifting ratio for the complete survey sample is 6.35% of total income before capital amounts. This ratio is significantly higher than ratios established for previous financial years:

- 5.60% for 2011/12;
- 5.70% for 2010/11;
- 5.72% for 2009/10 and 2008/09;
- 5.92% for 2007/08;
- 5.95% for 2006/07; and
- 5.84% for 2005/06.

Survey ratio - baseline plus additional questions 24 and 25

Including the new examples contained in questions 24 and 25, the ratio increases to 6.96% of total income before capital amounts. This ratio is significantly higher than the equivalent ratios established for previous financial years:

- 6.26% for 2011/12
- 6.34% for 2010/11; and
- 6.35% for 2009/10.

Question 25 alone adds \$36,504,423 to the sample cost shifting amount.

Cost shifting ratios of different council groups

The findings for each of the three groups of councils (metropolitan, urban regional and rural) are as follows:

With respect to metropolitan councils, the cost shifting ratio for 2013/14 is:

- Survey baseline: 6.56% compared to 5.98% in 2011/12, 6.20% in 2010/11, 6.30% for 2009/10, 6.21% for 2008/09, 6.62% for 2007/08, 6.3% for 2006/07 and 6.1% for 2005/06; and
- Survey baseline plus additional questions 24 and 25: 7.33% compared to 6.82% in 2011/12; 6.96% in 2010/11 and 6.98% for 2009/10.

With respect to urban regional councils, the cost shifting ratio for 2013/14 is:

- Survey baseline: 6.60% compared to 5.63% in 2011/12, 5.49% in 2010/11, 5.47% for 2009/10, 5.44% for 2008/09, 5.63% for 2007/08, 6.0% for 2006/07 and 5.9% for 2005/06; and
- Survey baseline plus additional questions 24 and 25: 7.12% compared to 6.18% in 2011/12, 6.06% in 2010/11 and 6.09% for 2009/10.

With respect to rural councils, the cost shifting ratio for 2013/14 is:

- Survey baseline: 3.64% compared to 3.56% in 2011/12, 3.88% in 2010/11, 4.04% for 2009/10, 4.11% for 2008/09, 4.22% for 2007/08, 4.5% for 2006/07 and 4.5% for 2005/06; and
- Survey baseline plus additional questions 24 and 25: 3.97% compared to 3.95% in 2011/12, 4.23% in 2010/11 and 4.45% for 2009/10.

Total cost shifting amounts

By applying the established cost shifting ratio of 6.35% to the figure of total income from operations before capital for 2013/14 for all NSW councils (\$9,617,445,003),⁸ the amount of cost shifting onto Local Government in NSW (i.e. all 152 general purpose councils) is calculated to amount to \$610,650,884. Including the new examples contained in questions 24 and 25, the amount of cost shifting onto Local Government in NSW (i.e. all 152 general purpose councils) is calculated as being \$669,654,954 (ratio of 6.96%).

Discussion

⁸ The NSW Office of Local Government provided data on the total income from continuing operations before grants and contributions provided for capital purposes, gains from asset sales, and gains from interests in joint ventures as shown in the statement of financial performance of all 152 NSW general purpose councils for the financial year 2013/14 on 24 November 2015.

The significant increase in the cost shifting ratio from 5.60% for 2011/12 to 6.35% of total income before capital amounts (survey baseline) or 6.26% for 2011/12 to 6.96% (survey baseline plus additional questions 24 and 25) is mainly driven by significant increases above total sample trend in cost shifting in the metropolitan and urban regional council groupings associated with the waste levy (question 21) and, to a lesser degree, community and human services (question 20). Accordingly, as above findings show, cost shifting ratios have increased in the metropolitan and urban regional groupings and remained relatively stable in the rural grouping.

The group comparison also shows that metropolitan and urban regional councils suffer more from cost shifting than rural councils. This can be explained by a number of factors including the greater exposure of urban regional councils and metropolitan councils to cost shifting associated with the waste levy (question 21), the provision of public libraries (question 5), and, to a lesser degree, pensioner rate rebates (question 3) and the development application process (question 25).

The table in appendix B shows the cost shifting ratio for each council group in the sample for each individual question.

Only a small portion of cost shifting can be attributed to the Australian Government (0.23% of total cost shifting or just over \$ 994,088 for immigration and citizenship ceremonies (question 12); about 0.29% of total cost shifting or just over \$1,221,311 for half of the funding shortfall in the flood mitigation program (question 16) and an unidentified proportion of the funding shortfall in community and human services which represent 3.2% of total cost shifting or just over \$13,542,593 (question 20)).⁹ The remainder is attributed to the NSW Government.

Comparison with previous surveys

Table 2 outlines the results of the surveys undertaken so far by LGNSW.

Table 2: Ratio and total amount of cost shifting onto NSW Local Government

Financial year	Sample size (no. of councils)	Total income from operations before capital amounts for all NSW councils	Ratio and total amount of cost shifting			
			Survey baseline (questions 1 to 23)	Baseline plus 2008 election cost shift	Baseline plus questions 24 and 25	Baseline plus questions 24 and 25 and 2008 election cost shift
2013/14	72	\$9,617,445,003	6.35% \$610,650,884	n/a*	6.96% \$669,654,954	n/a*
2011/12	73	\$9,268,064,244	5.60% \$519,236,368	5.63% \$521,498,905	6.26% \$579,981,213	6.28% \$582,243,750
2010/11	76	\$8,723,492,462	5.70% \$497,038,850	5.72% \$499,301,387	6.34% \$553,033,109	6.37% \$555,295,646
2009/10	84	\$8,209,306,141	5.72% \$469,191,741	5.74% \$471,454,278	6.35% \$521,626,171	6.38% \$523,888,708
2008/09	69	\$7,664,066,547	5.72% \$438,007,674	5.74% \$440,270,211	n/a**	n/a**
2007/08	65	\$7,280,361,566	5.92% \$431,284,746	n/a*	n/a**	n/a**
2006/07	84	\$6,928,487,164	5.95% \$412,244,986	n/a*	n/a**	n/a**
2005/06	84	\$6,502,482,000	5.84% \$379,744,949	n/a*	n/a**	n/a**

*Cost shifting associated with the 2008 Local Government election is distributed among the relevant financial years 08/09, 09/10, 10/11 and 11/12.

**Questions 24 and 25 were included for the first time in the survey for 09/10.

⁹ Calculation based on baseline plus questions 24 and 25 scenario.

As table 2 shows, in absolute terms, cost shifting on to NSW Local Government is estimated to have increased significantly from approximately \$380 million in 2005/06, \$412 million in 2006/07, \$431 million in 2007/08, \$440 million in 2008/09, \$471 million (\$524 million including the new questions 24 and 25) in 2009/10, \$499 million (\$555 million including the new questions 24 and 25) in 2010/11 and \$521 million (\$582 million including the new questions 24 and 25) in 2011/12 to approximately \$611 million (\$670 million including the new questions 24 and 25) in 2013/14.

Others

Finally, the cost shifting ratio and amount established by the survey can be regarded as conservative for several reasons:

- Although councils were encouraged to add financially significant examples, councils basically worked within the 26 functional areas identified in the survey.
- The survey asked councils to exclude corporate overheads from the individual cost estimates for each cost shifting area. The addition of corporate overheads could increase costs by around 10% based on the average corporate overheads ratio established by the Independent Inquiry into the Financial Sustainability of NSW Local Government in a separate survey.¹⁰
- If councils were not able to reliably estimate the cost of individual areas of cost shifting these areas got a zero costing.¹¹
- Lastly, and importantly, the survey, for most functional areas questioned, excluded any capital expenditure related to the functional areas and comments were provided by many councils that the inclusion of capital expenditure would significantly increase the amount of cost shifting.

¹⁰ DG & AB Maxwell, *Corporate Overheads of Local Government*, (2006), page 14; Local Government Inquiry, *Interim Report: Findings and Options*, table 10.2, page 201.

¹¹ Unless returned surveys were rejected because cost estimates could not be provided in more than 25 per cent of the 26 functional areas.

APPENDIX A - LIST OF THE 26 FUNCTIONAL AREAS

1. Contribution to Fire and Rescue NSW.
Please only include the relevant amount of the emergency service levy invoice from the Ministry for Police and Emergency Services.
2. Contribution to NSW Rural Fire Service.
Please only include the relevant amount of the emergency service levy invoice from the Ministry for Police and Emergency Services.
- 2a. Contribution to NSW State Emergency Service.
Please only include the relevant amount of the emergency service levy invoice from the Ministry for Police and Emergency Services.

3. Pensioners rates rebates.
Net cost in \$ incurred due to mandatory pensioners rebates for rates and charges (total amount of mandatory concession minus state reimbursement). Please do not include in your calculation rebates for water supply and sewerage charges as these charges are subject to a separate fund and cost can be recovered across all users.

NSW is the only state that requires councils to fund approximately half the cost of mandatory pensioner concessions (ss575-584 of the Local Government Act (NSW) 1993).

4. Voluntary conservation agreements
Net cost in \$ incurred due to rate exemptions as a result of voluntary conservation agreements.

Pursuant to section 555 of the *Local Government Act (NSW) 1993*, land (or the proportion of the landholding) that is subject to a voluntary conservation agreement between the landowner and the relevant NSW Minister (environment portfolio) under section 69 of the *National Parks and Wildlife Act (NSW) 1974* is exempt from all council rates.

5. Public library operations.
Cost in \$ representing the proportion of operational expenditure that was not funded by the State Government but would have been funded had the original funding arrangement of a State Government subsidy of half the amount expended by council on the operation of libraries been applied (i.e. shortfall between actual State Government subsidies (prescribed amount pursuant to s13(4)(b) Library Act (NSW) 1939 and the regulation) and the subsidy council would have been eligible for pursuant to s13(4)(a) Library Act (NSW) 1939 (the original funding arrangement of a state subsidy of half the amount expended by council on the operation of libraries from rate income).

Do not include capital expenditure. Do not enter the total operational expenditure for libraries. Please explain if your figure is larger than half the expenses from continuing operations for public libraries in special schedule 1 of your financial statements.

6. Shortfall in cost recovery for regulation of on-site sewerage facilities.
Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Please only include necessary costs that cannot be recovered as a result of regulatory constraints. Do not include capital expenditure.

Councils are required to regulate the installation, approve and monitor the operation and keep a register of all on-site sewage management systems (Local Government Act (NSW) 1993).

7. Shortfall in cost recovery for regulatory functions/services under the Companion Animal Act (NSW) 1998.

Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Do not include capital expenditure.

Councils' role was expanded from a pure enforcement role to a regulatory body with functions including preparation of companion animal management plan, operation of lifetime registration system, separation of cats and dogs, maintaining facilities, enforcement, and the collection of fees for the Department of Local Government which returns only a small proportion of those fees to Local Government.

8. Shortfall in cost recovery for regulatory functions/services under the Contaminated Land Management Act (NSW) 1997.

Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Do not include capital expenditure.

Councils are required to respond to contaminated land issues, undertake the administration, registration and mapping of contaminated sites not regulated by the NSW Environment Protection Authority, develop policies, and consider contamination in land-use planning processes.

9. Shortfall in cost recovery for functions under the Protection of the Environment Operations Act (NSW) 1997.

Cost in \$ of regulatory services/functions less any revenue related to them (fees, state government payments/subsidies).

Councils are required to administer the licensing system and enforce protective regulation (issuing of environmental notices, prosecution of environmental offences, undertaking of environmental audits) in relation to all non-scheduled activities not regulated by the NSW Environment Protection Authority.

10. Shortfall in cost recovery for functions as control authority for noxious weed.

Cost in \$ of regulatory services/functions less any revenue related to them (fees, state government payments/subsidies; e.g. grants from the NSW Department of Primary Industries) or cost in \$ of net contributions to other authorities for reasonably necessary regulation of noxious weeds on land other than council land and council managed Crown land. Do not include cost of other environmental weeds control or general bushland care. Do not include capital expenditure.

Councils are required to regulate and control noxious weeds pursuant to the Noxious Weeds Act (NSW) 1993 and s183 of the Local Government Act (NSW) 1993.

11. Functions under the Rural Fires Act (NSW) 1997.

Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Do not include capital expenditure. Please do not include the contributions to the Rural Fire Service and NSW Fire Brigade covered in questions 1 and 2.

Councils are required to administer and remedy complaints about fire hazards on council property, and to map and administer bushfire prone land (e.g. asset protection work, fire trails). Please include net cost of assistance provided to the Rural Fire Service to fight bushfires declared under s44 of the Rural Fires Act (NSW) 1997 on any land within the council area.

12. Immigration services and citizenship ceremonies.

Cost in \$ of providing these services less any revenue related to them (fees, state government payments/subsidies).

13. Shortfall in cost recovery for administering food safety regulation.

Cost in \$ of services/functions less any revenue related to them (fees, state government

payments/subsidies). Please only include necessary costs that cannot be recovered as a result of regulatory constraints.

Councils are required to undertake registration and inspection of food and food premises under the Food Act (NSW) 2003.

14. Provision of educational services.

Net cost in \$ of providing educational services due to the State Government's withdrawal from providing educational services that should be state government responsibility (e.g. sporting facilities used by public schools, education programs, classes for disadvantaged children in youth centres, but not child care as such). Do not include capital expenditure.

Please do not include council education programs the state government would not be responsible for (e.g. waste and sustainability education).

Where facilities are used by other governments (e.g. public schools) please estimate the proportion of operation and maintenance cost allocated to the use by the other level of government (not the total cost of operating the facility).

15. Crime prevention/policing.

Net cost in \$ of crime prevention/policing services in public spaces necessary because of insufficient services by other levels of government (e.g. CCTV surveillance, security patrols, crime prevention programs).

Please note that this only applies to crime prevention or policing activities that should have been undertaken by the state government (e.g. police). It should not include council activities to protect community from other risks (e.g. surfer and swimmer injuries (beach patrols), safety at council events, or security of council facilities). Do not include capital expenditure.

16. Flood Mitigation program.

Cost in \$ representing the proportion of expenditure that was not funded by other levels of government but would have been funded had the original funding arrangement been applied (originally the Australian Government and State Government provided 80% of the required funds; whereas now the Australian Government provides one third and the State Government is required to provide another one third, and the rest has to be made up by council). Please estimate shortfall in actual funding from other levels of government in comparison with what council would have obtained under the original funding arrangement.

Please only include activities that are eligible for or receive funding from other levels of government under the flood mitigation program. Please include in your calculation funding for infrastructure projects.

17. Transfer of responsibilities for roads under RMS road reclassification reviews.

Net cost (only operational) in \$ associated with all roads inherited due to reclassification of regionally important roads as local roads or state-important roads as regional or even local roads (since the significant reclassifications in the early 1990s). This is supposed to measure the ongoing maintenance cost associated with all roads so transferred since the 1990s – not about the cost associated with transfers in any one year. Please deduct any compensation associated with a reclassification.

18. Medical services.

Net cost in \$ of providing medical services necessary because of insufficient services by other levels of government (e.g. retaining general practitioners, nurses and dentists; aboriginal and other medical services required by the community). Do not include capital expenditure.

19. Road safety.

Net cost in \$ of road safety officer/road safety program necessary due to the NSW Government's (RMS) withdrawal of funding or cost of net contribution to other authorities that provide such officer/program. Do not include capital expenditure.

20. Community and human services.

Net cost in \$ of all programs necessary to the community where other levels of government have initiated the program and initially provided adequate funds but now provide inadequate funds or have withdrawn completely; e.g. State Government contribution do not increase in line with these actual costs (e.g. employment cost); i.e. the shortfall between adequate and actual funding for such programs that were initiated by other levels of government.. Do not include capital expenditure.

Community and human services include children service program, aged and disabled care programs, community development/liason programs, youth development programs, aboriginal community programs, cultural development programs etc.

21. Waste levy.

Cost in \$ of paying levy to the State Government dependant on the amount of waste produced by council less any amounts recovered through meeting waste performance criteria (section 88 of the Protection of the Environment Operations Act (NSW) 1997 and Protection of the Environment Operations (Waste) Regulations (NSW) 2005).

The waste levy applies to the Sydney metropolitan area; the Illawarra, Hunter and Central Coast area (extended regulated area); and the area including the Blue Mountains, Wollondilly and local government areas along the coast north of Port Stephens to the Queensland border (regional regulated area).

Please provide estimate of net costs with respect to the 2013/14-scheme with a levy of \$107.80 per tonne (Sydney metro), \$107.80 (extended regulated area), and \$53.70 (regional regulated area).

22. Sewerage treatment system license fee.

Cost in \$ of license fee, load based and administrative, to be paid to State Government in relation to sewer effluent discharge.

Councils are required to pay this fee as polluter under the Protection of the Environment Operations Act (NSW) 1997.

23. Waste management site license fee.

Cost in \$ of license fee (administrative fee, no load based fee) to be paid to State Government.

Councils are required to pay this fee council as polluter under the Protection of the Environment Operations Act (NSW) 1997.

24. Taking away of revenue from crown reserve land under council management

Cost in \$ associated with the NSW Government taking over allowable revenue raising activities on council managed crown reserve land or with requirements to transfer revenue from council managed crown reserve land to the NSW Government Please note that this does not represent the total net cost of managing (maintaining) crown lands.

Please do not include in your calculations transfers associated with the caravan park levy.

Under the Crown Land Act (NSW) 1989, councils have full responsibility to maintain crown reserves under council management and are expected to subsidise shortfalls in maintenance cost from general revenue. This is considered appropriate as the benefits

from crown reserves under council management generally accrue to the local community. However, as a result, councils should also be entitled to any current or potential revenue from crown reserves that is required to cover maintenance and improvement cost (e.g. revenue from refreshment facilities, telecommunication facilities). Any action by the State Government to limit revenue raising capacity or require the transfer revenue to the State Government are considered cost shifting.

Please do not include in your calculation any surplus revenue over and above the total amount of maintenance and improvement cost for all of your crown reserve land.

25. Shortfall in cost recovery for processing of development applications

Cost in \$ of processing development applications under the Environmental Planning and Assessment Act (NSW) 1979 and associated regulations less any revenue related to this function (e.g. development application fees, state government payments/subsidies).

Please estimate the amount of costs of processing development applications that cannot be recovered through development application fees or any other related income. Please include costs associated with services by other agencies (e.g. initial fire safety reports from the NSW Fire Brigades, s144 of the Environmental Planning and Assessment Regulation (NSW) 2000).

Appendix B: Cost Shifting Survey for 2013/14 - Cost shifting ratio for council groups

