



SUBMISSION ON THE NSW BUDGET FOR 2010/11	
DATE	<i>April 2010</i>

Summary

NSW faces a number of challenges, including:

- Supporting continued economic recovery and building economic resilience;
- Dealing with a growing and ageing population; and
- Addressing the impacts of climate change.

Local Government, in cooperation with the NSW Government, plays an important role in addressing and meeting these challenges. The Associations call on the NSW Government to assist Local Government in tackling these challenges through the following budgetary measures:

Supporting Local Government Infrastructure

Consideration of existing infrastructure funding programs and additional funding needs to support councils in providing local infrastructure essential for economic recovery and building economic resilience, for supporting a growing and ageing populations, and helping to deal with pressure put on local services and infrastructure as a result of climate change.

- *Capital funding for local water utilities*
The Associations call on the NSW Government to continue to provide capital funding for council owned and operated local water utilities in regional NSW under the Country Towns Water Supply and Sewerage Program. The Associations also request assistance in funding new infrastructure necessary as a result of impacts of climate change on water supplies.
- *Aboriginal Communities Water and Sewerage Program*
The Associations call on the NSW Government to widen the successful Aboriginal Communities Water and Sewerage Program and add to the funding for operation, maintenance and monitoring of systems adequate funding for capital works required to upgrade water supply and sewerage systems in Aboriginal communities.
- *Road Funding*
The Associations call on the NSW Government to ensure that road funding assistance to Local Government is at least maintained in real terms.
- *Country Timber Bridges Restoration/Replacement Program*
The Associations call on the NSW Government to maintain the Country Timber Bridges Restoration/Replacement Program into the medium term future.
- *Funding for Public Libraries*
The Associations call on the NSW Government to improve the funding for council libraries.
- *Home and Community Care*
The Associations call on the NSW Government to increase its financial contribution to the Home and Community Care (HACC) program by 20% regardless of the Australian Government contribution.
- *Pensioner rebates*
The Associations call on the NSW Government to relieve the growing financial burden on Local Government by fully funding pensioner rate concessions. The Associations also call on the NSW Government to amend section 575 of the *Local Government Act (NSW) 1993* to include a mechanism for indexing the reductions for eligible pensioners.
- *Infrastructure to support growing population*
The Associations call on the NSW Government to continue its Local Infrastructure Fund

providing interest free loans to councils to bring forward local infrastructure projects supporting growth areas.

Building Local Government's capacity to plan for the future

Consideration of providing assistance to Local Government in enhancing its capacity to plan for the future and tackle the challenges of facilitating economic growth and building economic resilience, supporting a growing and ageing population, and dealing with climate change impacts.

- *Strategic, financial planning and asset management capacity building program (\$6 million)*
The Associations call on the NSW Government to invest appropriate funds (\$6 million) in programs to improve Local Government's capacity to undertake long term strategic and financial planning and asset management to support the Division of Local Government's Integrated Planning and Reporting Project.
- *Resources for community engagement (\$5 million)*
In the context of the Integrated Planning and Reporting Reform, the Associations call on that the NSW Government allocate \$5 million for councils to resource effective community engagement within their areas to ensure the development of targeted and effective community strategic plans.
- *Capacity building in the social policy area (\$2 million)*
The Associations call on the NSW Government to allocate \$2 million to the Division of Local Government for a social policy capacity building campaign to enable councils to facilitate additional progress towards goals of the NSW State Plan.
- *Planning for an ageing population (\$2 million)*
The Associations call on the NSW Government to support Local Government in fulfilling the *Towards 2030* objectives by funding capacity building within councils (estimated cost: \$2 million).
- *Planning for and addressing climate change*
The Associations call on the NSW Government to allocate significant funding to enable councils to plan for and address climate change impacts; including funding to build capacity to undertake risk assessments and adequately include climate change impacts in the asset management and the land use planning process.

Other budget requests

- *Aboriginal Employment Program (\$2 million)*
The Associations call on the NSW Government to enhance the Elsa Dixon Aboriginal Employment Program with an additional of \$2 million per year.
- *Developing contemporary aboriginal culture; including Local Government representations of place to advance tourism (\$1 million)*
The Associations call on the NSW Government to provide \$1 million to Local Government, providing for 10 additional Contemporary Indigenous Art Curator positions and modest project funds.

Community Service - prevention and early intervention programs

The Associations call on the NSW Government to maintain adequate funding for the Community Service - prevention and early intervention programs.

- *Weeds management*
The Associations call on the NSW Government to recognise the substantial economic impact of weeds to the entire community and therefore significantly increase the level of funding allocated to weed management; particularly funding allocated to Local Government in its role as local weed

control authorities.

- *Funding for councils for waste and sustainability initiatives*
The Associations call on the NSW Government to implement a 100% hypothecation rate of funds raised by Local Government through the Waste Levy for Local Government Waste and Sustainability Programs.
- *Other environmental programs*
The Associations call on the NSW Government to continue environmental programs in (e.g. Climate Action Plan (\$340 million over 5 years), City and Country Environmental Restoration Program (\$80 million over 5 years) as well as other such programs.

I. Introduction

The Local Government Association of NSW and Shires Association of NSW (the Associations) are the peak bodies for NSW Local Government. Together, the Associations represent all the 152 NSW general-purpose councils, the special-purpose County Councils and the regions of the NSW Aboriginal Land Council.

The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to NSW and Australian Governments; provide industrial relations and specialist services to councils; and promote Local Government to the community.

The Associations welcome the opportunity to make a submission to the NSW Government budget for the financial year 2010/11.

NSW faces a number of challenges, including:

- Supporting continued economic recovery and building economic resilience following the recent economic downturn;
- Dealing with a growing and ageing population; and
- Addressing the impacts of climate change.

Local Government, in cooperation with the NSW Government, plays an important role in addressing and meeting these challenges.

Economic recovery and resilience

Economic recovery and resilience is dependent on the basic local infrastructure councils provide such as roads, bridges and traffic infrastructure, water supply and sewerage, stormwater and drainage systems. This basic infrastructure facilitate the production of goods and services; by providing basic economic inputs such as water and sewerage and enabling distribution of raw materials and finished products to markets.

To avoid constraints in the provision of infrastructure, Local Government requires sufficient funds to maintain and renew existing infrastructure and to construct new infrastructure. However, councils with their limited taxation power (rates on land) often do not have the capacity to raise sufficient funds on their own and are dependent on intergovernmental transfers. This is particularly the case in regional and rural areas where the rating base is small. Also, restrictions on rating revenue such as rate pegging have exacerbated funding difficulties associated with this limited revenue base. These revenue constraints have already resulted in a huge and growing infrastructure renewal backlog (\$6.3 billion in 2005) and will continue to constrain Local Government's ability to provide infrastructure.

The success of the Australian Government's Regional and Local Community Infrastructure Program (over \$1 billion funding for capital expenditure) illustrates that Local Government is an effective

channel for providing economic stimulus and building economic resilience of communities. Local Government infrastructure programs also ensure that spending is not only focussed on particular development centres but distributed widely across the whole nation and/or state. Finally, Local Government, especially in regional areas, is a major employer (50,000 employees in NSW). Infrastructure programs assist in maintaining sustainable employment level over the long term.

To support the provision of local infrastructure, the Associations call on the NSW Government to continue to support councils' investment in local infrastructure.

Economic recovery and resilience also requires effective service planning and coordination among government, the private sector and communities. Through the community strategic planning process and the land use planning process, Local Government plays a key role in facilitating sustainable local and regional economic development in coordination with state-wide planning. It is important that Local Government has the resources and skills that are required to undertake comprehensive planning for the future.

The Associations call on the NSW Government to continue to support councils in building their capacity to strategically plan for the future of their communities.

Population growth and ageing population

The population of NSW is projected to grow at significant levels over the next 20 years, and the proportion of older people is expected to increase. Meeting the future needs of a growing and ageing population in NSW and addressing additional demand for infrastructure and human services will require substantial Local Government resources to address.

Sydney's population is estimated to grow by 40% to 6 million¹ and that the state's population is estimated to increase to between 8.6 and 9.7 million by 2036.² New projections released Australian Bureau of Statistics (ABS) predict that for the Sydney Region 876,640 new dwellings will be needed by 2030; i.e. 575,295 new units or houses (65%) in Sydney's existing suburbs and 301,345 new units or houses (35%) in greenfield sites, predominately in the North West and South West Growth Centres on Sydney's western fringe, but also in coastal and regional NSW.

Under the metropolitan strategy as well as regional growth strategies, Local Government is crucial in facilitating the provision of new housing, employment and providing supporting infrastructure services. Given the infrastructure deficiencies that already exist in NSW, it is imperative that the NSW Government commits to assisting Local Government in making the required infrastructure investment. Also, to coordinate growth to achieve positive social, economic and environmental outcomes, effective regional and local strategic planning is essential. The NSW Government should continue to invest in Local Government's capacity to strategically plan for a growing population.

By the year 2030 the proportion of people aged 65 years and over in NSW will have increased from 14% to 22%, to over 1.8 million people. The population of coastal NSW will increase substantially and will be significantly older than that of Sydney. (Source: *Towards 2030: planning for our changing population*, NSW Government 2008)

As older people are seeking to "age-in-place", remaining in their own homes and staying connected to the local community, an ageing population has a number of impacts on council services, including:

- Demand for infrastructure modifications or new infrastructure to accommodate older people (e.g. seating in parks, at bus stops and along pathways, lighting, shade, toilets, pedestrian and mobility scooter paths, pedestrian islands, scooter parking, kerb ramps, bus shelters, boat ramps, access ramps for council facilities, will need to be modified to improve accessibility as the population ages).

¹ Sydney Metropolitan Strategy.

² Australian Bureau of Statistics - 1338.1 - NSW State and Regional Indicators, June 2009.

- Modification of sport and recreation facilities (e.g. walking tracks, leisure centres, swimming pools, gyms) to accommodate older people;
- Modification to tourism infrastructure to cater for the needs of older tourists ('grey nomads')
- Increased demand for healthy ageing programs, aged day care programs to assist older people to remain living in their own homes longer;
- Increased demand on community facilities, e.g. seniors centres, multipurpose aged services centres, community / neighbourhood centres, museums, art galleries, cemeteries;
- Adjustments to library services (e.g. collection services, library programs) to meet the needs of older people; and
- Demand for transport education services (e.g. aged and pedestrian safety education sessions, workshops on mobility scooters and motorised wheel chairs).

An ageing population also has indirect impacts on councils' own source revenue base. Council revenue will be reduced by pensioner rate rebates and reduced fees and charges, including subsidies for older people to use council facilities or to participate in community programs.

The Associations call on the NSW Government to continue to assist councils in planning for, and support councils' in addressing the infrastructure needs of, an ageing population.

Climate change impacts

Impacts of climate change, such as increased occurrence of extreme weather events, higher temperatures, or sea level rise, will put pressure on local services and infrastructure, reducing the life of assets, increasing the of whole-of-lifecycle cost, or requiring new infrastructure solutions.

There are a number of potential impacts including:

- Changes in rate of deterioration of transport infrastructure (local roads, bridges, tunnels etc) as a result of frequency and severity flooding as well as increased temperature (thermal expansion) and increased solar radiation;
- Damage to infrastructure as a result of increased frequency and severity of bushfires and extreme weather events (all infrastructure types);
- Damage to water supply and sewerage, stormwater and drainage infrastructure as a result of increased frequency and severity of flooding (councils in regional NSW, outside the area of operation of Sydney Water and Hunter Water, are water supply and sewerage service providers);
- Reduced security of town water supplies in regional NSW as a result of decreases in surface water run-off requiring additional supply augmentation and infrastructure solutions for alternative supply solutions (e.g. pipelines, groundwater);
- Negative affects on water quality and water supply security as a result of increased temperature, (e.g. algae blooms) and increased occurrence of bushfires (e.g. pollution through fire retardants);
- Damage to coastal infrastructure and property as a result of increased storm surges and sea level rise (all infrastructure types) including housing and a need for increased expenditure on sea defences..

There may also be increasing demand for new infrastructure, for example, to address population shifts caused by changing climatic conditions. Also, network infrastructure will need to adapt to new flooding regimes, increased bushfire risks or sea level rise.

Climate change may also have indirect impacts on council services as well as their revenue base. Severe weather events might cause disruptions to council operations and council assets might be needed in times of emergencies. Sea level rise and coastal inundation might impact on councils' tourism and recreational activities; and the income derived from those activities. In regional NSW, councils are concerned about potentially significant negative socio-economic impacts of reduced water availability for agricultural production, particularly in the Murray-Darling Basin. There might also be significant community health impacts and impacts on the environment councils will have to

address. Finally, climate change policies (e.g. emission trading schemes) will add to Local Government's operating cost.³

Many NSW councils are already taking significant steps to incorporate climate change into day-to-day operations, strategic planning and the land use planning and development assessment process. The Associations are managing the project "Climate Change Action Planning for Local Government" to assist NSW local councils prepare for and address climate change in a strategic, risk-based manner.

Councils need to be able to prepare for these impacts and include them in their strategic service planning and risk and asset management. The Associations call on the NSW Government to continue to provide planning frameworks, tools and guidelines to assist Local Government in coping with, or adapt to, these impact (e.g. flood plain mapping, water sensitive urban design, incorporation of climate change risks into all aspects of infrastructure planning and management). The Associations also call on the NSW Government to support Local Government in funding infrastructure required as a result of climate change.

II. Financial situation

If Local Government is to continue to meet the growing needs of NSW communities, it is essential that it has access to adequate financial resources. It is becoming increasingly clear that the current financial base of NSW Local Government is inadequate to meet these needs.

Local Government's financial capacity to maintain existing services and infrastructure is already stretched. In many instances councils are already being forced to cut services and defer critical infrastructure expenditure. The Independent Inquiry into the Sustainability of NSW Local Government found that, based predominantly on data from the financial year 2004/05, NSW Local Government had accumulated a huge infrastructure renewal⁴ backlog of \$6.3 billion that continues to grow by \$500 million per annum. Furthermore, the Inquiry found that NSW councils are running operating deficits of 5% of their own source revenues. The report finds that this gap is being financed by deferral of capital expenditure. It needs to be noted that the Inquiry's estimate only included the renewal of existing infrastructure and did not take account of required new or upgraded infrastructure to cater for population and economic growth.

There are several, sometimes interrelated reasons for this financial situation, including:

- Rate pegging and legislative constraints on councils fees and charges;
- The decline in Commonwealth and State financial support for Local Government relative to economic growth (GDP, GSP) and the growth in national taxation revenues;
- The expanding roles and responsibilities of Local Government, a trend explicitly recognised by the Commonwealth Grants Commission, The Hawker Report and other reviews;
- Cost and responsibility shifting onto Local Government by the State and Commonwealth Government⁵, again a trend recognised by the Hawker Inquiry and subsequently acknowledged by

³ The Australia Institute Ltd has estimated that at \$20 per tonne of CO₂ emissions (as applied in the Green Paper), the CPRS could add an additional \$344 million annually to the operating cost of local government (Australia Institute Ltd media release "Emissions trading to cost local councils \$344 million"; 1 September 2008, at <http://www.tai.org.au/index.php?q=node%2F19&act=display&type=4&pageID=2&pubid=505>).

⁴ Infrastructure renewal refers to capital expenditure for sustaining infrastructure at the existing level of service. It does not capture infrastructure enhancement; i.e. construction of new or upgrade of existing infrastructure to provide new services or increase the level of existing services.

⁵ Cost shifting continues to place a significant burden on councils' financial situation and is impeding local government's ability to deliver services to the community and maintain essential infrastructure. Cost shifting describes a situation where the responsibility for or merely the costs of providing a certain service, concession, asset or regulatory function itself are "shifted" from a higher level of government (Commonwealth or State Government) onto Local Government without the provision of corresponding funding or the conferral of corresponding and adequate revenue raising capacity. Indicative figures from the Associations' cost shifting survey show that cost shifting amounts to around 6 per cent of councils' total income before capital amounts; i.e. about \$380 million in the financial year 2005/06 and \$412 million in 2006/07 for the whole of NSW Local Government (for further information see Local Government and Shires Associations of NSW, The Impact of Cost Shifting on Local Government in NSW - A Survey of Councils - 2005-06 and 2006-07, (2008), available at www.StrengtheningLG.Jgsa.org.au).

the national *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations on Local Government Matters*, (2006); and

- Deficiencies in Local Government financial and asset management practices.

The central issues that need to be addressed to improve this situation are:

- Defining Local Government's role and establishing a mechanism to allocate functions and associated revenue raising powers to Local government. Any revenue framework needs to recognise Local Government's role as the third level of government responsible for all local matters and can only function effectively if a mechanism is in place to appropriately share public functions and correspondingly allocate funding or revenue raising powers between Local Government and other levels of government.
- Improving the adequacy and flexibility of Local Government's revenue base to meet the demands being placed on it. Without a broader and more flexible financial base, Local Government will not be in the position to effectively meet new statutory obligations, deliver new services demanded by the community, to maintain existing infrastructure or to build the new infrastructure required to support the development of the state.

Until limitations of and constraints on Local Government's own source revenue are resolved, Local Government service and infrastructure provision will often be dependent on specific funding transfers from other levels of government.

III. Supporting Local Government Infrastructure

This part of the submission outlines, for consideration in the budgetary process, existing infrastructure funding programs and additional funding needs to support councils in providing local infrastructure essential for economic recovery and building economic resilience, for supporting a growing and ageing populations, and helping to deal with pressure put on local services and infrastructure as a result of climate change.

a. Capital funding for local water utilities

The Associations call on the NSW Government to continue to provide capital funding for council owned and operated local water utilities in regional NSW. The Associations also request assistance in funding new infrastructure necessary as a result of impacts of climate change on water supplies.

Presently, ongoing capital funding for council owned and operated local water utilities in regional NSW is provided under the successful *Country Town Water Supply and Sewerage Program*. This program is to end in 2012/13. The NSW Minister for Water is currently undertaking an inquiry into the provision of water supply and sewerage services by local water utilities in regional NSW. One focus of this inquiry is the ongoing capital funding requirements.

To ensure local water utilities throughout the whole of regional NSW can provide safe and secure water supply and sewerage services, the Associations urge the NSW Government to retain a permanent funding program beyond 2012/13 to provide technical and financial assistance to local water utilities for the renewal and enhancement of water supply and sewerage infrastructure in areas of need. It should be noted that the NSW Government Rural and Regional Task Force recommended that the NSW government consider further long term funding augmentation for the program.⁶

Furthermore, concerns have been expressed by a number of councils whose "ready to go" projects have not received funding approval as a result of the funding deferrals outlined in the NSW Government's mini-budget of November 2008. Under the mini-budget, projects were to be deferred by up to two years with the deferrals taking place in 2010-2011 (estimated saving \$22.3 million) and 2011-12 (estimated savings of \$13.2 million). Councils in regional areas are concerned that, as a results of the deferrals, benefits to the community from improved water supply and sewerage

⁶ Rural and Regional Taskforce, New South Wales Government, Report to the Premier, (March 2008), recommendation 11f, page 21.

infrastructure will not occur as planned and announced by council. This is of particular concern where such infrastructure is urgently needed and where the community has already provided its contribution to funding of the infrastructure. To ensure community needs are met and expectations can be adequately managed, the Associations urge the NSW Government to make sure that projects, funding of which has already been committed, proceed as scheduled. The Associations suggest that where funding cannot be made available in time, councils be given the assurance that funding would be available at a later stage to enable them to pre-finance and go ahead with projects and get “reimbursed” by the NSW Government.

The NSW Government, through its pilot study to assess the impact of climate change on the secure yield of town water supplies (NSW Office of Water), is assisting local water utilities in assessing impacts of climate change on their water supplies and identifying supply augmentation solutions to address those impacts. The Association call on the NSW Government to make available funding support for any infrastructure requirements resulting from this study.

b. Aboriginal Communities Water and Sewerage Program

The Associations call on the NSW Government to widen the successful Aboriginal Communities Water and Sewerage Program and add to the funding for operation, maintenance and monitoring of systems adequate funding for capital works required to upgrade water supply and sewerage systems in Aboriginal communities.

The Associations commend the NSW Government for addressing the poor water supply and sewerage conditions in Aboriginal communities through the \$205 million (over 25 years) *Aboriginal Communities Water and Sewerage Program*. Drinking water supply and sewerage services are poor in many Aboriginal communities and most communities lack the resources and skills to operate and maintain systems in the long term. The program aims to obtain support from councils/local water utilities to provide operational, maintenance, and monitoring services in selected Aboriginal communities. The program funds the net cost to the local water utility in undertaking this role including routine annual operations and maintenance costs, one off backlog costs to return existing infrastructure to full operational efficiency, and emergency repairs as necessary.

However, for the program to be completely successful and achieve long term improvements in Aboriginal communities, capital funding is required to bring systems up to an adequate standard. Regrettably, the program includes only limited funding for capital works. Further information on capital requirements is available from the program manager, the NSW Office of Water.

c. Road Funding

The Associations call on the NSW Government to ensure that road funding assistance to Local Government is at least maintained in real terms.

The funding allocation for Local Government via the Block Grants and Repair programs totalled \$156.8 million in the original 2009-10 budget. Excluding the special payment of \$3.5m to assist councils affected by the recently released NSW Road Classification review, this was an increase of only \$3.5 million or 2.3% on the 2008-09 budget. This fell short of the CPI of 3.75% and represented a decline in real terms. Any further reductions will exacerbate the deterioration of the state’s road infrastructure.

Councils have recognised the importance of the NSW Government’s Regional Road Block Grant funding arrangements to the financial sustainability of the higher level regional roads within their overall local road network. However, there are concerns that this important funding source has not been maintained in real terms, and that the recent review of the Road Classification system would result in further transfers of NSW Government funded state roads across to Local Government; representing a direct cost-shift to councils.

Local roads provide the majority of local access and circulation routes for agricultural production and distribution and for basic accessibility within local communities. Regional roads are higher order local roads serving as routes of regional significance generally related to identified economic and demographic demands, but of secondary importance to state roads. Local Government across NSW, but especially in rural and regional areas, have the primary role in the management of this local road network. Councils are responsible for around 85% of the state's road network, which includes 18,500 km of Regional Roads and 144,000 km of local roads. In addition there are over 5300 concrete / steel bridges and over 2300 timber bridges on this local road network in NSW. (Source: Department of Local Government, Local Road & Bridge Data, 2006-07; and Roads and Traffic Authority, Information Paper to Councils, 2006-07).

d. Country Timber Bridges Restoration/Replacement Program

The Associations call on the NSW Government to maintain the Country Timber Bridges Restoration/Replacement Program into the medium term future.

The Associations commended the NSW Government for reintroducing the important Timber Bridges program in 2007. This involved a commitment of \$60 million over three years on a 50:50 basis to assist councils to upgrade priority timber bridges on regional roads. This important program needs to be maintained and extended into the future.

The funding need for bridges on local roads, especially timber bridges, is particularly acute in many regional areas of the state. The Associations recognise the importance of the existing regional road timber bridge partnership program, but continued sustainable funding sources are required for bridges across the entire local road network. A 2008 survey conducted by the Institute of Public Works Engineering Australia (IPWEA), NSW Division estimated that only 21% of timber bridges were in good condition, 27% are in poor condition, and over 52% only in 'fair' condition. This survey estimated that it would cost at least \$220 million to renew all timber bridges in poor condition in NSW in concrete/steel materials (Source: Institute of Public Works Engineering Australia NSW Roads and Transport Directorate Bridge Asset Benchmarking Report, 2008). Bridges are critical components of local transport infrastructure with a high consequence / risk of failure. Bridge failures can have devastating and isolating affects on local communities and road connections significantly above and beyond the risk associated with normal road and pavement maintenance requirements.

The current Regional Road Timber Bridge Replacement Program has been extended twice for a period of twelve months in each instance. The current program finishes in June 2011. Many councils still have timber bridges that need replacing but finding the matching 50% funding continues to be difficult. Some timber bridges will continue to be maintained in the medium term until the matching funding is found. For this reason the program needs to continue into the medium term future.

e. Funding for Local Libraries

The Associations call on the NSW Government to improve the funding for council libraries.

Council libraries constitute an important community facility providing education and leisure opportunities for the wider community often reaching beyond council boundaries. Modern libraries also provide internet access and so serve as an interface between the community and governments. For example, many NSW Government services are accessed via council libraries.

Local Government is concerned about the continuous decline in NSW Government support for council libraries. Councils currently receive funding pursuant to s13(4)(b) of the *Library Act (NSW) 1939* which is significantly less than what was envisaged under the original funding arrangement of a state subsidy of half the amount expended by council on the operation of libraries from rate income. This shortfall is one of the biggest items in the Associations' annual cost shifting survey of NSW

councils. Indicative figures from the survey show that the total funding shortfall for the whole of NSW Local Government amounts to around \$100 million per annum.⁷

To ensure council libraries can fulfil their important social role in the community, we suggest that Local Government and the NSW Government together find a more adequate funding arrangement for council libraries. The Associations' position is set out in detail in our paper "Public Libraries to Valuable to Lose" which is available on our website (www.lgsa.org.au).

Among other things, the Association call on the NSW Government to adopt a funding model for public libraries through the following strategies:

- Indexing the \$1.85 per resident subsidy to annual population growth;
- Indexing the remainder of NSW Government funding for public libraries to CPI;

f. Home and Community Care

The Associations call on the NSW Government to increase its financial contribution to the Home and Community Care (HACC) program by 20% regardless of the Australian Government contribution.

Local Government recognises that older people and people with a disability have a right to quality facilities, services and programs that enable them to remain living in their own homes and active in their communities.

Older people and people with a disability are supported to remain living in the wider community, and where possible their own homes, through the provision of Local Government and non-government community care services (e.g. Home and Community Care (HACC)). HACC is a joint Australian-state government funded program that provides support services to older people, younger people with a disability and their carers to assist them to live independently in the community and prevent the inappropriate admission to residential care. Services provided through the program include: home modification and maintenance, food services, home nursing, personal care, home help, community and individual transport, respite care, allied health services, neighbour aid and social support.

The NSW government and the HACC sector generally are moving towards a person-centred approach which encourages HACC clients to maintain their independence, focusing on wellness so that they can remain in their own homes for as long as possible. The result of this approach will be that HACC services will need to be available to support people at home, thus delaying the need for hospitalization or other more expensive care services.

The Associations call on the NSW Government to:

- Adequately resource Home and Community Care (HACC) programs and other healthy ageing programs to meet the real and growing level of need;
- Provide for capacity building within the HACC sector to support the implementation of the independence/wellness approach to providing HACC services
- Improving HACC service delivery to Aboriginal communities
- Specifically provide funding to support the provision and development of HACC services in rural and remote areas, including reviewing the impact of the Resource Allocation Formula for HACC services, recognizing the additional costs of transport in these areas

In the 2009 -2010 budget the HACC program received an approximate 7.4% growth in funding. Despite this, services are continuing to experience pressures relating to maintaining existing levels of services as well as an increase on demand for services due to an ageing population. The adoption of

⁷ The survey asks councils to calculate the amount of the unfunded part of the original 50% State share of local public libraries funding; i.e. the shortfall between actual State Government subsidies and the subsidy council would have been eligible under the original funding arrangement of a state subsidy of half the amount expended by council from rate income on the operation of libraries.

the new approach to HACC will require capacity building within the sector as well as additional resources to expand the approach to the wider community.

g. Pensioner rebates

The Associations call on the NSW Government to relieve the growing financial burden on Local Government by fully funding pensioner rate concessions. The Associations also call on the NSW Government to amend Section 575 of the Local Government Act (NSW) 1993 to include a mechanism for indexing the rebates for eligible pensioners.

Section 575 of the *Local Government Act (NSW) 1993* provides for rebates for eligible NSW pensioners up to \$425 per year, made up of:

- All ordinary council rates and charges for domestic waste management services up to \$250;
- All water supply special rates or charges not to exceed \$87.50; and
- All sewerage special rates or charges not to exceed \$87.50.

The expense of the rebate is jointly funded by councils and the NSW Government on a 45:55 basis. The level of the compulsory rebate has been static since 1993. Similar pensioner rebates are provided in other states and territories but are fully funded by the respective State and Territory Governments.

Under *section 581 of the Local Government Act*, the NSW Government is obliged to reimburse local councils 50% of the money they offer as concessions/rebates under section 575. Presently, councils make up the balance. It should be noted that the NSW Government is the only state government that does not fully fund pensioner rate concessions.

While the rate of rebates and concessions offered under section 575 remains stagnant, both the rate payer and the council are left to manage increasing costs and concessions as a percentage of real costs are effectively eroded.

It is the view of the Associations that the concession should be fully funded by the NSW (or Commonwealth) Government and increased to more realistic levels.

The Associations appreciate that lifting the cap on rate reductions and concessions for water and sewerage services for eligible pensioners represents a significant cost to the state. However, if viewed holistically these rebates would promote continuity for many older people whose homes represent a stable environment for them to receive HACC services, remain connected to local services and invaluable social networks. As such, the home is a significant basis for the positive and healthy ageing that the government promotes through the *Towards 2030* and the many positive ageing initiatives that have been introduced recently

h. Infrastructure to support growing population

The Associations call on the NSW Government to continue its Local Infrastructure Fund providing interest free loans to councils to bring forward local infrastructure projects supporting growth areas.

The NSW budget for 2009/10 introduced the \$200 million Local Infrastructure Fund, a one off program to provide interest free loans to councils to bring forward local infrastructure projects that are delayed due to a lack of funding. The purpose of the program was to trigger infrastructure construction in areas of high population growth and so assist in increasing the supply of serviced land for housing, economic activity, and employment. The program had a strong take up by councils.

The Associations call on the NSW Government to continue to provide low interest or interest free loans to help councils fund essential infrastructure. Local Government is crucial in facilitating the provision of new housing, employment and providing supporting infrastructure services that are required to sustain a growing population. Given the infrastructure deficiencies that already exist in

NSW, it is imperative that the NSW Government commits to assisting Local Government in making the required infrastructure investment.

IV. Building Local Government's capacity to plan for the future

This part outlines, for consideration in the budgetary process, how the NSW Government can assist Local Government in enhancing its capacity to plan for the future and tackle the challenges of facilitating economic growth and building economic resilience, supporting a growing and ageing population, and dealing with climate change impacts.

a. Strategic, financial planning and asset management capacity building program

The Associations call on the NSW Government to invest appropriate funds (\$6 million) in programs to improve Local Government's capacity to undertake long term strategic and financial planning and asset management to support the Division of Local Government's Integrated Planning and Reporting Project.

To improve the effectiveness and efficiency of Local Government service delivery, the Associations and NSW councils have been working closely with the Division of Local Government to develop an improved framework for strategic service and resource planning based on community needs, priorities and available resources and including long term financial planning and asset management (*Integrated Planning and Reporting Reform*). Long term strategic and financial planning and asset management is for the long term benefit of councils and their community. It enables councils to better prioritise services and infrastructure provision over the long term and thereby avoid making short term, wasteful decisions. It improves the understanding of and support by the community, councillors and staff of the long term community goals, the trade offs involved in achieving them, and the necessity of setting priorities.

Under the new *Integrated Planning and Reporting Framework* councils will develop:

- A 10-year community strategic plan establishing strategic objectives based on community priorities and needs together with strategies for achieving those objectives;
- A resourcing strategy including long term asset management and financial planning and a workforce management strategy. The resourcing strategy is to plan for the resources required to implement the strategies established by the community strategic plan that the council is responsible for; and
- A delivery program for every four years planning how projects and programs are going to be delivered during a council's term in office. The delivery program is to detail the principal activities to be undertaken by the council to implement the strategies established by the community strategic plan within the resources available under the resourcing strategy.

The Associations urge the NSW Government to invest appropriate funds (\$6 million) in programs to improve Local Government's capacity to undertake long term strategic and financial planning and asset management.

b. Resources for community engagement

In the context of the Integrated Planning and Reporting Reform, the Associations call on that the NSW Government allocate \$5 million for councils to resource effective community engagement within their areas to ensure the development of targeted and effective community strategic plans.

The Manual for *Integrated and Planning and Reporting* states that:

“The effectiveness of the community strategic planning process relies on the way that information on issues, impacts and possible solutions is presented to the community. The community engagement process will serve as a testing point for the issues Council has identified.”

To effectively engage with the community, councils may require resources to develop the elements of an engagement strategy, such as:

- A communications approach;
- Identification of all groups and stakeholders within the community;
- Develop ways of working with the community to understand concerns and priorities;
- Develop partnerships with the community to identify solutions; and
- Produce a plan that reflects this process.

By effectively engaging all stakeholder in the community, including the disadvantaged and marginalized, Aboriginal and culturally and linguistically diverse communities, young people, older people, people with a disability or mental illness, homeless, and low income earners, councils can ensure they develop community strategic plans which address social inclusion. Effective community engagement is also key to the achievement of many of the NSW State Plan's objectives, such as Healthy Communities, Strengthening Communities and Keeping People Safe.

c. Capacity building in the social policy area

The Associations call on the NSW Government to allocate \$2 million to the Division of Local Government for social policy capacity building, enabling councils to facilitate additional progress towards goals of the NSW State Plan.

The Associations have recently undertaken a survey of councils across NSW regarding their current capacity and development across the social policy portfolios. The purpose of the survey was to collect information about projects and plans for social policy areas that are of significance. Councils' community development activities significantly contribute to NSW State Plan outcomes through: supporting business and jobs; better transport; healthy communities; urban environment and lifestyle; strengthening communities; keeping people safe; and delivering for priority groups.

Analysis of the LGSA survey responses shows there is a need for assistance in community services areas of councils across NSW to ensure that all NSW councils have the capacity to deliver at an appropriate level to meet the needs of local communities.

Local Government's capacity to respond to community needs and to fulfil NSW State Plan priorities, could be addressed through a range of approaches, such as:

- Development and continuation of quality partnerships, industry specific dialogue and cross-government relationships
- Targeted training and networking opportunities for councillors, management and staff
- Mechanisms for resource sharing across regions to achieve consistent service delivery in all parts of NSW
- Harmonisation of locally developed community strategic plans with State and regionally developed plans.

With adequate resourcing, the Division of Local Government will be able to initiate significant coordination of planning strategies across spheres of government to achieve quality results for NSW communities.

d. Planning for an ageing population

The Associations call on the NSW Government to support Local Government in fulfilling the Towards 2030 objectives by funding capacity building within councils (estimated cost: \$2 million).

As part of the NSW Government's commitment to *Towards 2030: planning for our changing populations*, The Division of Local Government, Department of Premier and Cabinet, in conjunction with the Associations and the Office for Ageing are developing a web resource to assist councils in planning for ageing populations within the context of the new *Integrated Planning and Reporting Framework*.

Achieving the Towards 2030 objectives depends on Local Government having the capacity to adequately plan for and meet the needs of an ageing population. While the web resource being developed will provide a starting point, further capacity building within councils, particularly at the officer level, will be required.

The Associations call on the NSW Government to provide councils with the financial capacity to support older people to be valued and active participants in the community. Local Government is crucial in facilitating the provision of community based support services, regulating the built environment to be age friendly and managing infrastructure to sustain changing population needs.

e. Planning for and addressing climate change

The Associations call on the NSW Government to allocate significant funding to enable councils to plan for and address climate change impacts; including funding to build capacity to undertake risk assessments and adequately include climate change impacts in the asset management and the land use planning process.

Climate change risk assessments

Councils have expressed the need for assistance in undertaking climate change risk assessments. Risk assessments will help ensure a consistent and robust approach to undertake assessment and modelling of natural hazards and extreme events associated with climate change and address impacts on local infrastructure as well as threats to ecosystem health. In particular, a LiDAR map of the NSW coast is urgently needed. Councils also anticipate that climate change impacts and implications of emissions reduction policies will affect local and regional economies. Local Government requires assistance in identifying impacts on vulnerable industries and sections of their communities, and to develop transitional measures to help them adjust.

Councils need the financial capacity to undertake such risk assessments and the NSW Government, through the Department of Environment, Climate Change and Water (DECCW) or/and other agencies, should offer a round of funding on a needs basis of around \$800,000 for councils to undertake risk assessments on a local or regional scale.

Climate change and asset management

Climate change is a fundamental challenge to the management Local Government infrastructure assets; worth around \$75 billion in NSW. Implications for the asset management process include: the need for vulnerability assessments; higher maintenance efforts; accelerated depreciation; increases in the whole-of-life cycle cost; and reductions in the life of assets (as a result of increased atmospheric carbon dioxide, extreme events, sea level rise and increasing temperatures).

Councils require assistance from the NSW Government, particularly, in the provision of climate change information on a regional scale. Assistance is also required to help Local Government build its capacity to include climate change impacts in the asset management process. Importantly, councils need to be able to make decisions in regard to the vulnerability of key regional assets to climate change and the strategies for ensuring the viability, productivity and safety of these assets can be maintained in a changing climate.

As a first step, decision support tools for managing Local Government infrastructure could be provided and may cost \$100,000. The NSW Government should also make it a priority and fund tools and training programs to ensure adequate consideration of climate change impacts in the planning frameworks proposed under its *Integrated Planning and Reporting Framework* (see above).

Climate change and land use planning

Through the land use planning and development assessment process, councils are at the forefront of dealing with implication of climate change for private and public development.

Several training workshops should be offered to Local Government town planners on how they can facilitate mitigation and adaptation through strategic planning and development approvals and this would cost around \$80,000; while improvements to statutory planning frameworks to account for climate change may cost \$200,000. Recent coastal erosion management reforms may assist in providing some guidance and certainty for councils and information sessions totalling \$60,000 should be provided to council staff upon finalization of the reforms to ensure councils are adequately informed about their role in the implementation of the new arrangements. A \$50,000 web based information portal should be established which provides coastal and flood hazard information for Local Government including policies, legislation, best practice case studies, details of funding and a map of not only erosion hot spots but also where hazard assessments and plans have been completed and any new protective works implemented.

Emission reduction

Councils no longer have the same level of support from the International Council on Local Environmental Initiatives Cities for Climate Protection Program and would significantly benefit from a round of competitive funding of \$300,000 to review or develop greenhouse gas emissions mitigation plans.

Local and NSW Government cooperation

In the next financial year, joint projects between DECCW and the Associations are likely to be initiated under the MOU between DECCW and the Associations on climate change response. Several projects are currently being scoped and will require funding of approximately \$150,000 from DECCW in order to come to fruition.

V. Other budget requests

This part of the submission compiles other funding requests for consideration in the budgetary process.

a. Aboriginal Employment Program

The Associations call on the NSW Government to enhance the Elsa Dixon Aboriginal Employment Program with an additional of \$2 million per year.

The Associations have an ongoing commitment to key initiatives for achieving social wellbeing, economic and cultural independence for Aboriginal and Torres Strait Islander peoples in NSW.

The Associations acknowledge that recognised local strategies within Local Government include improving employment levels by developing Local Aboriginal Employment Plans that encompass a balanced range of casual, temporary and permanent employment with the financial support of other spheres of government. The Elsa Dixon Aboriginal Employment Program is emerging as a contemporary strategy that councils use to improve employment levels.

b. Developing contemporary aboriginal culture; including Local Government representations of place to advance tourism

The Associations call on the NSW Government to provide \$1 million to Local Government, providing for 10 additional Contemporary Indigenous Art Curator positions and modest project funds.

Arts NSW currently funds Contemporary Indigenous Art Curator positions in Local Government in Western Sydney, who have worked successfully developing local contemporary Aboriginal cultures there. Some councils have made significant progress working with local Aboriginal communities to create welcome to country markers and to commemorate local Aboriginal history, such as massacres.

However, there remains considerable potential to advance reconciliation and tourism in NSW, through new Aboriginal involvement in the development of Local Government corporate livery. For

example, Coonamble Shire Council worked with a local Aboriginal artist when designing a local branding for tourism. Therefore, the Associations call for further promotion of the Contemporary Indigenous Art Curator program.

c. Community Service - prevention and early intervention programs

The Associations call on the NSW Government to maintain adequate funding for prevention and early intervention programs

For decades the NSW Government and Local Government have worked collaboratively on developing, supporting and delivering children's services, youth services, neighbourhood centres, seniors' centres, cultural services, and sport and recreation facilities and services. The NSW Government part funds a large number of Local Government community and cultural services. In turn, Local Government subsidises a large number of non-government services funded by state departments.

The Associations argue strongly that the real value of the following programs need to be maintained given the role they play in supporting vulnerable groups:

- Children's Services Program (Department of Human Services NSW);
- Community Services Grants Program (Department of Human Services NSW);
- Aboriginal Child, Youth & Family Strategy (Department of Human Services NSW);
- Area Assistance Scheme (Department of Human Services NSW);
- Better Futures Program (Department of Human Services NSW);
- Families NSW Program (Department of Human Services NSW);
- Crime Prevention and Community Services Program (Department of Justice and Attorney General); and
- Cultural Grants Program (Communities NSW).

d. Weeds management

The Associations call on the NSW Government to recognise the substantial economic impact of weeds to the entire community and therefore significantly increase the level of funding allocated to weed management; particularly funding allocated to Local Government in its role as local weed control authorities.

Economic research has established that weeds cost Australia over \$4 billion per year in lower farm incomes and higher food costs. In addition Governments (at all levels) spend well over \$100 million each year on monitoring, management, research and control of weeds. These costs do not include the impact on the natural environment, impacts on human health, or the value of the 'volunteer army' active in weed control across Australia.

In NSW, Local Government plays a significant role in the management of weeds. While the NSW Government assists councils by providing over \$8 million in grant funding for noxious weed management activities (via the Weeds Action Program), councils expend significantly more funds on a wide range of other weed actions. It has been estimated that local councils spend more than triple this amount (up to \$30 million) in undertaking weed management functions. Local Councils can not be expected to "win the fight against weeds" with such limited funding from other levels of government.

e. Funding for councils for waste and sustainability initiatives

The Associations call on the NSW Government to implement a 100% hypothecation rate of funds raised by Local Government through the Waste Levy for Local Government Waste and Sustainability Programs.

In 2010-2011, councils will again be levied for every tonne of their domestic waste that is disposed of to landfill. This levy has been in place since the early 1990s. The levy will increase substantially in July 2010, (to \$59.80, 53.40 and 20.00 per tonne indexed for CPI in the Sydney Metropolitan Area SMA, Extended Regulatory Area ERA and Regional Regulated Area RRA respectively) This \$10 per tonne increase (indexed) over 2009-2010 figures represents an increase rate of 17%, 19% and 100% in the SMA, ERA and RRA. These Treasury increase rates are in stark contrast to the 2.6% Local Government rate cap announced by the Minister for Local Government in March 2010.

Current Situation 2009-2010

In 2009-10, of the total projected Waste Levy income of \$ 348 million, (Local Government contributing approximately \$80 million based on the 23% Local Government proportion estimate), \$42 million was returned for Local Government waste and sustainability related programs through the City and Country Environmental Restoration Program and Waste and Sustainability Improvement (WASIP) payments, comprising the following:

- \$12.5 million to local Councils for waste and sustainability improvement (WASIP) payments;
- \$21.5 million to councils for local Urban Sustainability Projects;
- \$3.75 million for local community and local government Environment Grants for restorations and community education*;
- more than \$2 million to Local Government regional waste groups and anti-dumping squads*;
- \$1.6 million for household chemical clean-ups conducted with local councils*;
- \$600,000 for local Aboriginal land and community clean-ups, local small business programs, guidance on local council support sustainable purchasing and support for organics recycling*.

This represented a hypothecation rate of 58.45%

Potential Situation 2010-2011

Treasury forecasts indicate that income to Treasury from the levy in 2010-2011 will be \$419 million (source, NSW Budget Estimates 2010). Based on the assumption that Local Government contributes approximately 23% of the total NSW Levy payments to Treasury, this will make Local Government's contribution to total levy payments approximately \$95-\$100 million. The NSW Government commitment to funding of Local Government waste and Sustainability programs to date comprises:

- \$29.4 million in Waste and Sustainability Improvement (WASIP) Payments (as committed in the Protection of the Environment Operations (Waste) Regulation 2005 as amended in late 2008)
- Commitments currently under consideration by the NSW Environmental Trust to continue programs listed for 2009-2010, as indicated by the asterix * above, totalling \$7.95 million

This total commitment of \$37.35 million from a total Local Government contribution of \$100 million represents a hypothecation rate of 37.35%, a significant drop from 58.45% in 2009-10, which in turn was a significant drop from 71.5% in 2008-09. Clearly the amount of money being hypothecated to Local Government is on a downward trend, and Local Government is effectively and increasingly being used as a revenue collector for the NSW Government.

Budget Proposal

Local Government asserts that there should be a 100% hypothecation rate of funds raised by Local Government through the Waste Levy. Accordingly, there should be an allocation of \$100 million to Local Government Waste and Sustainability Programs. This should comprise the currently committed funds of:

- A significantly enhanced level of Waste and Sustainability Improvement (WASIP) Payments to the order of \$50 million (up from currently committed \$29.4 million)
- Significant increases to current commitments by the NSW Environmental Trust for Environmental Trust Grants, Regional Waste Groups and anti-dumping squad programs, Household Chemical Clean Ups, Aboriginal Land and community clean ups and sundry other programs, to the order of \$10 million (up from current \$7.95 million)

- A continuation of the Urban Sustainability Program, with a broader focus on urban and rural settlement across NSW, a recommitment of the current \$20 million
- An Infrastructure Investment Program to assist councils to install infrastructure to enable them to effectively manage and monitor waste and ultimately to reduce waste tonnages. This would include weighbridge installations, Transfer Station Developments and Alternative Waste Technology seed funding, a total new commitment of \$20 million

If, as the NSW Government asserts, the Waste and Sustainability Levy is genuinely a tool, and economic driver to reduce waste in NSW, then the NSW Government should be prepared to invest the levy income raised by Local Government exclusively in the task of reducing waste tonnages and improving the sustainability of Local Government and communities across NSW.

f. Other environmental programs

The Associations call on the NSW Government to continue environmental programs (e.g. Climate Action Plan (\$340 million over 5 years), City and Country Environmental Restoration Program (\$80 million over 5 years) as well as other such programs.

The Associations commend the NSW Government for environmental programs in place and recommend that they be continued (e.g. Climate Action Plan (\$340 million over 5 years), City and Country Environmental Restoration Program (\$80 million over 5 years) as well as other such programs. The Associations also call on the NSW Government to continue their on-going support for catchment management authorities and the regional delivery of natural resource management projects and programs.