

BAULKHAM HILLS SHIRE COUNCIL

***SUBMISSION FOR ASSESSING LOCAL GOVERNMENT
REVENUE RAISING CAPACITY***

TO

PRODUCTIVITY COMMISSION

JULY 2007

1. OVERVIEW

Council thanks the Commission for the opportunity to participate in the Commission's review into Local Government Revenue Raising Capacity. Baulkham Hills Shire Council is one of the largest and fastest growing Local Government areas in Sydney. One of the major concerns the organisation has is funding the renewal and replacement/maintenance of its massive infrastructure and other community assets. Council is also mindful of the high cost of providing infrastructure to meet the demands and future needs of the increasing population and the limited funding that is available from alternative sources such as grants and developer S94 contributions.

We are concerned at regulatory limits imposed on local government by State Government impacting on our ability to fully utilise available revenue sources. This is exacerbated by the rapid deterioration of Federal and State Government grant allocations to Council under the provisions of the Local Government Financial Assistance Program - Revenue Sharing.

2. PROFILE OF THE COUNCIL

Baulkham Hills Shire Council services an area of 380 square kilometres stretching from Oatlands to Wisemans Ferry. The Shire comprises twenty nine (29) suburbs and has a population of about 161,000 residents. By 2031 the population is projected to be 273,000. The Shire adjoins the Local Government areas of Hawkesbury, Blacktown, Parramatta, Gosford and Hornsby.

3. CONSTRAINTS

(a) RATE PEGGING

The incorporation of a method for assessing rate revenue capacity for each council has been rendered largely meaningless by the continued imposition of rate pegging. While Council acknowledges that the formula applied is a theoretical base for all councils, the reality for most councils is that rate revenue capacity for a given year is determined by the maximum rate increase permitted on top of the previous year's rates. While an opportunity exists for councils to seek an increase above the statutory ceiling, this decision is beyond the control of each Council. Rate pegging affects all councils and has an adverse effect on revenue raising capacity.

(b) REGULATORY FEES

State Government puts restrictions on councils on the amount that local governments can charge for certain services by setting a regulatory fee. Councils have to comply with legislative requirements and therefore are prevented from recovering the full cost of services provided.

(c) GRANT FUNDING

Council has seen grant allocations decline over the years and regrettably has had to absorb this erosion of revenue by a reduction in the level of many services provided to our community. Baulkham Hills Shire Council is disadvantaged under the current methodology which adopts property values rather than the land size as a proxy to assess the relative revenue capacity of Council.

While land values in Baulkham Hills Shire Council may be greater than other adjoining Local Government areas, a factor of this greater value must be attributed to the size of the lot and not entirely a product of perceived benefits sought by the market. Therefore, applying the non-standard land size measure in the current methodology is incorrect.

Under the present arrangements, the Grants Commission does not take capital expenditure into account in deciding the allocation of grants. By discounting capital expenditure, the Commission ignores an inherent problem faced by this Council since the extent of capital expenditure relates to new residential developments which are beyond our control. This is evidenced by the Kellyville/Rouse Hill Development Area and the recently released Balmoral Road Release Area. Much of the infrastructure is provided to cater for the needs of the growing population and therefore should be taken into account in the methodology.

Section 94 Contributions fixed by Council are constantly subject of objection and, in some cases, appeal to the Court where decisions have been based on technical issues rather than a merit appraisal of market forces (*land values, constructions costs*) and projected income versus expenditure commitments. In Kellyville/Rouse Hill precinct alone, We are faced with a deficit in excess of \$50million.

With this in mind, Council feels that there are a number of deficiencies in the current methodology in respect of both the revenue and expenditure components of the grant allocation which are seen to harshly disadvantage this Council.

The current methodology does not address efficient Council's but predominately rewards inefficiencies. We believe that the Local Government Grants Commission needs to assess and measure the impact of the Financial Assistance Grants in assessing and addressing the issues of fiscal equalisation.

There are numerous inequities between Council distributions of the grant – For example, last year we received \$4million (*population 161,000*) compared with Blacktown \$15million (*population 287,000*) and Parramatta \$5.5million (*population 155,000*), yet we share similar Infrastructure and increasing population concerns.

SUMMARY

As can be seen above Council's main suggestions relate to:

- 1. Rate Pegging Restrictions*
- 2. Section 94 Income Revenue Raising*
- 3. Formula for Grant Funding*
- 4. Regulatory Fees and the concept of at least cost recovery*