

Shoalhaven City Council

Shoalhaven City Council is a large multi-purpose Council situated on the South Coast of NSW. With a permanent population of approximately 94,000, which swells to over 300,000 during holiday periods, the Shoalhaven area is coping with pressures on its infrastructure common among Councils situated in high growth, coastal locations.

Shoalhaven City Council has over 55,000 rateable assessments, and an annual budget of over \$260 million in 2007/08, with approximately \$76.4 million being raised through rates & annual charges. With such a large budget, it is critical for Council to raise sufficient revenue to ensure that the services and facilities constructed, maintained & operated are provided to the community in an efficient & effective manner.

Shoalhaven City Council is responsible for providing water & sewer services to the local community, and the infrastructure required to provide these services is significant. Similarly, the maintenance required on such a large asset base (Council has an asset base of \$1.35 billion) is significant.

Issues that affect Shoalhaven City Council's ability to raise revenue

Rate-pegging

Clearly, the main issue facing NSW Council's is the rate-pegging legislation that has been in force since the 1970's. Although it has been established through numerous enquiries that Local Government in Australia has a severe shortage of revenue available to address the expenditure required to renew & maintain infrastructure assets, the NSW Government have consistently refused to repeal the rate-pegging legislation that effectively put an artificial limit on the percentage that rates can rise year to year.

Council in NSW can apply to the Minister for Local Government to increase rates by more than the rate-pegging limit, however an extensive submission is required that proves the Council involved has undertaken adequate financial planning.

Shoalhaven City Council has identified a shortfall in funding amounting to \$39.3 million (source Shoalhaven City Council Annual Report – Special Schedule 7 – Condition of Public Works) to bring its Infrastructure Assets up to a satisfactory standard. To be able to address this shortfall, Council will need to increase its revenue by greater than the rate-pegging limit, as well as source other revenue raising options (such as loans).

If Local Councils were to be able to increase their rates revenue by amounts necessary to address these funding shortfalls, the looming failure of Infrastructure assets could be more appropriately addressed.

Fees & Charges set by State Legislation

Council's in NSW have a significant amount of their fees & charges (apart from rates) set by the State Government. Shoalhaven City Council has 141 separate fees & charges that are set by statute. In many cases, the fee set by the Government does not cover the true cost of providing the service – examples of this include:

Lifetime registration of Companion Animals

This fee is set by the State Government, and a 20% of the total fee must be remitted back to the State for covering administrative costs. Council's are left with the remainder of the fee to cover the costs of ensuring that companion animal owners comply with the provisions of the Companion Animals Act. The fees collected do not cover the costs involved in administering this Act, and Local Councils should be able to charge higher fees to cover the costs involved.

Development Application fees not being charged for Hospitals, Schools and other State Government run facilities

Facilities that are owned & operated by the State Government are not required to pay Development Application fees to cover the costs associated with Local Councils processing their Development Applications. This leaves Councils with the total cost of this service having to be met by local ratepayers.

Part 3A applications under the Environmental Planning & Assessment Act

Development Applications that are determined under Part 3A of the Environmental Planning & Assessments Act must pay their Application Fees to the State Government, and Council does not receive any of these fees. Despite this, Council's must expend large amounts of staff time assisting the State Government authorities in providing information on the DA. Council's should be able to receive some fees to assist in offsetting the time & resources committed on these projects.

No fee for information provided under Section 12 of the Local Government Act

Council is unable to charge a fee for providing information under Section 12 of the Local Government Act, however this Section of the Act is being abused by sections of the community (such as solicitors & conveyancers) who request Council's to provide information that will assist them in their transfer of title. These bodies charge their clients for this service, however Council's are unable to offset the costs they have in preparing this information.

Grants not keeping pace with community requirements

Grants & subsidies are an important part of Local Governments revenue stream (12.1% in total).

The Financial Assistance Grant is a vital revenue stream for Shoalhaven City Council, and the Local Government & Shires Association of NSW has consistently been arguing for this grant to be a set percentage of federal taxation revenue. The issue of sharing taxation revenue on a more equitable basis is supported by Shoalhaven City Council, and if the Financial Assistance Grant was linked to increases in total taxation revenue, Local Government would be in a better position to fund its expenditure requirements.

Other grants & subsidies such as the Country Town Water & Sewerage Programme have been "wound back", and local councils are being faced with paying all of the cost of upgrading water & sewer infrastructure assets in future years.

The pensioner rates subsidy in NSW has been pegged at the same amount since the introduction of the NSW Local Government Act in 1993. This is despite the fact that land rates continue to rise each year (by the rate-pegging amount), putting more pressure on pensioners to pay a greater percentage of their annual rates account.

Investments

Interest from investments are another major source of funding for Local Councils (2.7% in total) and the conditions put on NSW Local Councils in regard to what type of investments can be used limit the scope and ability local councils have to raise revenue from this source. Local Councils should be able to maximise their revenue from this source, and the conditions put on Councils should be further relaxed to enable this source of revenue to be further pursued.

Other State Government Restrictions

Shoalhaven City Council runs an extremely successful Tourist Parks operation known as Holiday Haven Tourist Parks. The State Government own the land on which many of these Tourist Parks are situated, and Council is required to pay a percentage of total revenue to the State, which in 2006/07 amounted to approximately \$650,000.

Further to this, Council's in NSW are unable to spend any profits made from the operation anywhere else but on the Crown Reserve the Tourist Park is situated except with the permission of the Minister for Lands after examining a proposal from the Council involved.

This situation needs to be changed to allow Council's in NSW to use profits from their Business Ventures to assist in addressing the need for renewing and maintaining Infrastructure Assets, which as previously indicated, are in great need of a further injection of funding.

Borrowing constraints in NSW

NSW Councils must each year apply to the Department of Local Government for approval to borrow funds as part of their budget. This restriction is another level of control exercised by the State Government on NSW Councils and indicates a certain level of mistrust between the State Government & local Councils.

Specifically, if borrowing is being suggested as a revenue source for a large building project, the Department of Local Government requires Council to submit a major application showing what the project is, what the ongoing operating costs are, how much community consultation has been undertaken, and what longer term effect the project would have on Council's financial situation.

The Department of Local Government can refuse to allow Local Councils to borrow, and this undoubtedly affects the ability Council's have to raise revenue.

Demographic issues that need to be addressed

Shoalhaven City Council, as previously indicated is situated in a high growth coastal corridor, where the need for upgrading infrastructure is high to cope with the growth. The other demographic Council has to manage is the ability of its residents to pay. The average annual income of residents in the Shoalhaven is lower than State average, and therefore increasing land rates to fund expenditure requirements is not necessarily a palatable answer to the problem. Higher rates will not necessarily be able to be afforded by the local population.

The Local Government Grants Commission have a component of the formula they use for distribution of the Financial Assistance Grant that measures the "relative capacity of Councils to raise revenue". This component of the formula uses changes in land values from year to year to measure the capacity a Council has to raise revenue.

Shoalhaven City Council contends that this is not a realistic way of determining Council's capacity to raise revenue, as an increase in land value, (which is brought about by market forces) is an artificial way of determining a Council's ability to raise revenue. An increase in land value certainly does not necessarily equate to residents ability to contribute more to the Council in land rates, as has previously been mentioned, land rates are artificially pegged by the State Government, and regardless of how much land values increase, the total revenue received by the Council will only increase by the rate-pegging percentage.

Council contends that using this part of the formula to determine how much a Council should receive from the Financial Assistance Grant is no equitable, and should not be used in the future.

Summary

Shoalhaven City Council believes that Local Council's in NSW need the ability to raise revenue without regulation from State & Federal Governments. In NSW especially, the State Government wields considerable influence over what Local Councils can do when it comes to raising revenue, and this is despite the ever-increasing amount of services local councils are expected to provide.

The abolition of rate-pegging in NSW, and the deregulation of fees & charges would go a long way to assisting Councils to raise the revenue they require to provide facilities & services for their communities.