

Local Government Study

Productivity Commission

Submission by Sutherland Shire Council

Dated 5 July 2007

Introduction

Sutherland Shire Council welcomes the invitation to make a submission for the above study being conducted by the Australian Government Productivity Commission.

The Sutherland Shire submission strongly believes that the distribution methodologies applied to the Financial Assistance Grants – General Purpose component, distributed in NSW by the Local Government Grants Commission, unfairly disadvantages this council, and many others, in terms of how the capacity for revenue raising is applied. The Sutherland Shire has no real objections to the current roads component of the grant as this is fairly distributed.

This council has made submissions in the past to the Commonwealth Grants Commission and NSW Local Government Grants Commission expressing its concerns regarding the distribution of the general purpose component. Submissions were made in:

- July 1995
- November 1996, and
- August 2000

All submissions were noted but no action instigated. Essentially, the issues raised in this submission are much the same as those raised previously, as the situation as far as this council is concerned has remained virtually unchanged concerning the particular issues.

Profile of Sutherland Shire

Sutherland Shire is located on the southern outskirts of the Sydney metropolitan area, bounded by Botany Bay and the Georges River on the north, the Pacific Ocean to the east, the Port Hacking River and the Royal National Park to the south, and to the west boundary is Liverpool City Council.

Measured by population, Sutherland Shire is the second largest local government body in NSW. As at 30 June 2005 the population was 215,000 persons, exceeded only by

Blacktown City of 283,000. The Shire is mostly residential with some industrial/commercial facilities of regional and Australia-wide significance, namely:

- Kurnell Oil refinery
- ANSTO Nuclear Reactor
- Lucas Heights Waste & Recycling Centre, being the regional waste facility conducted by waste Services NSW.
- Royal National Park and Heathcote National Parks
- Propose Desalination Plant at Kurnell

Financial Assistance Grant – General Purpose Component

Sutherland Shire Council's general purpose grant peaked at \$4.4 million in 1987/88. Since then the grant has progressively decreased until it reduced to the per capita minimum grant in 1996/97, and has remained on the per capita minimum ever since. A summary of the history of grants received is appended to this submission as Appendix A.

Council recognises that the principles embodied in the federal legislation aim for an equalisation of benefits received by the wide variety of local government bodies throughout Australia. It is also recognised that the principal means of assessing the level of grant to be received by an individual council relates to revenue raising capacity. This revenue raising capacity is achieved by the NSW Local Government Grants Commission methodology by applying it to respective land values in the local government areas.

Whilst recognising the need for equalisation of services and accepting that there must be a resulting difference in grants distributed to individual councils, it is the **extent of the vast differences between councils which this Council finds it very difficult to accept and explain to the community.**

To highlight the differences, I refer you to the following table which compares councils in NSW which could be classified as large urban or regional councils (populations in excess of 140,000): -

Councils with Population > 140,000	Population 30/6/2005	General Purpose Grant 2006/07 \$	Grant level On a Per Capita Basis \$
Blacktown City	283,458	12,897,967	45.50
Sutherland Shire	215,053	3,696,421	17.19
Wollongong City	192,402	11,524,643	59.90
Lake Macquarie City	190,320	10,811,492	56.81
Fairfield City	187,790	7,772,113	41.39

Councils with Population > 140,000	Population 30/6/2005	General Purpose Grant 2006/07 \$	Grant level On a Per Capita Basis \$
Penrith City	177,955	7,956,257	44.71
Bankstown City	177,000	3,774,055	21.32
Liverpool City	170,192	5,841,123	34.32
Gosford City	163,304	6,421,453	39.32
Baulkham Hills	161,068	2,768,505	17.19
Hornsby City	157,204	2,702,089	17.19
Parramatta City	151,860	4,460,300	29.37
Campbelltown City	150,216	7,360,234	49.00
Sydney City	148,367	3,146,288	23.03
Newcastle City	146,967	9,914,892	67.46
ABOVE GROUP AS A WHOLE	2,673,156	101,047,832	37.80
NSW COUNCILS AS A WHOLE	6,773,615	388,092,355	57.30

Sutherland Shire Council suffers predominately in the distribution of grants because of its relatively high land values compared with other councils in the Sydney metropolitan area and regional areas. It is obvious that the assessment of a council's revenue raising capacity solely by reference to respective land values is a very crude methodology, which does not take into account the need for improvements to community facilities and infrastructure for a council with a larger than most population. The Shire infrastructure is deteriorating like many other areas, however the large population and their usage of this infrastructure tends to increase the ageing more rapidly.

Land values to assess the revenue allowances is based on the theoretical capacity to raise revenue by comparing land values per property to a state standard and applying the state standard rate-in-the-dollar. Councils with low values per property are assessed as being disadvantaged (positive allowance), whilst councils like Sutherland Shire with high values are assessed as disadvantaged (negative allowance). The NSW Grants Commission finds this methodology provides an equalisation of councils against the state standard. Sutherland Shire believes this approach is outdated and does not provide a fair distribution to those councils who really need the funds.

This approach also excludes council rating, financial and entrepreneurial policies of individual councils and their current financial position. So, the financial strength of a council to deliver services and infrastructure is ignored and councils' that continually raise rates above the limit each year are not tested under the methodology for efficiency measures. Under this method efficiently managed councils are disadvantaged. This methodology seems to contradict the principles for distributing the assistance grants as Sutherland Shire is financially sound but can not fund its infrastructure backlog and is

continually delivering services more efficiently. The Sutherland Shire delivers within its financial capacity, but this does not mean it is delivering services at its fullest capacity or addressing all necessary infrastructure needs. It requires more funds to satisfy and address these issues.

In relation to the expenditure disabilities Council also has areas where it believes it is disadvantaged and not addressed in the grants criteria. These areas include:

- Bush fire services – where council services large areas of federal and state lands like the Royal National Park without appropriate funding assistance
- Beaches and waterways – which attract non-Shire people who use the facilities of beaches, surf life saving clubs, beach patrols, boat ramps, wharves & jetties. All expenditure associated with these facilities and possible insurance incidents are funded by the council with no further funding assistance.

Conclusion

Sutherland Shire Council strongly believes that the distribution methodologies applied by the NSW Local Government Grants Commission in NSW unfairly disadvantages this Council. Many believe that Sutherland Shire is an affluent area. This is purely perception, this Council struggles to provide services and infrastructure to the community like many other councils. The large variances in grant levels can not be justified between various councils.

The NSW Local Government Grants Commission always welcomes any suggestions to improve the methodology if supported by a majority of councils. The issue here is that many councils who are unjustly being advantaged will obviously not support change and some others are afraid to seek a review as they may be in a worse position than today. Hence it is difficult to gain a majority support.

It seems a fair proposition for the system to be reviewed when looking at the anomalies in funding levels compared to the population levels provided in this paper.

Sutherland Shire Council believes a review of the methodology should be undertaken by a professional panel including federal and state representatives, local government representatives and other accredited professionals. This review is well overdue and should be conducted to achieve the objectives of the financial assistance, that is a fair distribution to those councils that need the funding.

FEDERAL FINANCIAL ASSISTANCE GRANT

GENERAL PURPOSE COMPONENT

(FIGURES SHOWN ARE AS SUBSEQUENTLY ADJUSTED FOR CPI)

	TOTAL ASSISTANCE ALL STATES \$M	INCREASE OVER PREVIOUS YEAR	PRESCRIBED SHARE OF NET PERSONAL INCOME TAX COLLECTIONS	NSW COUNCILS' SHARE \$M	PERCENTAGE INCREASE OVER PREVIOUS YEAR	AMOUNT APPLICABLE TO S.S.C. \$M	CHANGE ON PREVIOUS YEAR
1976/77	140.000	Base Year	1.52%	51.288	Base Year	1.0280	Base Year
1977/78	165.328	18.1%	1.52%	60.341	17.6%	1.1650	13.3% inc.
1978/79	179.427	8.5%	1.52%	65.487	8.5%	1.2650	8.6% inc.
1979/80	221.739	23.6%	1.75%	80.930	23.6%	1.5770	24.6% inc.
1980/81	300.786	35.6%	2.00%	109.780	35.6%	2.1100	33.8% inc.
1981/82	350.865	16.6%	2.00%	128.058	16.6%	2.4440	15.8% inc.
1982/83	424.486	21.0%	2.00%	154.928	20.9%	2.9430	20.4% inc.
1983/84	459.335	8.2%	2.00%	167.647	8.2%	3.1760	7.9% inc.
1984/85	486.534	5.9%	2.00%	177.574	5.9%	3.3650	6.0% inc.
1985/86	534.973	9.9%		195.253	9.9%	3.6988	9.9% inc.
1986/87	585.613	9.5%		211.660	8.4%	3.9952	8.0% inc.
1987/88	642.477	9.7%		229.139	8.2%	4.4043	10.2% inc.
1988/89	652.500	1.6%		229.340	0.1%	4.2231	4.1% dec.
1989/90	677.740	3.9%		237.124	3.4%	4.0835	3.3% dec.
1990/91	698.140	3.0%		242.737	2.4%	3.7511	8.1% dec.
1991/92	715.035	2.4%		247.707	2.1%	3.5463	5.5% dec.
1992/93	730.122	2.1%		253.334	2.3%	3.4090	3.1% dec.
1993/94	737.204	1.0%		255.412	0.8%	3.1230	8.4% dec.
1994/95	752.833	2.1%		259.961	1.8%	2.9730	4.8% dec.
1995/96	806.748	7.2%		273.497	5.2%	2.8568	3.9% dec.
1996/97	839.018	4.0%		284.199	3.9%	2.8113	1.6% dec.
1997/98	839.467	0.1%		284.579	0.1%	2.7878	0.8% dec.
1998/99	850.420	1.3%		287.895	1.2%	2.8430	1.2% inc.
1999/00	880.575	3.5%		297.894	3.5%	2.9513	3.8% inc.
2000/01	914.830	3.9%		309.377	3.9%	3.0660	3.9% inc.
2001/02	952.300	4.1%		321.293	3.9%	3.1787	3.7% inc.
2002/03	1,004.000	5.4%		340.161	5.9%	3.3528	5.5% inc.
2003/04	1,045.000	4.1%		352.336	3.6%	3.4231	2.1% inc.
2004/05	1,072.000	2.6%		359.862	2.1%	3.4729	1.5% inc.
2005/06	1,120.000	4.5%		374.276	4.0%	3.5831	3.2% inc.
2006/07	1,167.000	4.2%		388.092	3.7%	3.6964	3.2% inc.

ROADS COMPONENT

NOTE: Prior to 1991/92, the grants for local roads were tied grants as part of the ACRD program

	TOTAL ASSISTANCE ALL STATES \$M	INCREASE OVER PREVIOUS YEAR	PRESCRIBED SHARE OF NET PERSONAL INCOME TAX COLLECTIONS	NSW COUNCILS' SHARE \$M	PERCENTAGE INCREASE OVER PREVIOUS YEAR	AMOUNT APPLICABLE TO S.S.C. \$M	CHANGE ON PREVIOUS YEAR
1991/92	303.221			93.634		0.7724	
1992/93	318.971	5.2%		95.609	2.1%	0.8889	15.1% inc.
1993/94	322.068	1.0%		96.537	1.0%	0.9779	10.0% inc.
1994/95	328.896	2.1%		98.583	2.1%	1.0010	1.4% inc.
1995/96	357.978	8.8%		103.861	5.4%	1.0568	5.6% inc.
1996/97	372.297	4.0%		108.015	4.0%	1.1157	5.6% inc.
1997/98	372.952	0.2%		108.156	0.1%	1.1063	0.8% dec.
1998/99	380.400	2.0%		109.481	1.2%	1.1240	1.6% inc.
1999/00	390.737	2.7%		113.365	3.4%	1.1620	3.4% inc.
2000/01	405.937	1.0%		117.775	4.0%	1.2028	3.5% inc.
2001/02	422.600	4.1%		122.601	4.1%	1.2487	3.8% inc.
2002/03	445.000	5.3%		129.216	5.4%	1.3135	5.2% inc.
2003/04	464.000	4.3%		134.513	4.1%	1.3598	3.5% inc.
2004/05	476.000	2.6%		138.001	2.6%	1.3847	1.8% inc.
2005/06	497.000	4.4%		144.175	4.5%	1.4441	4.3% inc.
2006/07	518.000	4.2%		150.187	4.2%	1.4981	3.7% inc.