

Local Government
Association of NSW



Shires Association of NSW

SUBMISSION ON THE NSW BUDGET FOR 2011/12	
DATE	<i>August 2011</i>

Summary

Based on the LGSA' *NSW Election Priorities 2011*, the LGSA make the following requests for the NSW Government budget for the financial year 2011/12:

1. Improved Local Government financial viability

To improve Local Government financial viability, the LGSA request that the NSW Government:

- a. Cease the practice of cost shifting and enact legislation that requires Local Government's agreement to take on additional responsibilities. If taken on, provide corresponding funding or allow adequate revenue raising capacity.
- b. Provide \$6 million to improve Local Government's capacity to undertake **community strategic planning under the Integrated Planning and Reporting Framework**.
- c. Allocate a share of mining royalties to Local Government through a system that provides funding to all councils, with additional funding for councils impacted by the mining industry.

2. Stronger support for communities

To provide stronger support to communities, the LGSA request that the NSW Government:

- a. Provide a \$20 million enhancement to NSW recurrent funding for those councils presently involved in prevention and early intervention services for children.
- b. Increase funding for public libraries by \$5.2 million each year for five years to reach a new recurrent target of \$51.5 million per year by 2015/16.
- c. Create a Local Government arts and cultural development fund, with a key objective being to improve arts infrastructure outside the Sydney CBD.
- d. Provide a \$10 million increase to NSW recurrent funding for those councils presently involved in preventative health initiatives.
- e. Strengthen programs to support population growth and economic development in regional and rural NSW (including programs such as, or similar to, Evocities and PORTS).
- f. Provide additional recurrent funding to NGOs offering mental health services in rural areas.

3. Greater natural environment protection

To provide greater natural environmental protection, the LGSA request that the NSW Government:

- a. Fully hypothecate the local government contribution to the waste and sustainability levy so councils can fund environmental programs and develop innovative waste solutions, and undertake joint ventures and education to reduce the waste stream.
- b. Develop a *NSW Climate Change Action Plan* and provide resources to councils to address the significant environmental, economic and social impacts of climate change.
- c. Increase funding allocated to weed management to \$20 million and commit to an ongoing role of Local Government in weed management.
- d. Fund a "City and Country 2" Environment Restoration Program or equivalent, including a significant funding allocation to Local Government.

4. Enhanced infrastructure provision and maintenance

To enhance local infrastructure provision, the LGSA request that the NSW Government:

- a. Create a \$1 billion Local Government Infrastructure Fund.
- b. Continue to provide capital funding for council owned and operated local water and sewerage utilities in regional NSW, including a remote communities water and sewerage program. Reverse funding deferrals in the Country Town Water Supply and Sewerage Program introduced in the 2008 NSW Government Mini Budget. Also commit to funding new infrastructure necessary as a result of impacts of climate change on water supplies.
- c. Continue the Aboriginal Communities Water and Sewerage Program and widen the program by adding adequate funding for capital works required to upgrade water supply and sewerage systems in Aboriginal communities.
- d. Improve road funding assistance to Local Government, with special emphasis on regional roads and timber bridges.
- e. Increase and guarantee funding for flood mitigation works (for example, levees) and professional resources for Local Government.
- f. Increase investment in freight rail infrastructure and facilitate the expansion of freight rail services in NSW.
- g. Commit to a long term strategic plan and increased investment in public and active transport across NSW.

I. Introduction

The Local Government Association of NSW and Shires Association of NSW (the LGSA) are the peak bodies for NSW Local Government. Together, the LGSA 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 LGSA 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 LGSA 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 LGSA welcome the opportunity to make a submission to the NSW Government budget for the financial year 2011/12.

Effective and efficient Local Government is vital to the communities of NSW. It is essential that our communities get the support they need. Local Government is one of the biggest industries in NSW, spending approximately \$8 billion per year and managing non-financial assets (infrastructure and land) worth \$120 billion, as well as employing more than 50,000 staff. NSW councils work tirelessly with local communities to meet their environmental, social and economic challenges. In addition to that, Local Government is also central to many of the infrastructure and service offerings of the NSW Government.

Councils in NSW offer a huge variety of services and facilities, including:

- Waste recycling and removal, treatment and disposal facilities and services.
- Water and sewerage works and facilities.
- Roads and transport infrastructure, facilities and services.
- Sporting, recreational and entertainment facilities and services.
- Cultural, educational and information facilities, services and programs.
- Community facilities and human services.
- Environment conservation, protection and improvement facilities, services and programs.
- Storm water drainage and flood prevention, protection and mitigation infrastructure and facilities.
- Public health facilities and services.
- Tourism development and assistance.
- Pest control services.
- Housing.

Councils are also involved in strategic and regulatory land use planning and a variety of regulatory functions including animal control, alcohol free zones, food safety, parking, control of public open space and many more.

The LGSA have worked with their members to identify funding priorities which can enhance high quality local services and infrastructure, improve local amenity and support economic growth. These priorities focus on the challenges faced by NSW's councils - from complex infrastructure management, dealing with climate change impacts and natural disasters, to the accommodation of significant population growth in metropolitan Sydney and regional cities - and align closely with the LGSA' NSW Election Priorities 2011 for the 2011 NSW parliamentary election.

This submission outlines in its first part the financial situation Local Government finds itself. The second part of the submission list the LGSA' election priorities with budgetary relevance funding of which would support councils in building their capacity to strategically plan for the future of their communities and invest in local services and infrastructure.

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 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 renewal¹ 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 Government², again a trend recognised by the Hawker Inquiry and subsequently acknowledged by 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 spheres of government.

III. Budget priorities

Based on the LGSA's *NSW Election Priorities 2011*, the LGSA make the following requests for the NSW Government budget for the financial year 2011/12:

¹ 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.

² 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 NSW 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 show that cost shifting on to NSW Local Government amounts to around 6 per cent of councils' total income before capital amounts; i.e. about \$380 million in the financial year 2005/06, \$412 million in 2006/07, \$431 million in 2007/08 and \$440 million in 2008/09 for the whole of NSW Local Government (for further information see www.StrengtheningLG.lgsa.org.au).

1. Improved Local Government financial viability

- a. Cease the practice of cost shifting and enact legislation that requires Local Government's agreement to take on additional responsibilities, and if taken on, the provision of corresponding funding or the means to raise adequate revenue.**

Current situation

Cost shifting describes a situation where the responsibility for, or the costs of, providing a certain service, concession, asset or regulatory function are "shifted" from one sphere of government to another, without the providing funding or transferring adequate revenue raising capacity. Specifically, we refer to the shifting of costs on to Local Government by the NSW and Australian Governments.

Major cost shifting examples from the NSW Local Government to local councils include contributions to the emergency services (NSW Fire Brigade, Rural Fire Services and Emergency Services NSW), lack of adequate funding for public libraries and the NSW Government's failure to reimburse for mandatory pensioner rate rebates.

Councils are also not given sufficient financial resources for responsibilities delegated to them to regulate companion animals, manage contaminated land, control noxious weed, control food safety, manage flood controls, or administer environmental regulation. Councils often have to step in and pay when the NSW Government does not adequately fulfil its responsibilities such as in the provision of medical services or community safety.

According to the LGSA's cost shifting survey, cost shifting by the Australian and NSW Government on to NSW Local Government in the financial year 2008/09 is estimated to amount to 5.74% of Local Government's total income before capital amounts or \$440 million. In absolute terms, cost shifting is estimated to have increased significantly from \$431 million in 2007/08, \$412 million in 2006/07, and \$380 million in 2005/06.

Cost shifting continues to be a significant burden on councils' financial situation and is impeding Local Government's ability to deliver services and maintain infrastructure. The annual cost shifting amount of \$440 million in 2008/09 almost equals the estimated annual infrastructure renewal gap of \$500 million per annum. This is the gap between what councils would need to spend on renewing their existing infrastructure and what they actually can afford to spend.

Solution

The NSW Government end cost shifting practices and establish a legislative framework for the delegation of new functions/responsibilities to Local Government that requires:

- The explicit agreement of Local Government.
- The provision of funds or funding mechanisms to meet the full costs of the new functions/responsibilities.
- That the NSW Government reach agreement with Local Government through the LGSA on this proposed legislative framework.

- b. Provide \$6 million to improve Local Government's capacity to undertake community strategic planning under the Integrated Planning and Reporting Framework.**

Current situation

To improve the effectiveness and efficiency of Local Government service planning and delivery, the Department of Premier and Cabinet's Division of Local Government is implementing 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 Framework).

Long term strategic service and resource planning contributes to the long term benefit of councils and their communities. It enables councils to better prioritise services and infrastructure provision and avoids making short term and potentially 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. Through the community strategic planning process, Local Government also plays a key role in facilitating effective service planning and coordination amongst government, the private sector and communities and thus supporting sustainable local and regional development in coordination with state-wide planning.

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, 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.
- 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 should 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.

For the new framework to be a success, it is essential they have the resources and skills that are required to undertake comprehensive planning for the future. There are significant transition costs for the Local Government sector, which are not easily met from existing revenue.

The LGSA note that, under the Australian Government's Local Government Reform Fund, one-off funding of \$3.25 million is provided to NSW for a councillor and staff capacity building program on asset management and long term financial planning. However, this funding only represents a one-off initiative. It does not provide for ongoing support and capacity building during the implementation of the Integrated Planning and Reporting Reform. Also, it does not include capacity building on the strategic components of the Integrated Planning and Reporting Framework (i.e. the community strategic plan and the delivery program), nor does it address other issues such as community engagement or workforce planning.

Solution

Establish a capacity building program to assist councillors and professional staff in implementing and operating the new framework, with an initial immediate commitment of \$6 million, over and above the one-off funding provided by the Australian Government under the Local Government Reform Fund.

c. Allocate a share of mining royalties to Local Government through a system that provides funding to all councils with additional funding for councils impacted by the mining industry.

Current situation

Mining royalties are a major revenue source for the NSW Government, raising an estimated \$1 billion in 2009/10, with forecasts that they will rise to \$1.6 billion in future years. This is largely the result of the boom in coal exports. Gold and other mineral exports have also been growing. Mining royalties are currently paid into state consolidated revenue.

It is acknowledged that the NSW Association of Mine Related Councils (AMRC) has been developing and promoting a regional grants scheme currently known as "Royalties for Regions". The proposal is to return a share of mining royalties to regional communities. The LGSA are generally supportive of the proposal.

At this stage the AMRC are advocating the return of 30% of mining royalties to regional communities. This would amount to \$300 million per annum at present but would escalate to up to \$500 million based on royalty forecasts.

The proposal was originally based on the Western Australian "Royalties for Regions Program". This program shares a percentage of royalties with Local Government in regional areas generally (whether they are directly affected by mining or not), while providing additional funding to those communities that are directly affected. It also funds regional services and key regional infrastructure through Western Australia's Regional Development Commissions.

Local Government needs additional sources of revenue if it is to address infrastructure funding shortfalls and to remain financially viable. A permanent share of mining royalties would provide one such source. It is fair that the NSW Government's revenue windfall generated by the mining boom be shared with Local Government generally and with additional recognition of those communities impacted by mining.

LGSA note that the NSW Government has established the Resources for the Regions program to provide up to \$160 million over the first term of government for infrastructure projects in mining affected communities. However, this equates to only \$40 million per annum and is only available to councils directly affected by mining activities.

Solution

Create a "Royalties for Regions" scheme (incorporating the Resources for the Regions program) with two funding pools, the first for Local Government generally, to help address the identified infrastructure renewal backlogs and the second to help address the major impacts that mining has on the communities surrounding the mine sites (e.g. damage to roads and the environment, and increased demands for infrastructure and services.)

2. Stronger support for communities

a. Provide a \$20 million enhancement to NSW recurrent funding, for councils presently involved, for prevention and early intervention services for children and youth.

Current situation

For nearly 40 years, Community Services (part of Human Services NSW) and many councils have worked collaboratively on developing children's services, youth services and neighbourhood centre services. Specialist versions of these services have been developed for working with Aboriginal peoples and migrant groups.

Community Services part funds a large number of Local Government services – under Community Builders there are over 150 Local Government community work, youth work and related projects and under the Children's Services program there are subsidies to over 300 child care services. Community Builders is of significant interest to Local Government. It is a funding program that was established recently and which brings together community strengthening projects and services from the old Community Services Grants Program and the former Area Assistance Scheme.

In turn Local Government subsidises a large number of non-government services that the Community Services funds through Community Builders, the Children's Services Program and other programs. Councils are most active in providing donations or subsidies, building or office space, building maintenance, land and/or management advice to youth services, neighbourhood centres, Long Day Care, Preschools and Occasional Care centres.

With annual funding of \$48 million per annum Community Builders is regarded as a substantial investment in community strengthening. Nonetheless councils' ambitions to expand their prevention and early intervention services for children and young people are frustrated by the relatively small amount of that fund that flows to Local Government. Moreover there are regional and rural councils that have never had access to those funds who are now expressing an interest in engaging in this work.

There is also a need to develop a common understanding between Community Services and Local Government of what 'community development', 'community building' and 'prevention and early intervention' mean in the 21st century.

Solution

- Provide a \$20m enhancement to NSW recurrent funding, for councils presently involved, for their prevention and early intervention services for children and youth.
- The development of a mutually agreed position on working together in community development to complement the significant enhancement to NSW Government recurrent funding for community building and early intervention and prevention services.

b. Increase funding for public libraries by \$5.2 million each year for five years to reach a new recurrent target of \$51.5 million per year by 2015/16.

Current situation

The NSW Public Library Network is a cohesive, statewide network based on cooperation between council public libraries and the State Library of NSW.

The NSW Public Library Network:

- Has 3.2 million members (47% of the population).
- Is open 14,755 hours per week.
- Has 36.4 million visits per year (an increase of 17.5% in the past 5 years).
- Provides 3.8 million internet hours used by the public each year.

Public libraries are under increasing pressure to revitalise or expand facilities, collections, electronic infrastructure and programs. These pressures are well documented - changing demographics (including population ageing, new child and youth usage trends); community demand for a wider variety of library services and programs; an increasing variety of collection formats and new technologies; and e-government. It is particularly important to continue to improve libraries' digital offerings by placing renewed emphasis on the digital divide and new technologies for libraries to engage communities, especially in rural and regional NSW.

The NSW Government offers a range of support to the NSW Public Library Network ranging from legislative support in the *Library Act (NSW) 1939* and regulation, through Public Libraries Grants and Subsidies (\$25.5m in 2009-10) to logistical support from the State Library. Local Government meets 90% of the costs of the NSW Public Library Network.

To maximise the effectiveness of the NSW Public Library Network, a significantly enhanced level of NSW Government funding is required. The funding is essential to enable the NSW Public Library Network to deliver programs that meet community and government service delivery expectations.

In terms of legislative support, the *Library Act (NSW) 1939* and *Local Government (NSW) 1993 Act* should be amended to facilitate improvements in the governance arrangements for regional libraries.

The Associations note with some anticipation that during the election the NSW Liberals and Nationals 'committed to a review of the funding allocated to our public libraries.' It was promised 'this will involve the community as we believe there is not a 'one size fits all' approach. As such we will involve and engage community stakeholders with a view to addressing the current state of Labor's underfunding and neglect.' Also in the *Revitalising Regional Libraries Policy* it was promised that the incoming government would i) increase funding for regional libraries by \$2million through their Regional Library Top-Up Fund and ii) provide \$2million in additional funds to fast-track the roll-out of wireless hotspots into rural and regional library locations. Whilst all this is welcome if it is translated from promise to action, the Associations maintain a more significant injection of funding is required.

Solution

- Significantly increase the NSW Government's share of the total funding to local public library services to ensure it matches international and national benchmarks and meets unmet community demand for services.
- Increase funding for public libraries by \$5.2 million each year for five years to reach a new recurrent target of \$51.5 million per year by 2015/16.

c. Create a Local Government arts and cultural development fund, with a key objective being to improve arts infrastructure outside the Sydney CBD.

Current situation

Eighty five percent (85%) of the NSW Government annual arts funding program in 2009 was given to the Sydney, Newcastle and Wollongong areas, which is not reflective of population distributions. Capital city residents are very well served by state funded cultural institutions, while Local Government provides majority support for regional arts and cultural facilities. The proportion of councils running one or more

Community Arts Centres, Museums, Galleries and Theatre/Music/ Performing Arts Centres has increased from 22% in 1999 to 55% in 2009.

The Western Sydney Arts Strategy has been well recognised as an excellent model to address inequity of arts funding, in a 2006 Ministerial Report and the 2010 Parliamentary Report on *The Development of Arts and Cultural Infrastructure Outside the Sydney CBD*. Emerging evidence from University of Technology, Sydney *CAMRA Research Project: cultural asset mapping in regional Australia*, points to the importance of key individual community members, for maximising cultural development.

Following the Western Sydney model, it would be socially responsive and economically sensible for the NSW Government to establish a 5 year, \$5 million per year Regional and Rural Arts Strategy to support the vital work done by councils and crucial individual community arts activists. This approach balances support for Local Government cultural infrastructure (of all sizes) with support, through councils, for key local citizens who are leading substantial positive change in their communities.

Solution

Establish a five year, \$5 million per year, Regional and Rural Arts Strategy.

d. Provide a \$10m increase to NSW recurrent funding for those councils presently involved in preventative health initiatives.

Current situation

The LGSA have a long and robust partnership with NSW Health and especially with the Centre for Health Advancement. The LGSA offer a grant scheme, funded by NSW Health, that supports councils to:

- Promote partnerships.
- Plan for healthy lifestyles (alcohol, tobacco, healthy weight, falls prevention for older people) by introducing health considerations into council policy and/or planning processes.
- Deliver health promotion services that promote healthy lifestyles and focus on disadvantaged populations and health inequalities.

The grant scheme rewards councils that agree to work both operationally and strategically within their area. The additional support councils receive from the LGSA is limited to the funding of a senior policy officer. This has been invaluable to councils with grants (numbering over forty). The outcomes could be significantly improved if all NSW councils could have access to and were offered support to improve health and well-being in their area by integrating functions they already perform to create environments which support health and wellbeing.

NSW Health also needs to embrace the concept of Local Government as a partner in all its activities in a more consistent and consolidated way. Concrete initiatives would include:

- Increased funding to the LGSA to continue to successfully co-ordinate the Healthy Local Government Program, providing more extensive advice and consultancy on strategic health development and other capacity building activities.
- Increased funding to enable councils to replicate examples of good practice in their own area through the Healthy Communities grant scheme.
- Increased funding to enable the LGSA to support the Council of Australian Governments Healthy Communities Initiative and other National Preventative Health Strategy activities.
- NSW Health and the LGSA reviewing the role of Local Government in health protection and health promotion/preventative health.
- Increased integration of Local Government in key state health promotion/preventative health activities.
- Creating Local Government liaison positions in NSW Health and in Local Health Networks.

Solution

Provide a \$10m increase to NSW recurrent funding for those councils presently involved in preventative health initiatives, and conduct an open, first principles review of the *Public Health Act (NSW) 2010* to properly articulate the roles and responsibilities of the two spheres of government in health promotion.

e. Strengthen programs to support population growth and economic development in regional and rural NSW (including programs such as or similar to Evocities and PORTS).

Current situation

The current development path of NSW is not sustainable from an economic, social and environmental perspective. NSW's existing development path is not adequately spreading the benefits of economic growth and development across the state. The spatial impacts of the current economic development path are uneven. They are characterised by the concentration of high value added economic opportunities in global Sydney, dispersal of lower income populations and lower value added industries to Greater Western Sydney and the Central Coast, consolidation around provincial cities and marginalisation of parts of rural and traditional industrial areas of NSW. The result is growing disparities in jobs, wealth, incomes, skills and learning opportunities between regions of the state and within regions.

The concentration of growth in Sydney is unsustainable with increasing congestion, car dependence, inadequate public transport, environmental degradation and increasingly unaffordable housing costs.

The current development path is reinforced by NSW Government strategies such as the Metropolitan Plan that promote the concentration of growth in Sydney. If this path continues, Sydney and regions across NSW will become increasingly polarised and fragmented.

While the NSW Government promotes regional development through the Department of Trade and Investment, its programs are vastly under resourced and are marginalised in state planning.

'Whole of State Development' measures are required to build the knowledge base, infrastructure and innovative capacity of all regions. The new approach requires a major resource commitment and strategic coordination from all spheres of government. This approach aims to ensure that all NSW regions share in the benefits of globalisation and the digital revolution. Local Government seeks to be a proactive partner in this process.

Solution

Adopt a 'whole of state development' approach, where the local and regional dimension to state economic development is recognised and emphasised in new policy directions; such an approach would provide strategies to redirect a significant proportion of Sydney's projected population growth to regional NSW and must include:

- Major public investment in education, transport infrastructure, research and development and information and communications technologies in rural centres that demonstrate growth potential.
- Enhanced tax incentives to encourage job creating investment into designated development zones.
- Improved relocation assistance for businesses, families and individuals.
- Greater support for regional promotional programs such as Evocities.

3. Greater natural environment protection

a. Fully hypothecate the local government contribution to the waste and sustainability levy so councils can fund environmental programs and develop innovative waste solutions, and undertake joint ventures and education to reduce the waste stream.

Current situation

The municipal waste stream, comprising some 30% of the total waste stream, represents a sector where there could be significantly more investment to bring about a reduction in waste and greater diversion rates, and where the increasing waste levy is having little apparent effect. Recovery rates for municipal waste, at 44%, are significantly lower than other streams with commercial and industrial at 52% and construction and demolition at 73%.

Local Government currently contributes \$80 million of the total \$348 million (2009/10) collected through the levy. The current hypothecation rate to Local Government is in the order of 55-59% (\$49 million).

In 2009/10 this comprised of:

- Waste and Sustainability Improvement (WASIP) payments totalling \$12.5 million.

- Other Local Government/community funding programs totalling \$27.8 million comprising:
 - \$21.5 million to councils for local urban sustainability projects, awarded through a competitive grant program.
 - \$3.75 million for local community and Local Government environment restoration and community education.
 - \$1.6 million to Local Government regional waste groups and anti-dumping squads.
 - \$1.5 million for household chemical clean-ups conducted with councils.
 - \$600,000 for local Aboriginal land and community clean-ups, local small business programs, guidance on sustainable purchasing and organic recycling support.

Raising this rate to 100% (where all the funds collected by councils are used for waste reduction initiatives) would represent an additional NSW Government commitment of approximately \$47.5 million. This investment would allow for the additional initiatives such as the following to be explored in the municipal waste sector:

- Research into collection and processing systems for food waste and garden waste and trialling of these systems.
- Seed/investment funding for regional recovery facilities/alternative waste technologies (AWTs), including joint ventures.
- Behavioural/educational programs to reduce waste “at source” and improve community consumption/recycling behaviour.
- Investment in recycling infrastructure (council and joint venture) along the lines proposed by the National Recycling Initiative (NRI).

Solution

Fully hypothecate the local government contribution to the waste and sustainability levy so councils can fund environmental programs and develop innovative waste solutions, and undertake joint ventures and education to reduce the waste stream.

b. Develop a NSW Climate Change Action Plan and provide resources to councils to address the significant environmental, economic and social impacts of climate change.

Current situation

Councils require direction and support from the NSW Government to address the challenges that climate change presents. On 10 March 2008, the NSW Government announced that it would develop a Climate Change Action Plan to replace the NSW Greenhouse Plan. This plan was not developed.

Councils would benefit from further funding and high quality information and guidance to mitigate and adapt to climate change and variability in an effective and timely manner.

Councils require funding and support to undertake emissions inventories and risk assessments and devise and implement mitigation and adaptation measures. In particular, councils have expressed a need for funding to ensure infrastructure is resilient to climate change. Mapping, modelling, scenarios and data on projected socio-economic trends are critically needed to inform planning for climate change. This information is best produced at a regional or state level in order to be comprehensive and meaningful.

In addition to this, communications tools should be produced by the NSW Government so councils can convey consistent and credible messages to their communities.

Solution

Develop a draft Climate Change Action Plan for consultation, and once finalized, provide resources to councils to address the significant environmental, economic and social impacts of climate change.

c. Increase funding allocated to weed management to \$20 million and commit to the ongoing role of Local Government in weed management.

Current situation

The NSW Government continues to neglect weed management in NSW. Despite costing the state over \$1.2 billion in lost production and control costs every year, NSW government funding continues to be grossly inadequate (only \$8.6 million in 2009/10).

Economic research has established that weeds cost Australia more than \$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, councils play a significant role in the management of weeds. While the NSW Government helps by providing approximately \$8.6 million in grant funding for noxious weed management activities (via the NSW Weeds Action Program), councils invest significantly more funds on a wide range of other weed actions. It has been estimated that councils spend more than triple this amount (up to \$30 million) in undertaking weed management functions.

Many individual councils allocate considerable expenditure to weed management in such areas as bushland reserves, urban parks and local roads. This additional expenditure is rarely reported to a central authority, and the collection of such data is near impossible. Councils can not be expected to “win the fight against weeds” with such limited funding from other levels of government.

Long term concerns over funding and resources, coupled with recent changes to Australian Government and regional investment in weeds have created an uncertain environment. However councils are committed to their roles and responsibilities in this field, and believe that (with appropriate financial support from other levels of government) Local Government is best placed to deliver the services required by the community.

Solution

- Recognise the substantial economic impact of weeds to the entire community and significantly increase the level of funding allocated to weed management.
- Specifically increase the level of funding allocated, through the NSW Weeds Action Program, to councils in their role as Local Weed Control Authorities to \$20 million per year.
- Recognise the significant investment by councils in weed management and commit to the long term ongoing role for Local Government in this field through inclusion in the Intergovernmental Agreement.

d. Fund a “City and Country 2” Environment Restoration Program or equivalent, including a significant allocation to Local Government.

Current situation

One of the major planks of the City and Country Environment Restoration Program in its first phase (2005-2010) was the Urban Sustainability Program (USP), which provided funding to assist councils to develop sustainability policies and programs. The USP has enabled many sustainability projects to be implemented in councils across NSW.

The outcomes of this program clearly demonstrate the improved capacity of councils to assist in achieving many of the Environmental Trust’s objectives and those of the NSW State Plan.

The LGSA seek involvement in the development of the detail of the Local Government support initiatives of the “City and Country 2” Environment Restoration Program or equivalent. Swift action is required to allow the program to be finalised and announced in a timely manner to enable councils and their communities to develop projects that are aligned with funding priorities and requirements.

Solution

Fund a “City and Country 2” Environment Restoration Program or equivalent, including a significant allocation to Local Government, and funding priorities which allow councils and their communities the time to adequately plan projects in line with the requirements of the new program.

4. Enhanced infrastructure provision and maintenance

a. Create a \$1 billion Local Government Infrastructure Fund.

Current situation

NSW Local Government is under severe financial pressure. This has been confirmed by the Independent Inquiry into the Financial Sustainability of NSW Local Government which found that approximately 25% of NSW councils are not financially sustainable, 50% are potentially vulnerable and only 25% are in a relatively strong financial position.

A key finding of the 2005 inquiry was that NSW Local Government has accumulated a huge infrastructure renewal backlog of \$6.3 billion that continues to grow by \$500 million per annum. This is considered by many to be a conservative estimate. The Inquiry estimated that Local Government would need to increase revenues by at least \$900 million per annum to deal with the backlog and ongoing renewals. This does not include the additional revenue required for growth infrastructure or to deal with demands for improved services.

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

- Rate pegging and other legislative constraints on councils' fees and charges.
- A narrow tax base (only rates).
- The decline in Australian and NSW Government financial support for Local Government relative to economic growth (GDP, GSP) and the growth in national taxation revenues.
- The expanding responsibilities of Local Government, a trend explicitly recognised by the Commonwealth Grants Commission, the Hawker Report and others.
- Cost and responsibility shifting onto Local Government by Australian and NSW Governments, again a trend recognised by the Hawker Inquiry and subsequently acknowledged by the national *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations on Local Government Matters (2006)*.
- Deficiencies in Local Government financial and asset management practices.

The central issue is the inadequacy of Local Government's revenue base to meet the demands placed on it. A higher level of funding from both the Australian and NSW Governments is required to meet current infrastructure needs.

The NSW Government needs to provide additional funding to support councils' investment in local infrastructure. The establishment of a \$1 billion Local Government Infrastructure Fund to provide grants to councils over four years is essential. This funding needs to be in addition to all existing grants to Local Government and be used exclusively to help address identified infrastructure backlogs and prioritised new infrastructure requirements. An allocation of \$250 million per annum represents less than 0.5% of total state revenue, and only around 30% of the budget surpluses forecast for the next four years.

Solution

Create a \$1 billion Local Government Infrastructure fund, in addition to existing funding programs.

b. Continue to provide capital funding for council owned and operated local water and sewerage utilities (LWUs) in regional NSW, including a remote communities water and sewerage program. Reverse funding deferrals in the Country Town Water Supply and Sewerage Program introduced in the 2008 NSW Government Mini Budget. Also commit to funding new infrastructure necessary as a result of impacts of climate change on water supplies.

Current situation

Ongoing capital funding for council owned and operated local water and sewerage utilities (LWUs) in regional NSW is currently provided under the successful *Country Town Water Supply and Sewerage Program (CTWSSP)*.

Funding under CTWSSP is fully allocated. However, there are still 123 projects prioritised under the program that have not been allocated a subsidy. Furthermore, delivery of a significant number of council

projects that had allocated funding has been delayed as a result of expenditure deferrals under the 2008 NSW Government Mini Budget ((\$42 million of expenditure was shifted to a few years later). As a result of these delays, benefits to the community from improved water supply and sewerage infrastructure might 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.

In the short term, it is essential that the NSW Government provide funding for the 123 unfunded projects and reverse the deferrals introduced by the 2008 NSW Government Mini Budget.

In the longer term, to ensure LWUs throughout the whole of regional NSW can continue to provide safe and secure water supply and sewerage services, it is essential to retain a permanent funding program to provide technical and financial assistance where needed for the renewal and enhancement of water supply and sewerage infrastructure.

The funding program should also include funding to support infrastructure investment necessary as a result of climate change impacts. Climate change, such as increased occurrence of extreme weather events, higher temperatures, or sea level rise, will put pressure on local infrastructure, reducing the life of assets, increasing the of whole-of-lifecycle cost, or requiring new infrastructure solutions (e.g. coastal asset or assets in flood prone areas).

Climate Change is also projected to cause reductions in water availability for town water supplies. 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 LWUs in assessing impacts of climate change on their water supplies and identifying supply augmentation solutions to address those impacts.

Solution

- Provide additional funding to the current *Country Town Water Supply and Sewerage Program* to provide subsidies for the remaining 123 unfunded council projects.
- Reverse the decision taken in the 2008 NSW Government Mini Budget to delay significant expenditure under the *Country Town Water Supply and Sewerage Program*.
- Provide an ongoing capital funding program for council owned and operated local water and sewerage utilities (LWUs) in regional NSW, including funding for remote communities and funding to support infrastructure investment necessary as a result of climate change.

c. Continue the Aboriginal Communities Water and Sewerage Program and widen the program by adding adequate funding for capital works required to upgrade water supply and sewerage systems in Aboriginal communities.

Current situation

The Aboriginal Communities Water and Sewerage Program, which commenced in July 2008, provides long term funding (over \$200 million over 25 years, jointly funded by the NSW Government and the NSW Aboriginal Land Council) for councils and their LWUs to provide operational, maintenance, and monitoring services of systems in Aboriginal communities.

NSW councils and many communities have commended the NSW Government for addressing the poor water supply and sewerage conditions in Aboriginal communities through the 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 and LWUs to provide operational, maintenance, and monitoring services in selected Aboriginal communities. The program funds the net cost to the LWU 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.

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.

Solution

Continue the Aboriginal Communities Water and Sewerage Program and widen the program by adding adequate funding for capital works required to upgrade water supply and sewerage systems in Aboriginal communities.

d. Improve road funding assistance to Local Government, with special emphasis on regional roads and timber bridges.

Current situation

Councils are responsible for managing over 157,000 km (80%) of local roads in NSW, and spend over \$1.2 billion of their own funds on maintaining these roads.

The life cycle cost to operate the whole NSW local road system of 157,000 km is estimated at \$1.4 billion per year. Expenditure in 2007/08 is estimated at \$825 million leaving a life cycle funding gap of \$618 million per year.

For regional roads and bridges partly funded by the NSW Government, the life-cycle cost is \$244 million per year, expenditure (including existing block grant funding) is \$184 million per annum, leaving a life cycle funding gap of \$ 60 million per year.

NSW Government funding to councils in the form of regional road block grants and Repair Program funds is currently about \$160 million per year adjusted annually by an amount slightly less than the Consumer Price Index (CPI), although this has not increased in real terms for many years.

In 2003, the NSW Government announced an additional \$105 million Regional Roads Timber Bridge Program over seven years, at \$15 million per year, to be matched by similar council funding. This program was renewed in 2006 and extended until June 2011 for a total of \$30 million, or \$10 million per year (plus matching council funding of \$30 million).

In addition to their own local road responsibilities, 81 councils are currently involved in Road Maintenance Council Contracts (RMCCs) on behalf of the Roads Transport Authority on the state road network. The overall value of these contracts is about \$146 million.

Solution

- Increase the Regional Road Block Grant funding to address the \$60 million per year funding gap on regional roads, including a factor to address the inadequacy of the Block Grant funding formulae to reflect the annual increases in road construction and maintenance costs shown by the Australian Bureau of Statistics Local Road Construction Cost Index, or at least the Local Government Cost Index as developed by IPART, compared to the normal Consumer Price Index currently used for annual funding increases.
- Continue the existing \$60 million Timber Bridge Partnership program for another four years and extend the program to include local roads.
- Commit to ongoing council involvement in existing RMCC arrangements on the state road network.

e. Increase and guarantee funding for flood mitigation works (for example, levees) and professional resources for Local Government.

Current situation

The current floods in most states of Australia are a reminder that flooding is not a thing of the past. As weather cycles progress, NSW will again experience floods of the scale of the 1950s. The situation will only become worse as more developments are located in floodplains, and as climate change generates more extreme weather events. Well-designed and maintained flood mitigation works and sound land use planning have proved their worth in the 2010 floods, but many communities are without adequate protection.

The level of funding available to Local Government, Flood Mitigation County Councils and Catchment Management Trusts has dropped in real terms over the last 5 years. Recent floods have identified the value of well-designed and appropriately maintained flood levees. Levees make economic sense; it is generally less costly to build and maintain a flood levee than provide resources for repeated flood response and rehabilitation. However with the current levels of NSW Government assistance many councils do not have the capacity to ensure that current flood mitigation structures are maintained to optimum standards. They also can't ensure that communities without flood protection can be provided adequate safety where feasible.

There are currently approximately 140 completed flood management plans, which at the present rate of government allocation will take 20 years to implement. An increase in NSW Government funding to \$15 million per year will help provide appropriate security for NSW communities.

The number of staff with specialist flood management skills and experience employed by the NSW Government has reduced over recent years. Experienced NSW Government staff is needed to assist councils design and implement their floodplain management schemes. Many small councils have insufficient funds to employ and retain suitably qualified staff for flood management work, or to engage appropriately experienced consultants.

Designing and maintaining flood mitigation infrastructure, and developing appropriate planning measures requires specialist skills and experience. Many councils also have insufficient funds to employ the staff needed to implement the NSW Government's Flood Risk Management Policy and provide the expected level of flood protection for their communities. Government assistance is required to rebuild floodplain management expertise in regional and rural councils.

The responsible NSW Government agency is presently developing a pilot database of flood mitigation infrastructure with councils. A centralised register of flood mitigation structures is essential for coordinated planning, and for informed responses by emergency authorities. A commitment to prompt implementation of the state database would be beneficial.

Solution

Increase and guarantee funding for flood mitigation (for example, levees) and professional resources to regional and rural councils.

f. Increase investment in freight rail infrastructure and facilitate the expansion of freight rail services in NSW.

Current situation

Councils consider rail to be the most appropriate form of transport for mass and bulk products, including grain. As a result, councils oppose the closure of railway lines in rural and regional areas of NSW.

The LGSA supports the findings of the *2009 NSW Grain Freight Review*, especially in relation to the need for ongoing maintenance and upgrade of the rural grain freight rail network in NSW. Any future branch line closures should be accompanied by a clear definition of the preferred alternative road routes and a funding plan (negotiated by all affected road owners) for improving these routes to accommodate the additional traffic load.

The LGSA also supports the development of a north-south inland rail line between Melbourne and Brisbane through Central West NSW to assist in the efficient transport of long distance freight and for its regional development potential. The Inland Rail Link has the potential to get trucks off highways, and reduce air pollution and the impact on our road infrastructure. It would ease pressure off the existing North-South rail line through Sydney, as well as traffic congestion in our metropolitan areas.

It is important the NSW Government support the development of the Melbourne Brisbane Inland Rail Project, including as an initial stage, the reservation and protection of the rail corridor alignment. Local Government cannot continue to bear the cost of damage to local and regional roads resulting from increasing road freight movements.

Solution

Increase investment in freight rail infrastructure and facilitate the expansion of freight rail services in NSW. It is essential that a greater proportion of the growing freight task is shifted from road to rail.

g. Commit to a long term strategic plan and increased investment in public and active transport across NSW.

Current situation

The LGSA encourages the expansion of public transport and other sustainable transport modes as an alternative to the growth in private vehicle use. Local Government supports the provision of appropriate public transport services to and between regional centres.

The Ministry of Transport oversees broader public transport policy issues such as rail and bus services as well as the Local and Community Transport program for regional areas. Many individual councils have been active in lobbying for improved public and sustainable transport in their respective areas.

Councils are an important stakeholder in the planning and provision of appropriate pedestrian, cycling, parking and public transport facilities in their local areas.

The Department of Transport is the key agency overseeing guidelines relating to pedestrian and cycling facilities, bus priority measures and parking regulatory issues.

The NSW Government recently released a new NSW Bike Plan outlining their vision and strategy for bicycle transport over the next 10 years. In 2009/10, \$4.7 million was allocated to a 50/50 funding scheme for works on local cycleways including 77 councils.

However, there is a strong case for provision for greater strategic planning and funding for public transport within the NSW Government's metropolitan and regional planning strategies. There is also a compelling case for the provision of funding to support local public transport initiatives such as bus priority and accessible bus stops. There is room to explore the provision of funding to assist councils meet their responsibilities in the provision of accessible bus stop infrastructure under the *Disability Discrimination Act (Cwth) 1992*.

There remains the need for improvement in the levels of service and accessibility of public transport particularly for disadvantaged groups in regional areas.

The promotion of sustainable transport initiatives such as car sharing, pedestrian accessibility strategies and provision of cycleways requires greater emphasis. So does enhancement of the funding available to Local Government for the development of local cycling networks and infrastructure beyond the existing allocation of \$4.7 million per year.

Solution

Commit to a long term strategic plan and increased investment in public and active transport across NSW.