



# Lachlan Shire Council

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*The Heart of NSW*



21 August, 2008

Mr James Cox  
Chief Executive Officer and Full Time Member  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
OVB POST OFFICE NSW 1230  
SYDNEY NSW 2000

Dear Mr Cox,

I refer to your letter of 18 July, 2008 advising of the review of the revenue framework for local government and thank you for the opportunity to make a submission.

Please find attached this Council's submission which highlights some issues facing Lachlan Shire Council in terms of the role and funding.

I would be happy to support the submission further should you consider that warranted.

Yours faithfully,

  
George Cowan  
General Manager

# **REVIEW OF THE REVENUE FRAMEWORK FOR LOCAL GOVERNMENT**

## ***SUBMISSION BY LACHLAN SHIRE COUNCIL***

Lachlan Shire Council is located in the Central West of NSW and covers an area of approximately 15,000ha. It includes the town of Condobolin, Lake Cargelligo and Tottenham and provides local services to 6,600 residents.

A copy of the latest economic profile of the Shire (2007) is appended for your information together with the 2008/2009 to 2011/2012 Management Plan and Budget.

In respect to the terms of reference of the inquiry I offer the following:

### **1. The role of Local Government in delivering infrastructure and services to the community.**

Lachlan Shire Council provides the full range of local government services to its community including a number that are not provided by most other local governments. The most important function and the area that requires the most resources is the provision and maintenance of infrastructure and the services that are associated with that. A local road network of over 4,500km, parks and reserves, sporting facilities, water and sewerage and swimming pools many of which are duplicated in each town. Council maintains one Olympic and three medium swimming pools in 4 different towns.

In addition to those more traditional areas Lachlan Shire Council finds itself increasing its role in supporting health and community services across the Shire. Council operates children and youth services, Home and Community Care and a retirement village. Council also provides medical centres (3) and housing (7 residences) to accommodate the Doctors of the Shire and vehicles for transport. Staff are actively involved in recruiting new doctors and allied health professionals to the area and most of the doctors who provide services within the shire have been recruited by Council. This service is provided because without it local residents would have to travel out of the Shire for GP Services in the same way as they now travel for specialist services. In addition to the capital invested in buildings and vehicles Councils annual ongoing expenses in supporting medical services now exceeds \$200K.

Lachlan Shire Council owns and operates the only retirement home in the Shire. The complex includes 4 self care units, 40 bed hostel, 42 bed nursing home and dementia unit. The net cost of providing this facility and staffing varies but exceeded \$450K in 07/08.

Council also plays a lead role in tourism and economic development in the shire, providing visitor information centres and owning and operating three caravan parks in addition to

providing financial and logistical support to the many events that are staged throughout the shire to provide recreation to the local community and to attract visitors

Should Council be involved in providing these services? If not Local Government then who? The State Government has a Department of State and Regional Development however the office is in Orange and they do not provide local services and have limited funding. Tourism NSW focuses its attention on State attractions and Greater Western Area Health Service have indicated that recruitment of doctors for the community is “not their role”. Private enterprise has to date failed to offer these services for a number of reasons including a general shortage of professional medical staff and the ability of other areas to offer better lifestyle, climate and financial returns.

In a similar vein, Lachlan Shire Council provides motor registries in both Condobolin and Lake Cargelligo under agency agreements with the RTA simply because the RTA have decided to discontinue their service.

As I have indicated in the attachments to this submission the population of the Shire has decreased from 7,180 in 2007 to 6,670 at the 2006 census. Council sees its role in supporting the community as critical and has identified health and aging as real drivers of the decline in population. At least by providing doctors and the nursing home residents can receive basic health care without leaving the area.

The slow but sure contraction of higher order services to regional centres continues to increase the challenge faced by Councils like Lachlan Shire Council. The reality is that more and more services provided by State Governments are based upon consideration of cost and not on community needs. Health and education services in particular are moving in this direction and the “shadow” cast by the regional cities continues to expand. Lachlan Shire Council has a mission “to meet the needs of the community by providing sustainable services and establishing a long term strategy that leads to the social and economic success of the Lachlan Shire”. Council takes its vision and mission seriously and continually works to sustain vibrant rural communities.

## **2. The current and future financial position of Local Government and the scope for efficiencies**

Lachlan Shire Council’s financial position is relatively sound however, it has a strong and continuing use of State and Federal Government Grants. As at 30 June, 2007 Council’s financial statements included the following ratios:

2007	Unrestricted Current Ratio	3.28:1
2007	Debt Service Ratio (Council is debt free)	Nil
2007	Rates and Annual Charges coverage ratio	17%

Whilst the Council has a good level of cash and investments its ability to meet ongoing demands for infrastructure and services without the use of grant funds must be questioned. It is important to recognise that as Local Government’s role continues to expand particularly in areas such as

the central west the financial demands placed upon the Council also expand and the need for a greater share of the overall taxation revenue continues to grow. It is our view that all three levels of government have a shared responsibility to ensure the quality of life for residents and that if State and Federal Governments can provide funding the local council is likely to be in the best position to deliver the service.

Council is presently having its major asset classes revalued for reporting purposes and I have no doubt that the resultant figures will indicate that the Council cannot meet its long term obligations in regard to asset management. I have been in Local Government for over thirty years and that situation has always been the same. Access to a growth tax of some form is the only way local government will ever meet its infrastructure obligations. The introduction of the GST for example was an ideal opportunity to address this issue.

Because of the physical distances involved it is difficult to achieve economies of scale. In fact with many services there is a need for duplication in each small town and village. Lachlan Shire Council is a member of the Mid Lachlan Alliance (a group of four councils) and Centroc (a group of fourteen councils) and achieves some economies of scale through those alliances in areas such as staff training, tendering for the purchase of goods and services, clustering for RTA and DOTARS projects and waste management. The real benefit of the alliances is an increase in political power in terms of lobbying other levels of government

### 3. All the revenue Services available to the Local Government

As indicated above, the use of grant funding is quite high for Lachlan Shire Council with only 17% of income being received from rates and annual charges. In 2006/2007 Council received the following revenues:

<b>Income</b>	<b>Actual 2007</b>
	<b>\$'000</b>
Revenue:	
Rates & Annual Charges	5,030
User Charges & Fees	2,761
Investment Revenues	2,013
Other Revenues	471
Grants & Contributions – Operating	12,222
Grants & Contributions – Capital	5,803
Other income:	
Profit from Disposal of Assets	584
Profit from interests in Joint Ventures & Associations	

This combination of income is in somewhat contrast to the published data included in the issue paper (p9) and is a reflection of this Councils capacity or lack of capacity to raise revenue locally. Whilst Council has generally increased rates and annual charges in line with rate pegging and CPI, many user charges and fees are kept to a minimum to encourage use and as a gesture of support to the community during the current and prolonged drought.

The bulk of the grant income identified above is for Financial Assistant Grant, grants for road construction and maintenance and flood repair and for capital works associated with the retirement village.

The Shire is experiencing negative growth and relatively low levels of development and therefore contributions under Section 94 are negligible and to a large degree not relevant.

#### **4. The Socio Economic impacts of the rates and charges**

Council recognised that the local economy has been severely affected by the ongoing drought with production levels and businesses actively declining and business confidence at low levels. The community of Lachlan Shire is disadvantaged attracting a scale of 933 on the SEIFA index of economic disadvantage which ranks 22 out of the 152 Councils in NSW (from the bottom).

Lachlan Shire Council has kept increases in rates and charges to rate pegging and CPI levels and has never sought an increase above the rate pegging limit.

The NSW Department of Local Government comparative statistics show in 2005/2006 that rating levels here are comparable to other similar councils:

Residential Rate	Lachlan Shire	\$275
	Group 10 Average	\$370
Farmland Rate	Lachlan Shire	\$1862
	Group Average	\$1499
Business Rate	Lachlan Shire	\$384
	Group 10 Average	\$839
Rates & Charge Outstanding	Lachlan Shire	\$9.45%
	Group 10 Average	7.38%

I have included the economic profile of the Shire as an attachment as it provides details of the individual and family income for residents which are substantially lower than region and state averages. Those lower incomes are also reflected in the weekly rents and property sales prices.

Unfortunately the costs of living in the Shire may not be lower than in other areas, with the cost of consumables such as food, transport and clothing all substantially higher. Whilst the rates and charges of themselves do not pose a socio economic impact, clearly the capacity of the local community to pay more is limited

I believe that the continuation of a centralised system of establishing a limit to rate increases would be supported by Lachlan Shire Council. One of the issues associated with the current system of rate pegging is the lack of openness and accountability surrounding the calculation of the amount and the attendant lack of connection of the amount to observed cost increases.

## **5. Differences between metropolitan, regional and rural Councils.**

The size and location of a Council affects its ability to provide services and the role expected of the Council by the community.

In addition to the differences in role performed which I have touched on earlier, relatively small rural Councils like Lachlan Shire Council face difficulties in attracting and retaining staff who have the range of skills necessary to perform effectively. This is particularly so in the fields of Engineering, Environmental Services, Nursing, Town Planning and in IT when almost invariably staff have to be recruited from outside the immediate area. That means that a new employee and their families have to completely relocate to a remote area where issues of education, health, lifestyle and opportunities for spouse and family affect decision making.

Lachlan Shire has staff recruitment and assistance packages which can help to attract staff – including such things as relocation expenses, training and development, subsidised rental, access to staff vehicles at subsidised rates. In a modern society where both partners work, attracting staff to relocate to rural Councils is often very difficult.

Lachlan Shire has implemented an extensive trainee development program however, this is a long term approach and there is also a lack of certainty around the future retention of staff who complete their traineeships and seek opportunities in larger communities for lifestyle and career reasons.

## **Conclusion**

**I submit that:**

- 1. There are differences in roles between the various types of local governments and there is an increasing tendency for Councils to attempt to meet the needs of their respective communities in accordance with the charter contained within the Local Government Act;**
- 2. Under the charter Councils have a legitimate role in providing services “on behalf of other levels of government” and can and should seek grants and contributions from those other levels of government to provide such services and that the option of not doing so will likely mean that the service will not be available or will not be provided locally;**
- 3. All councils have a different capacity to raise revenue locally and some areas of the state are enjoying rates of growth and other areas are dealing with rural decline and drought. In any case there is a limit to the level of funds that can be raised locally in rural areas such as Lachlan Shire;**

- 4. A centrally controlled system of pegging the annual increase in rates would be supported by Lachlan Shire where there is no desire or realistic need at the moment to increase rates beyond the prescribed limit. However, support for that approach must be on the basis that the process of calculating the increase is open and accountable and the level of any increase is based upon real cost pressures and not political expediency. In putting this submission forward I recognise that circumstances are different in each Council and there must also be an opportunity for Councils to gain approval for increases beyond the normal limit in response to particular community need;**
- 5. Local Government in NSW should be given access to an agreed proportion of the revenue from a growth tax such as the GST and that such revenue could be put towards addressing the infrastructure backlog that hangs over the head of most councils.**