

## Item 3.2

### Cost Shifting onto Local Government

File No: S051491

#### Minute by the Lord Mayor

To Council:

This Minute requests that Council join with other NSW Councils in requesting the NSW Government to address the unrelenting growth of cost shifting to Local Government.

Cost shifting occurs when one level of government transfers a function to another level of government. This includes provision of services, programs or capital works and regulatory compliance. Legislation passed by the NSW Parliament may also impose additional costs on Local Government. Such cost shifting, coupled with rate pegging, is increasingly eroding any possibility of financially sustainable local government. Many Councils risk losing the capacity to deliver tailored, grassroots services to their communities and properly deliver and maintain vital local infrastructure.

Local Government NSW (LGNSW) has been conducting periodic surveys of the extent of cost shifting by the Federal and State Governments on to NSW local government for several years. In the 2006/2007 financial year, \$380 million in costs were shifted onto local government. The most recent report, produced for Local Government NSW by independent consultants Morrison Low, found that \$1.36 billion had been passed onto NSW Councils in the 2021/2022 financial year. This is an increase of \$540 million since the last report from the 2017/2018 financial year. On average, this represents an additional cost of \$460.67 for every NSW ratepayer across the state, effectively a hidden tax to other levels of government.

The Morrison Low Report, "How State Costs Eat Council Rates", is shown at Attachment A to the subject Minute.

#### Impact on the City of Sydney

Other levels of government shift costs onto City of Sydney ratepayers in various ways, including through the imposition of waste and emergency services levies; reducing or ceasing funding for vital services and programs, such as Meals on Wheels; and compliance with regulations such as those related to companion animals and noxious weeds.

The City bears other costs by filling service gaps such as contributing to crime prevention through our CCTV network, providing homelessness services and providing a community sharps bins service. We are denied the opportunity to raise additional revenue due to rate exemptions for government owned properties, certain non-government properties and community housing.

The total costs that were shifted onto the City of Sydney in the 2021/2022 financial year is estimated to exceed \$48 million.

There are other areas where the actual costs being shifted are unknown, such as the costs associated with Crown Land being transferred to the City, undergrounding electricity cables and aerial bundling of wires.

Meeting these myriad costs impacts on our capacity to provide the services, programs and infrastructure to our communities and fulfill our responsibilities in meeting the needs of Australia's leading international city.

A copy of cost shifting examples onto the City of Sydney for the financial year 2021/2022 that was provided to Local Government NSW is shown at Attachment B to the subject Minute.

Prior to the 2023 NSW state election, the then Minns Labor Opposition wrote to Local Government NSW acknowledging that cost shifting had undermined the financial sustainability of the local government sector. It is now time for the Minns Labor Government to move beyond mere acknowledgement and urgently address cost shifting through a combination of regulatory reform, budgetary provision and appropriate funding.

Addressing cost shifting must be part of the wider issue of Local Government funding. The United Services Union has advised that it has secured an agreement with the NSW and Commonwealth Government for Parliamentary Inquiries into this issue. The Union seeks the support of all councils for both Inquiries.

I propose that the City of Sydney participate in both Inquiries when they are announced with the aim of ensuring that an appropriate modern and sustainable financial funding model for all councils is achieved.

### **Recommendation**

It is resolved that:

- (A) Council receive and note the findings of the Local Government NSW Cost Shifting Report - How State Costs eat Council Rates, for the 2021/2022 financial year as shown at Attachment A to the subject Minute;
- (B) a copy of the cost shifting report be placed on the City of Sydney website so that our communities can access it;
- (C) the Lord Mayor be requested to write to the NSW Premier, the NSW Treasurer and the NSW Minister for Local Government requesting them to urgently address these costs through a combination of regulatory reform, budgetary provision and appropriate funding;
- (D) Council welcome the agreement achieved with the Commonwealth and NSW Governments to hold Parliamentary Inquiries into Local Government funding; and
- (E) the Chief Executive Officer be requested to prepare submissions to both Inquiries when their Terms of Reference are announced.

### **COUNCILLOR CLOVER MOORE AO**

Lord Mayor

**Attachments**

**Attachment A.** How State Costs Eat Council Rates

**Attachment B.** Cost Shifting Examples onto the City of Sydney for the Financial Year 2021/2022

**Attachment C.** United Services Union Letter Relating to Proposed Parliamentary Inquiries into Local Government Funding