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Funding Council Services

The services provided by Councils (outlined in Fact Sheet 1) must be funded properly and delivered in ways that meet community standards, including those required by State and Federal laws. Councils in SA must operate within the framework created by the Local Government Act 1999 (SA), and the Local Government (Elections) Act 1999 (SA) and other laws.

This is one of four fact sheets – others look at services provided by Councils, the rating system and valuations.

State legislation requires an elected Council to respond to community needs and to provide leadership, services and facilities. The Council must establish Strategic Management Plans (which include long term financial management plans and infrastructure and asset management plans) and a budget, appoint staff to implement the plans, and provide an Annual Report on progress in implementing the plan, financial outcomes and achievement of targets. Councils hold open meetings, publish a range of policies, are subject to Freedom of Information laws and severe penalties apply if members do not disclose any personal interests they have in matters for decision by Council. Councils must also provide a safe workplace for staff and act to minimise liabilities to the public. This helps avoid injuries to staff and the public and the costs that go with them.

Councils are limited to one tax – Council rates – to fund their services and activities. Council rates are the main source of revenue for Councils and account for about 60% of Councils' income. Fact Sheet 3 describes the rating system in more detail. Additional income in the form of user fees and charges (such as building/planning application fees) makes up about another 20%, while grants from the Commonwealth or the SA Government account for about 16% of Council income. Given the high cost of building and maintaining roads, drains, sporting facilities, libraries and other amenities, Councils also borrow funds to invest in infrastructure assets. SA Councils have very low net debt.

Cost Shifting and Expanding Services

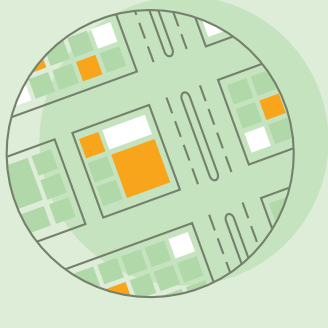
One of the challenges Councils face is that they are a last resort for the community to provide government support. Sometimes Federal and State governments pressure Councils to fund services. Sometimes Councils are pressured by the community to pick up service gaps left by Federal and State governments. And sometimes Federal and State governments create laws adding responsibilities to Councils. These pressures on Councils, when new responsibilities aren't accompanied by extra funding, are generally termed 'cost shifting' and have been the subject of a recent Federal Parliamentary inquiry.

A graphic example of this is the recent campaign to immunise children against the deadly Meningococcal-C virus. The Commonwealth provides the expensive vaccine for free and an SA Government subsidy helps to offset staff and other costs. But Councils, which deliver the program in schools, are left with a gap that can only be funded from Council rates.

There is no doubt that Councils are providing more services to a higher standard today across South Australia. Kerbside recycling is available in most areas alongside traditional rubbish collections. There is free internet access in all libraries. Significant trees are now regulated. More cycle tracks and skate parks have been developed. More wetlands filter stormwater and help the environment. More business support services are available. Councils spend more time helping Federal and State governments to understand the local impact of their policies.

THIS IS ONE OF FOUR FACT SHEETS

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Funding Council Services

Council services are better planned and delivered than 30 years ago. They meet higher safety standards for staff and for the public, as well as higher environmental standards. Councils today provide more services – and to a higher standard – but it comes at a cost.

A particular challenge facing Local Government is a shortfall in revenue required to maintain the \$10 billion of community infrastructure under its care and control, over the next 25 years. A recent study estimated the funding gap at about \$100m a year at current value.

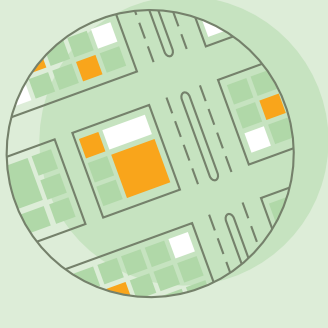
Councils and the LGA are doing everything in their power to manage the situation effectively, including lobbying Federal and State governments for greater assistance.

Local Government in South Australia is typified by:

- high standards of operational competence and accountability;
- sharing resources, working consultatively and cooperatively with other Councils and other spheres of government;
- low net debt and conservative management of finances; and
- expanding roles to respond to community demands and service gaps.

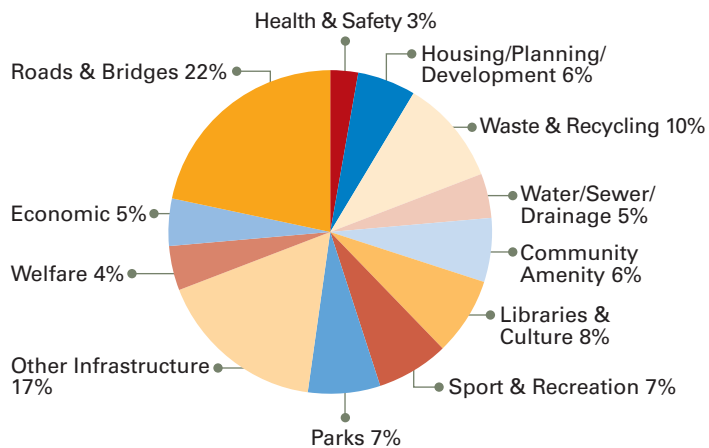
Local Government is also the only sphere of government that provides your total annual tax bill in one statement in advance.

Local Government commissioned an independent inquiry into its financial sustainability in 2005 and its report is available on www.lga.sa.gov.au/goto/fsp



Local Government Association of South Australia

Council Expenditure Areas



Source: ABS 1999/00

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