

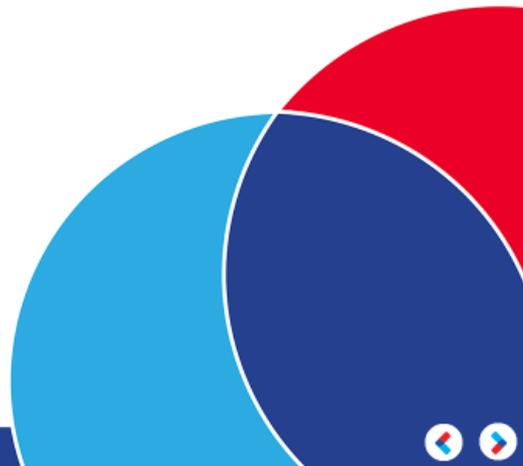
Cost shifting undermines financial stability of local govt

Local Government NSW 5 Nov 2018

Cost-shifting onto councils means ratepayers are being forced to pick up the tab for local infrastructure and services to the tune of \$820 million each year – about the same amount the NSW Government plans to splash out to rebuild a single sports stadium in Sydney.

IMPACT OF COST SHIFTING ON LOCAL GOVERNMENT IN NSW

[Read the report >>](#)



“Cost shifting is one of the most significant problems faced by council in NSW and our research shows it is increasing at an accelerated rate,” LGNSW President Linda Scott said.

“This trend is being driven largely by State Government policies, and it is eating into council revenue by up to 17 per cent each year.”

Inner West Mayor Darcy Byrne said that the State Government’s cost shifting had forced an unwanted amalgamation on Inner West communities.

“This survey shows that in the same year Ashfield, Leichhardt and Marrickville Councils were being abolished, allegedly to create savings, the NSW Government shifted more than \$18 million in costs on to our combined balance sheet.

“Now we know that the former Ashfield Council was being ripped off by the Government more than any Council in the state, with a whopping 17 per cent of its last budget being eaten up by cost shifting,” said Mayor Byrne.

“We didn’t need our Councils to be sacked, we just needed Gladys Berejiklian to get her hand out of our pockets.”

Cost shifting occurs when state and federal governments force councils to assume responsibility for infrastructure, services and regulatory functions without providing sufficient supporting funding.

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The practice has imposed a cumulative total burden of \$6.2 billion over a 10-year period.

Clr Scott said the five hardest-hit councils in NSW included:

- Inner West Council (17% of income)
- Cessnock City Council (16% of income)
- Maitland City Council (16% of income)
- Hunters Hill Council (15% of income)
- Canterbury-Bankstown Council (14% of income).

NSW COUNCILS MOST AFFECTED BY COST SHIFTING

The 10 councils most affected by cost shifting

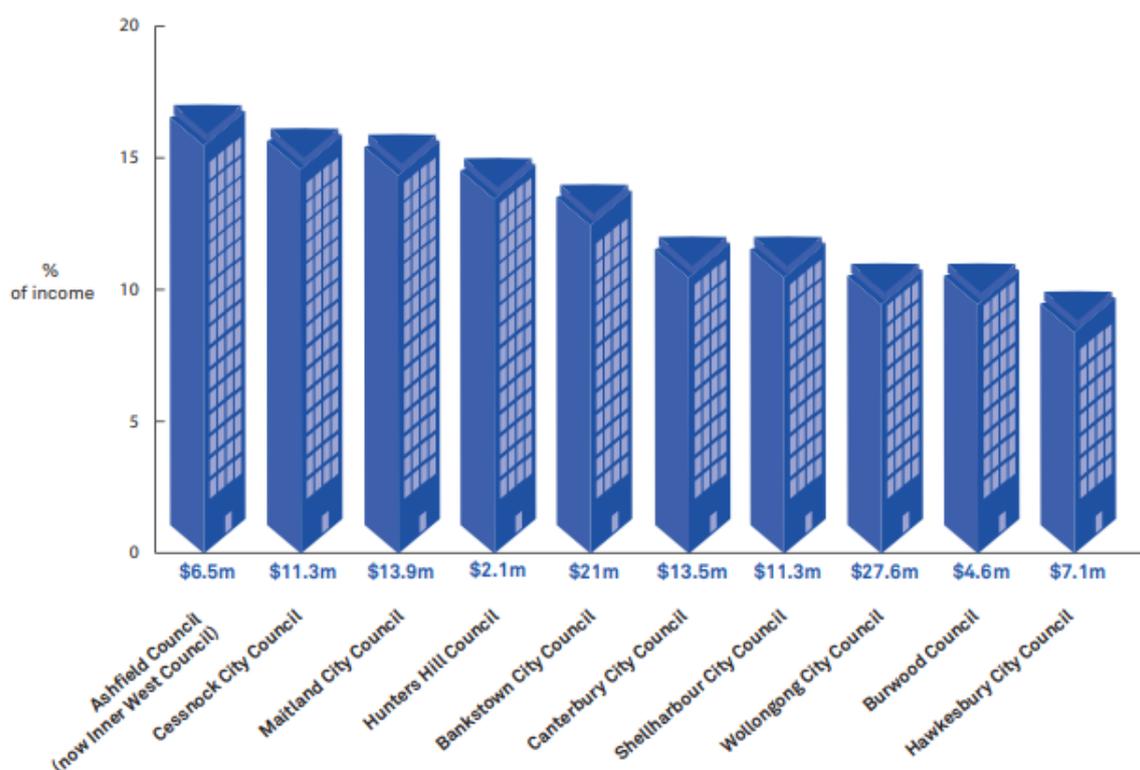


Figure 3: percentage of council income diverted due to cost shifting by other spheres of government and dollar impact on each council 2015/16

“One of the most appalling examples of cost shifting is the NSW Government’s waste levy, which increased councils’ costs by 44% over a two-year period,” she said.

“Last year, the NSW Government collected \$659 million in waste levies but only 18% of this council contribution was returned to local government to actually manage waste.

“Where has the rest gone? Is it being funnelled into the controversial plan to spend \$729 rebuilding Allianz Stadium or \$810 million on the ANZ Stadium at Homebush?”

“Treasurer Dominic Perrottet boasts of a budget surplus, but he’s a little less forthcoming about the fact that some of that surplus is only possible because the State Government shoves an ever-increasing amount of costs downstream to local government.

“It’s quite common for the Government to make a big media splash about providing one-off funding for local infrastructure – but then the council has to absorb the cost of maintaining that infrastructure in years to come.”

Clr Scott said the latest research identified other big-ticket cost-shifts as including the shortfall in public library funding; pensioner rate rebates; and the cost of managing other regulatory burdens such as the operation of Independent Hearing Assessment Panels, enforcement of companion animal regulations, and the management of contaminated land, noxious weed and flood controls.

“Cost shifting is increasingly undermining the financial stability of local government and its ability to deliver the services and infrastructure communities need.

“Quality government regulation can, and should, lift up local communities and support economies; not deplete them - and this is why we are calling on the NSW and Australian Government to put an end to cost shifting”.

A summary report of LGNSW’s cost shifting survey 2015/16, containing a breakdown of councils most affected by cost shifting as well as the budgetary impacts can be found [here](#).

Cost Shifting Survey

Cost shifting describes a situation where the responsibility for, or merely the costs of, providing a certain service, concession, asset or regulatory function are 'shifted' from a higher level of government on to a lower level of government without providing corresponding funding or the conferral of corresponding and adequate revenue-raising capacity.

LGNSW tries to identify, quantify and combat cost shifting as it impacts member councils.

Survey Reports

LGNSW's Cost Shifting Survey is conducted annually and seeks to establish the extent of cost shifting by the Australian and NSW Governments on to NSW Local Government.

The following survey results support local government's argument for this practice to end:

[Impact of Cost Shifting on local government in NSW: A Survey of Councils 2015-16 \(PDF, 3.67MB\)](#)

[Impact of cost shifting on local government in NSW 2018 \(summary\), \(PDF 657KB\)](#)

The survey results confirm that cost shifting continues to place a significant burden on councils' financial situation. Despite the recognition of cost shifting and its adverse impacts on NSW local government, cost shifting remains at a high level (around 6 per cent of councils' total income before capital amounts).

Contributions to the Fire and Rescue NSW, NSW Rural Fire Services and NSW State Emergency Service, lack of adequate funding for public libraries and the failure to reimburse councils for mandatory pensioner rebates are major examples.

Furthermore, councils are not given sufficient financial resources for their responsibilities to assess development applications, regulate companion animals, manage contaminated land, control noxious weed, manage flood controls, or administer environmental regulation.

[Previous reports](#)

[https://www.lgnsw.org.au/files/imce-uploads/206/Cost Shifting Summary.pdf](https://www.lgnsw.org.au/files/imce-uploads/206/Cost%20Shifting%20Summary.pdf)