

Fact Sheet 02

Funding Council Services



Local
Government
Association
of South
Australia

These sheets and more
information available at
www.lga.sa.gov.au

July 2012

The services provided by Councils must be funded and delivered in ways that meet community standards and State and Federal laws.

Funding Council Services

About 60% of funding comes from the only tax Councils are allowed to collect – Council Rates. The remaining 40% is made up of:

- 20% - User fees including building/planning application fees
- 16% - Grants from the Commonwealth or State governments
- 4% - Other funding options

Sometimes Council funds growth is compared with the Consumer Price Index which measures the cost of products like bread and milk that residents buy each week. The CPI doesn't reflect what Councils buy which includes construction items, bitumen, labour and library books. It also doesn't reflect Council budget challenges, such as those outlined below.

The Council Services fact sheet 01 describes in more detail the range of services Councils provide and many involve infrastructure assets like roads, drains and buildings. SA Councils maintain about \$18 billion of public infrastructure. Many people are not aware that replacing a kilometre of urban road can cost between half a million dollars to one million dollars depending the level of footpath, kerbing, stormwater and street-scaping required.

As well as being expensive, many of these infrastructure assets, if well maintained,

can last several generations and so borrowing funds is also considered appropriate to spread the cost over future generations. Overall, SA Councils have very low debt considering the value and the life of the assets they manage.

Councils are providing more services to a higher standard across South Australia today. For example, recycling is available in most areas alongside traditional rubbish collections. There is free internet access in all libraries. 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.

Council services are better planned and delivered now than 15 or 25 years ago. They meet higher safety standards for the public and for their staff, as well as higher environmental standards. Councils have also worked hard to ensure efficiencies in the way they operate both locally and working together. Councils borrow and invest together, buy electricity for street lighting together, buy public liability cover, work on public and worker safety together and buy many things such as library books together. It's smart and saves millions of dollars a year in delivering services.

A Council Services Story: On Saturday morning, you wake up and decide to cycle down the **road** to the **beach** for a quick swim and take a walk along the **jetty**. Heading home along the **bike-path**, you decide to stop by your **local library** and browse on the **internet** and check out that **book** you have been meaning to read. Later on you head down to the local **oval** to watch a game of footy and use the **community grill** to have a BBQ with a few friends as the kids play on the **playground** in the **park** nearby.



Funding Council Services (continued)

Councils have also worked together through the Local Government Association to review their financial management practices. In 2005, an independent review suggested a range of reforms based on common standards and models prepared by the LGA and supported by Government requirements.

The review identified that there is a significant gap in Council revenues needed to maintain infrastructure built by our parents and grandparents. What this means is that the current generation is not fully paying for the use of that infrastructure and is resulting in big problems for our children. Most Councils have set about arresting that decline to ensure we pay our way and leave our communities in as good or a better state than our parents left it to us. That's been a big communication challenge for Councils and ratepayers – particularly given so much of the infrastructure is taken for granted and sometimes even hidden under our feet, in roads, footpaths and drains.

In world comparative terms 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

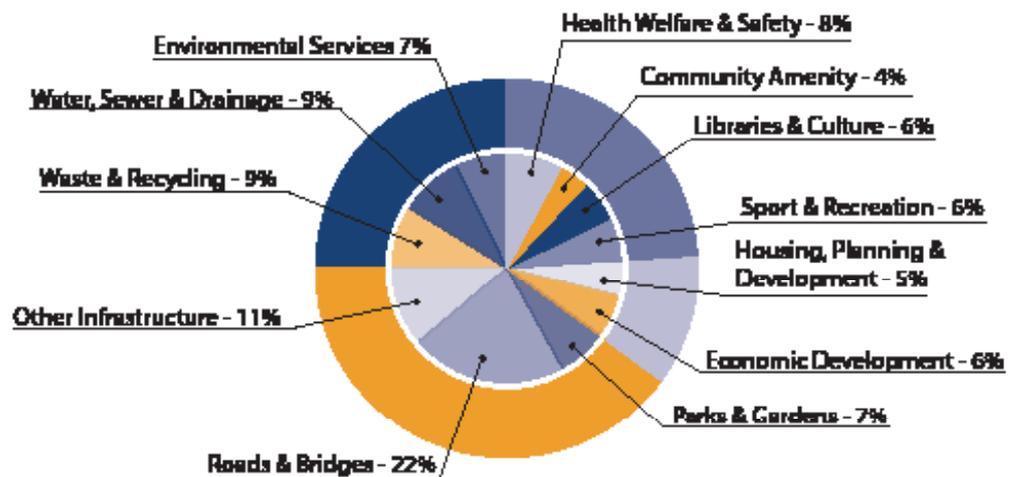
- expanding roles to respond to community demands and service gaps

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

Councils also face challenges from other governments in the form of cost shifting – when they back out of a service leaving Councils to pick it up; providing low or unfair grants; and in special taxes or levies on Council operations. SA Councils receive the lowest per capita funding from State Governments in Australia and an unfair share of Federal Grants. We've also seen a State tax on waste disposal double, and then rise by a further 35% in recent years. We've had some wins for communities including getting an extra \$120m in Federal funds for local roads over 12 years. Your Council continues to work to stop cost shifting and get a fair share of government funds for your community.

Councils also aim to ensure that fees they are able to charge are paid by those who benefit from a particular activity – that they are paying a fair share of costs with a minimum of subsidy from other income. In all these ways Councils aim to meet the service requirements of communities, keeping rates bills as low as they reasonably can.

Council Outlays (Operating and Capital) by Function



Outer Circle Legend

