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The Secretary
Standing Committee on Economics, Finance and Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600

(Email EFPA.Reps@aph.gov.au)

Dear Sir/Madam

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

In summary the major cost shift from State to Local Government in this council area is as a result of two processes. The State Government is reducing its presence at operational or service levels and as the public are still requiring and in many cases demanding a service, Local Government finds itself in a position of filling the void. The move away from the on ground presence by the State may be either deliberate or as a result of many minor changes, however the result is the same. The public require a service and in many cases it is picked up by Local Government. If Local Government was to ignore community requirements, this could in many cases be the demise of the local community.

Evidence of this cost shifting can be seen in the accumulative financial reports of Local Government where it is evident that there is a gradual but continuous move from expenditure on what was once regarded as the core functions of councils to a very wide area of expenditure generally in the human services area. This is not in itself a bad thing; however the movement has taken place without a comparative increase in the total funding available resulting in less funds being available for core functions or services.

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There is a further very real area in which Local Government is required to spend more as a result of actions by other governments, and this is mainly in the actions of State Government requiring Local Government to act in new capacities or in a different way without additional funds to carry out the function. In many cases State Government has the power to set the fees in relation to a service, while requiring Local Government to carry out the service without any real influence over the setting of fees.

The following items all fit within the **TERMS OF REFERENCE POINT 4:**
Financial Impacts on Local Government as a Result of Changes in Functions and Responsibilities

Dog Control:

The State Government and the community at large recognise a need for a greater degree of dog control and the State is presently legislating to provide this. The actual expenditure to achieve the desired outcomes will fall on Local Government; however fees for dog control are set by the State and the State has just recently declined an opportunity to increase fees in the dog control area. In this instance the State obviously has seen a priority for increased dog control, however due no doubt to political considerations will not be providing additional funding either directly, or by an increase in fees.

Highway problems:

The State Government no longer has personnel in place to maintain the highways network, but rather this work is carried out through major contracts and the people that are fulfilling those contracts do not operate from a local base. This means that the first call out in the event of an emergency resulting from storm of major accident is invariably the council. While there is some reimbursement for this work, the council is placed in a position of having to respond to be accountable to the local community. This does involve extra costs.

Additional costs are also incurred in locating the appropriate highways contractor when carrying out work that has a connecting point with a highway. Seeking a contribution from other governments when building a road up to a highway through the "shoulder area" or State controlled area of a highway is often too difficult and for the sake of moving the project on Local Government provides the funds.

Traffic impacts

The rural road network is being required to carry much heavier traffic due to the increase in the size of vehicles permitted to travel on our roads generally. This is not so much as cost shifting but simply that the National & State Standards that are adopted by others affect Local Government through the cost of construction and maintenance of the road system to enable the residents and businesses in the council area are to be a part of the national transport system. This is an increased cost to Local Government without any increase in income.

Rail Corridor

In a one off event, Australian Rail Track Corporation, (ARTC) has asked the council to pay the cost of opening roads across the main Melbourne-Adelaide rail corridor. The rail corridor was originally laid across private land and public roads. ARTC is a commercial entity, not government; however it has obviously brought to light some short comings in earlier government action (SAR or ANR) in creating the rail corridor. The Council as the owner of the roads is now being asked to bear the costs.

Community Transport

Seed funding was provided for a community transport scheme, with the understanding that the scheme would become self supporting. This has not happened and councils in the area continue to provide financial support for the scheme. Community transport needs in the area have recently been reviewed by the Public Transport Board with some hope of real improvements, but only if the State makes a decision to fund the proposal.

Waste Management

Environmental Protection Authority requirements for the management of waste are becoming increasingly more stringent. In this Council, area we are currently introducing major changes to meet those requirements resulting in greatly increased costs without a comparative increase in services. To meet a state target the state imposes new rules on Local Government without the additional financial means of meeting those targets. For example, the no tyres in dumps is an easily understood rule, however it results in more tyres on the sides of highways and the tyres are invariably disposed of through the correct channels at Local Government expense.

Development approval process

A reduction in the type and range of development applications being determined by the Development Commission has meant a corresponding increase in the type and range of applications being determined by Local Government. In a situation not dissimilar to the Dog Control Act Local Government does the work while the State sets the fees. In our situation fees recovered for development applications have never covered the cost of administering the legislation, and with the development approval process becoming more complex the gap is widening.

The requirements in the Development Act for a regular (Section 30) review of Development Plans is an additional expense with no clear financial gain when required in an area of only modest growth.

Health & Food related matters

The financial implications on Local Government due to the implementation of the new Food Act are as yet unknown. This is a case where there have been substantial negotiations with Local Government concerning the proposed changes; however information provided has been short on financial implications for Local Government. It could be another situation where the State makes the decisions concerning fees while Local Government provides the service or part of the service with no recompense for cost. The State through the Health Commission did provide Health Surveyors at a Regional level; however these positions are no longer, leaving Local Government to fill the vacuum.

Standards and requirements in a range of health related areas are continuously changing to require a higher level of performance by the general public or by industry. These standards are set by other levels of government but with Local Government required to implement the new standards and usually without any increase in the resource to do so. The following items fall into this category; European Wasp control, new standards for swimming pools spa's and air conditioners (Legionella), controls and standards for stormwater disposal, requirements under the Commonwealth Disability and Discrimination Act.

In addition to the above The Environmental Protection Authority would appear to be attempting to shift the enforcement of noise control onto Local Government.

Police Issues

In this area stock on roads has previously been a police matter due to road safety issues. Police are now refusing to attend to reports of stock on roads, advising that they regard it as a Local Government matter; however Local Government has no automatic mandate to take charge of straying stock. Local Government may elect to maintain a pound, but it is not a part of any requirement of Local Government and the whole notion of a pound is out of date. Cost cutting in the Police area has a direct affect on Local Government in this matter as well as in crime prevention and vandalism.

Local Government Administration

A further area that has affected costs in Local Government through a legislative change at the State level is the introduction of the Local Government Act 1999. This is in the main not a case of cost transfer but a case of new legislation requiring Local Government to incur increased costs without any perceived public benefit. Particular areas with a direct cost effect are; street closure procedures, records management, land management, policy development, and changes in accounting standards.

Increased Charges on Local Government

Council operates a fleet of heavy vehicles for the purposes of road construction and maintenance and up until 1996 was given financial consideration by the State for registration costs. In 1996 a national heavy vehicle registration strategy saw registration fees paid by Councils to the State Government increase significantly although the vehicles are working on the roads. The State has not given any other consideration to offset these increases.

The above is a range of examples where decisions made principally by the State Government have a negative financial effect on Local Government and fall within the Terms of Reference Point 4.

Council also wishes to comment briefly on other terms of reference as follows:

TERMS OF REFERENCE 2

Utilisation of Alternative Funding Sources by Local Government.

One of the main difficulties with the present situation is that Local Government has a very limited range of funding sources. Rates on property values are the main way in which Local Government can raise revenue for a council of our type and scale. Grants become an essential component of our income. Local Government needs a broader revenue base.

TERMS OF REFERENCE 3

The Pooling of Funding to Achieve Regional Outcomes

In many rural areas where distance and spread of population is a major factor there is limited opportunity to achieve pooling of funding without compromising local delivery of services. This not to say that regional cooperation does not happen and is not useful; however opportunities are limited. Regional Local Government Associations are an expression of regional cooperation and in this area the Murray Mallee Community Transport Scheme and joint road funding submissions are an outcome of regional pooling of effort, however distance is a severely limiting factor.

TERMS OF REFERENCE 5

Rationalisation of Roles and Responsibilities Between Levels of Government

Better delivery of services at a local level are possible by delivering many of those services through Local Government, however as detailed under comments in Terms of Reference 4, Local Government has experienced many situations where it is being required to carry out a function but without the transfer of the resources to do it. This makes Local Government very nervous when new functions are being considered for transfer.

Yours faithfully

WR Paterson
CHIEF EXECUTIVE OFFICER