

House of representatives Standing Committee on  
Economics, Finance and Public Administration

Submission No: ..... 373 .....

Date Received: ..... 24/4/03 .....

Secretary: .....



**Northern Sydney Regional Organisation  
Of Councils**

**Response to:**

**At the Crossroads**

- a discussion paper

**Inquiry into Local Government  
and Cost Shifting**

## Changing role of local government

### ***1. Is there a need for significant changes to local government's current package of roles and responsibilities?***

#### **Comments:**

This question appears to canvass a greater role for local government in areas such as local health services, education, law enforcement, affordable housing etc. In our view, these considerations are somewhat theoretical without changes in the constitutional status of local government and a funding regime for local government that would allow participation in growth revenues. Before progressing in this direction the current roles of local government need to be fully recognized and properly funded.

### ***2. Should there be greater differentiation of responsibilities between larger, better resourced councils and those with small populations and limited revenue?***

#### **Comments:**

The "one size fits all" approach to local government by other spheres of government is often inappropriate. It should not just be assumed that because a council is larger it is necessarily better resourced and has available capacity, its responsibilities may still outweigh its capacity for income generation. Rural councils and city-based councils have a great variation in their ability to raise revenue that can fund non-core activity. It may be possible in these cases for groups of councils (perhaps ROCs) to work together in these types of cases to deliver certain aspects of their operations and reduce delivery costs.

### ***3. Is there a need in some regions for restructuring to improve the viability of councils?***

#### **Comments:**

The major threat to the long-term viability of councils is attributable to the ongoing compression of funding opportunities combined with a growing infrastructure maintenance burden. This is primarily a consequence of rate pegging rather than any inherent structural deficiencies of the LGA's concerned. Whilst a review may be needed any such review should be undertaken with the intent of reinforcing the community of interest issue and should look at the issue of critical mass leading to sustainability.

## Nature and extent of cost shifting

### **4. Is cost shifting a growing problem?**

**Comments:**

The simple answer to this question is yes. This is acknowledged in the Discussion Paper and is demonstrated in our supplementary submission. It remains an ongoing problem with State Government in particular continuing to introduce new legislation that imposes complex requirements to be met that add time and costs on to key processes (e.g. DA processes) with no acknowledgement of the cost burden imposed.

### **5. Are there examples of successful State-local government arrangements to deal with cost shifting?**

**Comments:**

Essentially the answer to this question is no due to a lack of genuine consultation and engagement. There is no real partnering, simply imposition.

The recent change whereby 'Parking' officers changed from State to Local Government employment can be seen as a partially successful example. The forced and one-sided nature of the negotiations should not be seen as a successful model for the future.

### **6. How might the Commonwealth promote a more comprehensive approach to reducing cost shifting?**

**Comments:**

By making future financial arrangements to the states conditional upon the States fully participating in a tripartite agreement on future funding between the three spheres of government.

The Commonwealth should consider opportunities for the direct funding of local government.

## Local government's revenue base

**7. What specific steps might be taken to generate significant increases in income?  
from local government's established revenue base?**

**Comments:**

1. Remove rate pegging and include a capacity for local government to impose non-property based taxes and levies e.g a betterment tax and/or an environmental levy.
2. Guarantee local government a share of GST and National Competition Policy payments as in other States
3. Explore the opportunity for local government to participate in the revenue generated locally from stamp duties and land taxes
4. Review the current status of non-rateable land with a view to increasing the revenue base.

**8. How might a betterment tax in locations of rapid growth work in practice?**

**Comments:**

The definition of betterment tax needs to have an agreed meaning.

A betterment tax will only work in a non rate-pegging regime and as part of a suite of non-property based taxes that take into account each local councils specific needs.

Under the current legislation a betterment tax would result in the redirection of the rating burden and not necessarily increase revenue.

There may be an opportunity to expand mechanisms for developer funded infrastructure provisions 'up front' as developments take place.

A betterment tax would allow major infrastructure works to be completed as soon as sufficient funds have been raised. Contributions made under Sect94 only provide for infrastructure, which can be attributed to an increase in population.

A betterment tax would be applied to all residents through the rating system.

**9. In what ways should the certainty and predictability of financial arrangements with other spheres of government be improved?**

**Comments:**

Through a tripartite financial agreement of 4 to 5 years duration between the three spheres of government.

## Financial Assistance Grants

**10. Is there a case for reducing or abolishing the minimum grant?**

**Comments:**

Under the current arrangements the answer is no however if rate pegging were removed this could be reconsidered.

**11. Is there scope to adjust the inter-state distribution and rationalise the different arrangements for general purpose and local roads grants, assuming both remain untied in the hands of councils?**

**Comments:**

Yes. The current formula is acceptable the quantum is the problem. In NSW the inclusion of GST and NCP payments would assist. Consideration could also be given to the abolition of State Grants Commissions would free up additional funds for distribution.

**12. Would the FAGs system benefit from a clearer statement of Commonwealth policy direction and a formal intergovernment agreement on objectives and processes? If so, how should this be done?**

**Comments:**

Yes, this would best be done via the tripartite agreement on funding that we have mentioned earlier.

## Infrastructure maintenance and improvement

**13. What is the scope for specific measures to enhance local government's revenue base to meet infrastructure needs - for example, infrastructure levies and increased borrowing?**

**Comments:**

Immediate assistance could be provided through the removal of rate pegging and the direction of a proportion of GST revenue to this purpose. If this were achieved then councils with greater capacity to raise revenue could perhaps remove themselves from participation in FAGs.

There needs to be a suite of revenue raising options available to councils as they differ greatly. What may suit say, Willoughby, may be next to irrelevant in Quirindi. Removing rate pegging in areas where the capacity of the area to pay increased rates may not be of any assistance at all.

Infrastructure levies, sharing in GST/NCP, shares of Land and Fuel taxes etc all need to be considered.

**14. How could supplementary Commonwealth assistance continue to be financed within the constraint of budget neutrality?**

**Comments:**

See our answer above.

**15. How could the States also provide increased support for local infrastructure?**

**Comments:**

In NSW, by removing the restrictions imposed through rate pegging. An intermediate step could be to relax rate pegging to the extent of the depreciation component now being reported in financial statements to the Department of Local Government. In the longer term, by the complete removal of rate pegging and by enabling local government to participate in locally generated property taxes) stamp duties and land taxes). Further, where the State benefits from the sale of land for development they could provide necessary infrastructure up front.

There needs to be an acknowledgement of work already undertaken by councils in any discussion on this.

Hold a review of the status of non-rateable land.

## Regional cooperation

**16. Taking into account inevitable limits on funding, what are the strategic priorities for Commonwealth involvement in regional planning and development?**

**Comments:**

The Commonwealth could confirm and integrate regional planning strategies within a national framework it could underpin this through direct funding of specific projects such as urban transport and like infrastructure.

**17. On what basis would local government be willing to resource a strong, effective system of ROCs across most of Australia and significantly expand the level of regional cooperation and resource sharing amongst councils as a key element of service delivery?**

**Comments:**

In NSW there needs to a harmonization of ROC and Plan First boundaries. There should then be a minimum guaranteed level of funding of the regional bodies from State and/or Federal sources to ensure that basic functions of regional planning and inter government regional cooperation are fulfilled. There should then be provision for 'top up' funding from member councils for specific purposes for the region.

Should such funding be provided by State/Federal governments it should be guaranteed and for realistic periods of time. It should not be on a yearly basis and should not be on a progressively diminishing basis. Past experience would significantly undermine confidence in such an approach.

## Scope for rationalisation

**18. What are the specific areas in which local government sees a need to rationalise roles and responsibilities with the Commonwealth and States?**

**Comments:**

We suggest the following areas for consideration:

Environmental management, waste management, planning, fire protection, recreation, community safety, emergency management, road safety, telecommunications infrastructure and other works by government authorities and corporations, flood mitigation, e-government service delivery and library resource provisions.

**19. Is there sufficient exchange of information between States on 'best practice' intergovernment relations? If not, how could such exchange be improved?**

**Comments:**

The use or otherwise of 'best practice' by other spheres of government in dealing with local government appears to be more a matter of expedience than knowledge or information. Therefore the "business rules" of the relationships involved are more important than exhortations to apply "best practice".

**20. Should the approach advocated for AusLink be applied more widely? If so, what would be priority areas?**

**Comments:**

The answer to this depends on which part of the AusLink proposal is referred to. If it is the part of AusLink paper that could be read to indicate that cost of part of the land transport function be transferred from the Commonwealth to Local Government the answer is clearly no. For more information on this please refer to the joint NSROC,SSROC,WSROC submission on the AusLink Discussion Paper



## Capacity building and accreditation

**21. Should capacity building for local government be approached on a national basis? If so, what are the priorities for a national program?**

**Comments:**

Yes. Immediate assistance could be achieved by direction of a proportion of GST revenue to fund local government infrastructure. In the longer term tripartite agreements based on sound research should be part of a new era of partnerships between the three spheres of government.

**22. What sort of organisational framework is required to ensure an effective capacity building effort?**

**Comments:**

ROCs are already in place and should form the basis of regional consultative and negotiating mechanisms to interact with the other two spheres of government.

**23. Would local government support some form of accreditation assessment in return for an increased role in the administration of Commonwealth programs?**

**Comments:**

In principle yes.