



Please Quote: M557-02 JC:DT
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Friday, 26 July 2002

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

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Secretary: Rendell

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

Dear Secretary

Inquiry into Local Government and Cost Shifting

I attach a submission from the Indigo Shire Council relating to the above. The submission has also been emailed to your email address.

In our submission we have tried to very simply address the issues by referring to each of the terms of reference and some related issues under them. We have not provided detailed advice on particular issues, nor copious appendices relating to facts and figures. We believe there may be some better resourced agencies that can provide that detail.

In the event that you wish any clarification on the submission, please do not hesitate to contact the undersigned, directly on email john_costello@indigoshire.vic.gov.au or phone (03) 5728 0105.

Yours sincerely

John P Costello
CHIEF EXECUTIVE OFFICER

c.c. (letter and submission)
Ms S Panopoulos, Member for Indi
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VLGA

INDIGO SHIRE COUNCIL

COMMONWEALTH GOVERNMENT COST SHIFTING ENQUIRY SUBMISSION

1. LOCAL GOVERNMENTS CURRENT ROLES AND RESPONSIBILITIES

Council's current roles and responsibilities are very wide. We can basically do anything we like that is of benefit to the local community - covered by section 6 of the Victorian Local Government Act 1989.

The line seems to become more blurred all the time with State and Commonwealth Governments not undertaking the local issue areas of responsibility that they hold. For example:

- reduced medical facilities,
- lack of police,
- lack of public transport,
- lack of action in caring for the environment – pest and weed control,
- poor electronic communication - mobile phones, poor cabling,
- provision of job creation schemes,
- investment attraction,
- centralisation of education (tertiary and apprenticeship)

Local communities are thus increasingly turning to their local council for assistance, as Commonwealth and State Government departments become more centralized in major regional or metropolitan centres.

2. CURRENT FUNDING ARRANGEMENTS FOR LOCAL GOVERNMENT, INCLUDING ALLOCATION OF FUNDING FROM OTHER LEVELS OF GOVERNMENT AND UTILISATION OF ALTERNATIVE FUNDING SOURCES BY LOCAL GOVERNMENT.

The Council has a limited range of ways it can raise its funds with the collection of property rates, direct charges and fees and borrowings being the only areas that a council controls. However, the State Government also plays a role in this by imposing rating caps (or suggested caps) and by setting the level of some fees that can be charged.

Operating and capital grants are entirely at the whim of other levels of government and don't always match the operational requirements of the council from a service planning and delivery and volume and timing perspective.

Small councils such as Indigo don't always have the ability to provide matching funds within a given timeframe and are therefore sometimes limited in the quantum that they can apply for in a particular program or in applying for a program at all.

Recent increases in Grants Commission General Purpose Grants are most welcomed by Indigo Shire however we realise that this has been at the expense of reductions to some other Councils.

Ideas of direct share in GST or other forms of non-property based taxation need to be investigated as the range of services from councils has now progressed far beyond the property services that were paid for by property based rates.

3. THE CAPACITY OF LOCAL GOVERNMENT TO MEET EXISTING OBLIGATIONS AND TO TAKE ON AN ENHANCED ROLE IN DEVELOPING OPPORTUNITIES AT A REGIONAL LEVEL INCLUDING OPPORTUNITIES FOR COUNCILS TO WORK WITH OTHER COUNCILS AND POOL FUNDING TO ACHIEVE REGIONAL OUTCOMES.

Since Indigo Shire was formed in 1994, we have taken the opportunity to access available government grants on numerous occasions to directly benefit Indigo Shire and the wider region. e.g.:

- Beechworth Heritage Precinct
- Rutherglen Wine Experience
- Rutherglen/Chiltern NtN Community Education program
- Yackandandah Undergrounding of Street Lighting
- Roads to Recovery

Some of these have been via joint applications with neighboring councils:

- Murray to the Mountains Rail Trail
- Australian Alpine Valleys Agricultural Forum (AAVAF – Alp Valleys)
- North East Valleys Food & Wine
- HACCC review and Disability Action Plans

We have also put ourselves forward to be involved in pilot programs:

- MAV Website development
- Infrastructure Asset systems development

We recognise the need to improve ourselves and provide leadership in our community and the wider region. These projects are assisting that philosophy as well as providing economic development opportunities and social enhancement.

However this does place a strain on our internal resources with resultant loss of efficiency or effort in other areas of service delivery.

We have also developed a five- year Strategic Financial Plan that shows us how we need to raise income to meet both recurrent and capital requirements. This shows us, that given current sources of revenue, that we will have to increase our rate revenue by 5% plus inflation to meet current commitments over the next five years.

We don't have continued capacity to provide increased service levels for existing services let alone provide new services or take up the community expectation to fill the gap where services are withdrawn by others.

4. LOCAL GOVERNMENT EXPENDITURE AND THE IMPACT ON LOCAL GOVERNMENT'S FINANCIAL CAPACITY AS A RESULT OF CHANGES IN THE POWERS, FUNCTIONS AND RESPONSIBILITIES BETWEEN STATE AND LOCAL GOVERNMENTS.

Councils act as the service delivery arm of the State Government in many areas. The State or Commonwealth Government brings in legislation or new services, sometimes with due consultation with Councils via the Municipal Association of Victoria, which Councils then have to administer or comply with. Little or no additional finance is provided from the State or Federal Government to cover the costs of this increased workload.

New legislative provisions in recent years have included:

- Swimming pool inspections private properties - fencing
- Swimming pool fencing of public pools
- Smoke detector inspections
- Tobacco Act inspections and education
- Immunization programs
- Inspections under the Food Act and the Health Act
- Public/Community Health Plans
- Waste management plans
- Preparation and implementation of revised planning schemes
- Companion Animals legislation and practices including introduction of State registration levies
- Control of gaming establishments and comment on new developments
- State codes on signing including tourism signage
- Reduction in speed limits in residential areas - signage and education
- Tree clearance near power lines and undergrounding of power lines
- Whistleblowers and Privacy legislation compliance
- Requirements for two yearly revaluation of properties
- Road transport load limits and configurations of equipment
- Introduction of the Goods & Services Tax

In other instances, "seed" funding of pilot projects is provided. However when the project proves to be worthwhile and community expectations are built up, operational funding is not available. Council thus has to increase its rate revenue to continue with the service.

Examples of the over the last few years include:

- Volunteer community transport schemes
- Disability action plans
- Arts and cultural programs
- Recreation activities
- Public internet provision via libraries and other locations
- NHT environmental programs – Babbler project, Chilean Needlegrass

Funding for various programs that Councils have provided in cooperation with other levels of Government is also an area where some costs have not kept pace with the cost of delivery of the service:

- Meals on wheels subsidy
- School crossing supervisor subsidies
- Home Care/Aged Care services
- Maternal Child Health Services
- Preschool services
- Public library subsidies
- Youth Workers and programs
- Maintenance of main roads
- Provision of regional airports

There are also a number of initiatives where State/Commonwealth Government funding or programs have been reduced or action has not been taken to arrest a decline caused by factors outside a Council's area of influence. The community has turned to the Council for assistance in these areas.

- Provision of medical facilities – doctors surgeries and assistance to local hospitals
- Attraction of skilled professionals – doctors are a prime example
- Provision of public transport – community transport schemes
- Introduction of Community Health Initiatives

The State Government has also begun charging Councils rentals and fees where not previously charged, or wish to sell Crown Land to the Council.

- Lease or sale of crown land for rubbish tips, depots, sporting facilities, etc
- Fees for planning amendments/appeals
- Levies for waste and recycling volumes
- Animal registration levies

Other levels of Government have also provided former State/Commonwealth facilities to Council to operate. Whilst they provide capital grants to restore these facilities they do not provide any operational funding.

Whilst these are all negative issues there have been many positive actions taken by the State and Commonwealth Government to assist Councils.

- Increases in Grants Commission funding to small rural councils (but at the expense of other councils)
- The Roads to Recovery Program (however a problem that it was then changed after we had made commitments)
- Sharing of National Competition Policy payments

5. THE SCOPE FOR ACHIEVING A RATIONALISATION OF ROLES AND RESPONSIBILITIES BETWEEN THE LEVELS OF GOVERNMENT, BETTER USE OF RESOURCES AND BETTER QUALITY SERVICES TO LOCAL COMMUNITIES.

There is a lot of scope to rationalise service delivery but at the end of the day the State and Commonwealth Governments need to change the current methods of service delivery, taxation and funding to provide the resources required for the services being provided.

For example:

- A council could provide all the environmental maintenance activities on all crown land in its area (weed, pest and fire control on crown land). The Council does not need to own the land but does need the resources to maintain it properly.
- Preschool services should be provided as part of the wider education system. Therefore the state education departments should undertake this role.
- The hospital system/community health services could provide maternal & child health and immunisation services as part of a whole community health service.
- Councils or community health services should provide a full range of health and community care services and not the current mixture that takes place. One stop-shop services for allied services should be in place with reduced duplication, communication and administrative costs.
- Reorganisation and reduction in the number of government agencies/departments could be an area of improvement. There are Local, State and Commonwealth systems in place for the same services and we often see one area applying to another for funds, assistance or approvals. A lot of resources are devoured in sorting through this bureaucratic process to get a timely and economic result.

But, all of this would only work if there were a complete reorganisation of how services are currently funded. The true, non-subsidised, cost of a service would need to be ascertained so that the effect of transferring a service is known. These services would have to receive appropriate levels of funding from the State or Commonwealth purses to undertake that work.

A bigger issue is that the services are not being provided at a high enough level at the present time. All levels of government are not fully providing for the maintenance and replacement of existing assets let alone providing for the expectations of the community.

6. THE FINDINGS OF THE COMMONWEALTH GRANTS COMMISSION (CGC) REVIEW OF THE LOCAL GOVERNMENT (FINANCIAL ASSISTANCE) ACT 1995 OF JUNE 2001, TAKING INTO ACCOUNT THE VIEWS OF INTERESTED PARTIES AS SOUGHT BY THE COMMITTEE.

In Victoria, small rural councils such as Indigo, have improved their share of the General Purpose Grants in recent years. We therefore support recent changes at both the Commonwealth and State level.

The biggest issue is that there should be a much larger allocation provided by the Commonwealth Government for allocation by the Grants Commission across Australia. If it needs to be cost neutral then part of the allocation to the States from other sources eg GST should be made.

The Commonwealth Government should also revisit the collection of fuel excise and its allocation back to road and transport areas. Greater funding from this source to councils will assist councils narrow the maintenance expenditure gap for roads and bridges that has been identified.

In relation to General Purpose Grants, Indigo Shire has received real growth since 1998/99. In that year we received \$1,109,708 and this has risen to \$1,415,662 in 2001/02 when inflation would have only taken this base figure to \$1,218,149.

However, the same is not the case for the roads funding component. This has risen from \$794,348 to \$871,706 (indexation would be \$871,982). We only recently received a large increase to bring it to this level.

The Commonwealth Government needs to consider how it can increase the quantum of direct road funding to Local Government to assist us meet our infrastructure maintenance requirements.

THE INQUIRY IS TO BE CONDUCTED ON THE BASIS THAT THE OUTCOMES WILL BE BUDGET NEUTRAL FOR THE COMMONWEALTH.

This is a typical statement from the Commonwealth Government and shows how it fails, along with the State Government, to recognise the costs that Councils are facing in delivering services at the grass roots level and the effects that its actions are having on others. This can also be the same for the private sector where new requirements and standards force up the costs of supply of goods and services.

Outcomes should be cost neutral, or increases justified, for any outcomes of the inquiry. Otherwise the inquiry may make recommendations that are cost neutral or a reduction for the Commonwealth but shift costs to the State or Local Government or the private sector.

The inquiry should be about reducing duplication, reducing administrative costs, etc that will be a savings to all sectors.