



The rural living alternative.

In reply please quote: **PV:MF:G325.1**
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The Secretary
House of Representatives Economics, Finance and Public
Administration Committee
Parliament House
CANBERRA ACT 2601

Dear Sir

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Please find enclosed a supplementary submission by Hume Shire Council in relation to the above Inquiry.

Yours faithfully

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GENERAL MANAGER
29 April, 2003

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

SUPPLEMENTARY SUBMISSION TO THE PARLIAMENTARY INQUIRY INTO COST SHIFTING ONTO LOCAL GOVERNMENT

Introduction

Hume Shire Council welcomed the Parliamentary Inquiry into Cost Shifting onto Local Government and forwarded a submission in July 2002. This supplementary submission is made in response to the issues raised in the Discussion Paper released by the House of Representatives Standing Committee on Economics, Finance and Public Administration and titled "At the Crossroads".

Financial Assistance Grants

Council believes that the financial assistance grants are not only a critical revenue source for councils but also a legitimate share of Commonwealth Government tax collections. In the early days of local government when councils were primarily concerned with the provision of physical infrastructure that predominantly benefited property owners it was appropriate that property owners provide the main source of a councils income through the payment of rates.

Councils of course now provide a wider range of services that benefit the whole community including non rate paying residents and indeed visitors e.g. parks, reserves, libraries, boat launching ramps, cultural events and so on. This was addressed with the introduction of revenue sharing grants in the early seventies whereby a share of the commonwealth government's income tax collections is given to local government. This way even users of local government services who do not own property and therefore do not pay rates, make a contribution through their income tax.

Council supports an adjustment to the escalation factor to match increases in GST revenue or other indicator that is more reflective of the increasing costs and responsibilities confronting local government. It is noted that financial assistance grants increase in line with the CPI however the CPI is not necessarily an accurate reflection of the rising costs faced by councils in relation to traditional local government services. The CPI certainly does not take into account the additional responsibilities being shifted onto local government which was the catalyst for this Inquiry. A rating task force established in NSW has recognised that the CPI is not an appropriate index upon which to base permissible increases in revenue from rates under the NSW Government's rate pegging legislation and has advocated a local government index that is more reflective of the financial environment in which Council's operate.

Another alternative, which Council wishes to raise for the Inquiry's consideration, is distributing a portion of the total allocation to high population growth areas based on some type of betterment factor. Areas of high population growth could be identified by comparing a council's average annual population growth with a benchmark, ie, the State average annual population growth. This would recognise the fact that the need for services follows increases in population and these funds would assist councils confronting the challenges of providing services to a rapidly growing population.

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Council also supports a reduction of the minimum grant to direct additional funds to needy councils. The methodology adopted by State Grants Commissions seeks to recognise the degree of disability experienced by each Council in delivering services. Having a minimum grant at all represents an artificial constraint on the methodology. A reduction in the minimum grant will at least minimise the impact of this constraint and free up additional funds for the more disadvantaged councils.

Council does not support the financial assistance grants being delivered as tied grants (option 1d). This would undermine local government's autonomy and ability to prioritise expenditure based on local needs. To do so would be contrary to the accepted view that as the third tier of government closest to the people local government is in the best position to know and understand the needs of the local area.

Commonwealth – Local Government Relations

Council supports the continuation of the *Roads to Recovery* Program not only in terms of the level of funding but also in terms of the method of distribution direct from the Commonwealth to local councils. Consideration should be given to the distribution of the Commonwealth's financial assistance grants to local government in the same way i.e. direct to local councils rather than via a State Government based Grants Commission. This would overcome unnecessary administrative costs and could be achieved if an umbrella intergovernmental agreement on financial assistance grants was negotiated between the Commonwealth and local government of the type envisaged in option 1a contained in the Discussion Paper.

Local Government Restructuring

The Discussion Paper makes numerous references to local government restructuring (council amalgamations) as one means of addressing the medium to long term viability of some smaller rural councils (e.g. paragraphs 4.5, 4.11, 4.13). Council believes it is dangerous to canvass such options in the context of an Inquiry primarily focused on cost shifting and revenue related issues. To do so is to place insufficient emphasis on the social implications of local government restructuring particularly in rural and remote areas. Any debate regarding local government restructuring should be conducted in a broader context taking into account both social and economic factors.

The opportunity to make a supplementary submission is appreciated.

COUNCILLOR DENISE OSBORNE
MAYOR
HUME SHIRE COUNCIL