



TOWNSVILLE CITY COUNCIL
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CORPORATE SERVICES

ENQUIRIES:

In reply please quote ref.:

7 August 2002

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

Dear Sir/Madam

Re: Inquiry into Local Government and Cost Shifting

Please find enclosed a copy of Council's Submission to the above inquiry.

Yours sincerely.

PAUL ASKERN
ACTING CHIEF EXECUTIVE OFFICER



TOWNSVILLE CITY COUNCIL

SUBMISSION

TO

**STANDING COMMITTEE ON ECONOMICS, FINANCE
AND PUBLIC ADMINISTRATION**

Inquiry into Local Government and Cost Shifting

Terms of Reference 1

Local Government's current role and responsibilities

With a resident population of approximately 91,000, as estimated at the end of June 2001, Council provides its residents with a comprehensive range of works and services to ensure Townsville remains a prosperous and vibrant City.

Major roles and responsibilities are:

- To plan, provide and maintain the City's infrastructure at service levels which meet the community needs now and promote future growth. Major infrastructure include:
 - Local roads; recreational and commuter needs for bike routes and pedestrian paths; street lighting; construction and maintenance of a modern stormwater drainage system; supply of water to all properties; collection of sewage from all properties and conveyed to treatment plants;
- To enhance the social and economic well-being of the community and create a quality environment for the people of Townsville through the management of the use of land. Major roles include:
 - Preparation and implementation of localised and area strategic land use planning; facilitate appropriate development; promote the physical appearance of the city; assessment of planning, building; and subdivision applications with the strategic policy framework
- To improve the social well being of the community through a community development framework which promotes the principles of social justice. Major roles include:
 - Facilitate the provision of community services; support local community services, arts and cultural groups, sporting and recreation groups, youth and sponsoring community groups where applicable; promoting access for residents with disabilities or from culturally diverse backgrounds; providing space and facilities to community groups; community planning and advocacy; commitment to reconciliation between the wider community and Aboriginal people.
- To develop and encourage a broad range of arts and cultural opportunities for the residents of Townsville, and to provide a diverse performing arts and visual arts program.

- Cultural Development - develop and implement Council's arts and cultural policies; facilitating and contributing to Townsville's arts and cultural events; support local arts and cultural groups; recognising the achievements of local cultural groups and individuals
 - Performing Arts - provision of high quality performing arts facilities, being the Townsville Cultural Centre; supporting workshops programs that will further the development of performing arts in the City; development of an innovate theatre season.
 - Visual Arts - provision of a high quality arts gallery; fulfil Council's responsibility as a key, strategic agency for the development of visual arts in North Queensland; implement ways in which visual arts can contribute to community and neighbourhood development; cultural tourism; Aboriginal and Torres Strait Island Arts and Cultural Activities; Public Art.
 - Public Libraries - providing free access to a wide range of information and library resources; provision of Home Library Service and Mobile Library Services; promoting literacy based activities
- To develop and maintain a healthy and sustainable environment for the City. Major roles are:
 - Addressing Local Agenda 21 providing Council with a strategic direction for achieving sustainability in the 21st Century, progressively addressing the Environmental Conservation Strategy, the Townsville Thuringowa Strategy Plan and the Community Plan for Natural Resource Management; developing and implementing State of the Environment reporting; maintaining a natural asset register; managing and protecting high value Council natural areas; implementing Townsville Ecotourism Strategy; provision of waste management, including waste minimisation; implementation of disease preventive measures through the Municipal Public Health Plan; management of annual control program; ongoing implementation of the Environmental Protection Act 1994; health surveillance inspection and monitoring; street cleaning; developing an Integrated Environmental Management System to meet the requirements of the Environmental Protection Act.
 - To ensure the provision of a comprehensive range of parks, gardens and recreational and sporting opportunities for residents and visitors. Major roles are:
 - Development of all parks and open space for community good; development of Botanic Gardens; capital development of major public parks; street planting; operating of nursery business activity; continue 'Greening of Townsville' initiative; promoting City as a viable venue for hosting major sporting events.

- To provide Townsville with long term financial strengths
- To ensure that the level and range of support services, management systems and leadership are appropriate to achieve Council's overall objectives.

Total Operating Expenses

The following Table shows Council's budgeted outlays for 2001/02 by type of outlay.

Total Budgeted Operating Outlays for Financial Year 2001/02

Type of Outlay	\$	Total Per Capita Outlays
Employee Costs	40,601,432	
Materials and Services	61,339,479	
Finance Costs	2,787,804	
Depreciation	27,227,052	
Taxes other than Income Tax	286,772	
Other Expenses	299,653	
Total Operating Expenses	132,542,192	\$1,460.20

For comparative purposes, listed below were Council's outlays for the year 1990/91.

Outlays by Broad Purpose	1990/91	% of Total
Ordinary Services		
General Public Services	1461000	1.7
Public Order and Safety	276000	0.3
Education, Health and Safety	1837000	2.2
Housing and Community Amenities	10569000	12.5
Recreation and Culture	8463000	10.0
Roads and Bridges	10946000	13.0
Other Ordinary Services	8347000	9.9
Interest and Redemption	12420000	14.7
Water Supply		
Water Supply Total Outlays	10325000	12.2
Sewerage		
Sewerage Total Outlays	10928000	12.9
Other Outlays	8921000	10.6
Total Outlays	\$84,492,000	100.0

Total Outlays in Real Per Capita Terms for the Year 1990-01 (2001/2002 = 100)

Outlays by Broad Purpose	1990/91 \$	Outlays Per Capita \$
Ordinary Services		
General Public Services	1885161	21.86
Public Order and Safety	356129	4.13
Education, Health and Welfare	2370322	27.48
Housing and Community Amenities	13637419	158.12
Recreation and Culture	10920000	126.62
Roads and Bridges	14123870	163.76
Other Ordinary Services	10770322	124.88
Interest and Redemption	16025806	185.82
Water Supply	13322581	154.47
Sewerage	14100645	163.50
Other Outlays	11510968	133.47
Total Outlays	\$109,021,935	\$1264.10

It can be seen from the above that Council provided for per capita outlays of \$1,460.20 on works and services in 2001/2 compared to \$1,264.10 in 1990/91. This represents around a 16% increase in real per capita terms over the last 10 years.

Terms of Reference 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.

Total Operating Revenue

Table 3 shows total operating revenue budgeted for in 2001/02. It can be seen that rates and utility charges represent around 68 per cent of total revenue and external grants and subsidies around 6 per cent.

Total Operating Revenue for the 2001/02 Year by Type of Revenue

	\$	% of Total
Rates and Utility Charges	89,070,826	68.1
Fees and Charges	18,221,150	13.9
Interest from Investments	600000	0.5
Developer Contributions	1,704,000	1.3
Grants and Subsidies	7,479,945	5.7
Other Income	11,840,141	9.1
Gain on Sale of Non-current Asset	1,800,000	1.4
Total Operating Revenue	\$130,716,062	100.0

Own source revenue accounted for some 93 per cent of total revenue in 2001/2. Grants and subsidies from other levels of government account for just on 6 per cent of total revenue. This compares to a Queensland State average of around 86 per cent for 'own-source' revenue and 14 per cent from grants and subsidies from Commonwealth and State Governments. (see Local Government National Report 1999-2000).

Total Revenue in Per Capita Terms for the year 2001/02

Type of Revenue	\$	Per Capita \$
Rates and Utility Charges	89,070,826	981.28
Fees and Charges	18,221,150	200.74
Interest from Investments	600,000	6.61
Developer Contributions	1,704,000	18.77
Grants and Subsidies	7,479,945	82.41
Other Income	11,840,141	130.44
Gain on Sale of Non-current Asset	1,800,000	19.83
Total Operating Revenue	\$130,716,062	\$1440.08

In respect to the year 1990/91, the following Table shows the particular break-up.

Total Revenue for 1990/91

Type of Revenue	Revenue \$	% of Total
Rates and Charges		
'- Ordinary Services	31539000	41.6
'- Sewerage	8926000	11.8
'- Water Supply	18507000	24.4
Government Grants		
'- General Purpose	3270000	4.3
'- Specific Purpose	2580000	3.4
Reimbursements	5960000	7.9
Other Revenue Receipts	5041000	6.6
Total Revenue	\$75823000	100.0

Total Revenue in Real Per Capita Terms (2001/02 = 100)

Type of Revenue	Revenue \$	Per Capita Revenue \$
Rates and Charges		
'- Ordinary Services	40695483	471.86
'- Sewerage	11517419	133.54
'- Water Supply	23880000	276.89
Government Grants		
'- General Purpose	4219355	48.92
'- Specific Purpose	3329032	38.60
Reimbursements	7690322	89.17
Other Revenue Receipts	6504516	75.42
Total Revenue	\$97836129	\$1134.40

Terms of Reference 3

The capacity of local government to meet existing obligations and to take on an enhanced role developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes

(a) Capacity to meet existing obligation

Urban local governments are increasingly facing a funding crisis in meeting the growing expectations of their local communities.

In addition to providing the traditional works and services, local communities want their local governments to:

- Play a leading role in local economic development by attracting new investment to its area;
- Implement programs that preserve the natural and built environments; and
- Assist other levels of government provide important community service programs

Townsville City Council has been supportive of taking on these initiatives because they provide a direct benefit to the residents through jobs and improved lifestyle. However, such services place a great burden on local government finances.

The traditional 'property based' tax system cannot effectively fund these additional responsibilities as well as deliver on our traditional areas of improved roads, transport, water and sewerage infrastructure and development control, without substantial increases in rates.

Over the past decade there has been large gains in economic efficiency in the delivery of Council services. Council's Enterprise Bargaining Agreements have been the drivers behind these efficiency improvements.

At a time when Council's outlays have been increasing, it is clear that Council's Commonwealth Financial Assistance Grant has been decreasing. In 1994/95 Council received \$3.131 million in general purpose grants compared to \$2.432 million in 2001/02. In per real capita terms, Council's general purpose grant has fallen from \$31.53 per capita in 1994/95 to \$19.61 per capita in 2001/02, a decrease of some 38 per cent over such period.

Commonwealth and State specific purpose programs to local government have also been an area of great concern. When the Commonwealth and State Governments withdraw from cost sharing arrangements, local governments are either left to fund the services from general rates or withdraw the service and face community backlash for

the ceasing of the program. In most cases the recipients of these programs, particularly in regional areas, are unable to access such service in any other way making it increasingly difficult to take the latter course of action.

Government grants and subsidies, however, are only part of the solution. The role of local government has changed and it is time to consider an improved revenue base from which to fund the comprehensive range of services local governments now provide.

With the introduction of the GST, we have an opportunity through this current Inquiry to determine if there is a case for better revenue sharing between the Commonwealth, State and local government.

(b) Scope for enhanced outcomes and improved services

Areas where Council considers that there is an opportunity for enhanced outcomes include:

- Environmental Control
 - regional waste management infrastructure;
 - environmental management;
 - regional natural resource management;
 - biodiversity; and
 - water quality initiatives

Local government is in a good position to implement environmental management provided it has the necessary legislative support and financial support from both the State and Commonwealth Governments

- Arts, Culture and Community Development

(c) Joint Local Government Arrangements

Townsville City Council works closely with its neighbour Thuringowa City Council which has a population of approximately 53,000, bringing the twin Cities joint population to just over 143,000. Areas of formal joint arrangements include water supply, strategic planning, and arrangements in respect to the use of facilities such as cultural and recreational facilities.

Terms of Reference 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

(a) Cultural and Community Services

Council's role in the provision of cultural and community services has increased considerably over the past decade. Council's budgeted outlays in this area were in the order of \$13.4 million in 2001/02. This is financed from grants and subsidies (19%), fees and charges, and other income (12 per cent) and the balance financed from general rates (69%).

While Council considers it has an important role to play in cultural and community development, and the community expects Council to play a role to improve residents access to such services, this is an example of where Council's functions have changed considerably but its overall tax base has remained unchanged.

Major areas of outlays include:

- Home Maintenance, Assistance and Modifications;
- Pensioner Public Transport;
- Child care support services;
- Children's Advice and Resource Training;
- Community Relations;
- Family Support;
- Mental Health;
- Child Care;
- AISI Development;
- Museum Resource Centre;
- Regional Gallery; and
- Civic Theatre (Regional).

Environmental Services

Council has established major programs to develop and maintain a health and sustainable environment for the City. Council programs have moved beyond the historic outlays for example maintenance of parks and gardens, to include programs that address future sustainability in the 21st Century, progressively addressing projects such as the Environmental Conservation Strategy; the Townsville Thuringowa Strategy Plan and the Community Plan for Natural Resource Management. Other programs include developing and implementing State of Environment reporting; maintaining a natural assets register; managing and protecting high value Council natural assets; implementing a Ecotourism strategy.

Specific functions that are being devolved to Council (some with financial assistance):

- environmental clean-ups;
- stormwater quality management;
- soil erosion training;
- mosquito control on State land; and
- natural area assessment; biodiversity; vegetation management; ERA's and Bush Care.

Devolution of Responsibilities

Specific areas where functions have either been devolved to Council or where mandatory service levels have been increased, are:

- Environmental licensing;
- Freedom of Information Legislation;
- ISO40 Records Management;
- Qld Heritage Act compliance;
- Disability Discrimination Act;
- Ombudsman Act;
- Work Place Health and Safety Act;
- Training for compliance;
- Trainee Programs;
- Rural Lands Protection;
- Integrated Planning Act - Assessment - Environmental Management;
- EPA - Urban Stormwater Management Plan;
- Integrated Environment Management System;
- Environmental Protection and Biodiversity Act; and
- Environmental compliance for Council operated landfills.

Council estimates that up to 22 additional full time equivalent positions have been needed to meet the above requirements.

Terms of Reference 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

(a) Roles better undertaken by local government

- Community Development in Aged, Disability, Youth
 - Council considers that local government is able to quickly coordinate groups in the community and communicate with individuals
- Natural Resource Management of State Land including conservation parks
 - Council considers that knowledge of local issues, contacts, priorities and land management requirements are better understood by local governments.

In respect to the above, while local government may be able to provide a more effective and efficient service, funding of such services by the Commonwealth and/or the State would be required.

(b) Roles better undertaken by State or Commonwealth Governments

- Public drunkenness/rehabilitation - State has better resources, facilities
- Toxic and high hazard waste disposal - State has better access; economies of scale
- Boat ramps and associated facilities - Revenue collected by State not distributed to cover associated facilities
- Rural lands pest management - State could provide coordinated response across local government boundaries, including Crown lands

Terms of Reference 6

The findings of the Commonwealth Grants Commission 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.

A major failing of the Commonwealth Grants Commission Review was the exclusion from the Terms of Reference of a review of the interstate distribution of general purpose and local roads grants and the quantum of funds available under the Act.

As stated to the Review, Townsville City Council considers that Queensland is being disadvantaged under the current per capita distribution of general purpose funding. Council considers that such distribution should be on a horizontal equalisation basis, recognising the highly decentralised nature of the State.