

21 August 2002

Phone: 8372 8899

Mr David Hawker MP  
Chair  
Standing Committee on Economics, Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Mr Hawker,

**RE: INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING**

Thank you for giving Council the opportunity to provide a submission to this important inquiry. We have seen over recent decades a significant transfer of responsibilities to Local Government from other spheres of Government, accompanied by substantial and growing costs, without any new revenue raising opportunities being available to Local Government, apart from increasing rates.

The City of Mitcham, situated south of the City of Adelaide, including the urban foothills, covers some 75 square kilometres with a population of over 60,000. It is one of the oldest councils in South Australia, being proclaimed in 1853. The budgeted expenditure for 2002/03 was over \$30m, with a budgeted revenue from rates of \$22m.

Attached is a summary table of the most significant shifts in responsibility from State Government and the implications for cost and income, relating to changes which have occurred over recent years. A further assessment of the cost impact of these items on Council can be provided if required.

Our primary concerns, in brief, are as follows.

- We are disappointed that this inquiry does not also address Commonwealth to Local Government cost shifting, as this is a significant concern, and we strongly urge that you seek input in this area in the near future.

- Over the past 2 decades Council has taken on many additional responsibilities in the form of new roles and responsibilities imposed by other Governments or as a direct result of responding to community demands. The new responsibilities are sometimes transferred from State and Commonwealth governments and are sometimes simply established as a result of legislation conferring responsibility to Local Government. However, in most cases, funds to support these new responsibilities are either insufficient or non-existent. Often there are legislative restrictions on Council's ability to charge adequate fees to cover those costs. This situation is exacerbated by Council's inability to access additional revenue from taxes, other than that provided by property rate increases.
- There has been a corresponding decline in funding support from other spheres of Government, which has generally required this Council to "balance the books" by reducing the level of maintenance carried out and delaying renewal of existing infrastructure assets, in order to adequately fund these newer areas of involvement. As a result, the overall condition and value of many significant assets has declined. An example of this problem was clearly shown in the recent study of Council infrastructure "A Wealth of Opportunities", which estimated that South Australian Councils are under funding infrastructure renewal by over \$95m per annum.
- In the case of Mitcham City Council, 1 in 5 (20%) of the City's suburban roads has either failed or reached the end of its useful design life. We do not have the resources to renew this component of our road network system, so we simply patch over continually and concentrate our efforts on maintaining the balance of our road network system in good repair. Most Councils today are understandably reluctant to use debt to fund road rehabilitation work, only using debt to expand the road network system linked to development and an expanding rate base, sufficient to service any loans. Many Councils are concerned that if they use debt on a recurrent maintenance heading, it will be viewed as an inefficient use of limited resources. Moreover, whereas 20 years ago debt could be locked in at fixed interest rates for long periods of time (10-15 years), nowadays arrangements like this are rarely obtainable from lending institutions, with most Local Government debt subject to interest rate market fluctuations.
- Grants from State Government to Local Government in South Australia are significantly lower than all other Australian States and Territories on a per capita basis, as demonstrated by the Commonwealth Government report "Local Government National Report 2000/2001". South Australian councils receive the **lowest per capita rate of grants** of \$11.00 per person, followed by Victoria at \$17.00 per person, with Queensland councils at the top end, receiving \$190 per person. While it is understood that the nature of services provided by Local Government in each State influences these figures, this is certainly a clear indication of disadvantage in South Australian councils.

We believe that the cumulative impact of these changes, whilst relieving pressures on State and Commonwealth Governments, places an unfair burden on Local Government and local communities. Inadequate agreement or negotiation between the parties results in an inequitable outcome for Local Government.

We urge that consideration be given to improving inter-Government relations and negotiations such that any additional responsibilities transferred to Local Government should be properly and fully negotiated to achieve a fair and equitable approach to covering the costs. This should include either the transfer of adequate funds from other levels of Government, or the provision to Local Government of a clearly recognised and supported capacity to raise funds through fees, taxes or other means to cover costs.

Further attention must also be given to establishing binding agreements for jointly funded projects or devolved programs, which bind all parties and clearly establish a process for negotiated withdrawal of either party, with provisions for relevant compensation in such instances.

We look forward to further constructive negotiations between the spheres of Government to establish more reasonable distribution processes for responsibilities, costs and income.

Yours sincerely

RON MALCOLM  
**CHIEF EXECUTIVE OFFICER**

cc:  
Mr John Comrie, Executive Director, Local Government Association of SA