

**URBAN LOCAL GOVERNMENT ASSOCIATION**  
**OF QUEENSLAND INC.**

*"WELFARE AND DEVELOPMENT"*

ABN 56 313 355 779

**PRESIDENT:** Cr. A.J. MOONEY  
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20 September 2002

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

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

Submission No: 299

Date Received: 4/10/02

Secretary: .....

Dear Sir/Madam

**Ref: Inquiry into Local Government and Cost Shifting**

Thank you for the opportunity to present this submission on behalf of the Urban Local Government Association of Queensland. This Association, representing the major urban local governments in Queensland as shown on the attached list, seeks to promote and protect the interest of its Members and where necessary represent its Members in matters relating to local government.

The Association is aware that Members have forwarded separate submissions addressing the Terms of Reference. The Association endorses these Submissions which raise extremely important issues, including:

- Changes in State and Federal legislative requirements that have a consequential impact upon local governments;
- Partnership arrangements with State and Federal Governments that have cost implications;
- Declines in adequate service delivery by State and Federal Governments that create need for local Councils to provide supplementary services;
- Declines in general purpose grants under the Commonwealth Financial Assistance Grant Scheme;

- Increases in the functions of local government; and
- Rationalisation of government services to achieve greater efficiency and effectiveness in the service delivery.

We all look forward to having these matters investigated and reported on by the Inquiry.

The Association also endorses the resolution made at the recent Local Government Association of Queensland Conference where Queensland local governments voted to appeal to the Federal Government for changes to the Terms of Reference for the Review to include a review also of cost shifting from the Federal Government to local government.

What must come out of this Inquiry are recommendations that can be embraced by all levels of government. This is more likely if the issue of cost shifting is examined from an 'all of government' perspective and also from a service delivery perspective. This cannot happen unless the changes in the powers, functions and responsibilities between Commonwealth and local government are also examined. Just concentrating on State issues will have limitations particularly when looking at the most effective and efficient service delivery.

One important issue that has been raised by Members is, in fact, that of service delivery. While local governments may object strongly to taking on additional roles and responsibilities without suitable financial arrangements put in place, nevertheless, there has been a very strong desire, both at the elected level and at officer level, to provide services at a local level if there is a good case for so doing.

The rationalisation of service delivery, coupled with effective long term revenue sharing arrangements is what local government is looking for. We do not shy from taking additional responsibilities where there is a strong case for local delivery.

### **Commonwealth Financial Assistance Grants**

It is the intention of this submission, however, to address, in the main, Terms of Reference 6, namely the findings of the Commonwealth Grants Commission Review of the Local Government Act.

As you may be aware, when the Terms of Reference for the Commonwealth Grants Commission Review were set by the then Minister for Regional Services, Territories and Local Government, the Minister specifically excluded from the Review an examination of the interstate distribution of the general purpose and local roads grant, and the quantum of funds available under the Financial Assistance Act.

The current interstate distribution is based on population. Queensland argues strongly that the interstate distribution should be based on the

principle of horizontal fiscal equalisation, the same principle that currently governs the intra-state distribution of grants under the Commonwealth Financial Assistance Act.

Your Inquiry will no doubt observe, Queensland local government has arguably the most extensive functions and responsibilities of all their counterparts in other States. The per capita distribution does not recognise either the more extensive nature of Queensland local government's role, nor this States more dispersed population and decentralised nature particularly compared to New South Wales and Victoria. In other words disability in cost of service provision or revenue raising ability is ignored in the current formula.

Given this situation, Queensland local government rightly felt aggrieved that, when the opportunity arose for the Commonwealth Grants Commission to examine the very important questions of the interstate distribution of the Commonwealth Financial Assistance Grants, the Commonwealth deliberately chose to exclude such matters from examination.

Importantly, urban local governments, particularly those in the regions, also noticed that they were receiving much less in per capita financial assistance compared to their counterparts in New South Wales and Victoria. For example, the 1999-2000 National Report by the National Office of Local Government shows the following comparison of general purpose grants outcomes.

			<b>General Purpose Per Capita Grant</b>
<b>Urban Regional Large Councils</b>			
Caloundra	Qld		\$14.13
Latrobe	Vic		\$83.82
Mackay	Qld		\$28.14
Ballarat	Vic		\$77.97
Shoalhaven	NSW		\$71.12
Greater Bendigo	Vic		\$75.39
Toowoomba	Qld		\$17.26
Townsville	Qld		\$31.12
Maroochy	Qld		\$16.45
Cairns	Qld		\$19.53
<b>Urban Regional Very Large</b>			
Newcastle	NSW		\$54.83
Lake Macquaire	NSW		\$46.15
Wollongong City	NSW		\$43.38
Greater Geelong	Vic		\$52.86
Gold Coast	Qld		\$14.13

Comparisons in the other urban regional categories show similar trends.

This Association does not accept any argument that this is entirely an issue of the intra-State distribution. The amount of funding available to the States governs directly how much funding State Grants Commissions have available for redistribution. The redistribution need is far greater in Queensland, because of size, population distribution, cost of services and revenue raising disabilities. Yet the interstate distribution does not in any way account for this.

The Commonwealth Financial Assistance Grant scheme remains the single most important general purpose grant received by local governments in Queensland. It is the source of funding that Councils most rely on to support the types of programs that fall outside of its traditional property based services.

The question of the method of distributing the Financial Assistance Grants to the States therefore remains one of the most contentious issues for Queensland local government. Without this issue being fully examined by the Inquiry, local government in Queensland will continue to claim the system of Commonwealth financial assistance grants is unjust.

#### **Future Commonwealth Revenue Sharing Arrangements**

This Association supports the comments by the Local Government Association of Queensland in its initial Submission to the Inquiry that the Commonwealth should examine a 'growth' form of financial assistance to local government. With a broadening of services provided by local government, existing Commonwealth and State assistance has not been sufficient to enable local government to finance these expanding services.

The Commonwealth Grants Commission identified some major changes in local government outlays over time, namely:

- (i) a move away from property-based services to human services;
- (ii) a decline in the relative importance of road expenditure;
- (iii) an increase in the relative importance of recreation and culture, and housing and community amenities; and
- (iv) an expansion of education, health and welfare and public safety services.

While local governments have been increasing general rating; implementing user-pay charges; generating greater efficiencies; and being very pro-active in looking for efficiency improvements, these measures alone do not provide any long term solution to funding the changing mix of local government services. Ultimately the levels of service must decline or in some cases may cease to be provided under current revenue sharing arrangements.

A review of revenue sharing arrangements with the intention of providing local government with a 'growth' form of financial assistance is therefore sought.

Thanking you for the opportunity to provide input into the Inquiry's deliberations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Mooney', with a large loop at the start and a long horizontal stroke extending to the right.

**CR TONY MOONEY  
PRESIDENT**

**Urban Local Government Association of Queensland  
List of Members**

<b>Local Government</b>	<b>Estimated Resident Population (June, 2001)</b>
Brisbane	899,604
Bundaberg	44,497
Caboolture	113,163
Cairns	123,760
Caloundra	74,666
Cooloola	33,823
Dalby	9,712
Duaringa	8,512
Gladstone	28,141
Gold Coast	418,491
Goondiwindi	4,620
Ipswich	128,658
Livingstone	26,155
Logan	169,167
Mackay	78,401
Maroochy	125,050
Maryborough	25,148
Mount Isa	21,869
Noosa	43,985
Pine Rivers	120,015
Redcliffe	51,096
Redland	118,408
Rockhampton	58,926
Roma	6,412
Toowoomba	88,284
Townsville	90,770
Warwick	20,683