

3 October 2002

The Secretary
House of Representatives Economics, Finance and Public Administration Committee
Parliament House
CANBERRA ACT 2601

Dear Sir/Madam,

RE : INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

In early July 2002 the City of Victor Harbor forwarded comment to the South Australian Local Government Association for inclusion in their response to the Commonwealth Cost Shifting Inquiry. Earlier this week Council was encouraged by the Federal Minister for Local Government, Hon. Wilson Tuckey MP, to forward an individual Council submission to the inquiry. The following matters are therefore brought to the attention of the Committee.

Identifying areas of cost shifting from Commonwealth and State Government to Local Government is a complex task given that many staff may not have sufficient service to have an understanding of the history of funding and responsibilities. It also becomes difficult to draw a distinction between cost shifting and cost imposition. With these qualifications, the staff of the City of Victor Harbor provide the following commentary on their perceptions of cost/responsibility shifting.

TRANSPORT AND COMMUNICATION

Roads

South Australian Local Government continues to struggle with the inequity of road funding distribution at the Federal level and the lack of recognition of the disadvantage factors facing our State (eg. large area, small population, limited transport networks). Access to and distribution of road funding at the State level is inconsistent and inequitable. There is an annual shortfall of maintenance expenditure on existing Local Government road infrastructure in the order of \$100 million in South Australia. This shortfall has largely been brought about by the failure of other Government support to maintain relativity with inflation and community growth, together with the expectation of Local Government to address an increasingly broadening agenda.

The responsibility for installation, maintenance and renewal work along shoulders of State controlled roads is a major issue for many Councils. For example, Councils provide kerbing, drainage, bus shelters and vegetation maintenance along roads under the car and control of Transport SA.

Community/School bus services

Community bus services are often established in partnership with Government agencies. Increasing costs and growth associated with such services are often funded by Councils, as agency funding remains at fixed levels or is withdrawn. These services can provide for intra Council travel or transport to medical and support services in the Adelaide Metropolitan area. They provide a service for disadvantaged persons in the community or those isolated by the absence of other means of transport. Council's increasing funding to these transport services reflects an increasing expectation for Local Government to provide Welfare Services.

Council has incurred increasing costs in the provision of school bus services as a consequence of the Department of Education, Training and Employment strictly applying guidelines relating to the 5km limit (i.e. DETE will not provide transport to children in country areas who reside within 5kms of their nearest school).

Television transmission

Council has been asked by the Commonwealth to provide funding towards initial investigation into TV Black Spot investigations in our Council area. There is concern that contributions towards capital and operational costs will follow.

HEALTH AND WELFARE

Supported Residential Facilities

The Council has assumed assessment, licensing, inspection and monitoring responsibilities under Supported Residential Facilities Act. Although Council collects licensing fees, the income is negligible. General administration responsibilities cost Council several thousand dollars per year and a staff time commitment we can ill afford. Should an enforcement action be required the financial cost to Council can blow out to tens of thousands of dollars.

Aged Care

Council is taking on a greater role in data collection and strategic planning for the aged in our community and their care. Capital investment in aged care facilities often requires Council to actively advocate before the need is recognised and addressed.

Food Act

A new Food Act has been proclaimed without assurances as to how the additional workloads of Council Environmental Health Officers will be addressed or funded. The State Government has not supported a license/registration fee for food premises to fund the resources required.

Community Health

Councils have a long standing arrangement to fund public immunization. More recently there has been an expectation for Local Government to provide funding for drug awareness education in schools, needle disposal facilities, condom vending machines and other public health facilities.

Medical Services

Council has been requested through the representative body of local medical practitioners to consider provision of incentives to attract medical interns to the community and, although the request was declined, it is not expected to be the last approach for such support. The request was for Council to consider making land available for the construction of low rental accommodation for medical interns in Victor Harbor, to contribute towards capital costs of construction, to waive rates on the property and to provide maintenance to the properties once established.

Social/welfare services

Councils are adopting a greater role in social and welfare services as a result of the Government standing back from such responsibilities. Often programs are extended beyond their core function. Examples include:

- Withdrawal of local social work services from Family and Youth Services, and reduction in Child and Youth Health Services has resulted in an increase in requests to Council for information and assistance for people in crisis. In the absence of other supports, people are assisted as best as possible.
- Demands on mental health services have resulted in increased referrals to Caring Neighbourhood Project, a service sponsored by Council (often at the expense of other disabilities).
- Reduction in the provision of local services generally has resulted in increased isolation of families and individuals and an associated increased demand for family support services.
- Reduction in the provision of local services generally has resulted in access difficulties, which are addressed in part through Council's provision of community transport services.
- Rapid population growth and associated expected service demands has resulted in Council increasingly developing a significant social planning and coordination role in association with various services including State services.
- Council's community development role has also become more significant in supporting the community sector to respond to identified needs and emerging service gaps.

Council rate/fee concessions

There is an increasing expectation that Local Government should provide concessions on Council rates and other charges to financially disadvantaged and retired persons. Such welfare initiatives have historically been a Federal or State responsibility.

WASTE MANAGEMENT

Waste Control Regulations

The Waste Control Regulations were a State Government responsibility but passed to Local Government in the mid 1990's. Administration of septic tanks and soakage systems was transferred to Councils from the SA Health Commission.

Waste Collection and Management

The Environment Protection Authority (Waste to Resources) Policy will require Regional Councils to provide a full kerbside recycling service when it is clearly obvious that Councils are under resourced to provide such a service. Transportation issues and poor returns for recyclable goods are added burdens for Regional Councils. The EPA's ever increasing compliance requirements for Landfill operations add to Council's costs but do not guarantee against future closure of Council's landfill. Closure of our landfill could ultimately cost the community tens of thousands of dollars in transportation costs to transport waste to an outer metropolitan landfill.

ENVIRONMENT AND NATURAL RESOURCE MANAGEMENT

Native Vegetation

The Native Vegetation Act requires Council to ensure native vegetation is protected. This impacts significantly on the role of the Council's Natural Resource Officer and Development Assessment staff. The State Government has not backed up its legislation with regional compliance officers or supporting resources for Councils.

Water Resource Management

Under the Water Resources Act, Catchment Water Management Boards are responsible for administering Catchment Water Management Plans, however when it comes to development issues such as dams, water re-use schemes, change of land-use and water related infrastructure such as STEDS, Local Government is expected to assume responsibility for ensuring adherence/compliance.

Local Agenda 21 (Ecologically Sustainable Development)

Although the Commonwealth signed off on Local Agenda 21, followed by the States, Local Government is the one required to deliver at the community level. This involves local planning, waste minimisation, energy saving, fuel saving, revegetation, control of spreading plant diseases as well as a whole host of community support schemes.

Marine Protected Areas

The introduction on Marine Protected Areas is about to occur throughout South Australia. Both the State and Commonwealth Governments expect Local Government to be involved in the process of establishment and potentially management. e.g. inspectors/control of jet skis etc.

Integrated Natural Resource Management

The forthcoming Integrated Natural Resource Management Plans will call for Local Government to take a role that is significantly greater than their Statutory obligations under the Local Government Act. Natural Resource protection is mainly funded by the Federal Government through the Natural Heritage Trust which was meant to flow directly to on-ground works. The State slows and diverts funds through intermediary bodies away from the community. The Commonwealth Government allows this to happen. If this is to continue then Local Government should step away from natural resource protection, however the Local Government Act requires Councils to play their part.

Coastal protection and infrastructure

Little funding is forthcoming from the State to Local Government for infrastructure protection and maintenance, yet significant Federal Natural Heritage Trust funding seems to be given to the States. Council's potentially face significant future costs if predictions of a sea level rise come to fruition. Coastal dune and river estuary protection measures are becoming more of a Council and community responsibility with seed funding from Government. Jetties and boat ramps are also progressively passing from State to Local Government responsibility.

URBAN AND COMMUNITY DEVELOPMENT

Development Act

The Development Act has imposed roles, responsibilities and administrative duties upon Councils. For example;

- Section 30 reviews (review of Development Plan) every 3 years instead of every 7 years as applied previously
- Government Agency and public consultation
- Notices
- Mandatory notification and inspection of building works
- Built and natural heritage issues
- Significant trees legislation
- Integrated Natural Resource Management
- Land Management Agreements

Town Planning responsibilities were picked up by Council's in the 1960's however the complexity, volume of issues and strategic functions have increased significantly. Development application fees fall well short of the meeting the costs of resources required to service the Act.

Strategic Planning and Policy Development

Councils must have regard for State and Commonwealth Government Plans, Policies and Strategic objectives. This in itself requires council to allocate scarce resources in areas that are not 'core business' for council. Often Council finds itself involved in the process of State Planning and Policy development by providing resources and/or finance. While this may be seen as a legitimate role of Local Government, it is an additional role to what has historically been required of Local Government.

RECREATION AND CULTURE

Libraries

In the 1970's Local Government enjoyed a costing sharing arrangement with the State Government for the development and provision of Library services, including capital expenditure. Originally the funding approach was 50/50, however Councils are now the major contributor in a 75/25 ratio with Local Government picking up all capital costs. On occasion when equipment, such as a computer, is supplied by the Government there is no provision for maintenance or replacement.

GOVERNANCE AND FINANCE

Local Government Act

There are many State Government impacts on Local Government finances through legislative measures rather than direct cost shifting. The new Local Government Act requirements introduced in 2000 are a good example of this. The Act requires the development and maintenance of Codes and Policies, Asset Registers, Road Registers, Strategic Management Plans, Community Land Registers, Annual Reports, Annual Plans, Management Plans for Community Land, Exclusion processes for Community Land, etc. While representing good business practice, the legislation makes no allowance for the differing resources available to Councils to meet these requirements. The City of Victor Harbor has employed two additional full time employees to meet the needs of the new Act.

The Act has also introduced quarterly rate billing increasing stationery, postage and receipting costs while reducing investment revenue. Postal voting became mandatory within the new legislation resulting in a doubling of the cost of Council elections. The extensive consultation provisions within the Act have impacted significantly on resources and finances.

Financial Assistance Grants

The quarterly payment of FAGS and Local Road Grants, which were previously paid annually up front, has cost Council income from investment potential. In addition, the formula applied to the distribution of the grants has disadvantaged Council considerably, failing to recognise the impacts of substantial growth and tourism or have regard to other disadvantage factors applicable to the Council's location and community.

Taxation

The GST has required Local Government for the first time to implement taxation administration systems from 1st July 2000. The cost of compliance is significant, including negative cash flow implications. Management of Fringe Benefits Tax has also been an impost on Council resources.

Statutory fees

The State Government controls a range a Statutory Fees which influence Council's budgetary decisions. Examples include fees associated with dog registration and management, development assessment and control, statutory offences, etc. When approval of fee increases are not consistent with the work involved, community expectations and growth in service delivery Local Government picks up the shortfall. As an example, Councils were lead to believe that dog registration fees and other associated income would cover the costs to administer the legislation. Collectively Councils recover only 75% on the costs. The State has recently declined Local Government's request to increase the fees.

PUBLIC ORDER AND SAFETY

Crime prevention

There has been a gradual development of partnerships between State and Local Government to develop strategies and implement initiatives that address anti social behaviour, youth crime, grafitti, property damage, etc. While Council's enter into such partnerships in good faith and with the community support, they inevitably find that the State Government resource support does not grow with the program or, in fact, is withdrawn leaving Councils to "hold the baby".

Dry Areas

Councils have been required to take greater responsibility for problems of public consumption of alcohol through the determination and signage of Dry Areas. In order to maintain State Government approval for continuation of Dry Areas, Councils need to demonstrate an acceptance of responsibility for the treatment of alcohol related problems in their community. These are public order and health issues which are not "core business" of local Government.

Security

Local Government is increasingly assisting in crime detection through installation of surveillance cameras, either in partnership with State Government (South Australian Police) or funded through Council's own resources.

GENERAL PUBLIC SERVICES

Surf Lifesaving Clubs

The State Government is endeavouring to oblige Local Government to contribute to the capital and maintenance costs of Surf Life Saving Clubs. These facilities are not to be covered fully by the State Government's emergency services levy.

Statutory compliance

Through agencies such as the Environment Protection Authority (EPA) Local Government is increasingly being requested/required to exercise compliance roles that are essentially a Statutory responsibility of the State Government. This may include such issues as of noise, air and water pollution. The lack of State Government resources in regional areas results in many issues being referred to Council which are beyond Local Government's statutory responsibility. Although Council often is unable to resolve such issues there is a significant resource implication in receiving enquiries/complaints and referring them to the appropriate agency.

Information and/or Service access

With the reduction in access to Government Services in regional areas Councils have become a distribution point for Government agency material and information. Councils are also providing office space for visiting Government services for meeting and communicating with clients. These arrangements are often seen as a community service with Council absorbing some or all of the costs associated with the office space and client reception services.

Education/Training

Councils are increasingly contributing financially to special projects and programs within schools. They are entering into joint-use arrangements for facilities such as libraries and recreation centres/grounds. To an increasing degree Councils are providing opportunities for apprenticeships and traineeships to young employees.

It should be noted that the State Government does support Councils financially with a number of programs, and there is a general willingness on the part of the State to enter into partnerships with Local Government. In some ways, expanding involvement of Councils (with respect to community services) represents changing community expectations, and changes in the way services are provided rather than a direct shift from State to Local Government. As an example, the Local Crime Prevention Program is funded by the State, but it does have resource implications for Councils. However, rather than the impact being the result of a direct cost shift (i.e. local government now doing something that State used to do), it is more the result of the State responding to the communities' expectations with new approaches which recognize the significant role that local government can play at the local level as a program partner.

Unfortunately, many State Government contributions remain fixed from year to year placing a greater onus on Councils to pick up the inflationary effects and growth demands on service provision. Examples include the Passenger Transport Board contributions towards Community Transport Services, Department of Industry and Trade contributions towards regional development, Tourism Commission contributions towards regional tourism marketing.

The State Government is also having an impact on Council's finances through funding cuts to established programs such as the Local Government Disaster Fund, the Catchment Management Subsidy Scheme, STEDS, Public Line Under grounding scheme (PLEC) and others.

The above matters are indicative of funding pressures that are coming to bare on Local Government.

Yours faithfully

Graeme Maxwell
CITY MANAGER