

COST SHIFTING INQUIRY

Background

The Hon Wilson Tuckey has created the opportunity for Australian Local Government to outline the extent of "cost shifting" to Local Government by the State and Federal Governments. The Inquiry calls for submissions to demonstrate the nature and extent of cost shifting between the different levels of Government, a statement often made by Local Government collectively, but which has not been substantiated through evidence. Individual Local Governments, representative Local Government associations and associated bodies are able to make submission to the Inquiry.

West Torrens Approach

In this paper Council has commented on the challenge of obtaining valid information, given that we, as with all other authorities, we have not been required to collect information in such a form over time, and the timeframe for the review is unspecified. It is intended to identify 8 areas on which we have commented, and review them all over 10 years, based on an incremental approach. This information will be provided to the Inquiry as additional supportive data. The areas for review are marked with an asterisk *.

We have, however, undertaken some basic research from historical records which provides examples of cost shifting. We could, if required by the Inquiry, put a magnitude of cost to each example cited, although in the main, they would be single year costs in the first year of their occurrence, as often policy decisions have interfered with the process and cost.

It is appropriate to outline the principal areas in which cost shifting in West Torrens appears to have occurred. The following identifies and defines those areas:

- **Overlaps:** i.e. where both levels of government fund different aspects of specific areas or service, e.g. stormwater drainage.
- **Federal Grants Distribution:** i.e. where the Federal Government funds Local Government in specific areas, however Federal Assistance Grants are distributed via State Grants Commissions, e.g. Aged Care Packages and Residential Accommodation.
- **Council Performing Services from Seed Funding:** Council has initiated program delivery, on behalf of, or in partnership with and for Federal Governments. However, following seed funding the Commonwealth and State contribution often ceases, e.g. Crime Prevention Program.
- **Regional Cooperatives:** regional cooperatives, either for general or specific purposes, operated over many years as a funding and delivery mechanism. While these are not as prevalent in metropolitan Councils, they are nevertheless examples which provide evidence of shifts of responsibility, e.g. Seaside Councils for coastal matters.

- Specific purpose organisations, e.g. Catchment Management Authorities. These autonomous bodies are established, often with no Local Government representation, and collect revenues directly from Council areas, e.g. Catchment Management Boards.

These examples are not mutually exclusive of each other, and funding and responsibility at times moves either way.

State and Federal Governments have aggregate data on the nature and extent of revenue allocations through the Grants Commission, and this is useful data for review for groups of Councils affected by significant decisions, e.g. road funding.

Areas of service where cost shifting has occurred in West Torrens include, but are not limited to:

TRANSPORTATION:

<i>Roads:</i>	Decisions by other Governments have reduced the viability of rail as a transport mode, and approvals for B-double and heavy movement transport by the State Government requires changes in standards of roads and creates traffic management issues, increasing the cost of road construction and maintenance to cater for increased mass and the number of these vehicles on the local road network.
<i>Bike Paths:</i>	Bike path systems installed with State funding are partially complete, however, funding has been reduced and the demand for completion of the network will fall to Councils.
<i>Bus Shelters:</i>	Bus shelters for State bus services were a State responsibility through the State Transport Authority. Funding has all but evaporated for this initiative, and Councils respond to community demand in most cases, at their cost, or by use of third party advertising on the shelters.
<i>Aerodromes:</i>	Privatisation of the State and International Airport in West Torrens has resulted in significant increases in cost and provision of subsidy on rates equivalent payments, to meet the development initiatives of private owners. Significant increases in road network access will add further to the costs.
<i>Community Transport:</i>	Removal of services from residential areas has resulted in the escalation of services for the aged and disabled, which is now met entirely from Council budgets.

HOUSING:

- Town Planning:* In the 1960's Council became responsible for Town Planning. While this was a negotiated process and application fees provided additional revenues to Council, the complexity and volume of issues related to planning resulted in application fees not covering approval processing costs.
- Development Plans:* Council must now review Development Plans every 3 years instead of every 7 years, with additional consultation requirements legislated by the State being met by Council.
- Development Act:* The roles and responsibilities of Council have increased, with the introduction of mandatory notification and inspections of building works, and reduction in the number and range of applications determined by the Development Assessment Commission, a State Authority.
- Vegetation Controls:* Significant Tree legislation is an example where Council has embraced State legislation, however this has been at full cost to Council.

ENVIRONMENTAL:

- Environmental:* The Local Government Act 1999 requires Council to undertake a greater range of policy, strategy, reporting and operational activities regarding environmental and natural resource management in areas such as energy and water conservation.
- Environmental Protection & Noise:* The EPA does not provide resources for low-level environmental nuisance issues, including noise complaints. This places pressure on Councils to undertake this role without provision of resources, notwithstanding that responsibility lies with the State.
- Waste Management & Resource Recovery:* Increased responsibilities and higher standards imposed by the EPA on waste management and land fill sites have resulted in significant capital and operational expenditure being undertaken to meet new State legislation.
- *Stormwater – CMSS:* State funding for the Catchment Management Subsidy Scheme (CMSS) has been reduced, requiring a greater contribution from Council towards stormwater mitigation. This has already cost West Torrens several \$M.
- * Water Catchment Boards:* Catchment Boards have installed trash racks, requiring Councils to maintain them, or have provided staff for water quality services, which are now being removed.

<i>PLEC:</i>	Support for the Power Line Under grounding (PLEC) scheme has been reduced by the State, with Council now required to meet increasing costs to underground power lines on arterial (State) roads.
<i>Overhead Power Cables:</i>	Council funds the cost to trim street trees around overhead power cables, to ensure power authority standards are met.
<i>* StormWater Implications from State Major Projects:</i>	Major projects involving Adelaide Airport State Authorities like the West Beach Trust have resulted in Council having to meet the cost of rectifying stormwater run off and discharge, which amounts to \$M's of dollars.

HEALTH:

<i>Supported Residential Facilities:</i>	The Supported Residential Facilities Act introduced in 1996 increased the roles and costs for Council, in the assessment, inspection and administration of the Scheme. Income from license fees is insufficient to meet total outlays.
<i>Aged Care:</i>	Council is contributing resources to the cost of constructing aged care facilities due to Commonwealth funding limitations to Councils.
<i>Senior Citizens Centres:</i>	These facilities were built and transferred to Council in the 1960's, with significant Commonwealth and State funding. Now there is virtually no funding assistance for maintenance or replacement of the facilities.
<i>Health Inspections:</i>	Diseases such as Legionnaires Disease have triggered a requirement for Council inspection of cooling towers, as a result of the Public and Environmental Health Act. No resourcing is provided to Council for this work.
<i>Food Act:</i>	Recently proclaimed food legislation requires additional responsibility for Council, without any fee.
<i>* Disability Discrimination Act:</i>	Council is required to develop and implement long term plans to ensure public buildings and facilities comply with the Federal DDA standards.

RECREATION & CULTURE:

- State Government Surplus Land Sales:* Council is finding it necessary to purchase significant land parcels, at full market cost, to maintain open space requirements, whereas previously, this was transferred to Council for community purposes at a notional value.
- * *Libraries:* In the 1970's Council took on library management and development as part of a State Library Development Program. It commenced with a 50/50 funding approach between Councils and State Government, including capital development. The figure is now closer to 75/25, with Council responsible for all capital costs.
- * *Regional Accommodation and Recreational Facilities:* The facilities have been deemed non-rateable by State legislation, however they are commercially run bodies, and rates equivalent contributions are paid directly to State Treasury.

GOVERNANCE:

- Tax Collection Levies:* Council is required to collect levies for Catchment Water Boards.
- * *Postal Voting:* Mandatory postal voting introduced in South Australia in 2000, has increased the cost of Council elections.
- * *Rates:* Quarterly rate billing introduced in 2001 by State legislation, has increased the cost of rate collection and reduced income from investment.
- Consultation:* The Local Government Act 1999 introduced compulsory community consultation on a broad range of Councils functions. This is a very resource intensive exercise.
- Taxation:* The GST has required Local Government for the first time, to implement taxation administration systems from 1 July 2000. The cost of compliance is significant, including negative cash flow, which directly impacts on Council revenues.
- FAGS:* Quarterly payment of FAGS and Local Road Grants, previously paid annually up front, has cost Councils income from investment of funds.

PUBLIC ORDER:

Law & Order:

Increased demand and expectation placed on Council to lead in this area, including management of graffiti.

Dog Management:

Council expected that dog registration fees and other income was to cover the costs to administer the legislation, however, Council recovers less than 75% of the costs.

Security Forces:

Depletion of policing at the local level is requiring greater use of private security services for crowd and traffic control.