

our ref 2003/21

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

Dear Secretary

**ATSIC NT Supplementary Submission to Inquiry into Local Government and Cost Shifting**

In response to the Committee's recently released Discussion Paper (*At the Crossroads*) ATSIC wishes to provide the following comments.

It is evident from the hundreds of submissions forwarded to the Committee and many of the public hearings that cost shifting from the State/Territory and Commonwealth Governments is increasingly becoming a major issue for local government. A common argument, which reflects our original submission, is that local government is expanding its functions due, in part, to cost-shifting yet the requisite funding is not being provided (by the 'cost-shifters') or unable to be raised by local government.

At the outset the Committee declared recommendations from this Inquiry had to be budget neutral. ATSIC supports the Australian Local Government Association's view that this is 'unrealistic' and that a reduction in cost shifting will bring forth economic and social benefits and probably budget neutrality in the future (ALGA Supplementary Submission, February 2003, pg2).

Our concern is that the Discussion Paper focuses mainly on 'slicing the financial cake' in a different fashion without admitting that there is not enough 'cake' in the first place. Without a definite strategy to address the main issue (that Governments are cost shifting to local government without requisite support) then any recommendations on other changes risk failure. This is reflected in a statement made in the Discussion Paper:

'Unless local government finances are improved it cannot make the contribution to Australia's system of government that might otherwise be desirable - its role may even have to be significantly curtailed, especially in rural and remote areas where the viability of some councils appears doubtful' (item 3.34).

The Discussion Paper included a section on capacity building with a single option of using a percentage of FAGs to establish a national agency for such a focus. Given the overwhelming evidence that there is already a dearth of funding for local government this proposal is not acceptable as it will merely further reduce the available pool of funds. However, as presented in our original submission, a focus on capacity building will be welcomed and matches ATSIC policy.

Once again, we would like to reiterate that ATSIIC is frequently being used as a primary financier of many local government services in the absence of adequate funding by the Commonwealth and NT Governments.

Should you require more information please contact our Senior Policy Advisor Caroline Cavanagh on (08) 89445514.

Yours sincerely

MICHELLE ADAMS  
A/State Policy Manager (NT)  
March 2003