

# Shire of Bridgetown- Greenbushes

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

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

Submission No: 230

Date Received: .....

Secretary: Bardell

Dear Sir

## Submission to the Inquiry into Cost Shifting

I have perused a media statement from the Western Australian Local Government Association (WALGA) on the subject of making a submission to the Inquiry. I endorse the dot points contained therein (restated below):

- ◆ A requirement for Local Government to provide services that had previously been provided by other spheres of government;
- ◆ The level of fees that are charged by Local Government for some services that have a maximum amount set by the State Government, with no mechanism for review;
- ◆ The requirement for Local Government to adhere to imposed compliance regimes (eg; National Competition Policy and Native Title) without funding assistance; and
- ◆ Services that are formally referred to, and/or are assigned to Local Governments through legislative and other State or Commonwealth instruments.

I also wish to make note of other areas of (effective) cost shifting:

### 1. State Agreement Acts

Such Acts often do not allow the governing local authority to rate and yet the State receives revenue which, without the protection of the respective Act would flow to the local authority.

### 2. The Mining Act

This Act has been used to allow Mining Companies to develop infrastructure for which no (local authority) Development Application (and thus assessment fee) is required nor are building license fees paid.

### 3. Crown protected from local authority rates

Typically, local government has not been able to rate the crown which presents a revenue constraint to those shires constituting significant areas of crown land (eg, Collie, Manjimup over 70% and Bridgetown-Greenbushes also). Should this privilege

also apply to Agencies that have now been Corporatised, eg; Western Power under the Electricity Corporations Act? Local authorities pay to access their services!

Rating might also apply for the use by state agencies of servicing corridors within local government authority road reserves.

#### **4. State agencies consuming federal grants**

Recently, my shire applied for a federal grant only to be told that most of it had been taken to our surprise by state agencies. From memory this related to flood mitigation and the WA Water Authority and the Water and Rivers agency had been successful in securing a large percentage of the funding. This left the full cost of the local project to be borne by the local authority. This tends to reinforce the point made above and hence;

**Perhaps the Inquiry should note the Revenue shifting away from local government as well as cost shifting to it!**

#### **5. Cost Shifting - Federal Government to Local Government**

Each year the WA Local Government Grants Commission assesses the equalisation need for each local government authority. In total these add to more than the funding available so that a percentage is applied and all local government authorities get only a portion of their assessed need. By definition, this is shifting the cost of local governance from the federal government to the local government as it has to make up the shortfall (of the need as assessed by the state). Whilst not necessarily a bad thing, it has to be tempered considering local government authorities perform far more valuable services as that which they are assessed as needing. Perhaps there is merit at least for completeness-sake of noting this even if it is only from a 'definitions' perspective.

#### **6. Intergenerational Cost shifting within Local Government**

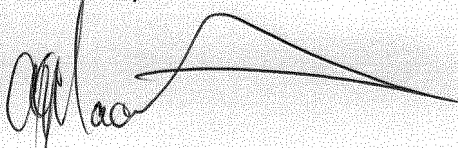
Perhaps the cost shifting inquiry should note the local government's entrenched propensity to cost shift within its own district. One key example stands out in this regard. Infrastructure depreciation is typically not recovered in any meaningful way from year to year. Nor is all infrastructure financed with long term debt. This means that the cost of infrastructure provision is not spread equitably amongst generations of ratepayers. Historically, the costs for infrastructure such as roads was initially born by some when constructed, enjoyed by others over the next thirty years and then replaced (paid for) by others again. This phenomenon also applies to retro-fitting storm-water drainage, administration centres, ovals, contaminated sites rehabilitation etc.

In conclusion, would it be possible to require a 'Statement of Financial Impact' to be made available to the Auditor General and to accompany all state based legislation and Regulation where the State is seeking to impose requirements of local government. This is not to say this measure will cause an automatic accompanying funding obligation by the State, but it will enable transparency so that local ratepayers understand why their rates will be increasing and to what degree. Taking this notion one step further, State Government could contract local government to perform certain functions. This would necessarily require the costing of the function. It might be in the Inquiry's interest to establish reasons why the NSW State Government rejected a Private Members Bill on

unfunded mandates that had the overwhelming support of local government [The Local Government (Review of Legislative Proposals) Bill 2001].

**It only seems reasonable that now local government has been statutorily restructured to become more transparent, that its relationship to the State should also be made readily apparent. It is not the thrust of this Inquiry!**

Yours sincerely

A handwritten signature in black ink, appearing to read 'A Macnish', with a long horizontal flourish extending to the right.

ANDREW MACNISH  
CHIEF EXECUTIVE OFFICER

8<sup>th</sup> August 2002