

INQUIRY INTO COST SHIFTING ONTO LOCAL GOVERNMENT

1. Local Government's current roles and responsibilities.

The roles and responsibilities of Local Government throughout Australia have changed significantly over the last 30 years. Whilst traditionally local government focused on road construction and maintenance, waste management and in some States provision of water and sewerage, this has now expanded considerably to embrace a plethora of community services and demands. This includes library services, aged care, youth services, recreational facilities, crime and safety initiatives, heritage, environmental health, food safety and natural resource management, as well as dealing with many community issues as the peak community body. Appendix 1 indicates the functions transferred to South Australian Councils by other governments and Appendix 2 provides a summary of activities between the District Council of Grant and other levels of Government.

With a narrow revenue base (rates income), significant demands have been placed by communities on local government. Table I has been extracted from the Commonwealth Grant Commission Review draft report and shows that there has been a notable decline in the proportion of expenditure by South Australian Councils on transport, communication (roads, footpaths and cycle tracks), relative to other functions. This reflects the change in local government's roles and responsibilities.

2. Current funding arrangements for Local Government

It is clear that local government has few options in raising funding for additional responsibilities devolved from State or Federal Governments. It is understood that nett grants from the South Australian State Government to Councils for 1999/2000 total \$16M. The majority of this funding was for public libraries, and to a lesser degree, Septic Tank Effluent Disposal Schemes. Tables 2 and 3 outline the funding from the State Government to Local Government in comparison to other States. There is no doubt that Councils throughout South Australia are facing increasing financial pressures in providing services. Indeed, the recent *Wealth of Opportunities Report* on local government infrastructure asset management concluded that South Australian Councils need to increase their spending on maintaining their road assets from \$42 million to \$147 million per annum just to maintain their existing condition and stop further deterioration. This does not take into account any new road infrastructure.

It is pointed out that (according to figures from the Australian Automobile Association) the Federal Government collects approximately 38.1c. per litre from petrol and diesel, annually this figure is approximately \$12 billion. In terms of dollars put back into roads, only \$1.8 billion per annum is spent nationally on road funding or 6c. of every litre, and for South Australian local roads this figure is only \$49 million per annum including Roads to Recovery. With the cuts in Roads to Recovery funding next financial year, South Australia will now only receive approximately \$41 million in 2002/03. The attached graph (Table 4) also shows Commonwealth Road funding by State and Territory for 2001/02.

3. Capacity of Local Government in South Australia

With the existing funding from the State Government in particular, it is becoming increasingly more difficult to continue to provide services, meet the demands of communities and maintain existing infrastructure. Some specific examples involving the District Council of Grant have involved Council providing significant funding for the provision of new capital infrastructure for the allocation of places for aged care (\$125,000). New standards developed by State and/or Federal Governments continue to be an escalating cost for compliance by local government; these include waste management and environmental protection, Food Act and Food Hygiene, records management and Occupational Health and Safety, just to name a few.

There is no doubt that the existing approach to funding for local government for the provision of services will not be sufficient in the future. State and Federal Governments must consider a more workable and equitable vertical fiscal equalisation. Indeed, Table 5 shows the revenue and expenditure for the 2002/03 South Australian State Budget. Clearly, South Australia is heavily dependent on the Commonwealth Government (51% of revenue) to provide funding for services in the State.

It would seem that there is scope for services to be provided by Council regions with funding direct from the Commonwealth. This may circumvent and overcome duplication of administration of services by State Governments. However, legally there may be factors which prevent this possibility.

4. Local Government expenditure and impact on Local Government's financial capacity.

As outlined, local government has few avenues to obtain additional revenue to meet the needs and demands of its communities and to maintain infrastructure. The continued devolution of responsibilities from State and Federal governments (food inspections and auditing, crime prevention, public housing, aged care, recreational jetties and medical and allied health services, just to name a few). Whilst local government in South Australia has embarked on a program of functional reform (Future Directions - Smarter Governments Working Together); unless there is genuine commitment from State Government to such a process, it would seem to be unworkable or take an inordinate amount of time. It is recognised that local government has much wider responsibilities and functions in other countries, United Kingdom, South Africa and the United States of America; However, Local Government in these countries also have significantly different revenue raising capacities.

5. Scope for achieving rationalism

It is considered that whilst there is scope for achieving rationalisation of roles and responsibilities between the levels of government as outlined. However, State Governments may be subject to 'turf sovereignty' and not genuinely embrace such a process. Therefore, the Federal Government must, where possible, work with State Governments in ensuring the instigation, deliberation with major stakeholders (including local government) and implementation of functional reform so that resources are better utilised and better quality and more services are provided to communities.

6. The findings of the Commonwealth Grants Commission Review

It is imperative that the methodology for the distribution of Financial Assistance Grants to the State Governments Commissions recognise and embrace the concept of the provision of the same standard of services in rural and regional areas.

Functions and Costs Transferred to South Australian Council's by Other Governments

In September 2001 Councils were surveyed to provide information and examples of functions on-passed by other Governments, raised compliance standards or increased community expectations. Whilst the information provided has been sorted into functional groupings, it has not been verified and therefore may not apply to all Councils.

TRANSPORT & COMMUNICATIONS	
Roads	Decisions by other Governments have reduced the viability of rail as a transport mode, approvals for B-double transport changes in standards and road widths, traffic management issues and the general increase in vehicle ownership and usage have dramatically increased the cost of road construction and maintenance.
Sealed Roads	Sealed roads transferred to Councils 20 years ago now reached end of life. Council's capacity to fund reconstruction limited.
State Controlled Roads	The responsibility for installation, maintenance and renewal work along the shoulders of state controlled roads is a major issue for Council. For example, Councils provide and maintain kerbs, storm drains, parking bays and bus shelters along roads that are under the care and control of TSA. However, TSA does not provide and
Bike Paths	Bike paths were often installed with State funding – with the Adelaide network not complete the funding has been reduced and the demand for completion focuses on Councils.
Bus Shelters	Bus shelters were a State responsibility. In the 1980s a joint funding program saw Councils involved in contributing to the costs. Now the funding has all but evaporated and Councils respond to community demand and in most circumstances are left with full costs.
Traffic Management & Law Enforcement in local streets	Council constructs physical devices to help manage local road traffic. This increases community expectations of Council, even though it does not have a direct responsibility to police traffic laws.
Aerodromes	Twenty-three local aerodromes transferred to country Councils in the early 1990s. The Federal Government provided funding to upgrade them initially but now provides no ongoing support.
Community Transport	In some country areas seed funding was given but no funding for long term sustainability of community transport facilities or transport schemes
Television Transmission	The Commonwealth is seeking Local Government funding to support capital and operational costs under the Federal TV Black spots program.
Heavy Vehicle Registration Fees	In 1996 a national heavy vehicle registration strategy saw registration fees paid by Councils to the State Government increase significantly. The state chose not to apply any concession to Local Government as was the case with primary producers etc.

HOUSING & COMMUNITY SERVICES	
Town Planning	<p>In the late 1960's Councils picked up Town Planning responsibilities - this was largely negotiated and application fees provided some limited additional resourcing – the complexity, volume of issues and particularly the strategic functions continue to expand, however the application fees barely cover the approval processing.</p> <p>Councils now must review their Development Plans every 3 years instead of every 7 years.</p>
Development Act	<p>The roles, responsibilities and administrative duties of Council have increased, for example:</p> <ul style="list-style-type: none"> • The introduction of mandatory notification and inspections of building works. • Reduction in the type and range of applications determined by the Development Assessment Commission. <p>Significant tree legislation. This is an example where Councils have embraced legislation as apposed to responsibilities being specifically given to it or as a result of Governments "stepping back" from providing a service. Funds from application fees insufficient to recover Council costs.</p>
Environmental Management	<p>The new Local Government Act 1999 requires Councils to now undertake a greater range of policy, strategy, reporting, and operational activities regarding environmental and natural resource management. This requires newly developed and resourced programs and projects regarding both new issues of general consideration such as energy and water conservation, or wetland and coastal management - as well as greatly expanded or refined versions of traditional activities. It is not just a case of Local Government taking on roles or responsibilities that have been previously State Government but that this devolution has also been occurring in the context of a dramatic expansion in the scope, awareness and community expectations regarding these activities.</p>
Environmental Protection and Noise	<p>The EPA does not provide resources for low-level environmental harm or nuisance issues, including noise complaints. This places pressure on Councils to undertake this role, without resources or with only short term funding arrangements.</p>
DrumMUSTER	<p>DrumMUSTER was somewhat forced upon Councils by the Federal Government and not all costs can be recovered.</p>
Waste Management and Resource Recovery	<p>Increased responsibilities and higher standards imposed by the EPA on waste management and land fill sites incur significant capital and operational expenditure.</p>
Native Vegetation	<p>Councils have been requested to assisting the Native Vegetation Council with local investigations</p>
Stormwater - CMSS	<p>State funding for the Catchment Management Subsidy Scheme (CMSS) has been cut back requiring a greater contribution from Councils towards stormwater mitigation.</p>

Water Catchment Boards	Water Catchment Boards have installed trash racks and then asked Councils to maintain them in the long term.
Septic Tanks	The responsibility for administering septic tanks and soakage systems was transferred to councils from the S.A. Health Commission in the mid 1990's.
PLEC	Support for the Power Line Under grounding (PLEC) scheme has been reduced with Councils required to meet increasing costs to underground power lines
Overhead Power Cables	Councils must fund the cost to trim street trees around overhead power cables to ensure community expectations/standards are met.
HEALTH & WELFARE	
Supported Residential Facilities	The new Supported Residential Facilities Act introduced in 1996 has increased the roles and costs for Councils who are now responsible for resourcing the assessment, inspection, and administration often with court costs involved. Local Government was reassured that this would be cost neutral however income from license fees is insufficient.
Aged Care	Councils are contributing resources to the cost of constructing aged care facilities due to Commonwealth funding limitations.
Senior citizens Centres	Were built or transferred to Councils in the 1960s and 1970s with heavy Commonwealth and State funding. Now there is virtually no funding assistance for maintenance or replacement.
Health Inspections	The advent of diseases such as Legionnaires Disease has triggered a requirement for Council inspection of cooling towers – as a result of the Public and Environmental Health Act. No resourcing is provided to Councils for this work.
Food Act	New Food Act proclaimed without assurances for Local Government that the additional workloads for EHO's can be funded through user pays charges or like fees. Most Councils supported Annual License / registration fees for Food Businesses yet State Govt. were not supportive.
Doctors & Health Centres	Many rural Councils are responding to the critical shortage of GP's and Allied Health Services in Country areas. This includes incentives to attract GP's and the provision of houses and health centres.
Disability Discrimination Act	Councils are required to develop and implement a 10 year plan to ensure public buildings and facilities comply with the Federal DDA standards.

RECREATION & CULTURE	
Recreation	Recreation funding from the State and Commonwealth has reduced or been focused on major sport or State/National facilities. Now approximately \$1 in every \$8 of Council funding goes on recreation or sporting facilities or venues. Often the State provides small grants to sporting groups to establish or expand clubrooms on Council property with ongoing implications, particularly in the event of club failure, falling to Councils.
State Government Surplus Land Sales	Councils are required to purchase significant/important land surplus to the needs of the State Government at full market value, eg schools, open space. Previously this was transferred to Councils for community purposes at a notional value.
Libraries	In the 1970s Councils took on library management and development as part of a well supported Library Development Program in SA. Communities and Councils have supported it strongly. However it began with a 50/50 funding approach between Councils and State Government including capital development, now the figure is closer to 75/25 with Councils picking up all the capital costs. Country Councils received public internet access terminals at no up front cost but there is no ongoing commitment to hardware maintenance/replacement costs.
Native Title	Councils are required under the Native Title Act (Cwth) to ensure audit of properties to ascertain non-extinguishment and development of appropriate administration regimes and protocols. This also requires major consultation with the local indigenous and non-indigenous community.
Jetties	Most country jetties have been transferred to the Councils to maintain (with significant capital costs met be the State Govt.)

GENERAL PUBLIC SERVICES	
Tax collection	Councils are required to collect revenue/levy for Catchment Water Boards. This saves the State Government a large amount of money.
Postal Voting	Mandatory postal voting introduced in 2000 has increased the cost of Council elections.
Rates	Quarterly rate billing introduced in 2001 has increased the cost of rate collection
Consultation	The new LG Act 1999 has introduced compulsory community consultation on a broad range of Councils functions and this is a very resource intensive exercise if it is to be useful.
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 implications.
FAGS	Quarterly payment of FAGS and Local Road grants, which were previously paid annually up front, has cost Councils income from investment.
PUBLIC ORDER & SAFETY	
Crime Prevention	Increased demand and expectation placed on Council to lead this area, including management of graffiti. However, increased funding from Attorney Generals to Local Government has been inequitable.
Dog Management	Councils were led to believe that dog registration fees and other income was to cover the costs to administer the legislation. Collectively Councils recover only 75% of the costs. The State has recently declined Local Government's request to increase fees.

SUMMARY OF JOINT ACTIVITIES BETWEEN COUNCIL AND OTHER AREAS OF GOVERNMENT

NAME OF COUNCIL: DISTRICT COUNCIL OF GRANT

Project / Program (Description)	Nature of Relationship	Resource Contributions Agency (incl Council) Staff, Financial & other	Comments
COMMUNITY SERVICES			
Public Order & Safety			
CFS Emergency Services Transfer of Assets to the Minister.	Legislation requirement Deed of transfer	\$756,000 worth of assets to be transferred at no consideration to Council.	Potential savings \$100,000 per year but loan borrowings of \$138,422 still to be repaid by Council.
Dog and Cat Management	Legislation	Provide Inspector and Dog Control Officer, administrative support.	Value of registrations around \$24,000
Mt Gambier Road Safety Committee	Joint Activity with Transport SA	Establish 2000, Council provides secretarial support and around \$1,000 pa Council contrib \$1,750	
Operation Flinders – crime prevention Project	Joint activity with SA Police, City of Mt Gambier and the Community.		
Health Services			
HACC funding	Service Agreement – SE Regional Community Health Service.	Based upon usage – approx \$1,250 pa	
Immunisations	Contracted out to SE Community Health Services.	Approx \$1,000 pa	
Aged Hostel Accommodation	Joint project with City of Mt Gambier, Boardik Lodge, State Government	Provision of new wing in 98/99. Council contrib \$100,000.	
Other Community Services			
Collection of Water Levy	Legislation on behalf of DEHAA and South East Water Catchment Board.	Staff raise and collect levy in conjunction with normal rates. Pays contrib to the Board	Annual levy around \$36,000
Collection Agency SA Water (AGL) Payments	Service agreement	Staff receipt payments and pass onto AGL on a monthly basis. Commission \$1.35 per account.	Minimal only – to cease in near future. Approx \$2,000 collected annually.
Hammonds Drain Realignment and future Management	Joint project with TSA, DEHAA and South East Drainage Board.	¼ share of cost for study and plans. Once option decided grant funds for 50% should be available.	

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CULTURE			
Library Services			
Mary Latin Memorial library at Port MacDonnell.	State Public Library Service Agreement	State Govt Grant \$8,500 cash Council contrib \$30,000 to local Library, \$36,000 to City Library	
3 rd December Celebrations	Funding from Premiers Department	Grant from Premiers Dept \$12,000. Council contribution \$65,000	
ECONOMIC DEVELOPMENT			
Mooring Fees Collection Agency for Port MacDonnell Boat Haven.	Service Agreement with TSA to Manage Moorings under the Harbours & Navigation Act.	Staff issue permits, and collect payment for TSA, forwarding monies on a three monthly basis. 15% commission.	Approx \$50,000 mooring fees collected pa.
Proposed New Marina and Boat Yard	Joint activity with TSA	TSA funded study and financial analysis of option. Hope to manage locally.	
Multi Media Centre	Joint project with City of Mt Gambier, Greater Green Triangle Regional Association and Commonwealth Government	Commonwealth Grant funding through GGTRA of around \$130,000. Cost to Council \$15,000.	
Green Phone Company. Council owned Information Technology and Telecommunications Company.	Joint project with Commonwealth Government funding from Networking the Nation.	Total project approx \$1.4M Council contribution \$3,000 deposit for SE Online, annual loan repay \$6,700.	Total cost \$70,000
Cape Northumberland Nature Park	Joint project with SA Tourism Commission funding 50% of project	Council and community contribution 50%	
Rural Transaction Centre at Port MacDonnell	Commonwealth Dept of Transport and Regional Services Grant Funding project.	Commonwealth Funds \$122,300. Council contribution \$35,000	
Working Towns Project	Grant funding from State Government	Grant funds \$15,000 Council contribution \$15,000	
Interpretive signage for Volcanic Discovery Trail.	Joint project with Glenelg Shire, Waitle Range Council and National Parks & Wildlife	NP&W provided money for signage \$1,250 and Council provided funds to install and complete signs \$1,400.	

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ENVIRONMENTAL Agricultural			
Grant Animal & Plant Control Board	Legislation	Council contribution \$72,000 pa plus office space, telephone and fuel which are reimbursed.	
Locust Control project	Council, LGA and PIRSA joint project.	Administrative support and staff to manage project. 90% may be reimbursed.	Est \$5,000
Waste Management			
STEDS/CED Construction projects	Joint with State Government depending on funding availability.	Council provides staff to supervise project and conduct surveys and community consultation. Community contributes a portion of funds via a service charge raised by Council. State Govt provides portion of funding.	Preparation under way for Allendale East STEDS once funding has been confirmed.
DrumMuster collection of Chemical Containers.	Joint project with EPA	Council has arranged contractor to manage. Able to seek reimbursement for most costs.	\$5,000
Other Environment			
Removal of seaweed from foreshore.	Regular maintenance agreement with TSA renewed annually.	Council provides staff, plant and materials for this work and seeks reimbursement.	Approx \$2,000 pa
Coastal Protection works	Council applies for funding annually from the Coastal Protection Board for specific coastal works.	Council provides staff, plant and materials for this work and seeks reimbursement.	Approx \$10,000 - \$20,000 pa
State Heritage Advisor	Council engages the assistance of the State Heritage Advisory Branch on an annual basis for advice on heritage work in the District.	Council contributes \$500 towards this each year.	
Cape Douglas Shack Sites Freeholding Project	Joint with DEHAA and Shack Residents.	Council cost so far \$19,000, to be recouped from sale of land in future.	

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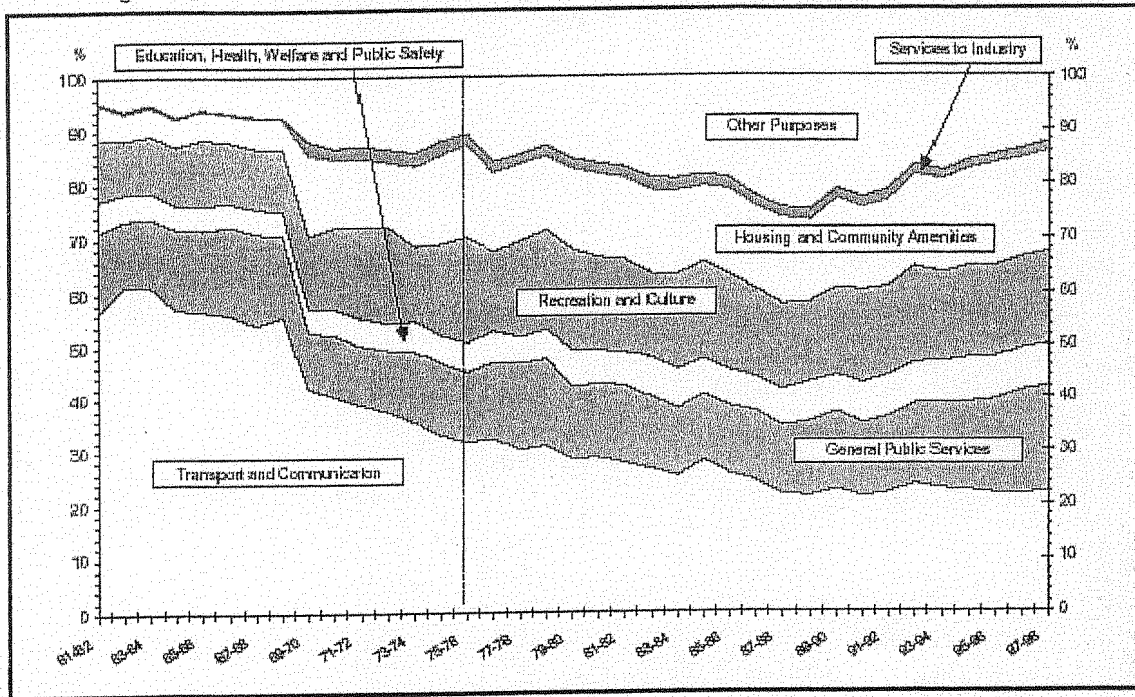
Project / Program (Description)	Nature of Relationship	Resource Contributions Agency (incl Council) Staff, Financial & other	Comments
Regional Coastal Management Strategy Study	Joint study undertaken via SELGA with funding from DEHAA, other SELGA Councils and Commonwealth Environment Australia	Council contribution \$5,525.00	
Kangaroo Management Study	Joint project with National Parks & Wildlife	Est cost to Council \$500 staff time.	
RECREATION			
Boat Ramp Construction at Donovans and Dry Creek.	Joint project with TSA and the SA Boating Facilities Committee.	Council arranged quotes, design and construction. Grant 50% from Boating facilities fund and 50% from Council.	Total cost \$115,000
REGULATORY SERVICES			
Construction Industry Training Levy Collection Agency	Service Agreement signed annually to collect this levy and forward onto CITB.	Staff calculate and receipt levy payments and do monthly return to CITB. Commission \$5 per transaction.	Approx \$15,000 levies collected annually.
Planning Amendment Review to establish a new Development Plan for the District Council of Grant	Planning SA advice	Undertake review of previous Plans for the Councils prior to Amalgamation and establish new Plan for DC Grant. Cost to Council approx \$20,000	
Industrial Land Study	Combined with City of Mt Gambier and advice from Planning SA	Cost to Council approx \$10,000	
TRANSPORT			
Road Construction work for TSA	Required to tender or quote for projects as arise.	Council provides staff, plant and materials to complete job.	
Railway Crossing signage	Joint project with TSA - legislation	Council instal signs provided by TSA and required to provide other signage.	
Forest Road Construction	Legislation – Forest Corporations Act	Council provides staff, plant and materials to construct roads.	

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Tree Trimming Port MacDonnell Streets	Joint project with ETSA	Council contribution \$30,000 over 3 years ETSA to do work and meet 50% of cost	
Pine Tree Removal Nelson Rd and Millicent Rd	Joint project with TSA	Council contribution \$20,000 over 2 years TSA to meet 50% of cost.	
Truck Parking area at Tarpeena	Joint project with TSA	Council contribution \$22,000 (50%)	
SERTES and SETIRES Study	Joint study funded by Councils and Commonwealth Government and TSA	Commonwealth \$120,000 Council \$5,200	
COUNCIL ADMINISTRATION			
Spatial Information	Signed Service Agreement with State Government	Sharing of information and data	
Pensioner Concessions on Rates and Services Charges for STEDS/CED	SA Water	Value \$78,000	

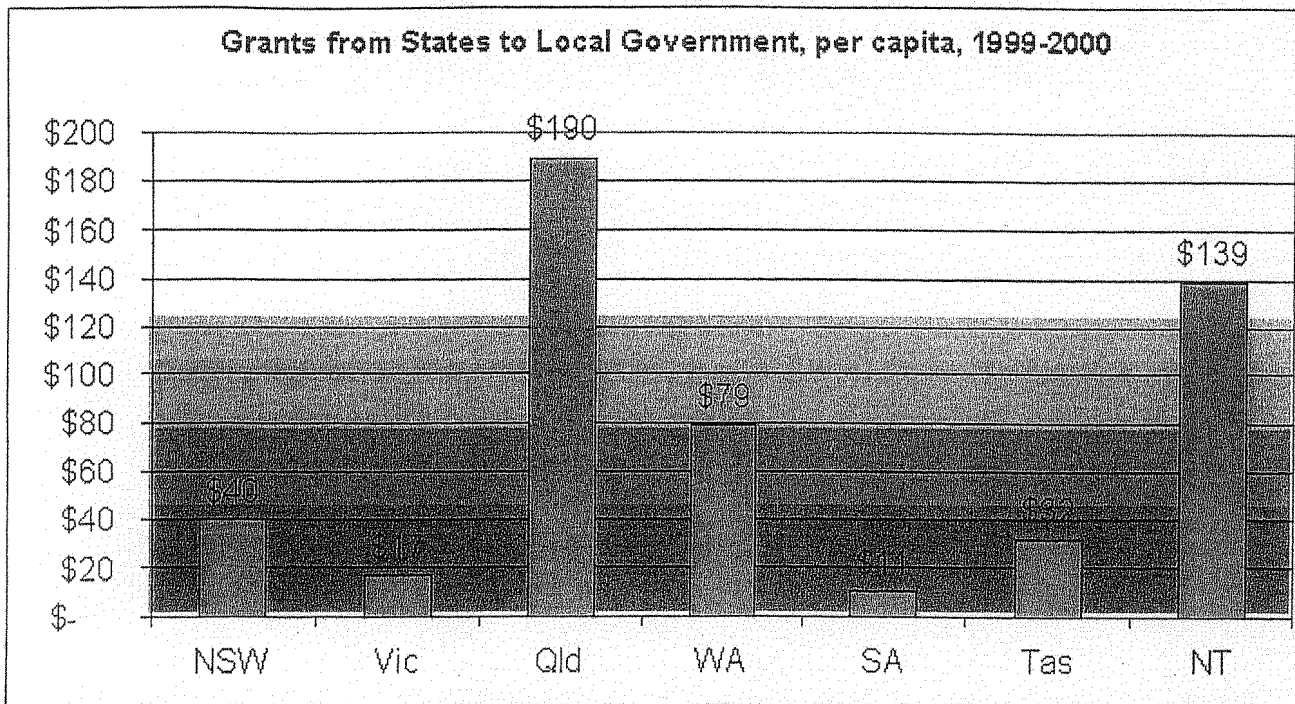
Figure 15-12 EXPENDITURE, SOUTH AUSTRALIA, 1961-62 TO 1997-98



Source: Unpublished ABS Government Finance Statistics

Source: Commonwealth Grants Commission draft report of the Review of the Operation of the Local Government (Financial Assistance) Act 1995.

Table 2



2. Commonwealth Grants Commission Review of the Operation of the Local Government Financial Assistance Act 1995

Table 3

Grants from States to Local Government by Purpose, 1999-2000 (\$m)

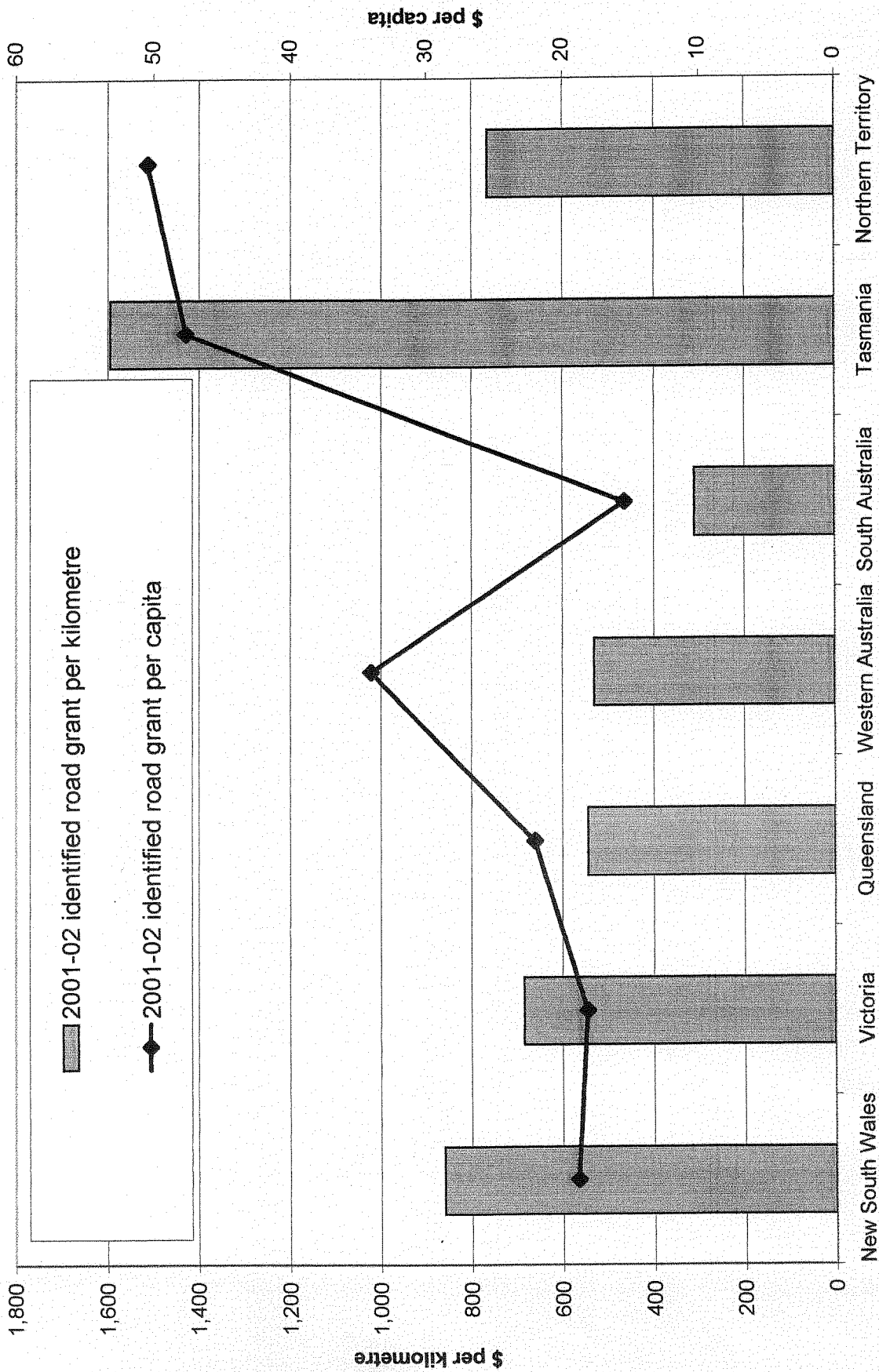
Purpose	NSW	Vic	Qld	WA	SA	Tas	NT	Total
General Public Services	2	5	5				8	20
Public Order & Safety	68		2					66
Health			6				4	10
Social Security & Welfare			5				1	6
Housing & Community Amenities	118	312	465		5			900
Recreation & Culture	23	59	34		10		2	128
Agriculture, forestry & fishing	7		6					13
Transport & Communication	150		137	209	23	30		549
Other Economic Affairs	2	3	1					6
Other	305		246	85	88	28	30	763
<i>Less Owth FAGS</i>								
General Purpose Grants	298	218	163	86	70	22	9	866
Local Road Funding	113	81	73	60	21	21	9	378
Net State Grants to Local Govt (\$m)	\$ 298	\$ 80	\$ 671	\$ 148	\$ 16	\$ 15	\$ 27	\$ 1,216

Grants Per Capita	\$ 40	\$ 17	\$ 190	\$ 79	\$ 11	\$ 32	\$ 139	\$ 66
State population Dec 1999	6,451,658	4,741,468	3,539,491	1,873,842	1,495,830	469,870	194,268	18,765,427

Source: Local Government National Report 2000-2001, table 2.5, pg 18.

Table 4

Commonwealth Road funding by State and Territory (excluding ACT)
 2001-02 Identified Local Road Grant



Source: SA Local Government Grants Commission

