

HUME SHIRE COUNCIL

SUBMISSION TO THE PARLIAMENTARY INQUIRY INTO COST SHIFTING ONTO LOCAL GOVERNMENT

Introduction

Hume Shire Council welcomes the House of Representatives Inquiry into Cost Shifting onto Local Government and the opportunity to make a submission to the Inquiry. The Inquiry is timely (if not overdue) and appropriate given the changes that have occurred to the role of local government and the financial relationship between the three tiers of government.

Background

The Hume Shire local government area is situated on the New South Wales Victorian border surrounding the City of Albury. It has an area of 1,925 square kilometres and a population of 7,388. The Shire experienced a population growth of 7.7% during the 1996-2001 census period. Approximately half of the Shire's population lives in the six towns and villages the largest of which are Howlong (2050) and Jindera (950) with the other half residing in the Shire's rural areas. The Shire is experiencing a high demand for 'rural living' (hobby farm) allotments with a large percentage of the Shire's growth and development taking place in the rural areas that are within 15-20 minutes commuting distance of Albury. The

Council has adopted a budget for 2002/03 totalling \$ including a capital works program worth \$3.5 million. Council operates five sewerage schemes and four water supply schemes. It also provides a diverse range of local government services including maintenance and construction of roads, footpaths and drains, provision of parks and reserves, library facilities, waste collection and disposal, noxious weeds control and animal control. In addition Council undertakes the traditional regulatory functions of health and building control and land use planning.

The Changing Role of Council

Hume Shire Council, like most other councils, has experienced a significant broadening of its role. The early days of local government were characterised by councils performing the role of provider of property based services and physical infrastructure e.g. roads, drains, footpaths, garbage collection. In more recent decades councils became increasingly involved with the provision of human services e.g. care for the aged and disabled, family day care schemes, pre-schools. There is now increasing pressure for Councils to have a greater role in natural resource management and provision of community services. Further, Council is increasingly required to share the cost of what was once fully funded by the State Government, such as the maintenance of regional roads.

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Council believes there are two factors that have led to the widening role of local government. The first is councils becoming involved in new areas of responsibility at their own initiative because of identified needs in the local community or because of the failure of other levels of government to address these needs. As the level of government closest to the people the local council is often the first port of call for local communities concerned with social issues, economic development initiatives, law and order problems and the like. In recent months for example Hume Shire Council has received representations from sections of its local community seeking assistance towards attracting a medical practitioner to town, re-establishing banking services, refurbishing a building for use as a classroom at a public school, and other services not traditionally viewed as the role of local government.

The second factor is the direct and deliberate imposition, by legislation, of new and additional responsibilities on local government by other levels of government and primarily the State Government. The NSW Local Government Act, 1993, which was the product of a comprehensive review of local government legislation in NSW, enshrined in legislation for the first time “*council’s charter*”. The charter reflects the degree to which the role of councils has changed from simply being a provider of physical services by including such things as to:

- “...actively promotes the principles of multiculturalism”
- “promote and to provide and plan for the needs of children”
- “properly manage, develop, protect, restore, enhance and conserve the environment...”

In recent years and since the passing of the Local Government Act, 1993 the State Government has imposed upon councils a statutory requirement to prepare and implement equal employment opportunity management plans, plans of management for community land, state of the environment reports, annual reports, social plans, stormwater management plans and weed control plans. The State Government currently has on public exhibition draft guidelines for the preparation of cultural plans and it appears inevitable that this will also become a statutory requirement for councils.

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Financial Implications

The continuing devolution of responsibility onto local government has not been accompanied by the provision of additional resources for local government. Whether Council is responding to community needs, a failure by other levels of government to address these needs or the direct and deliberate imposition of additional responsibilities onto local government through legislation, Council has been required to rely on its existing revenue base resulting in what has come to be referred to as the unfunded mandate.

Not only has local government not been provided with the resources necessary to undertake the additional responsibilities imposed upon it but the NSW Government also restricts one of local government's main sources of income by way of its rate pegging legislation. To compound the problem further, increases in State Government charges levied on local government (e.g. Rural Fire Service levies, NSW Fire Brigade levies, valuation fees) are not capped in the same way thereby stretching council's finances to the limit.

Traditional sources of State Government funding to local government are also being reduced. For instance, the funding of regional roads under the NSW Roads and Traffic Authority's Repair Program is now required to be matched on a dollar for dollar basis by councils. The Department of Agriculture is moving away from the traditional funding of noxious weed control towards funding weed management plans and other initiatives.

The result has been that the community's needs are not adequately addressed, or resources are diverted from other equally important areas of local government responsibility, or statutory requirements for plan preparation and implementation become an exercise in compliance rather than an exercise focused on meaningful outcomes.

The Solution

1 Local Government as a Service Provider for Other Levels of Government

Councils are well placed to not only deliver what are generally referred to as the traditional local government services but also services on behalf of other levels of government provided they are adequately resourced. Indeed the council's charter contained in the NSW Local Government Act, 1993 includes:

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“To provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively.”

Hume Shire Council currently manages expenditure totalling \$1,745,000 in the provision of services on behalf of other levels of government as follows:

<i>Service provided by Council</i>	<i>Amount</i>	<i>Source of Funding</i>
Respite for Carers of the Aged and Disabled	\$225,000	Department of Ageing, Disability and Home Care (NSW)
Respite for Carers of Dementia Sufferers	\$95,000	Department of Health & Ageing (Commonwealth)
Home Modification and Maintenance for the Aged and Disabled	\$75,000	Department of Ageing, Disability and Home Care (NSW)
Co-ordination of Home Based Family Day Care	\$420,000	Department of Family and Community Services (Commonwealth)
Maintenance of State Road 78 under contract	\$130,000	RTA
Maintenance of Regional Roads	\$540,000	RTA
Regional Roads Repair Program (50% funding only)	\$260,000	RTA

Local government, as an existing administrative unit with legislative mechanisms already in place ensuring transparency in reporting, accountability to the community and requirements for annual audits is well placed to deliver a wider range of services so long as adequate funding is made available. Where project funding is made available to councils it needs to be sufficient to cover both the direct and indirect administrative

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costs. Also where the employment of project staff is involved the funding needs to be sufficient to meet local government award rates.

The Commonwealth Government's Roads to Recovery Program is a good example of how funding can be made available directly to local government. Providing the funding direct to local councils is not only more cost effective but also places the decision regarding expenditure priorities with the organisation in the best position to make that judgement. This is because, as stated earlier, the local council is often the first port of call for the community when demanding even those types of services that have not been traditionally viewed as being within the role of local government to provide.

2. Funding of Local Government

In the early days of local government when councils were primarily concerned with the provision of physical infrastructure that predominantly benefited property owners it was appropriate that property owners provide the main source of a councils income through the payment of rates.

Councils of course now provide a wider range of services that benefit the whole community including non rate paying residents and indeed visitors e.g. parks, reserves, libraries, boat launching ramps, cultural events and so on. This was addressed with the introduction of revenue sharing grants in the early seventies whereby a share of the commonwealth government's income tax collections is given to local government. This way even users of local government services who do not own property and therefore do not pay rates, make a contribution through their income tax.

However councils are now taking on an even wider role through natural resource management, economic development and other initiatives which benefit the wider community and not just the local government area for which the council is responsible. For this reason, the tax sharing regime needs to be extended beyond the current income tax sharing arrangement to ensure that local government also receives a share of GST collections.

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Conclusion

Other levels of government often refer to their “*partnership*” with local government. Hume Shire Council questions whether it is a true partnership. All too often councils are required to accept new areas of responsibility either through a failure by other levels of government to meet community needs or through the direct imposition of new legislative requirements without the necessary resources being provided. The result has been that the community’s needs are not adequately addressed or resources are diverted from other equally important areas of local government responsibility. Statutory requirements for plan preparation and implementation become an exercise in compliance rather than an exercise focused on meaningful outcomes. This causes the attention and direction of councils to be diverted and results in unproductive time and effort.

Local government has demonstrated that is willing and able to provide services for other levels of government given appropriate funding and resources. It has the necessary administrative and legal framework in place as well as the necessary mechanisms that ensure transparency and accountability. It is also in the best position to make judgements regarding local priorities.

Given that the role of local government is continually evolving and becoming broader, it is appropriate that the Commonwealth revenue sharing arrangements be reviewed to provide local government with a share of GST collections so that the third tier of government may be truly regarded as a partner. A share of GST (paid directly to Local Government in the same manner as Roads to Recovery funding) will not only help address the unfunded mandate but also ensure that the wider community is making a more equitable contribution to local government initiatives which are now benefiting the broader environment.

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