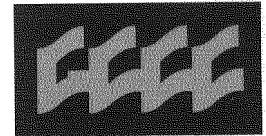


Date: 26 June 2002
Contact: Karen Vought
Location: Nerang Office
Telephone: (07) 5582 8199

Your Reference:

Our Reference: LG473/471/01(P1) #14045194



Gold Coast City Council

Committee Secretary
Standing Committee on Economic, Finance and Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Attention: Susan Cardell

Dear Ms Cardell

FEDERAL PARLIAMENT STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Please find attached a submission from the Gold Coast City Council for consideration by the above inquiry into Local Government and Cost Shifting.

The inquiry outcomes could have a major impact on future service provision and funding for local government and Gold Coast City Council looks forward to the public hearings and review outcomes.

Should you require any additional information please do not hesitate to contact Karen Vought on (07) 5582 8199.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Dale Dickson', written over a horizontal line.

Dale Dickson
ACTING CHIEF EXECUTIVE OFFICER

Encl.

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

Submission No:

Date Received: 26/7/02

Secretary: Cardell

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS, FINANCE AND
ADMINISTRATION INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING
GOLD COAST CITY COUNCIL SUBMISSION**

As raised by the Local Government Association of Queensland, the short time frame for submissions and the initiation of the review without the agreement of the States serves to complicate the sensitivities of the inquiry and its processes. Any changes to roles, responsibilities and funding resulting from the review will require a large amount of intergovernmental collaboration and consultation. The magnitude of this will need to be taken into account when the review process assesses the capacity of the various stakeholders to adequately respond to any recommendations.

The driver or basic premise for the inquiry is not as clearly articulated as it might be, however it is assumed it is based on the need to improve community outcomes, allocate funds based on relative need whilst ensuring value for money for taxpayers.

Given the short timeframe for this submission, there has been insufficient opportunity to undertake the necessary consultation to provide a detailed response. The following provides an overview of some of the key issues that the Committee will need to consider.

COMMENTS AGAINST TERMS OF REFERENCE

1. Local government's roles and responsibilities.

Variations in services between communities allow service responses to be flexible and reflect different values or emphases (eg cultural). Services provided in a given geographic area are not universal and therefore future changes will need to take adequate account of issues associated with the diversity of services, differences in local need and the differing capacities to plan or deliver services locally. Holistic changes in policy affecting all councils could result in very different outcomes and financial pressures. For example, not every council has the same capacity to raise user charges and merely giving councils an increased power to levy charges won't necessarily increase their capacity to provide additional services. A local government's services are tailored to meet the specific requirements, and the ability to pay, of its community. It is not appropriate to assume that a re-allocation of responsibility will have uniform impact across the board. The provision of services by local government may allow a more flexible and innovative approach to be developed that takes account of regional or local characteristics rather than a one size fits all approach.

The demands for service and the services delivered by the Gold Coast City Council vary markedly from other local governments. It is the second largest local government in Australia with a population of 418,491 (ABS 2001 Census) and an annual population increase of some 13,000 residents. The Gold Coast City is located in the fastest growing region of Australia and, as such, has considerable increasing demands for services. Some examples of specific issues faced by the Gold Coast City Council include a higher demand for community and health services, additional demands due to high tourist numbers, the need to create employment opportunities, an increasing aged population and the need for age care services, and a high demand for rental accommodation. There is also a high community expectation in regard to infrastructure provision and standards.

The introduction of the Qld Local Government Act 1993 removed the pre-existing role specific requirements that applied to governments. This has resulted in a much looser (locally determined) definition of the role of local government. Since that time, local government has progressively filled the gaps in service areas that were formerly the responsibility of federal and state governments. In some cases this has not been based on a

full understanding of the ongoing resource and cost implications, particularly in social and environmental areas. There is no doubt that local government involvement in these areas has enhanced community outcomes but to some extent this has put increased pressure on the existing local government resource base.

Local government regulatory activities also continue to increase in line with local community expectations, Councils are now taking on low level policing functions and traditional local law enforcement (such as animal control) has become more pronounced. An increase in the availability of existing federal or state resources to assist local governments or an increase in powers (along with commensurate revenue sources) for local government regulatory functions is appropriate.

Over the past six years, the Gold Coast City Council has progressively and proactively devoted increased resources to attracting investment and trade into the region. Previously this was predominantly a state or federal government function. This approach has received strong support from both citizens and businesses and a greater level of ownership and control in the economic future of the Gold Coast region.

Of relevance also are the financial impacts of key strategic public policy initiatives such as LA21, which has been endorsed by the Gold Coast City Council and other local governments throughout Australia.

2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.

There is a need for further analysis of the existing funding arrangements. The analysis will require a detailed description of the source and application of funds and the funding trends over time. There is also a need for the Inquiry to consider how these arrangements vary from one local government to another and ensure that any variations are taken into account. (eg variations in regard to the basis on which local government rates are calculated).

The submission of the Urban Local Government Association of Queensland to the current Queensland Local Government Grants Commission review of the methodology used for the disbursement of the Commonwealth's Financial Assistance Grant to local governments will be relevant to this inquiry and should be taken into consideration.

Across Australia, local governments have responded to increased responsibilities by placing more reliance on user charges, reducing expenditure in discretionary areas and by increased borrowings. This raises issues about the affordability of services, who should pay, the extent of 'user pays' and the capacity of the community to pay for services.

Recent statistics show a shift in emphasis towards service-related functions and a corresponding increase in the use of user-pays charges. A related issue is the reliance on rate-based revenue sources which are potentially subject to distortion through artificial, State government imposed restrictions, such as rate capping, and the various rating methodologies used in the different states.

It is interesting that even though local government is a state responsibility, the vast majority of grant revenue derives from the Commonwealth. Additionally, the relative level of Commonwealth assistance has increased over time whilst the contribution of state governments to local governments has declined.

Importantly, given the evolving mix of general and specific purpose grants to local government, transparency of the scope and costs of such transfer payments is critical.

The revenue raising capacity of local governments also varies from state to state. Different rating bases are used with some states using unimproved property values, others using improved value and Tasmania using gross rental value. Practices to raise revenue also differ significantly in the areas of minimum rate provisions, discounts for rate remissions, differences in the use of differential rates and rate capping. The assistance provided to local governments via grants from the Commonwealth through the various state LGGCs is also significantly affected by the various methodologies employed from state to state. These inconsistencies coupled with a growing need amongst local governments to have more flexibility and capacity in revenue raising makes holistic observations between local governments and their capacities to meet growing expenditure and revenue demands difficult.

3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.

An analysis of the capacity of local government to meet existing obligations is required. Although generally meeting community expectations, there is more that could be done in areas such as community safety, infrastructure provision, and in health and environmental areas. In part, the difficulty is understanding more explicitly the extent of local government versus state or federal government functional obligations.

Regardless of who delivers or provides community services, the services delivered must be driven by the needs of service recipients (both met and unmet) and need to be responsive to the local community's need.

Further analysis is required to identify the existing joint arrangements between local governments, regional organisations, and arrangements between local governments and Commonwealth and State Governments in respect of achieving regional outcomes. Some of the issues for consideration will include:

- The sources of funding available for regional pooling;
- The administrative processes and decision making structures that will need to be established and clearly articulated to local governments;
- The level of support that will be provided by State and Commonwealth bodies for establishing and maintaining these structures and processes; and
- The need to ensure that State and Commonwealth agencies providing funding and other support have the capacity themselves to assess and administer regionally based funding proposals.

There is a need for further investigation and a comprehensive analysis of the future demands and potential roles and responsibilities of local governments in terms of improving regional outcomes. Although already resourced to some degree, areas such as pest and catchment management, environmental protection and immunisation are examples of where the role of local government has gradually expanded without an explicit increase in resources or financial capacity.

The role of the non-government sector and private sector in service provision should also be included as in many instances they are also involved in aspects of service delivery (eg child care, aged care etc).

Further investigations will need to consider all relevant Commonwealth and State policy initiatives that may impact on the future roles and responsibilities of local government (eg the Commonwealth's proposal to direct Indigenous funding to remote areas). There is a need to clarify local government's obligation in taking on any extra responsibilities and clearly delineate between the policy and standard setting role and that of service delivery.

The Gold Coast City Council has been an advocator of the need for South East Queensland Councils to collaborate and co-operate effectively and the appropriately market and position the region. As Australia's second largest local authority and in such close proximity to Brisbane, the Gold Coast has often been overlooked in the provision of an appropriate level of City funding for both hard and soft infrastructure. This has placed an added burden on existing resources and increases the complexity of service delivery. With the onset of the global economy it becomes increasingly important for cities to take a proactive role in their own development. The pooling of resources on a regional basis can help ensure that development and investment flow to the region and provide opportunities for more effective service delivery.

4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between State and local governments.

There is a need for a clear description and analysis of the transfer of additional powers and responsibilities from the State and Commonwealth Governments to Local Governments. An inventory is required showing:

- Devolved roles and responsibilities;
- Expansion of existing responsibilities;
- Introduction of new programs;
- New regulatory and reporting requirements; and
- Funding implications.

Information regarding performance targets versus actual performance of addressing existing needs by either the State or Commonwealth would be required for any services that are planned for re-allocation. In addition, information on current targets for servicing of needs by both State and Federal Governments would be almost mandatory for local government to form an informed view on possible implications. For example, in some program areas Commonwealth funds are being directed to remote and rural areas to address specific outcomes. In these instances there may be less of those funds available for urban areas, possibly creating a higher expectation on local governments to meet the shortfall. There is a need to have these policy trends clearly identified to enable a full assessment of the impact to be undertaken.

The impacts (both positive and negative) on existing resources emanating from a possible diversification of the existing funding base and adoption of new or enhanced performance measures will require a significant amount of collaboration with and input from councils. As an over-riding premise, the balance of responsibilities for expenditure should be matched by similar capacity and flexibility on the revenue raising side. It would be inappropriate to end up in a situation where responsibility for expenditure is transferred without a corresponding transfer or influence over the associated revenue base. Depending on the services, this could warrant a review of the current GST arrangements and the current mechanisms that support the distribution of funds to the various levels of Government.

Recommendations will need to incorporate a definition of the extent of existing demands as well as the implications for placing additional demands on councils. The measurement of performance in relation to meeting demands also needs to be determined (eg how will it be monitored and reported and are there any data collection issues).

Service approaches and standards cannot be determined without regard for the capital and recurrent cost of delivery.

5. The scope for achieving the rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to the community.

The background to decisions about what the Committee ultimately believes is an appropriate focus for local government and the assumptions supporting this would be useful. Council involvement (and indeed the other tiers of government and major stakeholders) in the decision making process will be a key factor in the successful implementation of recommendations.

If more effective and efficient service delivery can be effected through changed and more direct relationships then this offers a compelling argument for change. Local government is at the grass roots of service delivery and it may be more appropriate for other levels of government to focus more on setting standards and service levels that actually delivering them, thereby freeing up resources to allow local governments to focus on the delivery. However, some roles may not be suitable for local government delivery. Where there is proven to be a net economic benefit to regions through localising services and responsibilities then this approach should be pursued. It may be possible that devolvement of particular responsibilities to a regional level could assist in re-energising regions previously experiencing difficulties. However the benefits and costs of such proposals will need to be quantified in both financial and social outcomes.

Any shifting of responsibilities to councils in relation to service delivery will need to consider how councils can contribute to policy decisions and service standard setting. A clear understanding of the responsibilities for service delivery versus social policy development is required. There is a need to articulate which sphere of service provider will take responsibility for particular social objectives of service delivery and who has the policy role.

There is a need for analysis of the intergovernmental arrangements impacting on the potential for a rationalisation of the roles and responsibilities between Commonwealth, State and Local Governments. Obviously there will need to be a clear distinction and a clear understanding of the role and responsibilities of each level of government. Meaningful participation by local government in the development and adoption of State and Commonwealth policies underpinned by transparent and accountable processes will ensure a smoother transition to any revised arrangements that result from the Review recommendations.

Structures and processes may need to be developed to ensure a collaborative approach across all levels of government in respect to assessing needs, determining priorities, allocating resources and monitoring outcomes.

The allocation of funding across all levels of government will need to be cost effective, efficient and equitable in terms of meeting community priorities. Issues include:

- Minimising the duplication of service delivery responsibilities;
- Identifying where local government is providing support and where State and Commonwealth governments are failing to meet their obligations;
- Identifying where the gaps exist in addressing community needs (both met and unmet needs);
- Establishing and maintaining comprehensive and accurate information to provide sound quantitative evidence about service delivery issues, such as which sphere of government is better placed to provide which services.

Shared areas of responsibility (eg environment, regional development) will require specific attention. Agreed principles covering community engagement, ecological sustainability etc will support better integration amongst the various levels of government.

An assessment of the capacity of the service provider, regardless of which sphere they are in, to respond to the recommendations made by the Committee, should be included in the final report.

The knowledge gained from overseas experiences should also factor into the Review Committee's deliberations so that learnings (both good and bad) can be thoroughly investigated and evaluated.

6. The findings of the Commonwealth Grants Commission Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the view of interested parties as sought by the Committee.

The Grants Commission has already undertaken a significant amount of work in this area. The most relevant components of this are described below.

Local Government functions and responsibilities have expanded markedly over the past 35 years. Local Government is increasingly providing human services at the expense of traditional property-based services (particularly roads). The increase in functions have resulted from:

- Devolution - Where other spheres of government give local government responsibilities for new functions
- Raising the bar - Where another sphere of government, through legislative or other changes, increases the complexity or standard at which a local government service must be provided, and hence increases its cost;
- Cost shifting - where there are two types of behaviour. The first is where local government agrees to provide a service on behalf of another sphere of government but funding is subsequently reduced or stopped, and local government is unable to withdraw because of community demand for the service. The second is where, for whatever reason, another sphere of government ceases to provide a service and local government steps in;
- Increased community expectations - where the community demands improvements in existing services; and
- Policy choice - where individual local governments choose to expand their service provision.

Local governments generally are of the view that changes in responsibility have been occurring at an increasing rate and that this has not been matched by an increase in funding or appropriate access to additional revenue. Local governments across Australia have responded by placing more reliance on user charges, reducing expenditure in discretionary areas (particularly roads) and by increased borrowings. The analysis of local government expenditure and subsequent report by the Commonwealth Grants Commission provided support for these claims. The Commission's analysis indicates:

- A move away from property based services to human services;
- A decline in the relative importance of road expenditure;
- An increase in the relative importance of recreation and culture and housing and community amenities; and
- An expansion of education, health, welfare and public safety services.

Local governments argued that, to meet the new responsibilities, they need increased revenue from the Commonwealth in the form of financial assistance grants. Unless this occurred, there will be a continuing deterioration in local government services, particularly in infrastructure and the local road network.

Gold Coast examples include:

- Legislative requirements in relation to environmental protection
- Black spots for telecommunications
- Tugun bypass
- Community health services

The Grants Commission report concluded that generally between 1975 and 2001:

- . local government has maintained the share of revenue it derives from its own sources.
- . the share of local government revenue coming from the Commonwealth has increased
- . the share of revenue coming from State grants has declined
- . local government responsibilities have broadened,

and that as a result the financial pressures are not due to a single influence. A single response would therefore not be entirely appropriate.

The Review by the Commonwealth Grants Commission recommended some changes to improve the operation of the Local Government (Financial Assistance) Act 1995. Essentially these changes are geared towards making clearer and transparent the Commonwealth's intentions in providing assistance to Local Government Bodies (referred to by CGC as LGBs). These include the establishment of the following in lieu of the current pools and minimum grants:

- . a per capita pool to provide every LGB with a share of assistance. Every LGB would receive a fixed per capita share from this pool.
- . a local roads pool (as there is now but with some minor changes to the Act for the introduction of a roads funding purpose) to contribute towards LGBs' costs of maintaining their local roads. Every LGB having a road responsibility would receive funding from this pool on the basis of relative road needs (related to the cost of maintaining an existing road network but not augmenting it).
- . a relative need pool to improve equity by providing additional assistance to disadvantaged LGBs. Only those relatively disadvantaged LGBs (because of the greater costs they face in service provision or because of a more limited ability to raise revenue) would receive funding from this pool.

Although these arrangements would not alter the amount of assistance available or the allocation to the States, it would change the current distribution of grants to LGBs within States. It is imperative that these findings be considered by the Review Committee and factored into its deliberations.