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

CONTACT:
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REFERENCE:

House of representatives Standing Committee
Economics, Finance and Public Administration 139/123

Submission No: 307

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Secretary:

Dear Sir / Madam

Following your hearings in Adelaide last week, I thought that it might be useful if I followed up my verbal submission with a short written submission, seeking to underline a couple of what I see to be the key points.

To reiterate briefly the main points of my verbal submission:

- The growth of local government revenues in South Australia over the last ten years (59%) have been relatively constrained compared with Commonwealth (84%) and State (109%) governments;
- Significant increases in local government functions over this period has only been achieved by productivity gains and through reductions in expenditure on essential asset maintenance;
- This Inquiry essentially focuses on two questions:
 - What is the appropriate functional role of local government?
 - Is local government appropriately funded to undertake this role?
- On the first question, there can be little doubt that local government today is vastly more effective than it once was, and we may expect – and indeed, hope – that the range of functions it performs will continue to grow;
- On the second question, it is also clear that local government is heading for a financial crisis as it attempts to provide these expanded services while meeting its asset management obligations
 - In this sense, it is important that the Commonwealth expand the potential of the present Financial Assistance Grants process.

Following questioning of my submission, I would like to take this opportunity to expand on this last point regarding the potential of FAGs.

I would like to underline again what a pearl we have in the concept of a Financial Assistance Grants program. It is a program like no other internationally¹, and it offers the opportunity for all Australian local governments to operate on something of a "level playing field". It is a very much better way of financing local government than special purpose payments based on an "accreditation" model, as it provides local communities with the opportunity to make their choices as to where priorities lie. However, to operate properly, the FAG program needs to eliminate the minimum payment stricture that severely compromises its ability to reduce inequities.

Several questions from Panel members about the effectiveness of the State Grants Commission drew only positive responses about the Commission's performance in distributing grants, and I would confirm those impressions. However, as an alternative, the Panel may like to consider the possibility of the Commonwealth distributing grants directly to local government, based on a single national formula, but drawing advice within states from State Grants Commissions. Such a model would lead to a greater grants revenue flow into South Australia (given the inequitable per capita method of distribution of the monies between states), and would enable a single transparent formula to be used across the nation.

Thank you for the opportunity to present these thoughts to the Committee. I would be pleased to support them further if required.

Yours sincerely



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¹ As noted in my verbal submission, two years ago, I had the opportunity to make a study tour to Cincinnati in the United States. One of the features of that visit was a comparison of two local governments, one in a relatively poor area of downtown Cincinnati with a low rating or taxing capacity, and one in a more affluent residential area with a relatively high taxing capacity. Yet the nature of the inner suburban city was that it required approximately twice the policing resources of the other, and yet had very much less capacity to fund that commitment. While that example related to policing, it could just as easily apply to roads, parks, libraries or planning. The US has no equivalent to our Grants Commission that would provide a means of offsetting this inequity, and so many poorer US cities are trapped into a cycle of decline, unable to afford the basic services they so badly need. I came away from that visit with a clear understanding of the importance of the process that has been set up in Australia, and that has for so many years been capably and professionally administered, notwithstanding the cold winds of criticism from those who are convinced that their communities are being deprived