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

Dear Sir/Madam

**Re : Inquiry - Cost Shifting Onto Local Government and the
Financial Position of Local Government in Australia**

Murray Shire Council takes this opportunity to make a submission to the above inquiry and trusts the information will assist in the future recognition of the roles and ability of Councils to provide services to its community.

Should you require further information please contact Mr Greg Murdoch at this office.

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Yours faithfully


Greg Murdoch
General Manager

GJM/tb

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	51
Date Received:	24/7/02
Secretary:	Burdell

Branch Office:
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INQUIRY - COST SHIFTING ONTO LOCAL GOVERNMENT AND THE FINANCIAL POSITION OF LOCAL GOVERNMENT IN AUSTRALIA

Murray Shire Council Profile

The Council covers an area of 4,328 square kilometres in southern NSW on the Murray River, bordering with Victoria. The population is approximately 6,200 which has been growing steadily at a rate of 2.2% per annum over the past ten (10) years.

The main centres are Mathoura 650 and Moama 4,000. The town of Moama has recorded growth of 5.2% per annum between 1996 and 2001.

The annual budget of the Council is approximately \$12.5M.

Terms of Reference

1. Local Governments current roles and responsibilities

The NSW Local Government Act gives Councils huge flexibility in terms of the activities it wishes to undertake. More and more Council are carrying out roles that have not traditionally been their responsibility. Some of these roles are taken on due to a conscious decision of the Council, a decision of the Council with encouragement of State or Federal Governments or a direct hand me down from State or Federal Government.

With this current flexibility Councils can be extremely creative in the activities they undertake. However, the down side is that sometimes unrealistic community expectations are created. This puts pressure on Councillors and Councils to eventually meet these expectations.

Therefore, it is extremely difficult for Local Government to reject requests by the community on the basis "it is not Councils role".

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.

a) Growth

As a growing community Murray Shire has the benefit of an expanding rate base as well as an expanding grant base particularly the Revenue Sharing Grant. This growth provides a buffer against rising costs and inflation whilst also providing the opportunity to sensibly expand or introduce existing and new services. This is not the case for static or contracting Councils.

b) Planning

Murray Shire Council has undertaken a ten year planning exercise which includes an objective to be debt free. There are various arguments on the merit of this objective. However, retirement of debt does free up funds for new projects and expansion of services. Part of the Councils strategy is to only take out loans that can be self funding. Examples include a special rate for levy bank construction and rental return for a doctors surgery development.

c) Funding from other levels of Government

Murray Shires 10 year plan is based on the maintenance of existing levels of funding from State and Federal Governments. This assumption makes the Council a viable and sustainable entity into the future. However, the alteration of Government funding levels can have dire consequences.

The Federal Government is guilty of such practices and the Flood Mitigation program is such an example. Funding was originally set at 40% of total project matched by the State with 20% to be provided by Local Government. Local Government now has to provide 33%.

The following table outlines some of the activities and issues that have affected Local Governments financial capacity.

TABLE 1

ISSUE/ACTIVITY	LEVEL OF GOVERNMENT	AFFECT
Rate Pegging	State	Restriction on Revenue Raising
Pensioner Rate Rebates	State	Increase and shift responsibility
National Competition Policy	Federal	Internal - Introduction of unnecessary Red Tape External - eg. Unable to get natural gas infrastructure to broaden economic base. No compensation
GST	Federal	Cost of compliance No compensation
Flood Mitigation Program	Federal	Reduction in Grant Levels
Environmental Responsibility	Federal/State	Increasing emphasis on Local Government
Road Safety Officer	State	Initiative of State Government 100% funding 1 st year than 50% Should be RTA/Police
Community Services	State/Federal	More and more responsibility No increase in funding
Pre Schools	State	Funding levels frozen for 10 years.
Government Charges	State	Increase with no regard to rate pegging - Valuation fees - Board of Fire Commissioners
Hospitals/Doctors	Federal/State Community	Some responsibilities abandoned by Federal and State forced on local government as a last stand

ISSUE/ACTIVITY	LEVEL OF GOVERNMENT	AFFECT
Rural Fire Service	State	Undermining Council responsibility. Increase cost to local government.
State Emergency Services	State	Cost shifting
Roads	State/Federal	Reduce traditional grant areas to require local government contributions
Library Services	State	Increase in costs and grant not increased
Noxious Weeds	State	Reduction in local funding to control Noxious Weeds
Septic Tank Control	State	Pushing more responsibility on Local Government to control operation of septic tanks

d) Alternative funding sources

This Council has endeavoured to generate additional funds as opportunities arise. More and more Local Government is required to be better skilled at grantsmanship. This can involve the employment of additional staff for this purpose. The grants available do not cover Councils core business and are usually community development or economic development focussed. This has the affect of creating false expectations.

Murray Shire Council has obtained over \$600k to develop a Rural Transaction/Community Technology Centre on the basis that it will be sustainable in the long term. Every effort will be made to achieve this. The centre will contain banking and State and Federal services which the Council or the community have not had the responsibility for. One service will be Medicare. The return to the Centre for providing this service will be \$250 pa. This cannot be described as lucrative.

Council has run economic development campaigns with voluntary business contributions with limited success. Special rates for special projects are viable but there is significant red tape and sometimes community resistance.

Joint projects have been undertaken with other Councils, Government Departments and community groups with some success.

This Council has been very successful carrying out private subdivisions generating profits back to general revenue. Non growth Councils do not have this opportunity.

3. The capacity of Local Government to meet existing obligations and 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.

a) Meet existing obligations

Murray Shire Councils 10 year plan confirms that it can meet its obligations subject to existing levels of grants increasing with CPI. However this could be undermined by Councils being given roles by Government and not funded or funds not increasing to cover additional cost.

b) Developing Opportunities at a regional level

The growth of Murray Shire has seen a focus on community/economic development. Regional development is not how Wagga, Albury or Shepparton are developing. They are regarded as "sponge" cities benefiting by the demise of the smaller communities in between.

Local Government cannot alone be the panacea for regional development.

Both State and Federal Governments have to look outside the capital cities, Canberra and major regional centres to put real policies in place to bring economic development, jobs and population to those rural communities in decline.

The continued focus on consultants studies and pretend projects will only create false expectations in the bush. Why not relocate the Federal Department of Regional Services to Mathoura. That will have a direct impact on a community.

c) Councils working together

There is an underestimation of how much is actually happening on the ground in this area. Some of the examples for Murray Shire include :-

- Noxious Weeds County Council
- Regional Library Services
- Economic Development Officers Alliance
- Complimentary Plant Hire/Sharing
- Tourism
- Issue working parties
- Dog Control
- Aerodromes
- Saleyards
- State of Environment Reporting, etc.
- Regional Organisation of Councils

The tyranny of distance in the country should be acknowledged. The agenda for Local Government amalgamations will only undermine those communities by reducing population. Just as the bank closures and rationalisation of Electricity, Telstra and others have done.

A network of strong smaller communities will create a strong regional community.

4. Local Government expenditure and the impact of Local Governments financial capacity as a result of changes in powers, functions and responsibilities between State and Local Government.

The Federal Government should not be left out of this section.

See Section 2

In addition there are a number of issues where the introduction of State and/or Federal Legislation could assist Local Government. Public Liability is having a huge impact on Local Government not only in terms of claims and premiums but also in the area of risk management. The same comments can be made for Occupational Health and Safety Issues.

This Council has had some issues with the lack of support by other Government Agencies at both State and Federal levels with illegal developments in and around the Murray River and on Floodplains. Other Government Agencies are quick to make a long list of conditions of approval for developments but seem very shy when an illegal development has occurred. Council has been left with the cost of rectification through its own resources and legal channels without assistance from other agencies.

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

There is ample scope to achieve these outcomes. However, both Federal and State Governments have to give Local Government and their communities some certainty so that they can be sure of their roles. The short term budgeting approach of both Federal and State Governments is nothing short of hypocritical considering the onerous accounting requirements pushed upon Local Government.

There needs to be better consultation and agreement between the Federal, State and Local Government on such issues.

Political decisions undermine local financial planning. A good example is the back flip in the Roads to Recovery Program in the last Federal Budget. How can Local Government plan with certainty when decisions like this one are made.

Local Government can deliver some Federal and State Government Services more effectively than at present. However, proper compensation and negotiations should take place at a local level.

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

The findings of the review basically conclude that the current arrangements for financial assistance have led to a distribution of funds in line with their intent. Provided there is certainty and a continued provision of the FAG funds Local Government can plan its operation.

It goes without saying that if the general level of assistance could be significantly increased many better outcomes for the many communities across Australia would result.

Issues referred to in the report such as devolution, raising the bar, cost shifting, increased community expectations and policy choice are the real issues which have been addressed previously in this submission.