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22 July 2002

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

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

Submission No: 58

Date Received: 26/7/02

Secretary: Bardell

Dear Sir

RE: INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

I refer to your correspondence dated 13 June 2002, inviting Council to lodge a submission in respect to the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into Local Government and Cost Shifting.

Council is appreciative of the opportunity to provide comment into this Inquiry, and in this regard makes the following observations:

1. Local Government's current roles and responsibilities

The Western Australian Local Government Act 1995 (as amended) has a general function, being, for a Local Government "to provide for the good government of persons in its district".

The Act prescribes that "a liberal approach is to be taken to the construction of the scope of the general function of a Local Government".

Section 3.2 prescribes Local Government's relationship to State Government as follows:

"The scope of the general function of a Local Government in relation to its district is not limited by reason only that the Government of the State performs or may perform functions of a like nature."

On this basis, Council recognises that it has the power, and opportunity, to undertake a diverse range of activities in ensuring satisfaction of the "good governance" provisions of the Act.

On this basis, the Shire of Gingin has, over the last five years, facilitated a number of joint venture partnership arrangements with various Government agencies and business entities. These arrangements have resulted in quality resource sharing outcomes, and have specifically related to police, education, and health service delivery.

Whilst it could be argued that these services remain the responsibility of State Government, it is the local community which benefits from their existence and, in this regard, the Shire of Gingin is happy to assist in the delivery of such services on a partnership basis with the relevant agencies.

Council recognises that this assistance comes at a cost to the community, but believes it is a cost the community is prepared to bear to ensure access to quality essential services. Whilst such partnerships have proved particularly beneficial, it is questionable whether Local Government would have the capacity to assume full management responsibility for the delivery of these essential services.

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

Certainly, in developing partnership arrangements with State Government agencies, Council endeavours to seek additional financial assistance through the Western Australian Local Government Grants Commission. Whilst the Western Australian Local Government Grants Commission has been relatively supportive of Council's requests for additional funding, the funding process is formula based and the level of additional financial assistance forthcoming from this process is minimal. In point of fact, it has been estimated that the Shire of Gingin, given its high absentee ownership in the coastal communities, will continue to experience declining grants, given that the critical formula component relates to resident population.

The Shire of Gingin is focused on generating additional income through sources other than rates and Government grants. In this regard, Council has commercialised certain of its operations, and developed them as revenue generating undertakings.

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

It is acknowledged that, with the ever increasing request for improved services and infrastructure, and with declining grants, in real terms, the accessing of grant funding from various sources has become highly competitive within the Local Government industry.

Whilst the concept of regional governance has merit, the competing expectations of individual Local Government Authorities renders the establishment of regional, inter-Shire partnerships problematic. In Western Australia, the tyranny of distance renders inter-Shire partnerships and resource sharing difficult, and as such, limited opportunities present in which resource sharing can be seriously contemplated.

Certainly, metropolitan Councils, and "doughnut Councils" have greater opportunity to facilitate resource sharing, and to pool funds to achieve regional/district outcomes. Unfortunately, this is not the case in the majority of

rural Western Australia where Local Government Authorities jealously guard their limited finances.

Regional development is certainly a role that could be undertaken by Local Government. The money currently expended on the operations of the various Development Commissions could be better spent if made available to Local Government to facilitate community betterment projects. With this said, however, development opportunities at a regional level are difficult to foster in Western Australia, again because of the tyranny of distance. Council is acutely aware that all communities within a Local Government area strive for quality facility provision and service delivery. This creates a competitive environment, even at a local level, with such competitiveness likely to be increased if considered in a regional context.

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 Government

Certainly, a change in the power, functions and responsibilities between State and Local Government could have a positive impact on a Local Government's financial capacity to finance particular projects. With this said, however, a number of joint venture initiatives between the Shire of Gingin and State Government instrumentalities have been progressed in the past, with a spirit of co-operation, and an agreed cross-sharing arrangement. Invariably, over time, the level of funding forthcoming from the State Government instrumentalities reduces, however, with heightened community expectations the service is retained at a significantly increased cost to Local Government.

It is apparent that State Government agencies can only commit 12 months in advance, which makes true resource sharing partnerships difficult to foster for the longer term benefit of the community. It is apparent that joint venture partnerships at both a Local Government and State Government level are treated with caution because of the absence of any guarantees in respect to ongoing funding. This issue would need to be seriously addressed if Local Government was to assume certain State Government responsibilities.

In the Shire of Gingin there is an increasing community expectation that the Local Authority will take on responsibility for addressing local environmental issues. There is no devolution of authority from the relevant State Government agencies on these matters, resulting in:

- A time consuming co-ordination function necessary to meet community expectations.
- No devolved support in the form of financial assistance or administration.
- State agencies being insufficiently funded to deal with local environmental matters, with the limited State resources being devoted to statute and policy formulation, with limited resources for implementation.

In country Western Australia Local Government Authorities are expected to involve themselves in traditional State Government areas of responsibility, given Local Government's accessibility to the community. The absence of

State Government agency presence in the majority of country Western Australia has resulted in significant community expectations being placed on Local Government in responding to their diverse service delivery expectations.

5. 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

It is noted that the "Inquiry is to be conducted on the basis that the outcome will be budget neutral for the Commonwealth". If this is the case, and the cost of service delivery increases by virtue of increasing community expectations, it is clear that the resultant financial implication will rest solely with Local Government. Clearly, this would be an unacceptable outcome to all Local Government Authorities if it was to materialise. Adequate, and ongoing financial assistance from the Federal Government would be a prerequisite to any intended rationalisation.

Local Government Authority involvement in the management and delivery of health, education and police services raises significant issues with equally significant long term implications. If the Australian population wants more local involvement in these traditional State portfolio responsibilities, comprehensive Government re-organisation would be required. It is probable that this would necessitate a move to Regional Government as opposed to State Government, as the preferred option. At this level, a National Summit on Roles and Responsibilities of the preferred Government structure, both existing and proposed, would be necessary, with preliminary discussion forums.

The Gingin Shire Council is of the view that, due to constantly changing demographics within the State, it would be preferable for police, education and health service delivery to remain a State responsibility. This will ensure that these services can be appropriately monitored, with sufficient mobility required to reallocate resources on an "as needs" basis.

Clearly constitutional recognition will be required for Local Government before any cost shifting can be seriously contemplated. The concept of cost shifting, without appropriate constitutional recognition, is considered futile, on the grounds that there would be significant uncertainty as to the future of Local Government under any new Government structure.

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

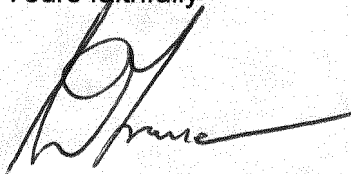
The Shire of Gingin did not participate in the Commonwealth Grants Commission Review of the Local Government (Financial Assistance) Act 1995, but did lodge a submission in respect to the Western Australian Local Government Grant Commission Review which was facilitated in May 2002.

A copy of Council's submission in respect to the Western Australian State Government Review is enclosed.

Council thanks you for providing it with the opportunity to comment on the Inquiry into Local Government and Cost Shifting, and trusts that these comments adequately address the various Terms of Reference.

Should you have any queries pertaining to any aspect of this submission, please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S D Fraser', with a long horizontal flourish extending to the right.

S D FRASER
CHIEF EXECUTIVE OFFICER

Our Ref: SDF:gjf 1.2.5.9
Enquiries: Simon Fraser

13th May 2002

COPY

Ms Tammy Greaves
Department of Local Government and
Regional Development
Post Office Box R1250
PERTH WA 6001

Dear Tammy,

RE: REVIEW OF THE OPERATION OF THE LOCAL GOVERNMENT GRANTS ACT 1978

Please find following, a submission from the Shire of Gingin relating to the review of the Local Government Grants Act 1978.

In regard to the submission, Council has addressed the questions posed in the Discussion Paper where a comment or recommendation was felt necessary by the Council.

Where no question is addressed, Council requests the status quo remain until such time as alternative recommendations are put forward.

3.1 Nominating organisation and number of members on the Commission

3.1.1 *Should the number of members be greater or fewer?*

The Shire of Gingin is of the opinion that the present numbers of the Commission should be retained, although would be prepared to re-consider this view in light of evidence to suggest savings in operating with a reduced number.

3.1.2 *Does the formation of a single representative organisation for Local Government (WALGA) mean that it is now feasible to reduce the number of local government members on the Commission?*

In light of the amalgamation of the former Local Government groups into WALGA, Council is of the opinion that the existing arrangements should be maintained, whereby three representatives are chosen from the single Association.

Continued.....2.



Information in the Discussion Paper in regard to alternative models used in different States are certainly of interest to Council, particularly the Tasmanian one, where a member cannot be a current Councillor or Council employee.

- 3.1.3 *Should the provision in the Act for members to have regard to the general interest of all local governments in the State be retained?*

To ensure the funds are allocated on a fair and equitable basis, members of the Commission should have regard for the general interest of all Council's within the State.

If Commissioners were required to represent other interests, the allocation of funds may well be determined by which Commissioner is most effective in organising and persuading fellow members.

- 3.1.4 *Should appointment be based on a pre-determined selection criteria rather than organisational affiliation?*

The Shire of Gingin is of the view that candidates put forward by WALGA should meet a pre-determined selection criteria to ensure those serving on the Commission are equipped and qualified to undertake the requirements of the position.

3.2 Scope for indigenous representation on the Commission

- 3.2.4 *Do you have any other comments on issues related to this matter?*

Council is of the view that expansion of the Committee to include a representative of indigenous interests is not appropriate in such a small Commission. If it was felt necessary to appoint such a representative, it is suggested that it be done so in a purely advisory capacity and as such would not be a requirement to ensure they represent the interests of local governments across the State.

3.6 Serving members of local government

- 3.6.1 *Is it appropriate that sitting members or serving officers of a local government be appointed as local government representatives on the Commission?*

Siting members and many officers have an intimate understanding of the financial implications on local Government as a result of the current allocation methodology upheld by the Commission, and would be in a position to make valuable contributions to the Commission's function.

3.7 Powers of the Commission

3.7.5 *Do you have any other comments on issues related to this matter?*

Section 12 of the Act gives the Commission quite ranging powers to enable it to carry out its functions and Council is of the view that these powers are sufficient to ensure that it is able to conduct its business in an effective manner.

3.8 Recommendations of the Commission

3.8.1 *Is the timing of the grant advice provided to local governments by the Grants Commission acceptable?*

For many Council's the timing of the advice provided is somewhat late for budgetary purposes, although Council appreciates the difficulty for the Commission, in receiving and processing all of the necessary data.

3.8.2 *If not, when should the Commission be providing grant advice to local governments?*

The Shire of Gingin would suggest a March 31st deadline would be more than sufficient notification for all Council's to ensure final grant figures can be included in Budget estimates.

3.8.3 *Do you have any other comments on issues related to this matter?*

Bearing in mind the submission process is becoming increasingly streamlined, it may now be feasible to bring forward the due date for submissions/information returns etc to be submitted to the Commission.

Whilst there will always be some delays in Council supplying the information due to a wide range of reasons, some acceptable, some not, if the majority are able to comply, this may assist the Commission in processing the required information.

3.9 The requirement for local governments to supply information

3.9.1 *Is it appropriate for the commission to require local governments to provide information?*

The provision of information to the Commission by all local Council's is seen as a mandatory requirement by the Shire of Gingin.

3.9.2 *Is the inclusion of a penalty provision appropriate?*

Council would be extremely reluctant to see the inclusion of a penalty provision, however, such a penalty may be appropriate in circumstances where the information return or other information requested is long overdue and this delay has not been adequately explained.

3.9.3 *If so, what should be the nature of the penalty?*

This poses an interesting question, as any measure taken will only penalise ratepayers and residents of the affected Shire.

If the Commission was of the view that the delay in forwarding information could not be adequately explained, then perhaps a monetary penalty may be appropriate, or another option may be a delay in forwarding the following year's payments i.e. one or two month delay for each of the four quarterly payments.

Council has no set view on this matter, although believes penalties should not apply for minor delays as this would unduly affect smaller Council's who may not be able to adequately cover staff shortages etc, to the same extent as larger Councils.

3.9.4 *What other mechanisms could be introduced to enable local governments to supply information on a more timely basis?*

As mentioned in 8.3 – it may now be feasible to bring forward the due date for information returns each year.

Whilst it is appreciated that all Council's may not be able to comply every year with the earlier deadline, if the majority of Council's are able to comply, this may assist the Commission in processing the volumes of information.

3.10 The provision of information

3.10.1 *Is it appropriate for information provided by local governments to the Commission to be provided to other parties, including other local governments?*

The Shire of Gingin is of the opinion that it is appropriate for the Commission to provide information to other parties, particularly other local governments. If information is supplied to organisations other than Western Australian local governments, the Commission should be able to charge for this information on a commercial basis, to be offset against administrative operating costs of the Commission.

Continued....5.

Obviously all due regard should be paid to the privacy of those citizens whose details are being supplied and quite possibly the information should only contain statistical data and the like.

3.10.2 *If so, should the commission charge for the supply of information?*

As stated above, the Commission should be able to charge external organisations, other than Western Australian local governments for the information supplied and that this charge should reflect a commercial cost of such.

3.11 Public Hearings

3.11.1 *Can the value of public hearings be improved for local governments? If so, how?*

The value of a public hearing as such is questioned by the Shire of Gingin, with the vast majority of matters discussed at any such hearing really of little interest or comprehension to most residents and ratepayers.

A slightly different arrangement, whereby the public hearing is held as part of a designated Council Meeting may increase the scope for public attendance, with any advertising limited to the usual advertising requirements of the Council for meetings.

3.11.2 *Should there be a specific requirement to advertise public hearings?*

If the suggestion in 3.11.1 to hold public hearings in conjunction with the Council Meeting, was to be implemented, it is suggested that any advertising be limited to the usual advertising requirements of the Council and those specified within the Local Government Act. A small notation against the relevant meeting date, that the review or submission is being held as part of the business to be discussed at that meeting could be appropriate.

3.11.3 *Should the current frequency and format of the public hearing process continue?*

The current cycle is adequate to ensure all local governments are given an opportunity to present their views and concerns with the grant allocation process, Council would be agreeable to extend the frequency of public hearings assuming the right to a special hearing is maintained.

3.12 Special Hearings

3.12.3 *Do you have any other comments on issues related to this matter?*

In the event a Council feels particularly aggrieved with the outcome of the grant allocation process and the Commission's deliberations, the option of requesting a special hearing is essential. This not only allows the Council in question to put forward its concerns and have them addressed by the Commission, (thus promoting greater understanding of the process), it also gives some degree of accountability to the process.

3.13 Submissions

3.13.1 *Is the provision for making submissions still appropriate?*

Council views the option of making a submission to the Commission each year as being a necessary step in the Grants Commission process. While reasonably happy with the existing format of such submissions, Council would welcome alternative arrangements for making a submission to the Commission.

A general comment in regard to this matter is that the submission process is very detailed and quite time consuming in terms of staff resources and perhaps a more simplified approach would be beneficial for all.

3.13.3 *What are the options for improving the submission process?*

As indicated in question 3.13.1, a more simplified submission process would provide many benefits for both the local authorities and the Grants Commission who have to process the submissions received.

In regard to what format a more simplified process could be implemented, Council is open minded and would welcome recommendations from the Commission and/or other local authorities who may have similar views.

3.14 Powers of the Minister

3.14.1 *Are the powers of the Minister in respect of local government grants appropriate?*

Council believes the powers of the Minister under Section 10 of the *Local Government Grants Act 1978* are appropriate, and as such do not require amendment or alteration.

3.15 The effectiveness of the Commission's operations

Although appreciating the difficulties of measuring the Commission's effectiveness against pre-determined criteria, it is felt there is some scope for improvement in this regard.

Although a subjective analysis can be provided by Chief Executive Officers, these could only be considered useful in terms of general feedback. To measure performance, key criteria need to be established, quantified and assessed on an annual basis.

3.16 Funding of the Commission

3.16.1 *Should local government contribute to the costs of operating the Grants Commission?*

It is the Shire of Gingin's view that local Councils should in no way contribute to the cost of operating the Grants Commission. The Grants Commission payment is made by the Federal Government to the Grants Commission to allocate to local authorities. If it is the view that administration costs should be passed on, it could be equally argued that perhaps local authorities could assume responsibility for the Grants Commission process themselves.

Alternatively, the Department of Local Government, as part of its operating activities, could assume the responsibilities and functions that the Commission currently undertakes, particularly if a more streamlined system is forthcoming from this review.

3.16.2 *Is it reasonable for the cost of funding the operations of the Grants Commission to be derived from a short term investment by the State of the grant funds prior to payments being made to local governments.?*

It is the Shire of Gingin's view that if any such investment was made, any income earned from such investment should be re-distributed to the local Councils in accordance with the Grants Commission formula.

3.16.3 *Do you have any other comments on issues related to this matter?*

The responsibility for control of local governments within Western Australia is Constitutionally empowered to the State Government and as such, costs of meeting these obligations should be met by the State and not passed on to local governments.

Continued....8

3.17 The requirement for the Act to be reviewed

3.17.1 *Should the current review cycle be retained?*

Council is of the view that a five year cycle may be too short, for the review process and would be willing to consider an increase in this time frame i.e. possibly to ten (10) years.

3.17.2 *Should the review cycle be extended to every 10 years?*

See above.

3.17.3 *Should the reference to a set review cycle be dropped and provision be made for reviews at the Minister's discretion, as is the case with other legislation?*

Yours faithfully



G L BIRD
Deputy Chief Executive Officer

GLB:mn
Enquiries: Garry Bird
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