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House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	128
Date Received:	26/7/02
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The Secretary
House of Representatives Economics,
Finance and Public Administration Committee
Parliament House
CANBERRA ACT 2601

Dear Secretary

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING


Thankyou for the opportunity to make a submission to this Inquiry.

The Local Government Association of Tasmania is compiling a submission to the Inquiry detailing the quantitative financial impacts of cost shifting onto Tasmanian local government.

The Council will be contributing to this submission.

In light of this, the Council's individual submission attached focuses on more general concerns, trends and impacts.

Yours sincerely


Alf Mott
GENERAL MANAGER

Encl.

CENTRAL COAST COUNCIL

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Inquiry into Local Government
and Cost Shifting

Submission to the House of Representatives

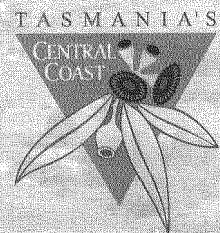
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Executive Summary

There is widespread concern in the local government sector that state and commonwealth governments (and their departments or agencies) are engaging in both direct and indirect cost shifting to local government. The Council is particularly concerned about the Tasmanian state government's role in this.

Cost shifting has occurred through a combination of legislative reform, short-term funding for projects that become long-term obligations, creation of new mandates and expectations, flow-ons from national and international agreements, and voids created by state and commonwealth governments ceasing traditional functions.

The cumulative effects of these developments are more than rural local governments can bear.

The Central Coast Council is a medium sized rural local government authority located in north-west Tasmania. This region has a relatively static economy with higher than average unemployment. The Council's capacity to take on additional roles and functions is therefore extremely limited.

The Local Government Association of Tasmania (LGAT) is compiling a submission to the Inquiry detailing the quantitative financial impacts of cost shifting onto Tasmanian local government. The Council will be contributing to this submission. In light of this, the Council's individual submission will focus on more general concerns, trends and impacts.

Introduction

Legislated roles for local government are created by state governments under their residual constitutional powers.

The local government sector has had limited impact on the contents of statutes and subsequent new or expanded roles and functions for local government arising from the legislative reform process that has occurred in Tasmania over the last decade.

The lack of a clearly defined and agreed set of roles and functions for this sphere of government can open the door for state and commonwealth governments utilising it for their own ends for both statutory and non-statutory roles.

Without doubt, some local government authorities have been complicit in this. And it is acknowledged that it will be difficult to reach agreement on a single, national set of clearly defined roles and functions for local government. This reflects (among other things) the essential nature of local government as the closest to the community it was created to serve, and communities differ widely throughout Australia.

Unfortunately, this has resulted in a common theme expressed by other spheres of government in targeting local government for new or emerging roles because it is the closest to the people - grass roots government. There appears to be little effort on behalf of these governments to analyse the cumulative effects of this strategy on local government.

Financial limitations

The principal source of revenue for most local government authorities is rates. Rates usually only cover a council's costs of being in business - there is no "profit margin" in rates.

State and commonwealth government grants contribute significantly to this revenue base, but are usually "tied" or purpose-specific (except for personal income tax grants).

The only other form of revenue raising available to local government is fees and charges.

In relatively static local economies such as ours, there is a very limited capacity for councils to raise additional revenue through rates or fees and charges.

The Tasmanian state government does not distribute national competition policy payments to local government authorities.

Where projects or initiatives are funded by state or commonwealth governments, they are usually only funded in the short-term. However, the expectation created in the community is for long-term provision of the new service or function. While state and commonwealth governments can just walk away, councils remain "on the spot".

Since our capacity to raise the additional revenue to fund these activities is limited, we are sometimes placed in the position of redirecting funds from other essential activities or arguing with the community about additional rates or cessation of the new activity.

Cost shifting through legislative reform

Local government has no independent powers to create legislation.

The state government, however, enacts not only the legislation that creates local governments, but also supplementary legislation that spells out its roles and functions. Because of this, the Council's major concerns regarding cost shifting onto local government involve the Tasmanian state government.

There have been numerous occasions over the last decade where the Tasmanian state government has passed legislation that creates new or expanded roles for local government without agreement, corresponding implementation resources, or sufficient consultation.

At times this has even occurred without local government being advised of the legislative changes affecting it, only to discover it after the event (such as recent changes to the

Vehicle and Traffic Act 1999 making local government responsible for roadside vending on state roads).

Of particular concern in Tasmania is the suite of environmental legislative reforms and other regulatory functions created under state statutes (such as building control, public health and town planning).

Cost shifting through short-term funding of projects and programs

There have been enormous benefits to local communities from projects and programs funded by state and commonwealth governments.

Unfortunately, some of these programs are only funded in the short term but create an ongoing expectation in the community that local government cannot fund. Examples of these types of programs include natural resource management (such as Coast Care, Water Watch, river works, and weed management), recreation, arts and culture, youth and community service programs, and television black-spot programs.

When funding runs out, communities turn to their local council to continue the programs.

Cost shifting through creation of new mandates

There is often merit in the new mandates being created for local government by commonwealth and state governments (e.g. natural resource management). However, the capacity of local government to resource these mandates is extremely limited in regional Australia.

Also, it is not uncommon for Council staff to be told by members of the community that various commonwealth or state government agencies have referred them to the Council simply on the basis that "if it's not ours, it must be theirs", with little or no contact with the Council beforehand to establish if this is actually the case.

This is sometimes based on the presumption of what local government is responsible for, rather than explicit knowledge. The more these agencies presume it is local government's role, the stronger that expectation becomes - it gains credibility through repetition rather than merit.

The more this happens, the more the community expects the Council to become that thing.

Examples of this type of cost shifting include state housing, road and transport matters (such as new town speed limits, wheeled devices "no go" areas, and traffic and pedestrian lights), television black-spot programs, public safety (such as policing activities), and coastal infrastructure management (such as boat ramps).

Without sustainable long-term funding mechanisms local government cannot be expected to continue having new mandates created for it.

Cost shifting through national and international agreements

There are flow-on effects for local government from the commonwealth and state governments signing up to national and international agreements.

These include an expectation that local government will bear a proportionate (and at times even disproportionate) implementation burden for these agreements.

However there appears to be little, if any, agreement sought from local government at the time state and commonwealth governments enter such agreements - just an expectation that local government will comply or fulfil some yet to be determined implementation role.

A particular example of this is environmental legislative instruments (such as National Environmental Protection Measures and subsequent state instruments such as Environment Protection Policies) created to achieve the outcomes required under such agreements.

This trend has become so disturbing that the LGAT has resolved that a high level delegation wait upon the Tasmanian Minister for Primary Industry, Water and Environment with the

intention of presenting the view that whilst the state government may have an obligation under agreements with the commonwealth government to continue to introduce an ongoing plethora of environmental policies, it is totally unacceptable to councils to impose these new and additional requirements without also providing additional resources.

Cost shifting through cessation of state and commonwealth government activities

There are understandable reasons why commonwealth and state governments cease performing traditional but discretionary activities; after all, local government feels the same resource pressures and has responded in the same way.

But communities are reluctant to let go of services they have become accustomed to receiving, and since commonwealth and state agency offices are usually some distance away and local government is literally on their back doorstep, they target councils for the continuation of these services.

Having just walked away, commonwealth and state agencies are not put in a position of having to explain their decisions to the community, or resolve the continuing community expectations for those services.

Examples include policing (pressure to install surveillance cameras), state road maintenance (such as landslips), technical advice to the community (such as agricultural land capacity and land stability), health care, community programs, transport, housing, and youth services.

Cumulative effects

On its own, each of the areas covered above would create more roles for local government than it can realistically resource.

The cumulative effects of all of these developments have created a situation where local government is stretched beyond its capacity.

While new roles have been created for local government, few have been removed. Nor is it in the power of local government to remove them. We are a captive service provider in many instances.

Conclusion

If governments in Australia are to properly serve their communities there needs to be a more co-ordinated approach to service delivery.

An alternative model to that currently in place would be for each state to involve local government as a full partner in deciding on the roles, functions and finances for each sphere of government. This would have beneficial flow-on effects for the commonwealth government, as there would be little dispute as to the application of funding or undertaking of services.

It is easy to dismiss such an alternative as unachievable, but if we do that there will be little chance of resolving an issue that has the potential to become a major political and social problem for all parties.



Alf Mott
GENERAL MANAGER

25 July 2002

For and on behalf of the Central Coast Council

