



LAUNCESTON CITY COUNCIL

A Leader in Community & Government

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Mr Russell Chafer
Secretary
House Economics Committee
Parliament House
CANBERRA ACT 2600



House of representatives Standing Committee on Economics, Finance and Public Administration	
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Date Received:	6/3/03
Secretary:	

Dear Mr Chafer

Local Government and Cost Shifting

In response to the discussion paper "At the Crossroads", on behalf of the Launceston City Council I would like to make the following comments.

There are a number of comments about 'larger and better resources or wealthy councils'.

No doubt there are different resource levels and capabilities available to Councils. However there should be some caution with this type of comment and comparison. Grants Commission analysis focuses on actual expenditure not long term funding requirements. Depending on the services provided some infrastructure issues can take a long time to effect budgets and expenditure.

The review of financial relationships between State and Local Government would facilitate resolution of complaints about cost shifting.

In Tasmania the review is being carried out on the basis of a revenue neutral outcome overall. If adopted it may well improve transparency but it is unlikely to be viewed as a resolution to cost shifting as it does not address three of the five main causes suggested by the Commonwealth Grants Commission.

Some submissions propose a betterment tax.

This already occurs in some states through the choice of the valuation basis that is used for rating (ie capital, land or assessed annual value).

The Committee is also conscious of local government's low level of net debt.

The process of obtaining borrowing approval based on "annual allocation" is no longer appropriate. If debt is to be used to manage the funding of major projects rather than "balance the budget", Councils need the flexibility to borrow when the project justifies the borrowing.

“... it questions whether a reduction in the minimum grant should be dismissed without further examination ...”

It is understood that Commonwealth fiscal policy is a redistributive process that tries to meet community needs. The predecessor of Financial Assistance Grants was Personal Income Tax sharing and there is a strong argument that some Commonwealth taxation revenue should be shared with all Local Government.

“ ... perhaps sustaining councils that might otherwise adjust more rapidly to harsh realities?”

Grants should not be used to perpetuate “what is”, if there are better overall outcomes that can be delivered by a structural change.

Questionnaire

It is not possible to give an informed or a yes/no response to all the questions raised and so the following comments are provided.

Option 1a

- Maintain and if possible increase the real value of funding.
- Maintain or increase the minimum per capita grant.
- Create an additional pool of funding for Councils that are categorised as having special funding needs.
- Agree that there should be some conditions around
 - Revenue effort
 - Viability
 - Regional outcomes
- Recognise the diversity of local government and support the funding of appropriate roles.

Option 1b & 1c

There appears to be opportunities for a simplification of the system. Although there are also strengths in the model and the State based approach.

Option 1d

Do not favour tied grants.

Option 1e

Other options can be considered but not in a position to say that anyone is preferred or better than the current one.

Option 1f

Other options can be considered but not in a position to say that anyone is preferred or better than the current one.

Option 2

Local Government should be involved in discussions. The difficulty is of course representing the differing functions of Local Government between the States. It may be that the discussion needs to be around the services delivered to the community rather than which part of government provides them. For example, the issues of infrastructure funding for sewerage and water services should not be lost because of differing service providers in different states.

Option 3

Information and understanding can be developed but improvements need to come from within councils rather than be imposed from above. Have legislated methods such as compulsory competitive tendering and rate pegging really delivered better community outcomes?

Option 4

A review of the funding options and constraints, in particular borrowing would be of use. Appropriate reporting including indicators should form part of such a review.

Option 5

Worth further consideration.

Option 6

Agree that existing rather than new bodies or structures should be used.

Option 7

Roles and functions reviews have been tried in the past. These decisions are best made locally through negotiation between the levels of government. It is unlikely that one imposed approach would suit all Councils or the communities they serve. However the transfer of functions needs to occur on an agreed basis. We should not unnecessarily try to prevent the evolution of government relations.

Option 8

Local Government involvement is important. How efficient representation of Local Government can occur in addition to State involvement may not be that easy to achieve.

Option 9

Don't favour the creation of a central agency funded from the Financial Assistance Grant pool.

Yours sincerely



M/J Tidey

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