

# Local Government and Cost Shifting QUESTIONNAIRE

**Please let us know who you are:**

Name:

Position:

From:

**Please return this questionnaire:**

- by faxing to (02) 6277 4774
- posting to The Secretary, House Economics Committee, Parliament House, Canberra ACT 2600

**Please read these instructions carefully:**

If you have the full version of Adobe Acrobat® you can fill in this survey electronically and submit it by email.

- Fill out the questionnaire electronically. You must have the full version of Adobe Acrobat®, **not just Acrobat Reader®**, to use this facility.
- Click on the check boxes and type in your responses where prompted.
- When you click on the "Submit" button at the end of the questionnaire, a email window will open on your desktop.

**Please ensure that you SEND the email with the PDF attachment to  
EFPA.Reps@aph.gov.au**

**Complete this questionnaire  
on the next six pages to let us know  
what you think about the  
Options in Chapter 4 and the  
questions in Chapter 3 in the discussion paper**

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

Submission No: .....378.....

Date Received: .....30/4/03.....

Secretary: .....

# Finance and Cost Shifting

## Option 1a

Negotiate an umbrella intergovernment agreement on FAGs incorporating some or all of the following elements:

- a clear statement of the Commonwealth's policy intent
- adjustment of the escalation factor to match increases in GST revenue or GDP
- changes to the interstate distribution to redress apparent anomalies
- reduction of the minimum grant to direct additional funds to needy councils
- making grants conditional on an adequate revenue effort, the continued viability of recipient councils, and effective arrangements to secure efficiencies through regional cooperation and resource sharing (including merging councils where appropriate)
- removal of unwarranted State restrictions on local government revenue and substantial reductions in cost shifting
- reporting on expenditure

Do you support this option?

Yes

No

## Option 1b

Treat FAGs simply as a tax transfer with a simplified distribution system and formula, administered nationally.

Do you support this option?

Yes

No

## Option 1c

Deliver FAGs through a model of broad-banded program grants to facilitate local government's role in key national initiatives such as regional development, transport, environment etc.

Do you support this option?

Yes

No

## Option 1d

FAGs to be delivered as tied grants.

Do you support this option?

Yes

No

## Option 1e

Consider other horizontal equalisation formulas for local government funding such as the SES formula used by DEST for funding the non-government school sector.

Do you support this option?

Yes

No

### Option 1f

Deliver FAGs through the Roads to Recovery model.

Do you support this option?

Yes

No

### Comments (see questions 1-12)

Type your comments here:

*Council agrees with the notion of an umbrella intergovernment agreement on FAGs and that they should be recognised as merely a tax transfer. Nevertheless there is the opportunity for local government to be involved in broad-banded programs which would necessitate the matching of grants to these initiatives. The delivery of FAGs through the Road to Recovery model is only supported if that means direct assistance to local government from the Commonwealth. The use of the SES formula has some merit but it does not address the current state of a local government area's infrastructure. Careful thought would need to be given to the establishment of any formula so that socioeconomic, environmental, condition of public assets factors as well as other issues could be taken into consideration.*

### Option 2

Include local government in negotiations for the next Commonwealth-State financial agreement and specifically consider:

- the ongoing financial viability of local government in relation to its roles and responsibilities, and the need and scope for increased Federal and State support
- the need to reduce cost shifting and revenue restrictions imposed on local government (unless already addressed under Option 1).

Do you support this option?

Yes

No

### Comments (see questions 4 - 6, 9 - 12)

Type your comments here:

*A representative group of local government areas should be invited to participate in the construction of input into any such agreement so that the plethora of idiosyncrasies across the nation could be considered. It is not appropriate to simply take the views of organisations that currently represent local government on a State or Territory basis.*

### Option 3

Through the Local Government and Planning Ministers Council:

- investigate the principal factors that impinge on the adequacy and effective utilisation of local government's own revenue base
- disseminate best practice in council revenue-raising, and recognise the efforts of those councils demonstrating a responsible and innovative approach to maximising revenue consistent with expenditure needs and community capacity-to-pay
- examine the ongoing viability of smaller rural councils and possible need for alternative models of local government in some areas.

Do you support this option?

Yes

No

### Comments (see questions 2 - 5, 7 - 8, 10 - 12)

Type your comments here:

*While the idea of assessing factors that influence the revenue raising capacity of local government is supported one wonders if this would lead to any change in the delivery of services. This issue raises the fundamental question of equality of basic services to all Australians. In this regard there will be many local government areas, which through policy choice, restrict service provision to the fundamentals of local government e.g. roads and waste. This aspect of "choice" would then have to be reflected in the distribution of FAGs.*

# Infrastructure funding

## Option 4

Conduct a national study into local infrastructure needs and funding in order to:

- fill the gaps in current knowledge and reach a national consensus on the magnitude of the problem
- consider a wide range of funding options including local infrastructure levies and increased but cautious use of borrowing.

Do you support this option?

Yes

No

## Comments (see questions 13 –15)

Type your comments here:

*What we do not need is another study particularly as the condition of public assets reports are already available. However, there is a need to recognise the dilemma facing local government in respect of the maintenance of the infrastructure that currently exists. We do accept that there is the need for the consistent collation of information on a National basis.*

*It is important to note that rate pegging is impacting on the condition of assets as is the willingness of some councils to borrow for their renewal. With so many local government areas across Australia the task of evaluating the status of assets becomes meaningless unless there is a financial capacity to fund their renewal and maintenance.*

## Option 5

Subject to identification of an acceptable funding source, maintain Roads to Recovery into the longer term, either in its current form or as a component of AusLink.

Do you support this option?

Yes

No

## Comments (see questions 14 –15)

Type your comments here:

*The allocation of funds for the existing Roads to Recovery program is clear evidence that the Commonwealth's current income stream has the capacity to finance, on a recurrent basis, this program. Linking to Auslink is not supported as the backlog associated with many local government areas is of immediate concern.*

## Regional Cooperation

### Option 6

As a general rule, ensure that Commonwealth-funded programs involving local government and a regional planning or delivery mechanism make use of established regional organisations of councils (or equivalent) rather than establish parallel bodies, provided the ROCs have demonstrated capacity.

Do you support this option?

Yes

No

### Comments (see questions 16 -17)

Type your comments here:

*The current ROCs are voluntary and do not have the capacity to undertake either service delivery or planning on any regional scale. Local government may be willing to resource a strong and effective system of ROCs if the representation of the local communities is not diminished and the economic advantages would result in an improved level of services and facilities at the local level.*

## Rationalisation

### Option 7

Through the Local Government and Planning Ministers Council:

- negotiate an intergovernment agreement on principles and procedures for the future transfer of functions and financial obligations from the Commonwealth and/or States to local government, as well as the imposition of new functions
- regularly review and disseminate best practice in State-local government relations, particularly in relation to cooperative planning and service delivery.

Do you support this option?

Yes

No

### Comments (see questions 1, 18 -19)

Type your comments here:

*The rationalisation of the transfer of functions through intergovernment agreements is fundamental to the improvement of government service provision. There is recognition that local government is best placed to many provide services at the local level and seemingly without documentation of what is expected by the funder and the provider there will be no transfer. As a result there is the need for clearly enunciated principles and procedures for the transfer of functions.*

### Option 8

Ensure that local government is a party to negotiations and a signatory to all SPP agreements covering functional areas in which it has significant responsibilities, using the AusLink approach as a model.

Do you support this option?

Yes

No

### Comments (see questions 20)

Type your comments here:

*Using the Auslink approach as a model tends to suggest that there is hope that there would be a far greater opportunity to address significant community service issues on a broader spectrum than under existing provisions. This suggestion can only lead to better outcomes for rural and regional communities rather than having to be subservient to decisions being made for the good of the greater populated areas of the country.*

## Capacity building

### Option 9

Use a 'top slice' of FAGs (perhaps 0.5%) to fund a national capacity building agency along the lines of UK Improvement and Development Agency (IDeA).

- Give the capacity building agency responsibility for accrediting councils and regional organisations of councils wishing to become agents for the delivery of Commonwealth programs.

Do you support this option?

Yes

No

### Comments (see questions 21-23)

Type your comments here:

*If the option achieves the capacity of all local government areas to deliver similar levels of service then there is support. However if the Central Agency is there as a "watchdog" then no.*

**SUBMIT by email**

When you click on this SUBMIT button an email window will open.  
**Please ensure that you SEND this email with the PDF attachment**

*Please note: if an email window does not open, this probably means you do not have the full version of Adobe Acrobat®. In this case, print out the survey and submit by fax or post.*

**AT THE CROSS ROADS**  
**-a discussion paper**

**Inquiry into local government and cost shifting**

**Question 1**

***Is there a need for significant changes to local government's current package of roles and responsibilities?***

Yes. There needs to be a review of the roles and responsibilities of all levels of government as there is significant duplication of effort and fiscal losses through administration of grants between levels of government. This will provide for a more efficient and effective government service across the nation.

**Question 2**

***Should there be greater differentiation of responsibilities between larger, better resourced councils and those with small populations and limited revenue?***

While there is the opportunity for greater differentiation of responsibilities between larger and smaller councils this is not the answer. The view is held that there should be greater resource sharing and cooperation. If this were to be the case then there may be a case for differentiation. Resource sharing could then lead to economies of scale and the rationalisation of services in general. It assumes delineation and full passage of funds to councils for them to assume those roles and responsibilities.

**Question 3**

***Is there a need in some regions for restructuring to improve the viability of councils?***

Yes. There are numerous councils in NSW that are either not viable or unable due to financial constraints to provide a reasonable level of local services or rely on a close-by council to provide public infrastructure such as swimming pools, libraries, community halls and the like. There is also the case that small councils demand unnecessary levels of management and administration while at the same time are unable to attract the appropriately qualified staff from the limited resources throughout the state.

However, these comments need to be balanced by the fact that there is already cost shifting and duplication of administration (in particular) between State and local government. This too needs to be addressed.



#### **Question 4**

##### ***Is cost shifting a growing problem?***

Yes. New legislation is demanding more and more of local government and requires the allocation of already scarce resources into planning for the delivery of state services and initiatives without the necessary corresponding level of finances (yet those local government resources are wasted as the State Government duplicates and undertakes their own plans without reference to the social plans, CoPW's or SoER's produced by councils). Social planning and delivery of related services, environmental planning and implementation of programs, fire hazard reduction in state forests and national parks adjoining council reserves are just some examples where there is opportunity for improved coordination through the councils of the area concerned.

Funding for Rural Fire Services and the NSW Fire Brigades is one area that portrays the unsustainable Government practice of increasing local government costs beyond rate pegging.

#### **Question 5**

##### ***Are there examples of successful State-local government arrangements to deal with cost shifting?***

No.

#### **Question 6**

##### ***How might the Commonwealth promote a more comprehensive approach to reducing cost shifting?***

Firstly there is the problem of identifying which level of government is responsible for the function/service in the first place. Thereafter, an intergovernmental agreement, which stipulates the need for identification of the cost of a function before transfer, will determine the responsibility for funding. The Commonwealth and States need to accept that rates were, in the initial formation of local government, to be levied to meet the cost of fundamental infrastructure and services i.e. roads and rubbish. It has, however, through function "shifting" and community demand that local government has accepted an ever-increasing role in the delivery of services.

The states could remove "rates" as a revenue stream for local government with the commonwealth and states providing revenue for the services provided by councils. This would address the varying capacities to pay of property owners throughout the country. This proposal also establishes the proposition that all taxes should pay for service provision rather than just property owners. This would remove the cost of every council administering revenue raising from rates as well as potentially the expense of property valuations every two years.

However the opportunity to raise taxes (through say rates/charges) could still be required so that local government may provide services demanded by local communities that are beyond the accepted level.

User pays is a revenue stream that has a place in local government either to reflect full cost transfer to the user of the service or is only part funded through taxes because of a community service obligation.

#### **Question 7**

***What specific steps might be taken to generate significant increases in income from local government's established revenue base?***

The following suggestions are offered:

Commonwealth and states to accept total responsibility for pensioner concessions.

Betterment tax.

Elimination of payroll tax for local government services.

Hypothecation of stamp duty.

Share of GST revenues

NCP payments direct to local government as in the case of NSW there has not been any allocation of the State's NCP payments to local government whatsoever.

#### **Questions 8**

***How might a betterment tax in locations of rapid growth work in practice?***

Betterment tax might be introduced through:

- Before and after valuations of properties benefiting from rezoning.
- Recognising the increase in sales activities and the resulting land and stamp duty taxes.
- Rating by turnover or rentals (eg Victoria)

The Council does not support a betterment tax, as such would impact on development and thus employment opportunities in rural and regional Australia.

#### **Question 9**

***In what ways should the certainty and predictability of financial arrangements with other spheres of government be improved?***

An inter-government agreement that requires the identification of funding responsibility for the provision of the service/function should be a basic provision. The agreement would need to recognise the increase in funding requirements arising from CPI and other factors such as GST growth as a progressive tax.

#### **Question 10**

***Is there a case for reducing or abolishing the minimum grant?***

The minimum grant must be abolished because:

Metropolitan councils have completed their construction of essential infrastructure while councils outside of these areas have in many instances 40 years or more of backlog works.

The major population centres utilise rural and regional council roads and facilities while making no contribution to their construction/provision. One example is the use of local libraries and swimming pools by visitors while on holidays and paying, in respect of pools, either nothing or a local community subsidised entry fee.

Metropolitan communities enjoy an enhanced level of facilities including public transport, arts, theatre, sporting and the like not enjoyed by many regional and rural communities. For instance in the case of Sydney, the Opera House, the Zoo, the Botanic Gardens etc etc are funded from State Taxes and not local rates. In regional and remote communities the provision of botanic gardens or arts centres, for instance, is at the cost of the local ratepayers.

Rural and remote centres do not have the economies of scale associated with the high population density of cities. Similarly, the returns from rates over a smaller landmass are far greater per square kilometre than their country counterparts.

In many instances rural and remote communities do not enjoy either essential telecom, rail or air services. This has a dramatic impact on the creation of sustainable employment opportunities.

How many local government authorities in metropolitan areas have inadequate public swimming pool facilities or lack facilities for youth? How much greater is the range of social and community services available compared to remote and rural communities? How many metropolitan councils have to provide facilities for visitors?

Often rural local governments must focus on salinity and pavement effects before improving the social or environmental well being identified and called for by the mandatory social plan and SoER in NSW.

Coastal local government areas, that are attracting retirees in ever increasing numbers, have to cope with a far greater demand for pension rebates given the age profile of these areas. Retirees also impose a demand for an increased level of community services to the frail, aged and disabled. There are also issues that arise from the expectations of those who leave the "City" and find that the level of service provision in the country does not compare. For example, recycling is common in metropolitan areas whereas less than the norm in country areas.

#### **Question 11**

***Is there scope to adjust the inter-state distribution and rationalise the different***

***arrangements for general purpose and local roads grants, assuming both remain untied in the hands of councils?***

The allocation of the FAG's on a State basis has no relationship to local government areas.

FAG's should take into consideration the relative length of roads, the extent of public infrastructure and level of services provided in the entire local government sphere, including growth and visitation pressures. To do otherwise ignores the basic need for the equalisation of services. A state assessment fails to address the fundamentals of basic service provision that should be available to all Australians. FAGs should not be based on the condition of public assets as the condition could relate to poor management.

This approach could require the "tying" of at least part of the grant to the upgrade and maintenance of infrastructure.

**Question 12**

***Would the FAGs system benefit from a clearer statement of Commonwealth policy direction and a formal intergovernment agreement on objectives and processes? If so, how should this be done?***

The Commonwealth must clarify the purpose of the FAG. The basis of FAG must be reviewed. In this regard FAG based on fiscal equalisation principles is flawed. FAG should be based on the fundamental belief that every citizen is entitled to the same level of services no matter where they live. If this cannot be achieved (e.g. rail services are not economical) then those communities should be advantaged in other ways e.g. improved national and state roads and/or a higher level of grants for the provision of social and cultural amenities.

FAG's should address the equalisation of the quality of life for all Australians not fiscal equalisation.

**Question 13**

***What is the scope for specific measures to enhance local government's revenue base to meet infrastructure needs - for example, infrastructure levies and increased borrowing?***

There are two separate issues: backlog and new infrastructure to meet the needs of new residents.

Developer contributions can address the latter however the different level of contributions among various local authorities is an area of concern. For instance, a council that is inclined to keep contributions low to attract development must be

addressed. Consideration should be given to establishing parameters for development contributions.

Some councils have pursued the elimination of debt to the detriment of their communities. Again, there is the need to ensure that there is a fair cost to existing and future communities if there is to be intergeneration equity.

Interest free loans to address backlog may be considered an area that is worthy of investigation. Everyone rather than the current crop of ratepayers would then share the "cost".

If ratepegging is to continue in NSW, then variations 'ringfenced' to accommodate infrastructure renewals of existing infrastructure should be encouraged.

#### **Question 14**

***How could supplementary Commonwealth assistance continue to be financed within the constraint of budget neutrality?***

It is suggested that the tax on petrol be increased by at least 2 cents per litre with the proceeds being hypothecated to local roads and bridges. Similarly proposals for Commonwealth levies for the environment should be considered alongside State and local government initiatives to remove duplication and administrative siphoning from government. This could include incorporation of environment costs into pricing policies for say water, packaging etc.

#### **Question 15**

***How could the States also provide increased support for local infrastructure?***

The portion of stamp duty should be distributed to growth areas to assist in the development of infrastructure associated with rapid growth. NSW should also recognise the impost of the movement of the baby boomers to coastal growth areas where aged population exceeds the State average. The latter has its own impact on the wealth of a local community (and capacity to pay) and creates the need for above the norm level of community services to the frail aged and disabled.

As mentioned previously there is the opportunity for the States as well as the Commonwealth to provide interest free loans. These loans could be used for both backlog infrastructure and for the development of water and sewer works essential to the attraction of new investment.

#### **Question 16**

***Taking into account inevitable limits on funding, what are the strategic priorities for Commonwealth involvement in regional planning and development?***

The Commonwealth's priorities should be directed to the upgrade of major highways and telecommunication that will deliver economic opportunities to remote rural and regional communities. There is also the opportunity to consider the "averaging" of fuel pricing to achieve parity between city and country.

The Commonwealth is also in a position to assess the "equalisation" factor in terms of community wellbeing. Through programs such as Regional Solutions there is the opportunity to direct funds into projects that will see real economic benefits arising in rural and regional Australia.

#### **Question 17**

***On what basis would local government be willing to resource a strong, effective system of ROCs across most of Australia and significantly expand the level of regional cooperation and resource sharing amongst councils as a key element of service delivery?***

Council does not support the creation of a fourth tier of government but does support a more inclusive third tier that more adequately addresses the provision of services at the level closest to the people.

There should be a direct relationship between the Federal Government and the third tier both constitutionally and through funding and service provision. Amalgamation of councils could be looked at after constitutional recognition.

Council would be willing to resource a strong and effective ROC system, where a ROC is a cooperative encompassing the local democratically elected representatives, if there was the opportunity for direct funding by the Federal Government of an expanded range of services. Local councils within the region could then be responsible for the provision of services under this arrangement.

Council would also support any proposition, which would see certain administrative functions amalgamated. The administration of a single salary system would be just one example where councils within a region could cooperate and the undertaking of the coordination of services on a joint basis as is the case with our library would be another example. However Council does not support any system which removes political decision making from the direct local area (e.g. a regional council should not determine development applications). Decision-making should be made at the local level.

The State would also find it far easier to achieve the introduction of new initiatives. The development of new partnerships, whether public/private or State/Regional, for the construction or management of infrastructure would also be more easily achieved.

#### **Question 18**

***What are the specific areas in which local government sees a need to rationalise roles and responsibilities with the Commonwealth and States?***

### *Commonwealth*

Regional Solutions Program is an area that could be more comfortably addressed on a regional basis. Similarly, the roads to recovery, black spots, and environment programs could also benefit from a regional approach rather than distribution and redistribution through state government. Community health and associated services would also benefit from a regional approach.

### *State*

There are a host of regional offices that could be far better controlled within regional local government. The direction would continue to be set by the State with the education and implementation of the new initiatives achieved in a far more manageable manner. There would also be the obvious cost benefit.

It is noted with interest that the NSW Government has appointed a Minister for the Illawarra. This establishes an interesting precedent that could be pursued for Regional Councils.

### **Question 19**

***Is there sufficient exchange of information between States on 'best practice' intergovernment relations? If not, how could such exchange be improved?***

The fact that the States do not meet to debate "best practice" intergovernment relations is a problem in its own right. Similarly, the negotiation of state contracts for provision of information technology, mapping licences etc often exclude local government. Extraction and use of State Government agency data (cadastre, infrastructure and natural resource) free of charge would be logical.

### **Question 20**

***Should the approach advocated for AusLink be applied more widely? If so, what would be priority areas?***

Economic development is one area that could see real gains for regional and rural Australia. Federal members could have a role identified with regional councils as could state representatives. This would achieve a far more responsive and rewarding relationship.

### **Question 21**

***Should capacity building for local government be approached on a national basis? If so, what are the priorities for a national program?***

There are real benefits to take a whole of nation approach to the development of best practice. The opportunity for a national database of best practice as well as benchmarks is obvious. There is also the opportunity for a task force to assist councils in meeting benchmarks where they fall below the line.

The fact that there are so many involved in assessing the efficiency and effectiveness of local government tells the tale. It is also the case that many councils cannot attest to their relative performance levels because of the lack of resources, that is, their size.

The priorities for a national program might include benchmarking, best practice modeling for the construction of roads and management of waste, establishment of environmental, health, development and construction standards, leadership and management training, personnel management practices including EEO, OHS, certification of skills, salary systems, creation of national and international opportunities for the development of youth leadership, opportunities for the development of the arts and planning/delivery of services for the care of the aged given the increasing average age of Australians.

Capacity building may also include packaging sets of professional skills (rather than current guilds approach) for the expected future role of local government. Those professionals could be made available to all local governments through systematic approach rather than market forces (e.g. doctors/dentist shortage)

Resourcing and engaging volunteers may also build capacity. Coordination of their involvement in community projects and the transfer of skill sets to youth might also be considered.

Throughout Australia local government areas should be resourced to coordinate such things as apprenticeships/traineeships. This Council believes that some of the 'work for the dole' scheme should be replaced by a National apprenticeship/traineeship scheme managed by local councils as host employer. Those apprenticeship/traineeships would be farmed out to other specialist employers within the local council area. This scenario should apply regardless of the age of the unemployed person. Council should be suitably financed for the supervision of any such training program.

## **Question 22**

***What sort of organisational framework is required to ensure an effective capacity building effort?***

A national local government ministry consisting of all local government ministers from around the country with the Commonwealth Minister acting as the Chair might provide the framework for the coordination of effort. This organisation could be complemented by the inclusion of Presidents of Local Government Associations from states and territories. This would require in the case of NSW the rationalisation of the two associations into a single local government representative body.



**Question 23**

***Would local government support some form of accreditation assessment in return for an increased role in the administration of Commonwealth programs?***

Yes. The accreditation of services is seen as a necessary component of service delivery. This would also ensure that standards are achieved and maintained. Accreditation could also address the training and development of persons associated with the delivery of services in order to ensure the attainment of necessary standards.