



**SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE
ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION**

**INQUIRY INTO COST SHIFTING ONTO LOCAL GOVERNMENT AND THE
FINANCIAL POSITION OF LOCAL GOVERNMENT IN AUSTRALIA**

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1. Background

The Tennant Creek Town Council is one of six Northern Territory Municipal councils. Tennant Creek is 500 kilometres north of Alice Springs and 1,000 kilometres south of Darwin. The population of Tennant Creek is 4,000 of which 54% is Indigenous. Historically gold mining has been the major industry in the district, but for the first time in sixty five years there is no operating mine. The major source of income is from Centrelink payments, tourism, Northern Territory Government Agencies and support to surrounding communities and pastoral stations and. There has not been a major economic benefit to the town from the construction of the Alice Springs to Darwin Railway, nor any indication of any future benefits following its completion.

The Tennant Town Council has an area of 42 square kilometres and the rate base statistics are:

Total Valuation of Residential Rateable Properties	\$4.6M
Total Valuation of Commercial Rateable Properties	\$4.7M
Number of Residential Rateable Properties	790
Number of Residential Commercial Properties	178
Number of Non Rateable Properties	68
Percentage of the Total Council area that is Non Rateable	10.77%

The Tennant Creek Town Council supports the submission made by the Local Government Association of the Northern Territory to this inquiry.

2. Local Government Current Roles and Responsibilities

The Tennant Creek Town Council undertakes the statutory local government roles of:

- Delivery of waste management services, including the tip operations;
- Street and verge cleaning and maintenance;
- Management and maintenance of parks and gardens;
- Public library;
- Animal Management; and
- Governance.

Council also delivers aged care services, employs a sports and recreation officer and a biodiversity project officer, who is funded through a two year Natural Heritage Grant.

The Council receives funding for the aged care services, both through the NT and Federal Governments and the sports and recreation officer is funded through the NT Government.

The delivery of the library service is funded through an operating grant from the NT Government, who also funds the purchase of the books. In the Northern Territory all

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the Councils use the same computer system and cataloguing and purchasing is centralised through the Northern Territory Library Information Service.

A major issue with Tennant Creek and the level of rates charged is that they are already high compared with what other communities pay. Significant rate increases are a heavy cost burden on a town with low business confidence and when you consider the services delivered.

3. Current Funding Arrangements

The Council's adopted budget for the 2002/2003 financial year is \$2.7 M, of which \$1.2M is income from rates. The balance of the funding is from Federal Assistance, operational and special purpose grants, without which the Council would not be able to deliver the required services to the ratepayers and community of Tennant Creek. The Council's Federal Assistance Grants totalled \$490,440 in the 2001/2002 financial year, of which \$327,474 was for Federal Assistance and \$162,966 was for roads.

The Council services two loans totalling \$731,950 with annual repayments totalling \$200,150, which represents 7.5% of the Council's Budget.

As mentioned above, the Council receives various government funds for services and special events.

The Council is dependant upon one off Special Purpose Grants (SPG) to upgrade equipment. With the tight financial position of the Council, it has been impossible to fund the replacement of equipment that is essential to maintain service delivery. The Council has been lucky over the last two years receiving grants for the purchase of new computers on the introduction of GST (\$40,000) and for the purchase of a replacement street sweeper (\$68,000). Another example is the \$230,000 grant to upgrade the Purkiss Reserve sporting complex. In larger Councils, they would have the financial capability of building reserves for projects and expenditure of this nature.

The Council organises one off events, such as the annual Desert Harmony Arts and Cultural Festival, which has been successfully run for 13 years. These are funded through grants and in a number of cases the Council auspices grants on behalf of unincorporated community organisations. In addition to grant funding for such events, the Council also seeks financial support from the business community for such events.

The Tennant Creek Town Council has been lucky that it is able to use people on Community Service Orders to supplement its outdoor workforce, which has become a necessity through the lack of funds to provide permanent positions. Local government should not be forced financially into this position. On a positive note, one such person has now filled a permanent vacancy.

4. Funding Impediments

General Comments

The Elected Members request that every potential grant opportunity be followed up, especially due to our tight balance between the cost of service delivery and income. There are so many different grant organisations, it becomes a time consuming exercise to continually follow available funding.

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Once a potential grant source has been identified, there is the need to make a submission which is an equally time consuming to respond to the questions and provide the required information, some of which is duplicated in just one application. There is a need to review and standardise government grant application paperwork.

Some examples of funding impediments to the Tennant Creek Town Council are discussed in more detail in the following sub-sections.

Timing of Grants

The timing of grants is a matter requiring attention. There is no standard time in a year when grants are applied for and when the money becomes available. An example of this is the Natural Heritage Grants (NHT). The Council was successful in obtaining a two year grant and was advised in October 2000. The funds were deposited into the Council's bank account in the December. With the lead time to prepare a position description, advertise the position and recruit, it was the following May before the project commenced. As Council had applied for a two year grant, it automatically assumed that the project timing commenced in May. Under the NHT guidelines, the two years is from the time of offering the grant: i.e. October. The Council is now spending time preparing reasons for its extension. This timing also presents accounting issues due to carry overs between financial years.

As all levels of government are now on the same financial years, strong consideration must be given to timing major grant applications and funding to be in line with financial years, especially when considering staffing matters.

Child Care Example

The Tennant Creek town Council took over the management of the childcare centre a number of years ago as it was in financial difficulties. Due to the problems the Council experienced in meeting the recurring costs and losses in running the childcare centre and the recruitment of a suitably qualified and experienced director, the Council took the decision to relinquish the management of the centre in December 2000 and hand it over to a parent management committee. This was also on the advice of the NT Government of the day, who recognised the benefits to be gained by having the childcare centre managed by parent management committee. At the time the centre was losing \$40,000 per annum, which was financed by the Council; i.e rates.

There is a very stringent inspection and certification regime on childcare centres and as the building was old there was always work to be undertaken after an inspection, with the associated costs. There were no funds available from the government to undertake these works, even when they resulted from changes in requirements.

In 1999/2000 the air conditioning system failed and had to be replaced, air conditioning being essential for the operation of the centre in Tennant Creek. The Council didn't have the funds to replace the system, estimate to be \$68,000 for a new system. The Council was lucky that the NT Government donated a second hand air conditioning system, which had been removed from the high school as it had reached its "useful life" and a grant of \$20,000 as a contribution to its installation. The Council was required to make a further commitment of \$9,000 to complete the installation. This is an example of the Council delivering an essential service to the community and the need for access to funds for specific purposes to maintain the service, especially emergency funding.

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For remote councils with a tight financial position, consideration should be given to the accessibility of “emergency grant funding” to meet such condition. If councils are unable to meet such conditions from their own funds they have to endure the criticism of their community, especially when funding non core services.

Staff Recruitment and Training

Councils often have to pay the costs of recruitment and housing in remote areas for personnel they employ, which is a major impediment to councils. As identified above, the Council had problems recruiting a suitably qualified and experienced childcare director, although , it is acknowledged that the NT Government provided a \$5,000 grant to assist with relief directors whilst a new one was recruited.

The recruitment and retention of professional staff is a major issue in remote locations, such as Tennant Creek. Due to funding limitations it is difficult to offer the salary and range of other conditions, such as accommodation, candidates would expect to receive if working in Tennant Creek as compared with in a capital city or more densely populated area of Australia.

Training for Elected Members and staff needs to be better planned and executed particularly for rural and remote councils where delivery is often ad hoc and infrequently organised. There is a significant additional travel and accommodation cost burden to be met to ensure that training is available. Funds for these purposes are often held at the Territory or Commonwealth government sphere who determine its purpose and application. Often Councils are ‘at the mercy’ of the other spheres and must take ‘what it on offer’. A suggestion would be the allocation of a % of the wages and salary budget for training through the Federal Assistance Grant.

Staff recruitment and retention in remote locations requires urgent attention through the allocation of specific funding. Please refer to section 7 where the development of a new funding formula is outlined.

Library

As mentioned in 2 above, the NT Councils receive government funding for the operation and development of their libraries. His funding arrangement was established for a three year period, which expired two years ago. Since then the NT Government has employed consultancies to develop the future strategy, which to date has not been finalised. In the meantime, the councils have received the same level of annual funding as under the previous agreement and councils have had to make up the funding shortfall to maintain services. In addition, there has been a low level of consultation between the relevant councils and the government.

In instances of this type where there is a government commitment to the delivery of a service, governments have a responsibility to ensure that any reviews are undertaken in a timely manner such that the grants continue to be made available, without financial impediment to the service deliverer, in this case local government.

Aged Care

The Tennant Creek Town Council delivers aged care services and is also the recipient of six CACP’s.

There is a need to review the allocation of CACP’s, in particular the timing of applications and provision of the funding. The Council originally required 3 packages and was advised by the relevant government department to apply for 4 packages. The Council eventually received 6 packages. Due to the time taken to approve the

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packages the original 3 clients had passed away. A further difficulty with CACP's is that the assessment approval for clients requiring packages is handled in Alice Springs, 500 kilometres from Tennant Creek.

The Council was under considerable pressure to "hand back" the packages as they were not being used. The Council entered into a brokerage arrangement with the other aged care provider in Tennant Creek eighteen months ago, Julalikari Council Aboriginal Corporation, whereby Council now has two clients and four packages are brokered out. The community has gained by this initiative but it was initially not approved by the relevant departments.

A second issue with aged care is that over recent years there has been requirement for increased compliance, resulting in a significant increase in data collection and administration resources. This data collection involves both the supervisor delivering the service and other Council staff who are required to provide information, including Council's auditors. This additional compliance requirement has not been recognised with increased funding.

A third issue is the rates of pay for carers allowed for under the aged care programme. These rates are set by the government grant funding and there is no allowance for the fact that the Council is required to pay its staff in accordance with the signed award agreements it has in place. For example, the aged care rates are a flat rate irrespective of the day or time of the week, whereas the Council is required under its award to pay penalty rates under certain conditions.

Aged care is not a statutory local government service and as such, with the issues of data collection, compliance and wage rates, this is an example of the Tennant Creek Town Council delivering a service on behalf of the government and not receiving adequate funding to cover the service and compliance costs.

Following a review of primary health care in Tennant Creek, the possibility of establishing Multi Purpose Service (MPS) is under review. The promise is more government funding but the benefits to the community have to be identified.

Dump Operations

The management of dumps in the Northern Territory is a major issue, in particular the forthcoming need to licence dumps and any associated funding. Dumps are essential for all communities and it is essential that they are managed responsibly, in particular taking into account the environmental issues. Due to Tennant Creek's location and isolation, it is of no value to have a recycling service, which is accepted industry standard for waste management.

The Community Councils in the Northern Territory receive grants to assist with the operation of their dumps, but the municipal councils receive no annual financial grants. It is again the issue of isolation and small communities with tight financial constraints which are the issues.

The operation of the Tennant Creek Town Council dump is contracted out and there is a requirement that a management plan be developed and that the dump be licensed, because of the town's population size. To achieve this, the Council has been required to allocate funds for a consultancy to review the current operating procedures and recommend improvements prior to preparing the management plan. It is already known that the Council will be required to invest money into the dump, which will include capital equipment purchases and the provision of grant funding.

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The operation of the dump highlights the need for government funding, both capital and operational irrespective of the community, to be available for the delivery of essential services to agreed standards, and in the particular with waste management environmental standards.

In major centres there is the ability to establish partnerships with major national contractors, such as Cleanaway and Visy, to provide industry support, especially in the area of waste minimisation. This is not available in isolated communities, hence additional costs.

5. Impact on Local Government Funding through Changes in Government Responsibilities

There are a number of functions the NT Government has been considering transferring or further transferring, either by subtle or formal means, to local government. Two examples which effect Tennant Creek are discussed below.

Services such as environmental health, building planning and control are managed by NT Government agencies. There was a review undertaken a couple of years ago into the transfer of the environmental health service to local government, but it has not progressed.

Should responsibilities, such as environmental health, be transferred to councils such as Tennant Creek it would be difficult to fund the service. In this day and age of ‘user pays’, it would be hard to generate an income to sustain an environmental health officer position in a small community such as Tennant Creek. There are only so many times that an environmental health officer can call on one food outlet premises or hotel on a “fee for service” basis to conduct an inspection and charge for services rendered. The environmental health officer position as it is with the NT Government’s Department of Health and Community Services provides services to the whole of the Barkly Region. Would this be the continued expectation if the position was transferred to the Tennant Creek Town Council?

A similar position would exist with handling building planning issues. Unlike local government in other states, planning and building control is not a function of local government in the Northern Territory, it is managed by the government, through the Development Consent Authority, on which the Council has representation. Currently planning matters and building inspections are undertaken from Alice Springs, resulting in the proper guidelines and protocols not being followed.

With the introduction of the new swimming and pool fencing legislation in the Northern Territory, there could well be additional local government functions as in other states. If Northern Territory councils are to administer this legislation, staff training and recruitment support will be required as well as the on going funding.

An issue that is not properly addressed in Tennant Creek is abandoned and derelict buildings, as the Council is not vested with the control or authority, as discussed above. To attempt to resolve a recent derelict building issue it required the Council’s involvement and a number of NT Government agencies. When the matter is discussed with the government, their recommendation is the introduction of a council bylaw.

On the other hand there is a definite need to improve the overall delivery of services to small communities like Tennant Creek, as presented above, which could be achieved through a transfer of authority to local government.

The major issue with the transfer of services and functions to local government is that they receive the correct level of funding and support, not just initially but permanently, without local government continually having to chase up governments to meet any funding shortfall, as per the library funding previously discussed. The operating costs associated with the transfer of services from state or territory governments to local government must be met and maintained, such that there is no additional cost burden to the ratepayers.

With the transfer of services, there has to be the correct mix of service level, funding and which is the best level of government or agency to effectively deliver the service to the community.

Such an example of exploring the deliver of services on a regional basis, such as in the Barkly Region, is discussed in section 6.

6. Rationalisation of Local Government Roles and Responsibilities

In 1999 the Barkly Blueprint was prepared, which has now been endorsed by the current NT Government as the regional plan for the Barkly, which includes Tennant Creek as the main commercial centre. The Barkly Blueprint identified the issue of service delivery at a local government level through Goal 5 “*Effectively coordinate the various community interests*”, Project 2 “*Formalise strategy to coordinate community activities in both public and private sectors*” and Project 3 “*Rationalisation and extension to areas of service by organisations and local governing authorities*”.

The current NT Government is fostering partnership agreements, through which the Tennant Creek Town Council has successfully received a \$50,000 capacity building grant, which has been supported by a further \$75,000 grant to the Julalikari Council Aboriginal Corporation to facilitate improved service delivery to the Barkly Region. Julalikari is the major Indigenous organisation delivering services to the surrounding communities, a number of whom receive no local government funding and are disenfranchised.

The project is now known as “Building a Better Barkly” and a formal steering committee established. The draft objectives are:

- Establish partnership agreements between organisations and government agencies to increase and optimise the level of funding and resources available to the Barkly Region to improve the level of services delivered, ensuring that services are delivered efficiently and effectively; and

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- Address the issues raised by John Ah Kit MLA, Minister assisting the Northern Territory Chief Minister on Indigenous Affairs, in his Ministerial Statement of March 7 2002, in particular the issue of the responsibilities and resources of the Aboriginal community government councils and those Aboriginal communities who are disenfranchised.

The actions to be undertaken with this funding will include:

1. General Awareness – This will involve the implementation of a strategy to raise the awareness of the benefits from entering into a partnership agreement and possible structural reform. This will involve communication and data gathering between the Tennant Creek Town Council, the other stakeholders, Aboriginal community representatives, service delivery organisations and NT and Federal Government Agencies. This will be carried out through a series of workshops across the Yapakurlangu Regional Council Region;
2. Exploration of Possibilities for a Partnership Agreement and/or Structural Reform – This will involve evaluating the range of issues involved and possibilities in developing a specific proposal for partnership agreements or structural reform in the delivery of services through local government and NT and Federal Government Agencies. This will involve the use of the data collected from phase 1;
3. Development and Refinement of Draft proposals – This will involve developing specific proposals and implementation plans in conjunction with the organisations, communities and respective government agencies who want to participate in a partnership agreement; and
4. Approval Process for Final Proposals – This will involve finalising the partnership agreement, any structural reform, the development of an implementation plan and arranging for sign off.

It is hoped that there will be a rationalisation of service delivery through this process, a better access to funding and improved government funding and resourcing. This could then be accepted as a recognised region to receive local government funding at a Federal level instead of through the NT Government.

7. Proposed Federal Assistance Grant Funding Option

The Tennant Creek Town Council is acutely aware that there are limitations and deficiencies in the current system for the allocation of the grant funding due to the politicising of the process, which disadvantages small remote isolated communities and towns. The current funding process does not take into account the real costs of service delivery to remote areas, both in wages and conditions and the cost of purchasing materials, which are significantly higher than in areas of Australia with a higher population density and less remote.

The Council proposes that the inquiry needs to develop more appropriate funding distribution mechanisms. This may result in the application of various models, depending upon zones within Australia, a suggestion being the taxation zones.

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An example of such a model for an isolated location should include consideration of:

- Review the actual dollar expenditure required to deliver local government services to ratepayers throughout Australia, in particular in isolated communities and what are the additional costs;
- Review all the staff recruitment, development and retention costs associated with working in remote locations as compared with more centralised towns;
- The allocation of an annual training grant as a component of the Federal Assistance Grant based on a percentage of the wages and salary expenditure;
- Generate a formula (or formulae) to be set by geographical areas, such as taxation zones, taking into account the service delivery costs involved and any additional costs, allowing for all special needs factors, for example: such as distance from suppliers, employment and recruitment costs; and
- Allow for the Aboriginality percentage, as it is known that there is an increase in costs to look after and cater for Aborigines. An example is additional street cleaning to remove broken glass through excessive drinking.

A formula system of this type could then allow for the distribution of funds more centrally from the Federal Government with a reduction in management and administration costs, especially if it was included through a regional partnership agreement as discussed in 6 above.

The development of such a system should also include an examination of the Financial Assistance grants paid interstate to Councils with those in the Northern Territory, which reveals a stark imbalance caused largely by the per capita distribution of such grants

8. Findings of the Commonwealth Grants Commission Review

The Tennant Town Council needs more time to consider the outcomes of this review and to prepare a further response. The Council will submit a supplementary submission to the inquiry during August to address this item on the terms of reference.