



## **INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING**

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

#### **Introduction**

Submission by Brian M Inches FLGMA, FAICD, General Manager of the Sorell Council in Tasmania into the effect of Cost Shifting on Local Government.

#### **Background**

The Sorell Council is situated 23 kilometres east of Hobart and includes the popular surf and beachside areas of Lewisham, Dodges Ferry, Carlton and Primrose Sands. The area also boasts a wetlands of international significance listed as one of seven such sites with RAMSAR listing in Tasmania.

This area has a permanent population of approx. 4,000 and has no reticulated sewerage schemes or potable water supply.

The Council has, in recent years, commenced design and documentation for sewerage Stage 1 of the area, however is finding the costs prohibitive.

#### **Submission**

The benefits provided by the Commonwealth Government's Natural Heritage Trust fund in recent years have enabled a significant number of Local Government projects to proceed, the large majority of which have been aimed at achieving sustainable environmental improvements.

Unfortunately for Sorell the focus of the Program has not been directed at construction of new infrastructure such as water or sewerage systems. The Coast and Clean Seas Program provided an opportunity for grants up to \$250,000 to be provided for such projects, however the funds were inadequate to address the enormity of providing water and sewerage to the communities mentioned above.

The Tasmanian State Government has recently repealed legislation that provided an opportunity for State Government subsidies for projects such as water and sewerage on the basis that assistance would be provided to meet the capital and operational cost of projects deemed to be at a cost beyond which the local community could afford and beyond a "State Subsidy Level".

This provision was contained in Section 40 of the Water Act 1957, however this Act was repealed on 1 January 2000.

To place this particular statement in context I will provide further background in relation to this issue.

Following the enactment of the Water Act 1957 Councils wishing to construct water and/or sewerage infrastructure could make application to the then Rivers & Water Supply Commission who pursuant to the Act determined a "State Subsidy Level" each year.

In the event that the ultimate cost per connection for the Scheme exceeded the State Subsidy Level the State Government would provide a subsidy to assist.

This subsidy was ultimately limited to 25% of the total charge up to a maximum of \$100 per connection.

In addition to the subsidies loans were also available, at reduced interest rates, through the Rivers & Water Supply Commission to assist with the cost of constructing new Schemes.

This Scheme was welcomed by Local Government and was no doubt instrumental in promoting the construction of sewerage and water projects for the benefit of many communities throughout Tasmania.

In 1992 the cost implications of the Subsidy Scheme were reviewed by State Cabinet resulting in the decision to no longer approve any further subsidies and that only existing commitments would be honoured. At the same time a decision was made that no new loans would be made by Government to Councils for such infrastructure.

In the period between 1992 and the repealing, on 1 January 2000, of the Water Act 1957 the State Government provided no subsidy assistance to Councils as provided for in the Act.

Since 1992 Councils that wish to proceed with water or sewerage infrastructure have been required to bid for loan funds each year through the State Loan Council. This process has been less than ideal as Councils must compete for funds available from an overall statewide allocation of approximately \$22 million. This assessment places Councils wishing to finance public health infrastructures such as water and sewerage against others who may be seeking loan funds to merely supplement annual expenditure.

The difficulties caused by this process are exacerbated by the large extent by which loan requests exceed available funds.

### **Conclusion**

One of the aims of the current Cost Shifting Inquiry is to identify instances where a financial onus has devolved from State Government to Local Government.

This example is one that should be considered as part of the deliberations of the Standing Committee and one which has resulted in increased difficulty for some Councils in securing sufficient funds to enable costly water and sewerage infrastructure to be constructed.

Brian Inches  
General Manager  
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