



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Local government and cost shifting

WEDNESDAY, 9 OCTOBER 2002

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
Wednesday, 9 October 2002

Members: Mr Hawker (*Chair*), Ms Burke (*Deputy Chair*), Mr Albanese, Ms Gambaro, Mr Griffin, Mr Peter King, Mr Latham, Mr Nairn, Mr Somlyay and Dr Southcott

Members in attendance: Ms Burke, Mr Griffin, Mr Hawker, Mr Nairn and Dr Southcott

Terms of reference for the inquiry:

To inquire into and report on:

Cost shifting onto local government by state governments and the financial position of local government. This will include an examination of:

1. Local government's current roles and responsibilities.
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.
3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.
4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.
5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.
6. The findings of the Commonwealth Grants Commission <http://www.cgc.gov.au/Review> of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee. The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

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Committee met at 1.30 p.m.**BEVAN, Mr Owen Llewelyn Willett (Private capacity)**

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Economics, Finance and Public Administration. I welcome everyone here today. The issue of local government and cost shifting is clearly of great interest to local councils and communities in all parts of Australia. The committee has received nearly 300 submissions to this inquiry already. With this inquiry the committee is aiming to achieve a rationalisation of roles and responsibilities between the levels of government, better use of resources and the delivery of better quality services to local communities. During the last two days the committee has been in the Northern Territory and has held hearings in Katherine and Darwin. The committee has also held hearings in Perth and Canberra. It intends to go to other states as well. The committee is pleased to be here in Adelaide today to hear the views of local government representatives from South Australia.

I remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We have received your submission, for which we thank you. Would you like to make a brief opening statement before the committee members proceed to questions?

Mr Bevan—In return, thank you for the opportunity to share these thoughts with you. I am restricting my input to policing affairs rather than to the many others that you will be deliberating on. It is a subject that has been close to my heart for many years. In the last 10 years or so of my policing service, I had the opportunity to examine these issues at very close quarters, including in North America.

To encapsulate the thrust of my written submission, I would like to make a couple of points right from the outset. I do not want to imply any criticism whatsoever of the South Australian policing system as it is operating at the moment. On the contrary, I think the South Australia Police are doing some very good things in terms of enhancing the effectiveness and the quality of policing at the local level, although, for reasons that I hope will become apparent, I think they can go even further down that road. I do not mean to be critical of other Australian police enterprises in their respective jurisdictions either.

The thrust of my proposal is, firstly, that for policing to be really effective and successful in a democratic society such as ours we should recognise the very considerable contemporary emphasis on intelligence led policing—in other words, the huge importance of using very comprehensive, accurate and timely intelligence to enable policing enterprises to fulfil their charters effectively. Secondly, and linked very closely to that, is the need for there to be mutually inclusive community systems involving the police, local government—which is the subject of this particular hearing—and the citizens themselves. The greater that partnership or inclusiveness is, the more effective and stronger it is, the more effective the policing will be—and, similarly, the opportunity to reduce crime, the effects of crime and to enhance public safety.

Thirdly, in setting the scene I would like to say that I am not really into the relative powers and authorities of local government as opposed to state government or federal government and so on. In fact, as recently as this morning, I had a conversation with someone and this comment came through: I was asked whether I was really looking to give power to local government to appoint their own police officers or establish their own police force and so on. That is not what this is really about. It may well be that a component or a share of policing could well go into the local government area, but that is not really the purpose of my proposal or my submission; what I am driving at is the mechanisms by which we can enhance all those things that I have termed generally under 'inclusivity'.

It may well be that local government could take on some of those responsibilities very effectively, and I believe that to be the case, but the important thing, perhaps most of all with this, is not a power play or a power struggle but a means by which local government can become much more closely and effectively involved. Local police can do those sorts of things at the local grassroots level more effectively, rather than being subsumed or consumed by an all-embracing big state wide enterprise, which in turn—in my view, in any event—loses its capacity to be close to the people and the community that those police are committed to serve. That is probably the best way I can set the scene.

CHAIR—Could you comment a little about the local crime prevention program that has been under way in South Australia, how effective it has been and whether that is the sort of thing you see as expanding—or were talking about something over and above that?

Mr Bevan—It is difficult for me to comment in terms of its results and effectiveness. I am not really qualified to give a clear answer on that in detailed form, but certainly it is a component of it. I feel very strongly that, for true crime prevention, on the old adage that prevention is better than cure, it is vastly superior to commit good resources to meaningful crime prevention systems. Any state or territory government, or any authority, needs to look carefully at making sure that those provisions are in place. It is certainly very much a part of my concept, because this whole notion is to get police more closely attuned to the needs of the particular area of society that they are serving in or that they are serving.

The kernel of all this is that in Australian society, and in other Western societies, for that matter, the demands of policing are so much focused on emergency response, coping with the emergency needs of society—and traffic is the other major arena where police resources are hugely used up—and because those demands are so great and so constant it is inevitable that the vast majority of time, effort, resources, thinking, planning and researching goes into that sort of arena rather than into working on methods of improving partnership policing. Partnership policing, good relationships, good understanding and good intelligence systems at the grassroots level are so critical that they need to be much more determinedly and systematically pursued.

CHAIR—You said that you did not want to comment too much on local crime prevention, but you must have some feeling for its performance so far.

Mr Bevan—Yes. From my knowledge of the local crime prevention outfits, some have been exceptionally good. I know of a couple at least in rural areas of South Australia where their programs have been relevant, meaningful and very effective. I am not quite so convinced about the urban and city enterprises, but they are up against much greater difficulties—again, this lack of intimacy with local communities and crime trends and so on militates to some extent against

their capacity to achieve results. It would be a shame if any state or territory authority were to minimise or reduce the resources and effort put into that. If we go down that path, it will accentuate even further the police being reactive. Policing and law and order will move more and more towards that reactive mode rather than delivering their service and efforts into the preventive mode, by which, hopefully, we are able to create a safer society.

CHAIR—Could I interpret it that you are rather disappointed—but you are being very polite about it—at the recent 57 per cent cut in funding for the local crime prevention program?

Mr Bevan—From my personal point of view, yes. I think any reduction in crime prevention service, delivery, consultation and planning is a backward step.

CHAIR—Are you aware of any programs overseas similar to what you have been proposing that have been shown to be effective?

Mr Bevan—Yes, there are many. In fact, I have listed some of them in my written proposal. Quite a few of the programs operate in the various Australian jurisdictions; some do not. Quite a few that I have listed are overseas, particularly North American, programs. The concern I have is that, if policing is almost totally reactive and coping only with the emergencies and the crises of society, there is very little or no opportunity for police agencies to become deeply involved in what I would call ‘therapeutic’ programs—programs that are truly preventive, aimed at creating a safer society and grappling with the causes of crime rather than just coming along afterwards and trying to deal with the results.

Dr SOUTHCOTT—Which level of government do you think should be responsible for the training and funding of community policing?

Mr Bevan—That depends on what the structure is. I guess, ultimately, the state has to provide the central authority. In the sort of concept that I am envisaging, the responsibility for training, qualifying and authorising police personnel would rest with the state or the territory, but then practitioners could be devolved—and I am not totally committed to this as a concept; I just raise it as a very good possibility or as something that should be carefully explored—to the local government level. In some ways you may then almost have two tiers of policing, if you like. In fact, that is probably just formalising what already exists because, in Australian policing—and it is not just in Australia; I know it is the case in other parts of the world, in the United Kingdom, for instance, and even in the Americas, North America, Canada—you tend to have two levels of police. You have what people would perhaps call ‘real policing’—those traditional police responsibilities—and then you have what is essentially, at the moment at any rate, a secondary level where you do these other community-oriented things, if you have the time and the resources to do them. But they are very much secondary. That is the thrust really of what I am trying to get across: because of the demands of the primary level, the secondary level can become totally neglected.

If we had this devolution of involvement, the state would have to remain responsible for things like counterterrorism, armed offenders and siege hostage situations. You could never devolve that to local authorities. That has to rest with a central group of highly skilled and highly trained qualified people. In South Australia, it is the special task and rescue group, the STAR group. In other states, it goes under different names, and you would be familiar with what

that is all about. Major crime, organised crime and serious drugs must always be dealt with at state level. I would not for one moment suggest that we try devolving those.

At the local level, there are all those other nuts and bolts type policing affairs—service of summonses, following up inquiries from accidents, dealing with domestic disputes that are spilling over into antisocial behaviour of some form or another, brawls at hotels and those sorts of things and crimes such as house break-ins or thefts from shops, private sheds or business premises and so on—where the local intelligence is so crucial.

I am sure you will be totally familiar with how policing works in rural parts of Australia. Perhaps an analogy would be policing at Swan Reach or at Deniliquin. They may not be good examples but, in actual fact, the smaller the community and the more personalised the policing service, the greater the intelligence network that operates. Somehow we need to be able to translate that very intimate type of policing from the rural situation into the urban and the city type of situation. Some say that it cannot happen; my strong belief is that it certainly can be achieved, but it will take a very determined approach.

CHAIR—You are talking about something that I am familiar with. In the early days, in a small country town one of the better efforts of the local policeman was to pull the young lads into line before they got into real trouble. If it meant a clip over the ear, that was the best lesson they probably had in a decade. I presume you are saying something along those lines—maybe you are not using quite that expression.

Mr Bevan—Yes, precisely. As for the physical intervention, things have changed over the years, and perhaps that is just as well. That is precisely the philosophy that Australian policing, as it is presently structured, does not really enable, encourage or empower police officers to develop—those very close contacts and understandings with their particular communities. I am talking now about the urban and the city environment.

Mr NAIRN—I can see quite easily how your philosophy would work, particularly in rural and regional areas, where one council has a specific area and could work in a partnership with police and take on a number of those things. How do you see it working in a large urban area like Adelaide, where you have many separate councils? Boundaries in council areas are nowhere near as obvious in a large centre. It would seem to me that, to make something like this work effectively, you would really have to have all those councils in a partnership with police all together and all thinking the same, which I would have thought may be a bit difficult to achieve, given the nature of many of the councils in the larger urban areas.

Mr Bevan—Yes. This is a very radical concept, and I have not really thought it through right down to the final detail. It could work quite effectively, even if half a dozen councils chose not to use this system and another half a dozen chose to give it a go. I do not think it would necessarily need to be an all embracing enterprise. It could be done on an individual basis.

Perhaps I could give an example. Several years ago in the United States I spent a week at a city, Denton, which had a population then of 65,000 people. It was some 50 or 60 miles out from the cities of Dallas and Fort Worth in Texas. It was recommended to me at that time by an American academic as an outstanding community policing enterprise. They had 128 police officers at that time and they were totally responsible for that city. That was their patch; they had no other responsibility. They were not governed by the state of Texas other than by normal

federal laws. Their 128 police had a comprehensive responsibility for that city, whereas in Australia, say, we might have a city, such as Ballarat, Warrnambool, Newcastle or Toowoomba, where the police are still very much a part of the state hierarchy and very much responsible to all the state policies, practices and reporting systems and so on.

I saw—and there was some good evidence of it in statistical terms—that here in a highly pressurised society such as the state of Texas in the USA, this local system was working very well, and there are others in Canada and obviously through the United States as well. I am not quite sure if I am answering your question but you would not have to say, ‘Right, every council has got to be in it or it can’t work.’ I think it could be done. It could be as local as that.

I know that local government authorities would be very concerned about this suggestion because they could well find this another financial imposition or burden. That is something I should qualify all my remarks with. This could not be imposed upon a local government area in Australia, I would imagine, without some sort of provision of funds and physical resources. It would be too much of an imposition. But it is, if you like, a sharing of responsibilities between the state and territory level on the one hand and the local authorities.

Mr NAIRN—There would have to be some pretty long-term partnerships for councils to put their toe in the water because, based on past performances of other functions that have been passed across from the state governments, they get some funding to set something up in the first year or two and then they find five years down the track, the state government has not got any more money for that in their budget and it is left with the local government. So I would think that for something as dramatic as that sort of policy, they would need some pretty long-term assurances.

Mr Bevan—Yes, I agree.

Mr NAIRN—It could not be funded under current levels of rating and those sorts of things because, effectively, what you are doing is taking a form of the policing away from the police force and putting it in the hands of the council. So part of that budget would have to go across as well.

Mr Bevan—Yes, exactly. I am not suggesting transferring policing responsibilities and police personnel just straight out from present state levels to local government. I just simply suggest that as what I think is an alternative that ought to be carefully explored. If Australia or a particular state or territory went down this path, the final decision might be, say, ‘Look, we’ve had a really good look at that but we think that the status quo is best. We’re going to stay totally with the state police.’ And that would be fine. But my ambitions would be totally fulfilled if that led to a much improved system in terms of true partnership community policing.

I do not think I would be wrong in saying that every police administrator in this country, and every person concerned with law and order and public safety, says it is essential that we greatly enhance and improve those mechanisms and that system. That is the ultimate result I would be searching for, not necessarily to transfer responsibility from state to local government level. As I have said, that does have considerable potential. Notwithstanding the criticisms that are perhaps made of American society and policing, and social behaviour and systems in other parts of the world, there is good evidence in my view that that approach to policing does work and that it works well.

Mr GRIFFIN—There is some evidence that you are right, but I am not sure I see much of it in America—for example, if you look at incarceration levels. We all recall that the good old state of Texas produced the current US president, and one of the main issues that was raised in connection with his candidacy was in fact the huge number of people on death row. I do not know that we want to go in that direction. That is not necessarily the result, but it might be. I have a couple of questions, though, in relation to that concept. Can you walk us through, for example, how a violent crime occurring in such a place would be handled? Let us say it is armed robbery.

Mr Bevan—Certainly. It would be dealt with in much the same way as it is now. Most Australian police jurisdictions have defined levels of major crime. Once a crime is declared a major crime, it is dealt with in a specific way, perhaps by the central major crime investigation group. If it is not, the decision is made by the appropriate person, quite often someone at the level of, say, assistant commissioner of crime, and the crime is allocated to the local area to deal with. I think the same sort of thing could well apply here. It would not be at all difficult to develop a system like that whereby, when a serious crime occurs, one of the first things that is done is that a decision is made as to the level at which that incident is going to be dealt with. Because of its complexity it might be decided that it would be dealt with by the state major crime or drugs and organised crime group. Because of its relative simplicity it might be delegated to the local council, the Port Adelaide-Enfield council—for argument's sake I will use that as an example.

Mr GRIFFIN—You are saying that the issue there would be the complexity? For example—I am going to try to rain on the parade a little—if you had a situation where there was a state run police force over the top of a range of council run local policing forces, then one of the key issues in terms of actual workload and cost to the system would be who decides, who allocates. At the moment, you do get those sorts of things happening to a degree but, once it became a budget line item, there would be real reasons for people to think very hard about what they do. That is one example.

The other question from there is the level of training required at each level. With respect to the level of investigation post the actual event, I understand what you mean in terms of it going up the line to a major crime unit. But what if you had a situation where, for example, I was a local community cop doing normal patrolling duties and I came across a crime which quickly escalated from break and enter to assault with a deadly weapon, manslaughter or whatever—how do you see the level of training required playing out?

Mr Bevan—In this sort of model, you could well have a situation where there is a fair degree of reciprocity. There could be movement from one area to the other of centrally qualified and trained police people empowered by the state. Obviously, there would be a greater degree of specialisation and skilling involved at that level, and that would be the responsibility of the state. But that is a very good point, and I wish I had the instant, correct and comprehensive answer to the question. That is a very wise observation—there could well be conflicts. The local police might not want to take that one on—they might already have too much on; the state might be pushing too much out, what with one thing or another—but they are things that need to be and could be addressed. That happens in our existing systems. I am sure that Australian police administrators would tell you that there are frequent clashes of opinion as to who is going to do what: this area is overloaded, that station has not got enough staff or this one has got too

many. They are things that really could be sorted through, and there could be some sort of independent arbiter who could make a decision if agreements were not reached.

Mr GRIFFIN—One of the reasons we are having an inquiry is because we are actually having problems with deciding this cost shifting issue. What about the potential for corruption in the police force? Regarding one of the arguments that you put about the advantage of this approach, I took it to mean that you would actually have a situation where there was a commitment to an area—you developed knowledge and an ownership as the policing force. One of the key things we have had in policing in this country is a situation where, through movement in a career structure and through movement around stations, you actually mitigate the chances of corruption—not that it does not happen, as we know. What about that issue?

Mr Bevan—It is a very important one but, again, there are good systems being developed all the time to prevent corruption. I am sure they could be adapted to fit this model quite successfully. That is the thing: if all police practitioners are suitably qualified and authorised, it is not going to be a difficult process to have some mechanisms whereby, if there are problems like that emerging, they can be moved to another council area or moved across to the state. Without being too simplistic, I am sure that could be dealt with, especially under the sophisticated systems that are emerging in policing in contemporary times with ethics and good conduct and anticorruption.

CHAIR—Thank you very much for that, Mr Bevan. I am sure that if there are any matters we want to pursue further, we can write to you about them.

Mr Bevan—Certainly.

CHAIR—Thank you very much for coming before the committee today.

[2.03 p.m.]

WEATHERILL, Hon. Jay, Minister for Local Government, Government of South Australia

CHAIR—Welcome. I am sure you are aware of it, but I do have to remind you that, while the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter. Would you like to make a short opening statement before we proceed to questions?

Mr Weatherill—There are two main points that I would like to make out of the submission. The first is to emphasise some of the collaborative arrangements that we have put in place that we say will grapple with some concrete issues at the interface between state and local government relations. That contrasts with the more theoretical exercise about trying to work out who properly ought to be doing what, which seems to be the premise behind the notion of a cost shifting inquiry, so we want to emphasise that. It is a slightly different approach conceptually, which we think is a valuable one. The second thing we would like to do is to have our voice heard about what we regard as a serious inequity in financial assistance grants in relation to South Australia. I speak in unison with the opposition parties who, when they were in government, ended up beating a path to the door of the federal government making the same point. We would like to emphasise that question again.

Those are the two main points I would like to address, and I will briefly explain them. Upon coming to government—and indeed our platform reflects this in many respects—we found a local government sector which was ambitious in terms of the role it wanted to play in the affairs of the state. It is fair to say it had growing capacity. We observed, through recent amendments to the Local Government Act which were initiatives of the previous government, a range of measures which effectively professionalised the local government sector, which made it more open and accountable and which required it to give consideration to a range of measures, including strategic management plans for its region. In the course of doing that, as you would expect with any body that has the democratic stamp on it, it found out that there were certain demands from and aspirations of people that it sought to represent. We found a local government sector that was beginning to find—just as we all do, whether it is state, local or federal government—a whole range of people that had a whole range of designs for their local area and a whole range of needs for services. That became reflected in the way in which it conducted itself. Local government, just like state and federal governments, seeks to respond to the demands of its citizens, so it starts doing things which are responsive. That is the way the system works.

That has meant that we have found local government involving themselves in activities in a whole range of areas that are also areas in which we are involved and, indeed, areas in which you are involved as a Commonwealth government. To the extent that there are issues of shared concern, they are really demands that have been placed on them by the citizens of the state. In some senses, for us, it is not helpful to talk about cost shifting, to the extent that one can define that. Really, it is a question of various levels of government seeking to respond to the demands of their citizens. To the extent that one or other level of government does not get its act together

and solve those problems, another level of government has to pick up the can. From local government's perspective, they feel that they are at the bottom of the pecking order and it falls to them when nobody else can get themselves sorted out. But the fundamental issues are about grappling with the problems: if you are standing knee deep in water in Unley because the drains have backed up, you are not really asking yourself which level of government is responsible for this—you just want the problem fixed.

Armed with that analysis, we decided that the best thing to do was to embark on something that was very much issue based—that is, something that selected a number of important areas of joint endeavour and sought to work away at those things to get some solutions. The way in which we sought to do that was through a process called the Minister's Local Government Forum, which had its first meeting a few months ago and is in the process of operating. I will briefly talk about what that means—

CHAIR—We have a fairly tight schedule.

Mr Weatherill—Yes. I suppose we were informed by the Tasmanian experience, which was picked up by the previous Liberal government, but what we were anxious to do was not to have a set of memorandums of understanding which were essentially agreements to reach agreement about things. We wanted to have something much more concrete, and that is why we have settled on a set of agenda items—five very concrete matters: stormwater management, waste management, the planning system, natural resource management, regional public transport and I think something about regional and mining issues. We have put them on the agenda. We are steadily working away on those with the sector, and we are hoping that that will form a useful model for collaborative endeavours. The importance of it is to get various state government agencies to buy in and genuinely collaborate with local government. It has been a common complaint from the sector that they go from one department to the other and get different answers. We hope these institutional arrangements will make a difference.

I conclude on the important point of our financial assistance grants. Our road grants amount to about 5.5 per cent of the way in which this is carved up nationally. We have about 7.9 per cent of the nation's population and about 11.7 per cent of the nation's roads. On any view of it, we get duded on the way in which road grants are handed out. That has been a consistent theme from the previous state government. It is our fervent wish that the way in which road grants funding is addressed is relooked at so that we can get a more equitable share of that funding arrangement. It has been partially acknowledged in the Roads to Recovery funding, but the most recent federal government budget led to some deferrals of those funds. It is a matter of serious concern to the sector, and it is a matter of grave concern to the current state government. If this inquiry could reconsider that matter, we would be most grateful.

CHAIR—Thank you. You talk about the problems of the distribution of the grants, the methodologies and so on. What would you consider to be an appropriate methodology?

Mr Weatherill—If you look at the figures that I just gave you, it does not matter which one you use. If you use population, we win. If you use the number of roads, we win. Either of those particular means in relation to the road grants formula would lead to a net improvement of our position. In that regard, we would appreciate the opportunity to submit a detailed proposition about how we think that looks. I am not in a position to hand over to you—

CHAIR—It is probably more a thing for COAG.

Mr Weatherill—Yes. We would like to submit to an appropriate body, such as a ministerial council. We would very much appreciate a ministerial meeting that could listen to our proposition and we would hope to persuade the other states that it would provide a much more equitable basis for the distribution of those financial assistance grants. I do not have something I can hand to you today, but I would be more than willing to provide some work to an appropriate body, whether it is yours or COAG.

CHAIR—In your submission, you talk about activities of government that could be mutually enhanced, sometimes without financial transfers. Could you give us some examples of that?

Mr Weatherill—They exist at a number of levels. One of the things that we are currently working on is a joint procurement exercise. The state has a very large electricity buy; so does local government. The structure of the local government electricity buy, given that it is often off peak, can assist both of the sectors to approach the market to get a beneficial process. That is a very serious matter in South Australia because we have astronomical power prices that we are confronting at the moment. That joint procurement is one way in which we can lead to some efficiencies.

The way in which we grapple with the provision of library services is that we have a network of schools that in regional areas are often used for co-location purposes to assist in getting greater efficiencies there. There are also some other things that we are exploring that are not yet at a stage where I can say that we are doing them. But there is an opportunity to involve the private sector with the state and local governments in attempting to deal with some service provision issues. One important way that is currently under investigation is the STEDs or effluent disposal schemes, which are being investigated from the point of view of a public-private partnership to see whether we can have state, local government and private sector collaborative arrangements that may speed up the provision of those particular services, especially to rural and regional areas. There is a range of things where we think collaborative arrangements can add value and certainly reduce the financial burden on each individual sector.

CHAIR—At the last one, we had a number of submissions from councils who were very concerned about what they see as cost shifting by the state. I know there has been a recent change of government here, but why is it that South Australia seems to have the lowest level of support from the state to local government? If you look in your submission, you will see that it is the lowest and obviously that is historical as much as recent. What reasons would you give for that?

Mr Weatherill—It is hard to know what the interstate comparisons are. I am well aware that there are different functions.

CHAIR—In your submission on page 15, you have a list.

Mr Weatherill—Yes. To answer the question, one also needs to know what other local governments are providing in their particular states. There is a significant degree of difference in relation to the provision of services in one state as opposed to another. That is one potential explanation.

Ms BURKE—In your submission and in the opening statement today, you talked about establishing a cooperative model with local governments and you talked about priority areas. One of the difficulties we are grappling with—as in the last question from David—is: what is the actual role of local government? You have had some legislative changes as well. In that forum, which I commend you on, are you coming to terms with who is responsible for what? Also, in your submission, you make the valid point that it should not just be about cost shifting but about who is responsible for what and working all those things out. Are you coming to some understanding with local governments about that or is it a fluid thing? Where should it lead?

Mr Weatherill—It is probably more a fluid thing. Demands change and assessments about who is best placed to provide services perhaps change. It may be regarded that local government is the most appropriate level of government to provide a particular sort of service. It may be that certain community services, where people are located close to the level of need and understand local conditions, are suited to a particular service provision. Perhaps you may want to distinguish this from something where you may have a strong state involvement in terms of standards and professional qualifications. For instance, contrasting the sorts of community services that might be provided to the frail aged with those in a hospital, we would say that the latter might be something that would be a state responsibility; the former may be better suited to a state responsibility. Rather than going through an academic exercise, the forum is attempting to say, 'Look, here are some concrete problems. Let's work out what the solution is.' Say you had a track record of four years of resolving and knocking issues over, what may emerge is a pattern of relationships. Our preference is to walk away from the idea of carving out, from an academic point of view, what the roles and responsibilities should be. One, I think it is too hard. Two, things change. At the end of the day, you can end up talking yourself to death over something which usually is not very practical.

Ms BURKE—What are the sorts of themes coming through the inquiry? Indeed, the federal minister has made the statement about direct funding from federal to local government and cutting you lot out of the picture. Have you got some views on the notion of accrediting councils and giving direct funding for service provision as opposed to going through a round of state grants commissions?

Mr Weatherill—We do not see that as a particularly constructive way to go. We think this inquiry could be a very constructive exercise about encouraging collaboration. Perhaps we are claiming something for ourselves which we are not entitled to, but we think that the South Australian cooperative culture is quite strong and that it leads to very strong relationships between the two sectors. We have our fights but we have a pretty good track record of cooperation. If you were to insert into that something which overrides that and goes directly to local government, it could undermine it.

Having said that, some federal money needs to be provided to enhance the existing collaborative arrangements. For instance, in relation to our Local Government Forum, if we identified a particular issue that could be assisted by federal government assistance, that would be a much more constructive way of working on the state-local government relationship than just bypassing the state. Individual councils by themselves cannot plan for large regions unless they are extremely large councils. If you are a Brisbane City Council, perhaps, but even some of our largest councils cannot pretend to undertake the state planning function, which is crucial if we are going to get sensible allocation of resources. So bypassing the states will lead to

potential duplication and the inability of states to run sensible strategic plans on behalf of their regions.

CHAIR—Where do you see Roads to Recovery fitting into this model?

Mr Weatherill—We see Roads to Recovery as partly a response to our and other states' complaints about the inadequacies of the local roads funding deficit—

CHAIR—I think it was the councils who saw it that way.

Mr Weatherill—Yes, and we share their view. It certainly met that need, and we are a bit alarmed that there was a deferral in that grants funding by the most recent federal government, especially given that some of our councils had entered into arrangements to actually build roads that then the funding had sort of disappeared for.

CHAIR—Most I have spoken to have handled that all right.

Mr Weatherill—Yes. Most that I spoke to were not that pleased with you.

Ms BURKE—Are you going to spend all day arguing with the man or are you going to let him give his evidence?

CHAIR—I am listening.

Mr Weatherill—The Roads to Recovery funding is something we would like to see enhanced. It seems to me that there are pots of money all over the place. We would like to see a more rational funding system for not only local roads but also generally with financial assistance grants. We are happy to provide you with more detail about that.

Dr SOUTHCOTT—Mr Weatherill, some of the submissions we have received from South Australian councils say that they are concerned about the allocation of responsibilities without the funding going with it and that many allocations have been foisted upon them, often with no consultation. What would you say to those councils?

Mr Weatherill—We can appreciate those concerns. We acknowledge that no doubt our predecessors contributed to that perception. But it is as much about changes in the way in which the world is working. With food safety, for instance, there is a massive change in conduct. People now are eating out at greater levels. That has led to legislative change that has responded. It has traditionally been a role of local government to provide some degree of policing in that area. So what is happening is, quantitatively, that a lot of these things are increasing. Qualitatively, it is probably still something that might have been previously regarded as the responsibility of the sector. There are demands on all levels of government, and I think it is very difficult for us to engage in a debate every time there is going to be a piece of legislation that has any effect at all on local government when there will be a corresponding levy struck in relation to it.

For instance, an example of where it went back the other way is with the emergency services levy, which has led to a substantial shift of responsibility back into the state government sector

with something in the order of \$15 million to \$20 million of recurrent expenditure now provided for by the state, albeit funded through the emergency services levy. That is a shift back in the other direction. And I know that the local government sector points to many—and they would argue greater—shifts in the opposite direction. But it is a fluid issue. We obviously try to avoid imposing additional costs on local government. We are conscious of the fact that we have upset them recently with the crime prevention program. But we are still in negotiations about that issue and we are attempting to resolve that.

Dr SOUTHCOTT—Your submission conceded that the crime prevention program was a cost shift. Where does it leave local government in terms of delivery when the program is cut from \$1.4 million to \$600,000?

Mr Weatherill—The first thing I need to say is that we were confronted with a budget position where we had to make certain savings. When one quarantines health, education and police, it leaves you with very few discretionary programs in which to find the relevant savings that are regarded as economically responsible. We are in a very difficult position. All I can say is that one needs to contrast something in the order of an \$800,000 recurrent reduction with a \$15 million recurrent saving for local government arising out of the emergency services responsibilities. Sure, it does impose a burden on them if they choose to continue to engage in that role. But the state had to make choices about those issues of police numbers or crime prevention programs—and they are difficult choices.

Dr SOUTHCOTT—Why did you decide to choose police numbers as opposed to the local crime prevention program?

Mr Weatherill—Why didn't we?

Dr SOUTHCOTT—No, why did you? They both seem to be related to community safety and crime prevention, so why did you decide to go with police numbers as opposed to the local crime prevention programs?

Mr Weatherill—Because we regarded that as a greater crime prevention priority than local crime prevention programs. I think that generally would be shared by the community and, I would have thought, by the sector.

Mr NAIRN—I will come back to roads. Would you agree that Roads to Recovery was an ideal program for the Commonwealth to fund directly to councils without any involvement of the states? There was no point in the states being involved—it would only have created another level of bureaucracy for the sake of it, and it was a way in which you could maximise the funds available directly to the councils.

Mr Weatherill—That statement assumes that the state has no strategic planning role in relation to roads. There is a whole range of factors about roads that needs to be considered: what are priorities for road safety; what are priorities for the appropriate networks to be upgraded first, which are more important—

Mr NAIRN—Hang on—

Mr Weatherill—The problem is that, in the broad, if you cut out the state, you are effectively saying there is no serious state regional planning role which is important to bring to bear on the process of the allocation of funds. I do not accept that.

Mr NAIRN—I think you do not understand what the Roads to Recovery program was. Not a cent of that money was to be spent on state controlled roads. It was all about local roads for which I would assume—unless South Australia is very different to any other state—the state government has absolutely no role and currently does not direct or dictate to councils what money they spend on what local roads. Sure, you might have overall planning schemes and those sorts of things, but they would have been taken into account by the council. But, from what you are saying, if we had directed that money through state governments, there would probably have been a hive-off, when it really was about local roads.

What I am trying to get at here—and I know the deputy chair is a bit concerned about this—is whether we can find some specific projects which really can make it work. It is not necessarily a slug on state governments or anything. In Australia, with three levels of government, there is inevitably a lot of duplication. Wherever you can take out some duplication, surely that is good and the taxpayers' money can be used to the greatest degree. All I am saying is that surely the Roads to Recovery program is an example and in that way gives us some clue as to the future of other possible examples.

Mr Weatherill—I do not have a lot of sympathy for the notion of bypassing the state government in relation to programs where there may be some strategic input from the state. There may be examples of where you could profitably do that, and we would not want to interfere with those. If the inquiry is about broadening out those things, I would just urge some caution. At the end of the day, either this inquiry is basically about somebody waking up one day, finding out that there were a whole lot of Labor governments and deciding to find ways of bypassing them or it is actually a serious attempt to rationalise the way in which business is done—those are the two options.

If it is some smart attempt to bypass state governments because they are not of the same hue, that is one potential option. If it is about finding a serious way in which we can actually work better together, the sort of collaborative arrangements that we are on about should be the things that ought to be looked at seriously. The question implies a bias: that you are looking for ways in which we can bypass the states, and I do not think, frankly, that is what the inquiry ought to be doing.

Mr NAIRN—I think you are being a bit too sensitive. If you read some of the transcripts of the hearings we have had so far, you might find that the former point you were alluding to is not correct. With respect to councils and infrastructure, the Wealth of Opportunities study identified that South Australian councils are underfunding infrastructure renewal by about \$95 million per annum. Given that, I understand the state government cut state support for roads from \$2 million to about \$700,000. How can you see the state government helping councils meet some of those challenges?

Mr Weatherill—You cannot look at road funding in isolation. The whole of transport needs of the nation need to be looked at. Regarding the decisions that we made in relation to the budget about roads funding, once again, there is a similar answer to the question about crime prevention programs. We were in a position where we had to make certain funding cuts so that

we could bring down a responsible budget. We looked at a range of discretionary programs. It creates an unfair impression to look at those funding cuts in isolation.

There is other funding that was made available to roads—albeit not local roads—which were regarded as a much higher priority in terms of road safety. A significant amount of that funding will be allocated to those aspects of road maintenance which have been closely correlated with road accidents in regional areas. They have been specifically earmarked for those purposes. In the broad, there is no doubt that there had to be some cuts to our capital programs to meet a responsible budget, but we have attempted to quarantine and prioritise what we regard as a priority issue—that is, road safety.

Mr NAIRN—Just getting back to the formula for roads, you said that, whether it be on a per capital basis or on a total kilometre basis, you would get a better deal. I agree that both of those factors ought to be looked at, and I also agree that the current situation needs to be reconsidered. Shouldn't there be a third factor in there as well? That is the actual cost of construction. There are some dramatic differences between states. There are obviously dramatic differences within states, depending on the types of terrain, construction stability and all sorts of things. Would you agree that some sort of formula that took those three things into account would be a fairer solution for this issue?

Mr Weatherill—It may even be more complicated than that; it may, of course, include local capacities and the other competing needs for local communities. I am not pretending to design a new formula for roads on the run, except to pick out a couple of really obvious statistics about South Australia's position, to plead with the committee to give some thought to reviewing that whole basis for the way in which roads are funded. But, of course, that would be another factor that would be taken into account.

CHAIR—On page 20 of your submission you talk about expenditures undertaken by the state government where local government has significant input and, maybe, discretion. I was wondering if we could also talk about the natural resources management programs like the national action plan and things through the Natural Heritage Trust stage 2, both of which rely on local government to deliver the results. Could you talk about what level of consultation you have on natural resource management with local government.

Mr Weatherill—Natural resource management is one of the items that we have actually referred to the local government forum as one of the first six points. I think it is the ambition of the Minister for the Environment, who is also a member of this forum—I pause to say that many of the environmental issues are delivered through local government, so there is a very close relationship—to try to rationalise the number of structures of state government, these other bodies that swarm around the whole natural resource management field, and how they work together. For instance, you might have in one area a catchment board, a soil board, a pest board, councils, regional development authorities and regional economic authorities with all sorts of moneys coming in from all sorts of routes and programs. The ambition is to rationalise some of those things and make them a lot easier to work with. This spectacle of people going to five separate meetings and having five groups of people turning up is not uncommon in South Australia. We are working on that issue currently, so it is a matter of quite extensive consultation.

CHAIR—If it was determined by state and Commonwealth governments that local government is the best place for certain activities, do you feel that the accreditation of councils to ensure councils' capacity to deliver on these things would be a good way to go?

Mr Weatherill—It depends what you are talking about. If you are talking about hospitals and police, with all due respect—

CHAIR—I was not thinking of any specific thing.

Mr Weatherill—I do not think you can talk about these things without being concrete. It is pointless having an academic discussion about this; you really have to get down to detail. Education, hospitals and police are areas where there need to be extensive standards and qualifications. It is absurd to have regional differences between those things.

CHAIR—I was thinking more along the lines of the subprograms we are already delivering cooperatively where the local government may be best placed to do it.

Mr Weatherill—We do not favour that approach; we favour an approach which, broadly, is about building the capacity of local government. We have seen local government professionalise, although it is quite patchy. We have rural councils whose ambitions are quite sophisticated, but some rural councils' ambitions are simply to do the very traditional things that local councils did: they are very much volunteers, it is a very small operation, they have not availed themselves of the voluntary amalgamation process and they may have relatively limited capacity and limited ambition. So you cannot answer this question in the broad. Nothing is true of local government in the broad in South Australia, and it is probably not what one can say about what is happening in Australia generally.

We would favour attempting to lift the standards within local government generally. We are attempting to do that by encouraging greater diversity within local government, taking local government seriously, as a serious partner, and encouraging more people into the whole elected membership issue by grappling with issues like the fees that local councillors are paid. So we would like to raise capacity in a different way—rather than this process of accreditation.

CHAIR—By its definition, accreditation is something that you would have to gain; it would not be imposed. Therefore, you would have to have to meet a standard. You still would not be happy with that?

Mr Weatherill—In the abstract, it is very hard to answer that question.

Ms BURKE—If we came back with a qualitative area and said, 'We think this is an issue,' we could go and accredit every council Australia-wide in something they are already doing and say, 'Go ahead; we are now going to set the standards. You have to meet these benchmarks and then you will get the funding.' That is just a theoretical, academic exercise—something that you could conceptually go with or not.

Mr Weatherill—Conceptually, that seems fine. We support anything that raises standards within the sector. But I would really need to know what it is you were talking about to answer that sensibly.

Ms BURKE—One of the difficulties, as you have indicated and we have found, is that one cannot say, ‘This is what councils do.’ If you look at the submissions, even just from South Australia, there is a diversity in what councils offer, what they perceive they should offer and indeed what they can offer by virtue of their rate base. I have just come from Darwin; it is a totally different world out there. I am sure nobody is going to talk about their airport today, but that is all we have heard about over the last two days.

Mr Weatherill—We have a number of airports.

Ms BURKE—Everybody talks about jetties in South Australia. It is a notion of getting together and having some idea about an Australia-wide concept of local government. Have you had the opportunity to meet with the federal minister; and would you see some benefit in the minister getting all the state government ministers together to share some ideas at that level?

Mr Weatherill—Yes, I would. I have high hopes for this committee, but it would be extremely beneficial if the minister could be encouraged to call a ministerial council, because there is a lot of information that could be shared between various state ministers about the role of state government, and some of the best practice that seems to be emerging across the sector nationally could be adopted.

Mr NAIRN—A number of councils have indicated that they have borne the brunt of national competition policy. Does the South Australian government, which collects payments from the Commonwealth for meeting aspects of national competition policy, pass any of those payments on to local government?

Mr Weatherill—I am not aware that they do—not formally.

CHAIR—Mr Weatherill, thank you very much for coming before the committee today. We will now call the Local Government Association of South Australia.

[2.44 p.m.]

COMRIE, Mr John Alexander Charles, Executive Director, Local Government Association of South Australia

McLUSKEY, Mayor Johanna Maria Hendrika, President, Local Government Association of South Australia

CHAIR—I call the representatives of the Local Government Association of South Australia. I must remind you before we start that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House, and the giving of false or misleading evidence is a serious matter. We have received your submission, which we thank you very much for. Would you like to make a brief opening statement before we proceed to questions?

Mayor McLuskey—Yes, thank you. I am mindful of the tight schedule that you do have to keep to, and I will keep my comments brief. Perhaps I will lead off, and Mr Comrie will further add to the comments that I make. Firstly, we sincerely welcome the inquiry. We thank you very much for the opportunity to present to you here today. We would also like to highlight how important we see the inquiry as being. That has been amply emphasised by the number of submissions that you have received from local government across Australia and other interested parties. It is worth saying up front that we are not necessarily seeking more money, and I would imagine that that is the first thing you would imagine we are seeking. What we are after though is genuine and serious consideration of the roles of all three spheres of government and the financing thereof.

There has been an emphasis on that in the presentations that you have received. We are hoping for greater harmonisation of all three spheres in the belief that this would deliver better outcomes for our communities, and we are all servicing the same communities. We do feel that there is a limited pool of money, and we understand the financial constraints that all three spheres of government are facing. If we worked more closely together and more collaboratively, there would be an opportunity to deliver better services more efficiently. That surely is something we would all be seeking.

We are not specifically supportive or opposed to either increased or decreased roles for local government. The ambition that we have is simply that of serving our community better. We do believe, though, that, when assessing who should undertake the role, it should be determined by who is best placed to deliver the service. That should be the prime consideration.

Unfortunately, in the past, changes in roles have not occurred, in our view, in a strategic, planned or negotiated fashion. They have often occurred in a very ad hoc manner, and frequently without consultation. There have been a number of instances of legislation hitting the floor of parliament without us even knowing about it and having a significant impact on local government. Equally, we often find out about changes simply through budgets, and often after the budget has been declared. A couple of examples that you are aware of are the crime prevention issues and road funding.

At that point, I would like to acknowledge and welcome the minister's comments this morning, and the encouraging relationship that is developing with the new state government. I do feel that the minister has been very open to talking with us and to developing a quality relationship to serve the community better. However, it needs to be emphasised that that relationship is variable across government, equally at the federal level. For example, we have a very good relationship and a lot of interest from the minister at the moment—Minister Tuckey. But that is not necessarily consistent across all members of federal parliament.

Equally, at state level, there may be different views within state parliament, and also within the bureaucracies that support those members of parliament. As well, there is still a perception amongst some quarters that local government is an interest or lobby group, rather than a sphere of government. That is a perception that we would very much like to change. We are a valid responsible sphere of government and we should not be apportioned the same level of interest as, say, an environment group or a residents group.

We are hoping for a better understanding, and certainly increased certainty and long-term funding agreements from other spheres of government. To highlight examples of that, there is road funding and particularly crime prevention. There was an agreement that was entered into between local government and the state government. While we understand that the funding cut was a budgetary issue, there was a long-term agreement in place that spanned across from one government to the next. We would be seeking for such agreements that we enter into to have certainty and to hold from one government to the next.

Mr Comrie—The crime prevention program, in the overall scheme of things, is not huge money. It is more the issue that we want certainty in terms of relationships so that councils can go forward. We encourage councils to think about forward financial planning, to think about asset management and to think a bit over the one-year horizon. These sorts of things make it much harder to encourage councils to do that.

You would have seen from our submission that I made reference to some work recently undertaken for our association by the South Australian Centre for Economic Studies. It talks about financing of local government and it talks about council rates being an appropriate form of benefit taxation where, if a council is delivering particular services to particular communities, it is not unreasonable that they pay for them. We would support that. Our president has said that we are not after hand-outs from other spheres of government. What we want is more certainty about what is our appropriate role and having the capacity to fund it. In some ways, we are quite comfortable with the idea of raising our own revenue to do the things that our communities need.

That report also highlighted that local governments have a lesser but nevertheless important distributive role where, because of the differences in capacity within different communities, it is an appropriate role of other spheres of government—state and federal—who have greater financial resources to support local government so that the burden on a particular council is not significantly greater than one that perhaps does not have the same disadvantages.

Of course, the Commonwealth for many years has supported councils through its financial assistance grants, in particular the general purpose grants. I think you can track the growing maturity and capacity of local government in this country to the decision in the seventies to financially support councils by the Commonwealth through those general purpose FAGs.

Of course, the general purpose grants are distributed between the states on a per capita basis at the moment. What that means is that within the states the grants commissions are required to distribute on an HFE—horizontal fiscal equalisation—basis. The money the Commonwealth provides to the states for local government is insufficient to bring the most disadvantaged councils up to the position of those with least disadvantage, so the outcome is variable. It is variable nationally because there is not enough money to equalise between councils. The outcome is variable between states because every state gets the same on a per capita basis. State A could equalise to this level and state B to this level.

I was interested in the earlier question about accreditation issues. We would certainly like to see a review of financial assistance grants to the states to have regard to what is needed, both in terms of aggregate quantum and distribution between the states to better achieve HFE between councils.

The minister spoke about his government favouring capacity building in local government. We would support that. It seems to me that accreditation is a good thing but you would have to start with a reasonable level of capacity within councils. At the moment, if you just jump straight into accreditation, I would argue it might be pretty unfair on council A to have to jump through the same hoop as council B because the level of general purpose FAGs is not sufficient to enable it to start at the same starting position. It starts 20 yards behind the starting line. But certainly in relation to the concept of some form of criteria for councils for special purpose programs in which the Commonwealth says, 'We would like these functions or outcomes delivered. We believe local councils are well placed to deliver those and if you do A, B and C, we will fund it and we expect outcomes A, B and C,' I think that is a sound thing. I think the performance outcomes expected by the Commonwealth from the councils are good but I am simply highlighting that without ensuring adequate capacity at the start, there will be some issues of equity in such an approach.

I have talked about general purpose FAGs. I would like to briefly touch on identified road FAGs as well because identified road financial assistance grants to local government are the second largest source of revenue for councils outside of rates. We have got no idea of the basis of distribution. South Australia gets 5½ per cent of the quantum. We have asked all sorts of questions of all sorts of people and have drawn a blank at every stage. You were previously talking to the minister about per capita, and per kilometre. I do not care what you use: building congestion factors or whatever. It is not a question of whether or not we get more. I think we would. But let us just be transparent about what is the process and what are the criteria. What governments are trying to encourage these days is greater transparency and greater confidence. Here is the system. This is how it works. Let us get a system for road grants that is transparent and fair. We do not have a particular view how. But we will play by those rules. At the moment, it seems to me, the only rule is the historic rule. It is pretty hard for us to accept that that is a fair one. I think it was pretty hard for the current federal government to accept, because it saw it as appropriate to give South Australia 8.3 per cent of the Roads to Recovery funding when our share of the identified roads FAGs was only 5½ per cent.

Getting back to the issues of cost shifting and the capacity of councils, Commonwealth and state grants to councils have decreased in real terms and have decreased as a share of GDP over the past 20 years. There is no doubt that, as the economy grows, communities demand more of their local governments; they want more local government services. The draft recommendations in the review of Commonwealth financial assistance grants to local government highlight that

local government's primary revenue source is property taxes, and there is a slow growth tax. So as the economy expands, as people demand more council services, it is politically very difficult for councils to raise the revenue themselves to match those demands. You may say that that is our problem. I personally think it is healthy to have good debate about levels of tax and levels of services. Unlike income tax, unlike GST, as the economy grows we do not get an increase in revenue. This year we have seen significant debate and agitation in the media in the communities where councils have increased rates above CPI.

Finally, I will just highlight that the outcome of these issues is that our assets are now suffering. Roads to Recovery has been a great help to councils in this state but, as you have identified, the *Wealth of opportunities* report, a respected report, highlights that we are short-changing road funding or asset management in this state by \$100 million a year. Roads to Recovery was an extra \$25 million a year for South Australian councils and was much appreciated. It has gone a long way, but it is probably about a quarter of the gap between what councils have traditionally spent and what the evidence appears to suggest they need.

My last comment is that we need the Commonwealth and the states and the local government sector to work together, but I think there is a role for the Commonwealth to put a little bit of extra pressure on the states. Because of the pressures and demands on the state by itself—and this is not just the current government; it would be preceding governments in South Australia and I am sure in other states as well—state governments will always find it easier to look after their own problems when there is an imbalance between revenue and expenditure, so local government tends to be—as I think the minister said—at the bottom of the pecking order. I think some rearrangement can be made in terms of the role of the Commonwealth, whether financial or otherwise, to help ensure that local government does have adequate capacity to undertake those roles demanded by the community that it is best placed to fulfil.

CHAIR—Thank you. To pick up one point, you said Commonwealth funding has been declining. In the Grants Commission report, which I am sure you have seen, it shows over the last 25 years that Commonwealth government funding has gone up roughly 4.7 per cent per annum and is continuing to go up; and according to a number of current formulae, as you know, which take in both population and CPI, it is still going up. I was a bit confused as to what you were saying.

Mr Comrie—Compared with the peak in the mid-1980s, as a share it did decline in real terms for a number of years in the 1980s; it has been maintained in real terms per capita since, I think, the early 1990s. But it has declined from the peak.

CHAIR—But over the last 25 years it has been going up. I notice you talk very much about the Commonwealth.

Mr Comrie—There are not a lot of grants from the state to talk about.

CHAIR—That is the point I want to emphasise. The submission from the state government shows that the per capita grant from the Commonwealth is \$60.8 whereas the state's is only \$10.7, so the Commonwealth is six times as much as the state.

Mr Comrie—I think the simple answer to that is that the Commonwealth, we recognise, has deeper pockets, certainly, than the state government.

CHAIR—They have all said that.

Mr Comrie—The state government here has been through some fairly tough budgets throughout the 1990s. We are simply saying, ‘We are not sure whether level X, 2X, 3X or ½X is appropriate; we just want a sensible discussion about roles, responsibilities and relationships and we will work it out from there.’

The problems we have had in recent times with the state government have been—and this refers to the current government and the previous one—where decisions on cutting in programs have been made in an unnegotiated, unexpected way. We want longer-term certainty. We need to build infrastructure; infrastructure is declining. Yet in the infrastructure programs where the state has supported us—whether it is stormwater, septic tank effluent drainage schemes or roads—there is very little certainty about the future of those programs, and they have fallen in real terms.

CHAIR—I just made the point that Commonwealth funding is fairly predictable.

Mr Comrie—Yes, it is; I will accept that.

CHAIR—On a point of clarification, it has been suggested that local governments cannot plan regionally. Is that right in South Australia’s case?

Mr Comrie—I think South Australian councils, whilst we can always do more, have got a pretty good track record of planning regionally. The identified road grants from the Commonwealth are a classic example. Councils have voluntarily agreed to 15 per cent of that quantum being allocated to a special local roads program. That money is then allocated by a committee established in partnership with the state to undertake regional priorities. These days, every regional LGA—and indeed the metro councils are now doing the same thing—is undertaking a regional transport plan. The local road network is being planned in a prioritised, hierarchical basis, so that we have not got situations where you have a nice black-top road to the council border and a bush track on the other side of the border. Both councils are working at what the transport routes are and what the important issues are, and they are both committing similar dollars to ensuring those priorities are fulfilled. That has certainly been a priority. We have strong regional LGAs throughout the state and we have a well-established metro group. Yes, it could always be better. But my observation is that, compared with some of the other states, councils in South Australia have cooperated well on a regional basis.

Ms BURKE—About the comparison: our first hearings were in WA, and nobody would go on the record about this one. In corridors and over cups of tea, in the discussions about how the Roads to Recovery money was being spent in various councils, there was a lot of eyebrow raising. People were saying, ‘They’ve been given money to go and surface this bit of road. We would never have chosen to surface that bit of road; we couldn’t justify it in a million years.’ There is always going to be that difficulty between local councils. If you have a system that is working, that is great. But you have already stipulated that state government was part of that process as well.

Mr Comrie—It is not perfect, but we have certainly emphasised—and I think you would find most councils in South Australia have—being very responsible in how we have allocated the Roads to Recovery money. Certainly, when we have had Commonwealth officers touring

regions of South Australia, they have been very impressed with the process we have been through and the priorities that we have selected. In my view, it would not be unreasonable if the Commonwealth—if it were to extend R to R or something similar—put some criteria in place to ensure that value for money is being obtained.

Ms BURKE—I want to commend you on your submission; it is a very well-done submission and there is a lot in it. In your conclusion you talk about what the appropriate roles are for all spheres of government. One of the difficulties we have had is ascertaining what the role of local government is. One of the things that keeps coming back to us is: ‘It is what the community expects and we are just adopting community expectation.’ I put to you that that is very well and good if there is a bottomless pit of money, but none of us have got a bottomless pit of money. Is there a perception about what the role of local government is? If there is not, do we need to conduct some sort of national audit or something, so that we can all ascertain what it is we are meant to be doing? Or should we not be that concrete, because there is still need at a local government level to be flexible, to actually meet community demand? It is a thesis question, I know; I am sorry.

Mr Comrie—I think the answer is a bit of both, to be honest. Part of the problem local government has—and this is why we made the comment at the start that we are not necessarily after more money; we want greater certainty—is that local government is at fault to some extent here as well, because we are not sure where you draw the line. What we want is, basically, the Commonwealth and state governments telling us where they are drawing the line—and then councils would be in a better position to draw their own lines. Councils continue to expand some programs, and my view is that there would be nothing wrong with that as long as you do it with your eyes open, as long as you know where the Commonwealth and state are heading, and as long as you know your own capacity. But there has been too much uncertainty about those sorts of things, and you find when you are halfway down the creek that you have not got a paddle.

Mayor McLuskey—But, equally, there are clear areas where local government and the state government work in very similar fields and where it is obvious that it would be possible, by working together, to deliver the service better. That is not a matter of competing, but if you have a good enough relationship between state and local government—and equally with the federal government in some areas as well—then presumably you look at the service that needs to be delivered and you then decide who is going to be better placed to deliver it, rather than the state or federal government wanting to keep control and decide how much it is going to let out to someone to take on.

CHAIR—I must admit that it is very encouraging to see such a big audience here today; it is the biggest one we have had so far. I am also delighted to see another colleague—Trish Draper, the member for Makin—here.

Dr SOUTHCOTT—I agree with you that the funding used under the Roads to Recovery formula seems much more like where it should be—about eight per cent rather than 5½ per cent, or whatever. Do you think that we should have a model similar to the one that was used under Roads to Recovery? How far have your discussions with the minister progressed on this issue?

Mr Comrie—We have obviously made it clear to Minister Tuckey, and Minister Anderson as well for that matter, that we believe that it is essential to have Roads to Recovery continue, or something similar. Again, the Wealth of Opportunities study proves that, without any doubt, over 85 per cent of the roads nationwide are local roads. Councils, if they did nothing else, could not afford to maintain the roads within their existing revenue base, so there does need to be some level of funding. Even if the Commonwealth had to agree to an extra 1c tax on fuel—that is what local government currently gets from both Roads to Recovery and identified road grants from the Commonwealth; double that and you would double the money, and we would be happy to take it. This was a local government decision because the roads need to be funded. To put some hypothecation on it—that it has to be spent on roads over and above what our existing commitment is—seems to me to be a sensible debate that the community would accept and support.

Within South Australia, though, the distribution of the Roads to Recovery money between councils has been on the same basis as the Commonwealth identified road grants. While some councils may disagree with how you carve up the general purpose grants between councils, I have not heard any debate or disagreement about the split that has been determined by our grants commission here in South Australia for road funding. That has worked well within South Australia and it would be the starting point for any continuation of that program, although there may be components that you are particularly keen to target—particular issues, programs or outcomes—over and above that base.

CHAIR—I do not think we have had any council anywhere that would disagree about supporting Roads to Recovery.

Mr NAIRN—How stable have the local government boundaries been in recent times? Has there been much change? Is there any push from state government for amalgamation at all?

Mayor McLuskey—Local government in this state went through a process of amalgamation that roughly halved the number of councils not that long ago, only a matter of a few years back. Personally, I think the boundaries of the individual councils are less important than the strategic plans we put in place on a regional basis. If we are looking, for example, at the roads issue, the work that we have done there highlights exactly how we have addressed this across council boundaries. Roads neither stop at a council boundary and nor do any of the other issues that we have to deal with. We have been well placed to address those issues in a more regional capacity.

Mr Comrie—In round numbers, the councils halved about five years ago. You could argue for a few more but, because of the population densities and the distances, there is not a lot of potential there. The emphasis at the moment with councils is on better resource sharing. The Eyre Peninsula councils, for example, are doing things cooperatively these days. With some of their decisions on sharing plans and programs, they are treating it as one council but they still have their own councils. They are actively supporting their Eyre Peninsula local government association, SELGA—South East Local Government Association. It has a policy position that every council will support something that is in the best interests of the region, even if it is not in the best direct interests of the individual council. When you do those sorts of things, you are achieving a lot of the things that amalgamations would bring about.

Mr NAIRN—In fact, my next question was: to what extent is there resource sharing, particularly with plant and equipment?

Mr Comrie—I think the chairman of SELGA is going to speak a bit later in his capacity as the Chairman of the District Council of Grant but, again, our view is that there is always more. We think the record is pretty good at the moment, and it is increasing.

CHAIR—Looking at the principle of minimum grants, sometimes people get very possessive about them but for big councils it is not a major part of their budget. What is your view on the question of minimum grants?

Mr Comrie—The view of the South Australian Local Government Association is that we are neither for nor against the existing minimum grant. There would be some councils in the state that would have a view that it should be abolished or reduced, and there would be others that believe it should be retained or even increased. Our membership has not reached consensus on that view, and, when we responded to the review of the Commonwealth local government FAGs, we made the same comments.

Ms BURKE—Does the association have a view on the Local Government Grants Commission in South Australia? Is it a necessary part of the federal funding mechanism?

Mr Comrie—We have an excellent relationship with the South Australian Local Government Grants Commission and full confidence in the work that they do. That is illustrated—

CHAIR—You have two members on it.

Mr Comrie—Yes. I was going to say that that is illustrated by the fact that the chairman of that commission is a jointly agreed rep of both the state and local government—in fact, a former president of the South Australian Local Government Association. I think it plays a very valuable role. At the same time, we would not oppose increased consistency in how the methodology is worked out for determining HFE between states. Certainly if you look at the numbers at the moment, you can draw some fairly stark contrasts between the grants received by councils of similar backgrounds in the different states. I think the DOTARS submission highlighted that. In summary, we have full confidence in the work of the people here but, if there were greater harmonisation across the nation, that would probably be a good thing too.

Ms BURKE—So you would support some of the minister's previous comments about how the FAGs are divided up state by state as opposed to how they are divided up in South Australia?

Mr Comrie—There is a very strong argument that there should be more support of general purpose FAGs by the Commonwealth. The pot needs to be enlarged to raise HFE because, at the moment, you cannot achieve it with the existing grants. In round numbers, I think it is about half or 60 per cent of what you need to achieve a basic, minimum, consistent level or capacity across all states and all councils. Even if there was no more money, certainly you could improve the level of HFE obtained in South Australia if the grants were distributed on an HFE basis across the nation—that is, irrespective of state boundaries and not on a per capita basis as is currently the case.

Ms BURKE—Have you done some modelling on what you would see as the way of doing it?

Mr Comrie—If you do not want to put more money into the pot, the simple answer is: get away with per capita distribution to the states and distribute to all councils on an HFE or needs basis.

CHAIR—I think we have had a good session here. Certainly you gave us a very good submission in the first place, which has been very helpful. Thank you both very much for coming before the committee. If we have any further questions, we might write to you about them.

[3.16 p.m.]

PEATE, Mr Russell John, Chief Executive Officer, District Council of Grant

PEGLER, Mr Donald William, Chairman, District Council of Grant

CHAIR—I welcome the witnesses from the District Council of Grant. Do you have any comments to make on the capacity in which you appear?

Mr Pegler—I am also the Deputy Chairman of the South East Local Government Association.

CHAIR—Before we proceed to questions, I invite you to make a short opening statement.

Mr Pegler—First of all, thank you very much for inviting us here today. We have just passed around a handout, on the first page of which are the demographics of the District Council of Grant, which is in the lower south-east of South Australia. I heard reference before to the roles and responsibilities of local government. We have done extensive surveys of our constituents, and our people are saying that road maintenance and traffic control should come first, fire prevention should come second, and then aged care, housing, roadside issues et cetera. You must bear in mind whenever you do a survey that, if we did not have any library services, they would probably be further up the list.

I will refer to road funding first. In our council area, as in the whole of the south-east of South Australia, we have an extremely large timber industry. It has a harvest at the moment of about three million tonnes of pinus radiata a year and probably another one to one and a half million tonnes of blue gum about to come on board. As a region, we have done a timber industry roads evaluation study and also a 2020 visionary study of roads in our whole region. In the timber industry, there is a \$7.8 million shortfall of which nearly \$6 million is in the District Council of Grant. In our council, the cost of maintaining our sealed roads should be about \$666,000 a year. Unfortunately, we only have a rate income of a bit over \$3 million, so we have only been able to spend about \$350,000 a year. The state government's regional road program has been slashed by \$1.5 million down to \$700,000 for the entire state. The state government's Tourist Road Grant Program of \$545,000 has been abolished. The federal government decreased their Roads to Recovery program, which costs our own council \$75,000 a year.

CHAIR—That is a one-off.

Mr Pegler—I realise that, but in forward budgeting it makes things very hard. We have been promised that we will get the money back, but it puts us another year behind. The *Wealth of opportunities* report identified road assets from \$42 million to \$147 million a year for expenditure maintenance. Also, the federal government collects 38c per litre from petrol and diesel, and only 6c of every litre is spent nationally on roads. With regard to the road grants—and Mr Comrie spoke about this—South Australia has the lowest identified road grant per capita or per kilometre due to the existing financial assistance grants methodology. The identified local roads grants are distributed on a historical and not a fiscal equalisation basis. In our own council area, we get \$763,000 a year for general purpose grants and only \$215,000 for local road grants.

We have done an analysis on the Glenelg Shire, not because it is in the chairman's electorate but because it adjoins my council and I happen to be a ratepayer in both shires. You will note that the population there is probably 2½ times ours, the area is bigger but the kilometres of road are very similar. The demographics are very similar. The road building materials, which Mr Nairn referred to before, are exactly the same and the climate is exactly the same. And we join each other for about 50 to 70 kilometres, and yet they get well in excess of \$100 per kilometre per year for the local road grant, whereas—

Mr GRIFFIN—Probable overrepresentation.

Mr Pegler—It must be. Whereas, in South Australia, we get so little. That is a very common thing in the south-east of South Australia compared to western Victoria, and yet our demographics are so similar. That gives a good insight into the difference in the grants in South Australia compared to Victoria.

As I said before, our council has a rate income of \$3.2 million per year and yet we do manage to spend about \$2.1 million of that on roads per year. Our constituents think that we are doing a good job and we try as hard as we can. Before I heard about some of the Roads to Recovery money being spent on roads it should not have been spent on. I can assure you that in the south-east there is so little spent that every road is well and truly a high priority for that road money. In the south-east, as a region, we work very closely. There are seven councils. We are in the process of prioritising all the roads in the south-east of South Australia. As councils, we work very closely together to come up with a strategy for road building and funding through the whole of the south-east so that those moneys are spent well. We also work very closely on many other things, such as waste management, the south-east resource information centre et cetera.

The next big problem we have is aged care. We have an ever increasing older population. The biggest problem we have is funding for infrastructure. At the moment, just in the Mount Gambier and district council grant area, there is probably a shortfall of about 100 places, with 30 of those being high dependency places. The biggest problem we have is that as two councils we have put over \$1.15 million into infrastructure for aged care in the last few years. In the next few years, it looks like we will have to do a lot more. But there is no funding for that infrastructure for aged care. You must bear in mind that, in regional areas, if there is not a position available, more often than not our old people are sent up to 200 kilometres away. Because there is no public transport, their loved ones and spouses find it very hard to go and see them. I will now hand over to Mr Russell Peate to take you through what we have been doing with the rural transaction centre and so on.

Mr Peate—The chairman has highlighted the cost shifting in two of the major areas, road funding and aged care. Moving to the rationalisation of responsibilities, one of the good news stories—and maybe you do not hear too many of them—is the rural transaction centre that has been funded by the federal government and implemented. Service SA, the state body for coordinating the provision of state services, has implemented and launched services at that centre as well. Therefore, a suite of services, federal, state and local, are being provided there. There is also a tourist information centre. In effect, it becomes a community centre where a person can go. It does not matter what they ask for, it can be provided. There are federal, state, local and tourist information and library services all in the one area provided by local people who are known and trained in that area.

In terms of rationalisation of services and being able to capitalise on that, it is working well. It is only in its infancy stage. The state government services have only been operating since about August and the rural transaction centre has operated for approximately 12 to 14 months. The chairman referred to the South East Local Government Association, and we have a history of being able to work together well in terms of regional provision of services. He has highlighted a few instances: we do have regional transport plans, we do have a coastal management plan, we do work through road funding and we are on the beginnings of waste management, implementing coastal management, natural resource management and staffing issues on a regional basis and resource sharing. We will probably leave it there. Obviously, we are highlighting that in the information that we have provided to you today.

CHAIR—Thank you both for those remarks. Certainly it is good to hear the rural transaction centre story, and I hope it gets well supported. Just before we proceed to questions, can we move a motion relating to the evidence from the District Council of Grant?

Resolved (on motion by **Ms Burke**, seconded by **Dr Southcott**):

That the submission from the District Council of Grant be received as evidence and be authorised for publication.

CHAIR—It is a very stark comparison between Grant and Glenelg.

Mr Pegler—It is all there.

CHAIR—I am not doubting it. One of the questions that we do like to ask councils is that when it comes to providing services on whatever basis, where you have got the ability to perform to a particular level, would you support the system of accreditation where a council could then become a service deliverer to a specified standard, obviously on the basis that there would be a suitable funding arrangement?

Mr Pegler—I certainly would. In our council, we have been basically changing the culture for quite the last few years in the way we do deliver services and in our entire business. I certainly would welcome that, provided the funding is there to do it. More and more the reporting processes that we have to do as councils are costing us nearly as much as some of the jobs that we do. We must be careful whenever we insist on reporting processes that it is cost effective. I would suggest that you look at the bigger areas, make sure you are doing those cost efficiently and it will flow through the rest of the system anyway.

Ms BURKE—I have the same question that I have been asking everybody. What are your actual bread and butter issues of local government? Do you think we need to have an audit process to say that this is what should be done, so that funds can therefore go appropriately and we are not duplicating across various levels of government?

Mr Pegler—As I said before, we go and ask our constituents and our ratepayers, which we have done. On the second page, there are the preferences that they have definitely come up with, and they are probably the preferences of most of the councillors. Being a rural council, of course, people have to travel on the roads. For industry itself, it is also extremely important. So roads are number one in our council area and, I would suggest, in most of the rural south-east of South Australia or even the whole of rural Australia.

Ms BURKE—How do you go about the other thing of managing community expectation? When you go to survey them and ask them what they want, they will tell you. How do you say what you are actually going to fund and how you will provide those services to that level?

Mr Pegler—Certainly, we are constantly reporting to the community on how much we are spending in all those various areas. There is no point beating around the bush and saying, ‘We’ll try to do it.’ If you do not have the dough to do it, you just have to tell them that you do not have the money; it is as simple as that. You have to make sure that everything within your council area is prioritised; perhaps it is more important to do those streets or those roads. You have to have priority systems in place so that that does happen, and the community has to have input into those priority systems. It is simple.

Dr SOUTHCOTT—Do you believe that your council, the District Council of Grant, has the capacity to deliver services that are funded by other levels of government? I am thinking of things like Green Corps or Work for the Dole, which are often managed by the local council. Is that something that you do: service delivery for either the state or the Commonwealth government?

Mr Pegler—I will let Russell speak on that one.

Mr Peate—I believe that local government would probably have the capacity to do so, with funding for the administrative functions et cetera. In years past, councils throughout Australia, under schemes that have now been abolished or changed, have provided those sorts of services. Certainly, in previous councils that I have been at, we have provided those sorts of services. So the capacity and the historical evidence are there to indicate that—provided there is funding for the administration. Can I also just mention, in relation to the previous question—the Deputy Chair’s too—that we have township plans; we meet once a year to revise those plans and determine the priorities that the communities want, based on feedback from public meetings as well as the annual community survey. So that feeds into it.

Dr SOUTHCOTT—Are there any particular services that you feel should be funded directly by the Commonwealth government?

Mr Pegler—Infrastructure for aged care, definitely.

Dr SOUTHCOTT—In the aged care area, are you able to make use of the accommodation bonds to help fund the capital infrastructure for residential aged care facilities?

Mr Pegler—The biggest problem with them is that, while the system is right, the lead time is too far out. The system that has been set up is right, but it is not addressing the shortfalls for today. I will use Boandik Lodge as an example. There are buildings there that are now 40 years old, well built and well maintained but that now do not meet the standards that have been set, because the corridors are too narrow or whatever, so they now have to be pulled down. I am sure that a lot of our old people would prefer to be living in that place than going 180 to 200 kilometres away. The standards and the replacement of buildings have to be addressed and the shortfall between now and when those bonds really start working has to be addressed.

Mr GRIFFIN—So you provide aged housing and accommodation services, as a council?

Mr Pegler—No.

Mr GRIFFIN—Then why is it down here on the list at No.3, as being one of local government's current roles and responsibilities?

Mr Pegler—Because there is a community aged care facility, known as Boandik Lodge, for which we provided a lot of the money for the infrastructure. Then we handed over the facility to that group to manage.

Mr GRIFFIN—I am just really surprised. I can understand why, if you surveyed a community, they would see aged housing and accommodation services as an important issue; I am just very surprised that in fact they see that as being a local government responsibility, because I do not know of anywhere in Australia where it principally is.

Mr Pegler—The simple fact is that we had to put the money in because no-one else would. The council, as the community, had to put in the money for the infrastructure, so it is now seen by the community as something the community is funding through its rates. That is the unfortunate part, but that is what has happened.

Mr NAIRN—What is the average income in your shire; do you know?

Mr Pegler—I could say something like \$32,000, but I do not know for sure.

Mr NAIRN—I was just interested to see a comparison of some of your grants with those from councils in other states, that was all.

Mr Pegler—The average income in the District Council of Grant would be very similar to the average income in the Glenelg Shire, I would suggest.

Mr GRIFFIN—It would be higher in Glenelg, I am sure.

Mr Pegler—One other thing I would like to mention is that local government's system of raising money is getting more out of kilter all the time, as in the rating system. When councils traditionally looked after roads, rates and rubbish, perhaps a land based tax was okay, but now, when there are more and more things being placed on local government, the land based tax is not necessarily right because it does not reflect the ability to pay.

Mr NAIRN—Do state government authorities or business enterprises pay rates to the council?

Mr Pegler—State government authorities do not.

Mr NAIRN—Do authorities that are operating in a commercial sense, whether they be corporatised, pseudo-corporatised or whatever, pay rates to the council?

Mr Pegler—As a region, we fought for many years to get the South Australian forestry—the financial part of their operation—to pay rates, and they now do. But other government enterprises do not. We have a privately run jail in our council area, and that does not pay rates.

Mr NAIRN—It does not pay rates?

Mr Pegler—No.

CHAIR—We are running over time again. Councillor Pegler and Mr Peate, thank you very much for coming along today and thank you for your submission.

[3.37 p.m.]

CHANDLER, Mr William, Acting Chief Executive Officer, City of Tea Tree Gully

GRAVES, Mr Nigel Robert, Executive Manager, Business Strategy, City of Tea Tree Gully

CHAIR—Welcome. I must remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House, and the giving of false or misleading evidence is a serious matter. Would you like to make a brief opening statement before we proceed to questions?

Mr Graves—Yes. I believe you have a copy of our presentation. We were hoping that we would use our presentation time to give some further evidence on an aspect of the City of Tea Tree Gully that we believe is particularly unique. We raise the question as to whether this is a very special example of what we possibly see to be a major cost shift as a result of particular behaviour that has had a fundamental impact on the financial performance of the City of Tea Tree Gully. I will move to the second page quickly with respect to some background and hand over to Mr Chandler.

Mr Chandler—The City of Tea Tree Gully—I do not know how many of you are familiar with where we are in South Australia—has experienced rapid growth in its urban population over the last 15 to 20 years. It has been in very high demand. One of the areas of rapid growth has been Golden Grove, which has experienced significant residential growth over the last 15 to 18 years or so. It constitutes about 30,000 people as it stands at the present time and is nearing its completed development phase. It constitutes about one-third of the City of Tea Tree Gully, which has a population of about 100,000 people. The development in that particular area has resulted in district centres, smaller centres, schools, sporting facilities and an award-winning residential environment for a significant number of people here in metropolitan Adelaide. The development of that area started off under the Golden Grove (Indenture Ratification) Act. It involved both the state government and a developer carrying out the development of the area, subject to planning rules which were determined by the indenture. The council was not a party to the joint venture, and the normal local government planning rules and processes were curtailed by the introduction of that particular indenture ratification act.

In our submission today we are saying that the joint venture processes of land development by the state government—and there was good reason for that at the time; I am not suggesting that we ought not to embark on those kinds of situations again, but I think there are some lessons to be learned about the way in which cost shifting has occurred—mean that the taking of profits by the state government from the development process has resulted in the local government being burdened with significant costs for its community into the future. There has been a large cost shift. Some examples of that are there in our submission for you to look at. One thing in particular was the introduction and development of large-scale infrastructure over a very short period of time. The council might not have had the program for that but has had to develop one. Also, there has been the issue of the development processes themselves being undertaken by the development group or the joint venture group, and council has been unable to influence many of those decisions. The legacies for our city that have resulted from that

particular process have been a significant number of trees out there which we believe have been planted illegally and which the community will have to look at in terms of either removal or replacement.

Many areas of infrastructure have been put in—and I have heard infrastructure being mentioned around the room today—which we believe could have been undertaken in a much better way and at a much higher standard than what we have experienced. There will be large costs to the community for that. There have been other areas of infrastructure incomplete, including footpaths and landscaping. But, importantly, what is going to weigh heavily on our community, particularly in relation to our philosophy of sustainable development processes—in terms of being the driest state in the driest continent—is that significant costs will be incurred by our community in the maintenance of the infrastructure, and of the landscape in particular, that has been put out there. To some degree, one could say we would have incurred those costs anyway, but not being in control of, or part and parcel of, the program to design sustainable development for our future communities means that we are inheriting something that has been imposed upon us. We have no choice but to involve our community in the ways in which we might deal with that in the future. We are doing some of that work now. To give you an indication of the costs involved and of the cost shifting process, I will hand over to Nigel.

Mr Graves—In terms of the expectations over a decade or so ago, it was not necessarily seen in a negative light. Growth was good; councils were going to earn rate revenue and other revenues and therefore it would be self-supporting. There was probably some nervousness in the late eighties about the size of the development and, as a consequence of that, the joint venture commissioned Touche Ross to prepare a forecast to indicate the benefits of the development to the council. The Touche Ross report of 1989 concluded that the net present value of the benefits for the next 15 years for the City of Tea Tree Gully would be \$60 million.

This year and last year we have done revisions in respect to what the outcome has been over the last 14 years. Our current estimates are that it is more likely to be around about negative \$30 million rather than the positive \$60 million, which has had a significant impact on the council's finances. The 'Financial impact 1' graph illustrates one of the first shortfalls, and that was that the Touche Ross forecast said—and this is the darker bar on the graph—this is what rates are going to be over the next 14 years. The comparison is what they have actually turned out to be. Part of that forecast was obviously based upon some consumer price index increases which have not eventuated to the large extent that was forecast, but it is not the only reason for that gap.

The next page, 'Financial impact 2', is probably the main difference between the forecasts. Back in 1989, they were looking forward saying that around about this period of time the council would be experiencing \$2¾ million additional general purpose and road grants as a consequence of the significant growth of the city. As you can see by the graph, what has happened is that the council this year is receiving less in general purpose and road grants than it was back in 1989, despite the fact that the city has grown by 30,000 people. Obviously that has caused substantial pressure on the council's finances.

The next one, 'Financial impact 3', is a surprise. Expenditure has been pretty well in terms of forecast other than probably a slight overestimation of cost increases, which have not been as great. But in the main the capital and additional operating costs have been pretty well in line. So we believe that side of the forecast was pretty credible.

Finally, the overall result is shown in 'Financial impact 4', and that depicts the comparison between the \$30 million net present value shortfall that we are indicating versus the \$60 million positive result that was being forecast. I would emphasise that that review does not take account of the legacies in respect to rectification, replacement and additional water that Mr Chandler referred to previously.

Having read the Department of Transport and Regional Services submission, I found it interesting to have a couple of attempts at trying to interpret what cost shifting meant. I came to the conclusion that we thought that we had what seemed to be a major cost shift but it did not quite fit within any of the definitions that were being proposed. We believe it is and we believe it is probably one of the largest items of cost shift that you could probably experience in this particular state.

We raise the question of where the profits that are being earned by the joint venture have gone. We wonder why the council might not have been party to that, considering the outcomes in respect of the development. We also raise the question of why we are probably one of the most expensive councils in metropolitan Adelaide in respect to rating levels. We suspect we know the answer.

CHAIR—Thank you for that. This has been a major housing development and you have shown the projected income versus what actually happened. Is this because rates did not go up in this housing development? What was missing? Could you clarify that?

Mr Graves—I think it is probably fair to say that the major gap in terms of rate revenue was simply a difference in how quickly the development came on compared to the original plans. That was probably a natural thing that happened in respect to the response to demand in the economy. I think it is probably fair to say that the forecast indicators for how quickly costs would rise and therefore drive rate increases up were obviously greater back in the eighties than they are now.

The real point that we are trying to make is that generally the rate and other revenue expectations from the development other than grants are pretty well in line with probably the expectations back in the 1980s. If I had got some forecasts that close back in the 1980s, I would be pretty pleased with them. But what it did show was that there was either a fundamental misunderstanding or a pretty poor outcome with respect to methodology with respect to the grants that the council was receiving, so the whole basis of the development being financially positive to the council was pretty well driven by an expectation with respect to grant outcomes which simply have not happened.

CHAIR—That did not happen because of some specific deal on the housing estate, or is there some reason why? You showed us on the graph here it is virtually zero. Why is it so different?

Mr Graves—I suspect that what the Touche Ross people did back in the 1980s was say that our general purpose grant and our local road grants would increase proportionately to population, cost increases and road links. Unfortunately, the methodology that is applied in this state with respect to general purpose grants has actually proved the opposite, that as we have had a 30,000-people development which has significantly raised the residential property value in the city, it has actually meant that we receive a lot smaller share of the cake.

Dr SOUTHCOTT—I understand that. Really, I think the grant shortfall is the central issue: everything else seems to be in line. That is why there is a difference in net present value between \$60 million plus and minus \$30 million. Is there anything else going on here? For example, did the developer bear any of the costs which are normally associated with local government, such as the roads or any of the basic infrastructure or anything like that?

Mr Chandler—The developer in the normal process of events in actual fact was responsible for the subdivision costs associated with land, the installation of new roads, in conjunction with government. One can see that that relationship is critical in the development of an area as big as this. But at the end of the day, when that whole development becomes, as it is now, the responsibility of the council, you are highly dependent upon the ability of those people to install robust infrastructure, if you like, that will stand the test of time. We are finding that there are significant failures in some of that infrastructure that has been installed. There is no denying the fact that the joint venture partners were responsible for the installation of some of that infrastructure.

Dr SOUTHCOTT—So when you go to the Grants Commission and say, ‘Our council is now 30 per cent bigger than what it was 15 years ago, but we are actually getting a lower local government grant,’ what do they say?

Mr Graves—The simple response to that is that the revenue side of the formula is taking into account only the property values of the city, and the substantial increase in the property values in the city is therefore being defined as the increase in the capacity of the city to pay rates.

CHAIR—Just before I move on, I need a motion that this submission from the City of Tea Tree Gully be received as evidence to the local government and cost shifting inquiry and authorised for publication. That has been moved Mr Nairn and seconded by Dr Southcott. There being no objection, it is so ordered.

Mr NAIRN—As to the issue of water consumption that you highlight there, all of that water comes from my electorate, so I would like to see it used properly. What is the actual impact of this? Is it water on public areas that the council then is paying for? Does it also include the excess water that the individuals living in that area are using for whatever reason? To whom do they pay water rates? They would not pay those to the council; they go to the water board, I presume. Could you clarify that aspect and the impact on the council?

Mr Chandler—The figures we quote in our latest submission to you are purely and solely the council’s contribution in terms of water costs. You are quite right that water rates for individual allotments upon which residential houses sit, where people maintain and look after their own gardens, are paid to a government or private authority. The water costs in that part of the community are associated with the watering of public spaces, road verges, ovals and green spaces—the things that the community enjoys. Not all the areas consist of highly watered spaces; there are some areas that are open grassland, if you like, with no irrigation at all, simply because it would be folly to try and water all those areas. Essentially, that is the water cost that applies to the newly created spaces in that part of our city.

We are also in the process of working with our community, other government agencies such as the catchment management boards with a view to how we can use recycled water. We have a very large STED scheme, a septic tank effluent disposal scheme, in Tea Tree Gully. Currently

we are looking at ways and means of aquifer water recharge so that we can then draw some of that water out of the aquifer to reduce costs. We are looking at ways and means of installing small wetland areas that will assist in reducing water costs for our community in that area. We are also working with the community with a view to having them understand and appreciate the kinds of costs that go into maintaining those areas of their neighbourhood at the level that they expect—because when they moved in, they expected that level to be retained—so much so that the community will end up determining the degree of maintenance that might be appropriate, so that they are part and parcel of a total cost-saving exercise, as a community of 30,000 rather than as individual members of the community doing their own bit. It is a total package.

Mr NAIRN—I asked people giving evidence earlier about unrateable land and, more specifically, about government enterprises that do not pay rates. Does that have much of an impact in your area?

Mr Graves—That has very little impact in our area. The City of Tea Tree Gully is probably proportionally the largest residential city in Adelaide and therefore would have very few government enterprises. We have our isolated pockets of interesting examples: there is effectively a privatised hospital opposite our council chambers, and its former nursing quarters have been turned into student accommodation which is deemed to be unrateable by the legislation that put it into place until 2005. But we will look at that very carefully in that particular year.

Ms BURKE—My apologies for going out, but did someone ask you about your view of accreditation and direct funding from the federal government? I have asked everybody else, so if I could get a quick response to that.

Mr Graves—The thought that went through my mind when you said you had asked others is that, from a council perspective, there would be a little suspicion that it would appear that we were receiving funds directly for delivering particular services instead of having the flexibility to deliver the services that we would like to deliver. The other thing that came to mind is that I am not sure that you can ever achieve a rule book for the role of local government. Having had a council meeting last night, an example comes to mind. Late in the evening—it was to do with the trials and tribulations of purchasing electricity in the near future in Adelaide—one of our elected members said, ‘I would like to investigate whether our council could conduct electricity purchase negotiations on behalf of all of our residents.’ I do not believe that appears anywhere in our rule book with regard to a service that we provide today, but it is certainly one that that elected member would like to see considered.

Ms BURKE—That is a good example. Thank you.

CHAIR—Thank you both very much and thank you for that comprehensive submission.

[4.02 p.m.]

FAIRLIE-JONES, Mr Peter, Director, Finance, City of Salisbury

HAINS, Mr Stephen Charles, City Manager, City of Salisbury

CHAIR—Welcome. I remind you that the committee does not require you to give evidence under oath, but the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter. Would you like to make a brief opening statement before we proceed to questions?

Mr Hains—Thank you, Mr Chairman. We will try to be brief. We have just distributed a chart, which you have no doubt seen previously in your inquiries. It is an extract from the Bureau of Statistics which indicates the degree of increase in revenue over the last 10 years for the three spheres of government. You can see that Commonwealth revenue has increased by 84 per cent, state revenues by 109 per cent and local government revenues by 59 per cent. It is clear from that chart that, within the firmament of governments, local government revenues has been comparatively constrained, compared with those of other spheres of government. During that time, though, there has been a steady increase in functions, whether by cost shifting or by rational transfer of responsibilities or by local government's own choice. These increased functions have largely been achieved, in my view, in two ways. One of them is through productivity gains, and there have been substantial productivity gains in local government in the last 10 to 15 years. There has also been a downgrading of expenditure on essential asset maintenance, which is a serious long-term problem that local government is not alone in facing.

The submission we have made to the inquiry details a number of instances of cost shifting from a brief scan of our organisation. It shows the very wide range of functions that have increased in local government in the last few years. I dare say it does not represent all instances of those issues of cost shifting, but it is clear that both Commonwealth and state governments have sought to meet their own objectives, financial and otherwise, at some expense to local government, both in requirements for in-kind contributions and in delayed and, indeed, broken commitments. It has been, in a way—without meaning to trivialise it—a 'death by a thousand cuts' type of situation.

This inquiry boils down to two questions: firstly, what is the appropriate functional role of local government within the system of government in this country; and, secondly, is local government appropriately funded to undertake this role? On the first question, the functional role of local government within the system of government, I think that, with its vastly increased range of functions, local government is a much more effective and professional sphere of government than it was 30 years ago. In fact, there are so many changes in function and role that it does not bear much comparison. But to my way of thinking, and this would be demonstrably the case in terms of community perception, it is a much more effective and useful sphere of government because of it.

We believe there is some room for further expansion of local government functions. I do not think you should crystallise what local government is doing today and say that that is exactly what local government should be doing. There is still room for local government to increase its

range of functions. It is useful though, in that context, to distinguish between local government as a service provider and as a sphere of government. In terms of its service provision role, its waste collection, road building, park maintenance and the like, those are fairly clear functions. Local government is also a sphere of representative government, where communities seek expression through their representatives for whatever is of concern to them. Local government tries to resolve those issues, often not by expending its own money but by trying to facilitate better outcomes, either through the private sector or by other spheres of government. By lobbying and representing its constituents, it is a legitimate role of government. Indeed, local government often finds itself being drawn into a range of services and areas of expenditure as part of that role of trying to do the best thing by its local community.

On the second question, about whether local government is appropriately funded to undertake the role, it is clear that local government has something of a funding crisis, even within the scope of its present functions. The pressure of asset renewal is something of a time bomb for local governments that must be dealt with. It has been made clear to you from the reports you have seen that asset renewal is clearly underfunded and is an issue that must be addressed. In that sense, it is clear that local government needs a broader based taxation source. It needs access to some form of additional revenue. It is not appropriate for all services to be funded by property taxes alone, and we think the most appropriate mechanism already in place is that of financial assistance grants.

I spent some time in the United States a couple of years ago on a study tour. I was most impressed by the problems they have in a lot of United States councils, where they do not have a system of financial assistance grants. You get an inner city council with a substantial police expenditure required because of the heavy crime rates in the inner city but with a very low tax base to draw that on. The only way to fund what might be twice the level of policing that is required in a more salubrious neighbourhood is to increase taxes, which further drives away investment and makes it very hard. That is why there are so many problems in the inner cities of America, because many councils have been affected by this funding crisis, where they are caught in a downward spiral.

One of the beauties of the system in this country through the financial assistance grants process is that it offers a way out by recognising those expenditure and revenue disabilities which can be funded. The financial assistance grants are one of the great structured things in government in this country. We think that needs to be built upon and developed to deal with some of these issues. In closing, we support the concerns that the LGA has put on the table regarding state grants that are based on the per capita process.

CHAIR—Before we move to questions, we need to formally receive this chart from the City of Salisbury as evidence to the local government and cost shifting inquiry.

Resolved (on motion by **Ms Burke**, seconded by **Mr Nairn**):

That the chart from the City of Salisbury be received as evidence to the inquiry.

Ms BURKE—Mr Hains, what is your view of the local government grants situation in South Australia and how they carve up the FAGs grants to the various South Australian councils? Do you think the local Grants Commission is a necessary part of the federal funding mechanism?

Mr Hains—The answer to the second question is yes. The answer to the first question, in relation to the system in South Australia, is that we, like others, think that the Grants Commission does a good job but we are not supporters of the concept of a minimum grant. We think the issue needs to be dealt with. The money should be used for what the money is given for, which is essentially to deal with disabilities between councils and to offset the disabilities that they face. The concept of then adding another criterion which is saying that everybody must get something is a trivialisation of the original concept just for political gain.

CHAIR—Do you support the principle of the minimum grant?

Mr Hains—No.

Ms BURKE—Would you have any support for the notion of accreditation for council services and for direct funding from the federal sphere to councils?

Mr Hains—The issue of accreditation for services is a sound one to explore. In a way, there is a degree of that already occurring. We run, for example, Home and Community Care programs on behalf of the federal government. Those are presumably run by us only because they believe we have the capacity to do so, so in a sense there is a degree of accreditation going on now. The only misgiving I would have about the issue of accreditation, which has been referred to in some early submissions, is the burden associated with reporting on some of these issues. They can be quite onerous and quite administratively time consuming. But, yes, we believe there is lots of room for local government to take on further work on behalf of other spheres of government based on an accreditation system.

Mr NAIRN—Accreditation could take out some of the bureaucracy, don't you think? If you are specifically accredited to do something then there would not be the need for some of the reporting that currently goes on.

Mr Hains—I look forward to the day when I deal with the Commonwealth and I can take out some of the bureaucracy.

Mr NAIRN—We always live in hope. Getting back to the proportion of funding, when the new tax system was coming in there was some discussion about the possibility of local government receiving a percentage of the GST, so it would have revenue growth in a similar fashion to the states. In Queensland there were some preliminary discussions and agreements along those sorts of lines, but then local government very strongly across the nation said to the Commonwealth, effectively, 'We don't trust the states; we still want to deal with the Commonwealth in this regard.' That is why certain changes were made. You do not believe some arrangement along those lines, with the states in this case rather than the Commonwealth, is something that should be explored?

Mr Hains—The issue is that local government has a funding crisis. There is an obvious, demonstrated need for access to some growth revenue. The question of where that growth revenue comes from—whether it is from the GST or some other source, whether it is dependent upon the goodwill of the states or on some national arrangement that comes through the Commonwealth directly—is open for discussion. We are really just saying that, while all of those matters can readily be explored, we have a very good system that is already established and operating through the Grants Commission. If it were only allowed to operate properly and

be properly funded, we believe that it would offer a lot of opportunities to deal with the issues we face.

CHAIR—Thank you very much, and thank you for your comprehensive submission.

[4.16 p.m.]

McSPORRAN, Mr Ian Donald, Member, South Australian Regional Organisation of Councils

CHAIR—Welcome. The committee does not require you to give evidence under oath, but the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter. Do have any comments to make on the capacity in which you appear?

Mr McSporran—I am the Executive Officer of the Spencer Gulf Cities Association and the Provincial Cities Association of South Australia. I am representing the South Australian Regional Organisation of Councils at this hearing.

CHAIR—Would you like to make a brief opening statement before we proceed to questions?

Mr McSporran—Thank you. I did have a much longer statement—I will arrange for that to be emailed to the secretariat—but I will highlight some of the points that were contained in that submission. In general terms, SAROC strongly supports the views that have been expressed by the Local Government Association of South Australia and also by the Minister for Local Government. In the view of SAROC, we believe there is a clear reluctance of the Commonwealth to address the inequities of the historic arrangements within the Local Government (Financial Assistance) Act. SAROC also believe that decisions on road funding can be made to accommodate the wishes of the Commonwealth government, if it so desires—and we highlight the Roads to Recovery program. We specifically state that cost shifting is taking place, with local government and their communities being the long-term recipients for the ongoing cost shifting.

In relation to the last statement, I would like to provide a couple of examples that we believe not only apply to South Australia but, in some areas, can apply across the whole of Australia. The Commonwealth opted out, on a ‘take it or leave it’ basis, on the funding of part of the cost of aerodrome upgrading and maintenance in the early 1990s. Whilst a negotiated settlement was reached with the Commonwealth, this settlement occurred with the various local government authorities having little or no negotiating room. Since that time, the responsibility of aerodrome maintenance has increased, and this has been particularly as a result of the increase and the strengthening of regulations by CASA.

As from March 2003, new regulations will require further upgrading works to be implemented to meet licence standards for aerodromes across Australia. Whilst it is understood a period of three years will be allowed to undertake the required upgrades, these costs will have to be met by the aerodrome owners. Failure to meet the new regulations will mean: (1), the aerodrome will not be licensed by CASA and, as such, regional passenger transport services and/or charter operations will not be able to use the aerodrome; and, (2), the only users of the facilities will be emergency flights or private operators, not charter operators. In South Australia, there are only three regional and rural aerodromes where the income from landing fees or head taxes covers operational expenses. However, it is my understanding that if a strict

accounting policy covering depreciation et cetera was implemented, not one of the aerodromes would cover costs.

On this particular basis, on the topic of landing fees and head taxes, the Australian Airports Association has been requested by its South Australian members—and most of them are local government authorities—to seek to have such fees and taxes treated in the same manner by the Commonwealth as payments due to the Commonwealth when a company goes into liquidation—for example, Ansett. You are probably aware that the cost to aerodrome owners was \$40 million in landing fees and head taxes, with in excess of 50 per cent of this being owed to regional or rural aerodrome owners across Australia. It is my understanding that the payment of this debt is not likely to occur. Whilst Ansett is the well-known debt, there are other examples where operators of small businesses flying so-called bank runs have gone bust, leaving the aerodrome owners with the debt. The last such occasion in South Australia cost local government aerodrome owners in excess of \$50,000.

On the issue of roads—and reference has been made to that on a number of occasions today—SAROC believes that the Roads to Recovery program and the funding that was received in South Australia prove that the statements that were made by local and state governments regarding the greater level of funding were correct. However, SAROC does have strong objections to the road funding cuts that have been made in 2002-03 by both the state and Commonwealth governments, as the decisions have meant that many planned upgrades of roads have had to be delayed, with expected cost implications for the agreed works. That is due to (a) the increased costs of construction and (b) the adverse, extremely dry weather conditions impacting on the road surfaces et cetera in the current dry period. In the view of SAROC, the decisions are extremely poor and are a further reason for rural and regional South Australia to question the attitude of the state and the Commonwealth towards funding provided for roads within our state.

Don Pegler commented earlier on the issue of aged care. It is matter that SAROC believes local communities—and particularly local government—are being asked to take a greater role in. In particular, the lack of private sector investment in many areas of South Australia and the withdrawal of Commonwealth funding for the construction of aged care facilities have caused many communities to seek to have the local council involved in the construction of nursing homes and aged persons hostels. Many of the intended residents of such facilities are not asset rich and the operators are unable to recoup capital or development costs once the facilities commence operation. This situation requires the local government authority to generally fund the construction, with a resultant increase in rates et cetera levied on its community. In this particular regard, I am aware of a situation in northern South Australia where nursing home beds and operational funding are available, but the \$3 million required to upgrade and rebuild an existing facility is not available.

There are other areas that can be cited—for example, the involvement of local government and communities in the provision of doctors and health facilities within the communities, and disabled children's programs which have been established by the Commonwealth and state and then funding has either been capped or withdrawn. To get back to my first point, SAROC believes that until a realistic review of the Local Government (Financial Assistance) Act is undertaken, the cost shifting will continue, with local government having to bear the brunt.

Ms BURKE—Do you have a suggestion on how to rectify the current model of the grants delivered both at a federal and state level?

Mr McSporran—There are two issues. Firstly, a greater pool of money needs to be provided. Secondly, there needs to be some political will by the government to share it equitably across the whole nation.

Ms BURKE—So you think a move from the current model to, say, a needs base would be of greater benefit?

Mr McSporran—I believe so, yes.

Ms BURKE—Today we have raised the issue of accreditation and have said that, for example, in aged care, a council would be accredited to deliver that service, and direct funding would be supplied. Is that something the association would have a view on or would support?

Mr McSporran—It is not an issue that SAROC has discussed. From a personal point of view, in my previous capacity as city manager of Port Augusta and as a holder of an aged persons hostel licence and a nursing home licence, I am fully aware of the accreditation process. I agree with the comments that have been made by some of my still-serving colleagues that, unless funding is provided, it could become a significant burden, particularly for the very small councils in South Australia.

Mr NAIRN—You mentioned the cuts in road funding, and you said state and Commonwealth. Can you quantify that? Earlier we had evidence that put a figure on the state cuts.

Mr McSporran—Yes. And there is \$8 million that has been deferred in South Australia that is now put back by 12 months.

Mr NAIRN—So it is not cuts?

Mr McSporran—It is cuts in the sense that the work is already planned.

Mr NAIRN—It does not help when it has been put forward that there has been a cut when overall there will not any cut at all.

Mr McSporran—When commitments have been made in good faith then it is a cut.

Mr NAIRN—We will agree to disagree on that basis.

Mr McSporran—I think you are playing with semantics.

Mr NAIRN—I want to get it straight because it has come out in a couple of submissions and it has been portrayed—with the greatest respect, Mr McSporran—as a reduction in funding over what has occurred in the past. The first thing that I will reiterate is that the Roads to Recovery is an additional funding scheme, not an existing one, and over the full five-year period ultimately it will be there. That is what you are referring to.

Mr McSporran—Yes, but what I am saying is—

Mr NAIRN—The deferral, rather than a cut in normal funding.

Mr McSporran—What I am saying is that particularly in some regional areas of South Australia there were commitments made on the basis that the funding was going to be provided over a four-year term, not five. So that does, in fact, create some concerns for those local government authorities.

Mr NAIRN—Okay. We have now qualified what the statement was. With respect to aerodromes, are there any owned by councils that have been leased to private enterprise at all?

Mr McSporran—No.

Mr NAIRN—None at all?

Mr McSporran—No. Quite frankly, there would be no return in them for private enterprise in South Australia because, as I said, once you take into account depreciation and what have you, they are all running at a loss.

Mr NAIRN—I do not have the detail to challenge that, but in my electorate there was an aerodrome which for many years was owned by council and ran at a loss, and over the last five years, after leasing to a private organisation, they have turned that around into a profit situation. They have been entrepreneurial in a variety of ways, and I just wondered whether there had been any similar sort of circumstance. Obviously not.

Mr McSporran—Certainly there are a couple—for instance, Port Lincoln and Kangaroo Island are two that come to mind—where they have been able to utilise other revenue sources to make their aerodrome more financially viable, but there are so many others within the state where, on a small population basis, it would be completely impracticable to even contemplate that.

CHAIR—Thank you, Mr McSporran. We will receive your additional material tomorrow.

Mr McSporran—That will be emailed tomorrow. Thank you.

[4.28 p.m.]

GAWLER, Mr Steve, Vice President, Metropolitan Chief Executive Officers Association, South Australia

CHAIR—Welcome. Would you like to make a brief opening statement before proceeding to questions?

Mr Gawler—Yes. I am the Chief Executive Officer of the City of Holdfast Bay, but that this afternoon I am appearing as Vice-President of the Metropolitan Chief Executive Officers Association. I will only speak for a couple of moments. You may have noticed that there is no written submission from this group. This group is actually speaking in support of the Local Government Association submission which was presented earlier this afternoon. To give you an understanding of our group, the association consists of the chief executive officers of all of the metropolitan Adelaide councils. It also includes two or three CEOs from adjoining, metropolitan fringe or metro-rural councils.

We operate largely as a professional support and policy development group, but we also feed directly into the Local Government Association. I would like to emphasise a couple of aspects of the LGA submission. One of the things we need to highlight—and I am not sure that it has come out strongly enough yet this afternoon—is that local government, particularly in South Australia, is probably approaching a crisis point or at least a very serious situation over the sustainability of its funding. For a lot of the reasons that you have heard this afternoon, we are reaching the point where traditional sources of revenue are running dry or where pressures are mounting, and we are basically running out of options. This is becoming a regular topic of discussion in the industry and, in fact, exercised a part of the meeting of our association this morning where we were talking about ways of funding the infrastructure deficits and the way local government treats depreciation in its finances. I believe it is a very serious situation for us and it drastically needs to be addressed.

Because this inquiry is about cost shifting I want to tackle that directly. Our organisation believes that there are quite a few examples of where costs have been shifted. By that we mean that responsibilities have been moved to local government from other areas. I will not go through the examples because the appendix to the LGA submission was excellent, and I commend that to you. There are several pages in table form—it is very good documentation of the many responsibilities that, over 10 or 20 years, have moved across to local government. What I would really like to point out to the panel is that, as much as anything, the cost shifting we are facing is in new responsibilities or augmented responsibilities which are ending up with local government. They have not necessarily come directly from state government—they might be roles or levels which have not been required in the past.

A simple example is waste reduction and waste management. There are much higher levels now of waste management standards being introduced. In this state, we have a draft environmental protection policy on waste which is part way through the consultation stage. That is being driven by the state government but it will have a significant financial impact on local government. We will not be able to simply collect all waste and dump it, as we have in the past. We are going to need to process it. There will be much higher costs. At present, it appears that

some of that cost will have to be borne by councils. There are a number of examples like that: significant tree legislation, dog and cat management legislation and the new Food Act requirements that the minister spoke about earlier this afternoon. So we believe that cost shifting is partly moving traditional responsibilities from A to B, but, as much as anything, it is about those new higher levels—it is about higher community expectations, higher levels of compliance.

As you heard, local government in South Australia has also suffered a number of funding cuts in recent years. That is another factor in the equation we are grappling with. I would like to finish off by saying that local government in South Australia is doing everything that it can right now to work out ways of containing costs, of balancing its budgets, ranging from a much more systematic approach to asset management and debt policy to reviewing service levels and service offerings. But, at the end of the day, local government cannot do it on its own and there is no question, in the eyes of our association, that this is a three-level responsibility.

CHAIR—Thank you, Mr Gawler.

Ms BURKE—Has the association or even your council quantified in dollar terms what you think the shift from state to local or from Commonwealth to local government may have been?

Mr Gawler—An interesting exercise we went through this year—and I am talking about my own council now—was where we reported to our members during the budget session that, over the last two years, we believe we have incurred extra costs of about \$600,000. That is out of a total operating budget of around \$25 million. Some of those are things like increases in the cost of utilities and insurance premiums; some of them are clearly new responsibilities, such as the cost of policing compliance in building standards, the Food Act, significant trees, dogs and cats—that sort of stuff. We have estimated it is around the \$600,000 mark. That has probably arisen just over two to three years.

Ms BURKE—With any of those new requirements, where the legislation stipulates that the local government now picks them up, have you received any funding to actually support council taking on those responsibilities?

Mr Gawler—There are a couple of recent examples. One is the new dog and cat management requirements and the other one is the Food Act, both of which are being introduced at present. In both cases, local government is expected to perform the policing role and is able to levy fees, whether it is dog registration or inspection of food premises. In both cases, the fees are set by state government and our figures so far show that in both cases there will be a net cost to council. With dog and cat management, for example—we obviously charge registration fees for dogs—the City of Holdfast Bay figures show that we are going to recoup only about 50 per cent to 60 per cent of the actual cost of policing. I believe the figure that has been calculated for South Australia in that respect is about 75 per cent—our council has a higher regime of rangers and those sorts of things.

Mr NAIRN—What is the current debt situation with most of the councils in South Australia?

Mr Gawler—I can only speak on behalf of metro councils, but overall I believe that as a sector our debt is fairly modest. Quite a few councils a few years ago embarked upon a program of debt reduction—almost down to zero—whereas other councils adopted a policy that a certain

level of debt is necessary as long as it is for enduring assets, but it is quite variable. Those policy approaches are quite variable, certainly across Adelaide.

Mr NAIRN—Have rate increases over the last few years been around the CPI—or above or below it?

Mr Gawler—I will go back to your previous question, Mr Nairn, just for a moment. The average debt servicing ratio, which is cost of debt versus rates—I think that is the figure—is around 10 to 11 per cent in metropolitan Adelaide councils. In relation to your second question: rate increases were capped for two or three years after the amalgamations in 1997. Since that time, my sense is the rate increases would have been a little above CPI.

Mr NAIRN—So there is currently no legislative restriction on rate increases?

Mr Gawler—No.

Mr NAIRN—But there was for a period of time?

Mr Gawler—Yes, there was—just during that amalgamation phase and that was only the councils which had been through an amalgamation.

Mr NAIRN—What were they capped at, at the time?

Mr Gawler—Our rates were capped at the 1997 level for the next two years, from memory. Actually, that is part of the answer, isn't it? There was then a bit of a catch-up, probably around the year 2000.

CHAIR—Thank you very much for that; it was certainly very helpful.

[4.38 p.m.]

CASS, Mayor Janice Dora, District Council of Loxton Waikerie

GASCOIGNE, Mrs Claudia Jane, Executive Officer, South Australian Local Government Grants Commission

HOPE, Mr Keith, Community Projects Development Manager, Northern Areas Council

CHAIR—We are a more open session, and I think there are a few people here who would like to say a couple of things to the committee. I will not say it again, but I think you have got the message about the importance of what you say being part of the proceedings of the parliament.

Mrs Gascoigne—I would like to clarify an issue that relates to the Roads to Recovery funding as it applies to South Australia. You would already know that roads and our share of road funding is a passion for everyone in South Australia and, therefore, I would like to commend the Commonwealth government for the initiative of the Roads to Recovery program. But in announcing the Roads to Recovery program, the Commonwealth made an exception in relation to South Australia. Eighty-five per cent of the money over the life of the program goes direct to councils, but 15 per cent of the available funds goes to the grants commission to make recommendations based on discussions with councils and regional associations to fund roads of regional significance. So over the process of the last few years the commission has facilitated, through the 15 per cent, the development of strategic plans of the local road network for regions of councils that had not previously developed a strategic plan. By approximately June next year we will have strategic plans of the local road network for the incorporated areas of South Australia.

CHAIR—Thank you. Is that 85-15 per cent an optimum figure in your opinion, and is it getting the results that you were hoping for?

Mrs Gascoigne—Yes, it was an agreed figure between the state, Commonwealth and the local governments back in about 1985. It was a little higher in 1985 but has been 15 per cent since 1991. I think it is achieving the objectives. Both the Financial Assistance Grants Scheme and the Roads to Recovery program allocate 15 per cent of the funds to what we call 'regionally significant' roads and enable us to fund roads that councils would otherwise not have been able to do in the short term.

Mr NAIRN—Under normal circumstances, are those roads of regional significance the responsibility of local government?

Mrs Gascoigne—Yes.

Mr NAIRN—There is no state responsibility for them at all?

Mrs Gascoigne—No. They are all local roads and they are roads that have been identified by local councils and agreed by the regional associations of councils to be of significance to the wider community. So they are all local roads, yes.

Mayor Cass—As well as being the Mayor of Loxton Waikerie District Council, I am a member of the state executive, I am on the SAROC organisation and I am Chair of the Murray and Mallee Local Government Association. I have been in local government for 27½ years, so I have seen a fair change in that time. I have been amazed at what has been happening in more recent times, but there has been cost shifting going on for many years. I remember 20 years ago when public libraries were established throughout regional South Australia, former Premier John Bannon sitting in our council office with the then president of the libraries board and talking us into having a public library, giving us a cast-iron guarantee that library funding would be fifty-fifty forever. It is now 80 per cent paid by local government and 20 per cent paid by state government. That is why we are sometimes nervous when governments make arrangements with local government, because it is so easy to change and we do not have any say over it. It makes it very difficult when these things happen.

I think the Local Government Act, as Steve Gawler mentioned earlier, has meant that there has been significant extra reporting and responsibilities placed on local government. Many extra plans have to be drawn to the extent that my own council now has a full-time governance officer who does nothing but write plans, put them out to public consultation and organise all of those additional reporting things that we are required to do now that we were not required to do even five years ago. So that has meant a considerable extra workload.

Similarly, in the health, building and planning areas, building standards have increased, there are additional planning requirements and under the new health act far more inspections are required. We have had to do inspections of not only swimming pools but towers for airconditioning and all those types of things, which has meant that we have had to put on additional officers in those areas.

This has meant not only additional officers but has got to the stage now where it means additional buildings. We had five spare offices when we rebuilt our council offices in 1997. Those offices are now all full, and we have four officers working out of an office that was originally meant to have two people. It has now got to the stage where we have to look at building on again. That means that the ratepayers are not terribly happy, because five years ago they saw this new facility with spare space. It is now full, and they are saying, ‘You’re creating a bureaucracy.’ It is not local government that is creating the bureaucracy; it is being forced upon us by additional workloads.

It does not matter where I turn these days, as I have said to somebody; every meeting I go to I hear of additional things that local government is being required to do. The EPA are looking at trying to get us to police noise pollution, even quarrels between neighbours and things such as wind and frost machines. They say they cannot do it, that they do not have the staff and that local government is better placed to do it.

CHAIR—Wind machines and frost machines—are they for the grapes or something?

Mayor Cass—Yes, they are for the grapes, because we are in a major horticultural area. The EPA will supply the training, but we have to supply the officers to police them. The training is

not the problem; it is the cost of the officers to police them that is the problem. Much of that is out of hours work, in the middle of the night or the early hours of the morning. It is an extra thing that we just feel we cannot cope with.

Waste management is another thing. We are being pushed into recycling, and for country councils that is a major problem, because of the distance from markets and the cost of getting recyclables to the city et cetera. Now they are even looking at regionalisation of waste. If local councils have to use transfer stations and shift waste from one area of the country to another, that is going to be a major additional cost for many smaller councils, who simply cannot afford it. It really is a problem and one that local government is finding very difficult to come to terms with.

And it goes on: we are looking at having to do some water management work, because we are in the Murray-Darling basin. They are trying to get us to do additional work on water management and salinity issues, and it just goes on and on. It has got to the stage now where the ratepayers have said, 'Enough is enough.' The problem is that rates are a land based tax, so they impact far more heavily on the farming community than on anyone else in the community, because they are the ones with the big areas of land. As somebody said a few minutes ago—I think it was Steve—it has got to the stage where I believe local government is at crisis point, where we really do not have anywhere else to turn. The problem for local government is how it is going to continue to fund infrastructure that is becoming old and needs upgrading, particularly the road network which, as has been said a number of times this afternoon, is a major problem.

Another comment I have about the deferral of the Roads to Recovery money, which is a major problem, is that we were told that Roads to Recovery would be a four-year program, and we hired our staff accordingly. We hired staff, and this year we do not have the money to pay them because we do not have work for them. We have had to try to put some of that staff off, so that has also cost us. But in two years time, we will have to somehow find additional staff or else put it out to public tender or private works, which a lot of our ratepayers do not like anyway. For country areas, that is a problem because we do not have people available to do public works in that area of expertise. So that is another problem with the deferral.

CHAIR—You have highlighted a number of areas where you feel an additional burden is being put on local government. Where would you suggest that this funding ought to be coming from?

Mayor Cass—When the state or federal government makes additional laws and asks us to do additional work with regard to inspectorial work, I believe it is unfair to ask us to do that work without giving us the required amount of funding to police it. They say they cannot afford it but neither can local government. That is the problem. I believe that, if another area of government requires local government to do some work, they have to be prepared to give us the funding to do it. They should not continually up and up the ante and expect us to do it—from the ratepayers—because that is the only extra source of revenue that we have got.

Mr GRIFFIN—On the library funding issue, you mentioned that it was supposed to be fifty-fifty and it is now 80-20. Is that on the basis of increased expenditure in terms of the 80 and the actual cut?

Mayor Cass—No. It has gradually gone down and now it is 80-20.

Mr GRIFFIN—So there has been a cut from the state government in terms of the moneys provided?

Mayor Cass—Yes. It has made it very difficult for library funding. There have been years when we have got increases and there have been years when we have got cuts. Overall, that is how it has ended up. It has been that for quite some years.

Mr GRIFFIN—Overall, what has been the cut from the state government?

Mayor Cass—I cannot remember the exact figures. I could get those for you; I have not got them here.

CHAIR—Mr Hope, would you like to make a brief opening statement?

Mr Hope—The Northern Areas Council wishes to thank the committee for allowing us to make an additional submission to this inquiry. On this occasion, we wish to talk about local governments' hidden costs in complying with or meeting state government regulations, legislation or appealing state government programs.

The starting point in our argument is reference to the original purpose and role of local government authorities—that is, to manage and be responsible for local infrastructure, mainly roads and buildings. Twenty years ago, councils were not expected to deal with the myriad people issues that councils of today are expected to deal with. Back then, these issues were the responsibility of mainly state governments, which had regional offices delivering services at the local level. As governments embraced the ideals of economic rationalisation, their country offices were closed and regulations were amended to transfer more and more compliance to local government. The one thing that did not come with this shift in implementation was the resources to carry out the new work.

It is our opinion that our council—and we have a population base of about 5,000 people—spends not less than \$200,000 per year in salaries, on-costs and in consultancies to comply with regulations, legislation or now to participate in state government programs. We have equated this to the employment of four full-time equivalent senior officers. We would suggest that every council in this state would be incurring this level of additional expenditure.

Perhaps we can illustrate the point with some examples. The area of occupational health and safety is now a minefield for councils. We now have a full-time OH&S officer monitoring working conditions of outside staff. This officer is supported by a part-time officer assisting with documentation. Every piece of council equipment, down to individual hammers and screwdrivers, has to be checked to ensure that they are in good working order. Every piece of plant and equipment has to be logged, tagged and periodically checked. All systems and procedures have to be checked and rechecked. By its very nature, OH&S is a process of continuous improvement. There is no finishing post. Risk management is an ongoing process and one in which councils can no longer afford to be complacent.

The area of community development is one that almost equates to a full-time officer. Councils are expected to have a designated tourist development officer to liaise with the Tourist

Commission, a designated recreation and sport officer to liaise with rec and sport, a designated youth development officer to liaise with the office of employment and youth, a designated health promotions officer to represent the council on various programs and committees, a designated library officer, a designated road safety officer, a delegate on regional development boards supporting economic development and now a designated passenger transport officer to work with the PTB.

This council has chosen to engage an officer to work with and support local community groups in the recognition that accessing grant funding for community projects has become a professional undertaking through the competitive nature of limited program funding and governments' more stringent justification and accountability requirements. In essence, if we do not support our communities in this area, they are the ones that miss out on grant funding which is vital for local projects. Changes to the Local Government Act have imposed additional work on councils. To comply with the new community lands requirement, this council has had to engage a consultant to assess every parcel of public land in our area to determine its status in relation to inclusion or exclusion under the act. All lands excluded must then have management plans drawn up for them. These plans are subject to annual assessment and must be updated. Council will have to allocate this work to an existing officer.

In the area of public and environmental health, we have now come to accept that a lot of P&EH is regarded as core council work. This was not always the case. Again, if one turns back the clock, country councils never used to have food inspections, hygiene controls, building site inspections, storm water management plans, disability facilities or immunisation services. If we contrast the activities of this list with council's original purpose, which was to manage local infrastructure, it becomes clear the direction in which state government is pushing local government. However, it is the subtle changes to existing requirements that significantly increase the amount of time council has to allocate to particular issues. For example, and I think we have heard quite a few of these today: changes to swimming pool management now require public pools to be continuously monitored for chlorine and contaminate levels; dog and cat control will now require the development of town management plans; all halls and public buildings have to be inspected for asbestos and the asbestos register to be maintained; the EPA now requires all proposed building sites to be inspected for potential contaminates; and the onus on certifying fire safety requirements on public buildings now rests with councils. Local government accepts that management of development zoning is part of core council business. However, councils are now required to review their development plans every three years through an extensive public consultation process. The complexity of the process now requires council to engage professional consultants and we estimate that this requirement alone adds a further \$30,000 to council's budget.

It is our earnest expectation that this inquiry will not be looking to deliver a recommendation urging even more amalgamation of councils into the formation of super councils. We would see such a move as further perpetuating the cost shift from government to local government. Rather, we would wish for greater streamlining of procedures from state and federal governments and the allocation of just and appropriate resources if we are to continue to effect government implementation at the local level. Thank you.

CHAIR—I would like to respond to one of your last points. I do not think it is in our terms of reference to be looking at the structure of local government; it is more a question of funding. I

remind everyone that one of the final terms of reference is that any recommendations we make should be revenue-neutral to the Commonwealth.

Mr GRIFFIN—Minister Tuckey has not always mentioned that one.

Ms BURKE—Currently the FAGs go through the state grants commission. The general question we have been asking most people today is: if there were a notion of accrediting councils for various services and those services were directly funded by the federal government so you had a direct link for funds, what would be the view of the area?

Mr Hope—I would not be in the position to give an opinion on that.

Ms BURKE—Do you have a personal opinion from working in the area? Sorry to do that to you.

Mr Hope—That is not my area, sorry.

Dr SOUTHCOTT—The Northern Areas Council is a smaller council. I think you mentioned there are 5,000 people in your catchment area. Are you able to develop proposals to deliver services for such things as the Green Corps or Work for the Dole? Are these services your council has the ability to deliver, perhaps more efficiently than the Commonwealth government?

Mr Hope—The short answer is yes, we would be able to deliver those services. It is a matter of linking up with the coordinators of those programs. My understanding is that the closest coordinator is Port Pirie, which is 70 kilometres away. There are logistical problems of supervising the teams that are working—whether somebody comes over from Port Pirie to supervise it or, if those people are working on a project in the council area, whether we are required to provide the supervision. I know they have had Green Corps teams working at Peterborough, which is in the council immediately to the north of us. So there would be no reason we could not accommodate them.

Dr SOUTHCOTT—What about the Natural Heritage Trust funding: is that something that your council has looked at?

Mr Hope—We have had a little bit of that—not significant amounts, though.

Dr SOUTHCOTT—Thanks.

CHAIR—Can I ask everyone here: do you have a view on the minimum grant?

Mrs Gascoigne—From the Grants Commission's perspective, we would support the continuation of the minimum grant. The reason for the inception of the grant in the first place was part of an acknowledgment that local government was providing services to the community. Even if it is only 30 per cent it is still significant to those local governments that are receiving it. When the South Australian Local Government Grants Commission's methodology is fully introduced, we will have 50 per cent of the state's population living in councils that receive the per capita minimum grant. That is consistent with other states such as Western Australia who

actually have more than 50 per cent. We would certainly support the continuation of the program. The state made a submission to the Commonwealth Grants Commission's review of the Financial Assistance Grants Act and I am happy to provide a copy of that. We had quite a long argument about the minimum grant as part of that. We would support the continuation.

Ms BURKE—I suppose I can take it from that that you would support the continuation of the state Grants Commission's involvement in designated funding and that you would agree there is a need for state involvement at that level as opposed to direct federal funding to local councils?

Mrs Gascoigne—I think there is definitely a role for the state to play through the grants commission. We have a very collaborative arrangement with local government. Part of our legislation requires us to visit every council every three years; we are more than meeting that requirement, so we are on the road a lot. We spend at least a morning or an afternoon with every council on their own turf, so if there are particular issues in a council they bring those to the commission's attention. It is a very collaborative arrangement. The program I mentioned earlier through the roads program is one that we can only facilitate because we work so closely with councils and the Local Government Association and the regional associations. So, yes, I think there still is a role for the grants commissions to play.

Mayor Cass—Can I back that up? As one on the other side of it, one of the councils that the Grants Commission visits, we consider the Grants Commission particularly important. I think our council considers the visits that they make extremely important, particularly for the councillors who are not the leaders of the council, if you like—the general councillors—because we always have our whole of council meet with the Grants Commission. It provides all of the councillors the opportunity to understand why and how they get their grants, exactly the way the Grants Commission allocates the funding et cetera. When grants first came in, which was after I started in local government, in those days the formula was very secret. In fact we were told we were not to know why we were allocated funds. That was very frustrating. Now we find it is far more open. Our officers actually talk to the Grants Commission about various things from time to time. We have a very good relationship with them—as have all other councils. I can only congratulate particularly Jane. She has a wonderful presentation that makes it simple, and simple enough for the ordinary councillors to understand. I know on their last visit to my council some of the councillors who were new to council congratulated Jane and the commission on being able to explain to them a very difficult and complicated issue in a clear enough fashion that they could understand it. We find them very valuable, and I would certainly hate to see the Grants Commission ever go.

Ms BURKE—I suppose then you put in a submission to the Grants Commission inquiry as to the amount of money you want to get in South Australia from the FAGs process. We have heard from various people today about the disparity between states in how much goes out and the basis for how that is worked out. Do you have a view on how South Australia gets its pool of money from the Commonwealth that you then divide up? Do you think there needs to be an alteration as to how that is divvied up state by state?

Mrs Gascoigne—Yes, I would certainly like to see at least the issues put on the table. In the South Australian submission to the Commonwealth Grants Commission review of the financial assistance grants act we did want the issues to be discussed as part of that review. We would welcome any discussion in relation to both the general purpose grant funding and the identified local road grant funding. It would seem to the commission, as I believe to the whole state, that

we receive the general purpose grant funding on a per capita basis and then use the principles of horizontal equalisation to distribute them, so if we could receive the general purpose grants based on equalisation principles and then distribute them on equalisation principles that would seem to be a more consistent methodology.

In terms of the identified road grant pool, we make no secret of the fact that we maintain 11.7 per cent of the road network and only receive 5.5 per cent of the funding. As I said before, we are grateful to receive 8.3 per cent of the Roads to Recovery moneys. Certainly we welcome that increased share, but perhaps there could be a distribution that recognises more our road lengths, and the fact that local government does maintain them. You will often hear an argument that only 15 per cent of South Australia is incorporated and therefore they should only receive a small share of the grant. The fact is that it is the road kilometres that are maintained by local government that are the issue rather than the area of the state that is incorporated. It is not an easy issue.

Ms BURKE—And I am from Victoria, just by the way.

CHAIR—We will not debate that one. Mayor Cass, you have mentioned the problem you have of having to put on more staff. I do not know whether John Comrie wants to comment on this, but has any sort of assessment been made across the whole state as to the number of people that have had to be put on to do all this extra work?

Mayor Cass—I do not know whether it has been across the state. John Comrie may know, but I do not know.

CHAIR—John, I wonder if you could come back to the table to comment on that. We have talked about having to enforce all sorts of regulations that local government has picked up in recent years. Has any assessment been made of the number of people that have had to be employed across the state to do that? Do you have any ballpark figure?

Mr Comrie—The short answer for all of that, I am sorry, is no. There are two main areas obviously—Commonwealth and state. The biggest impact on local government has probably been the changes in the Local Government Act in South Australia in recent times which have required some increased accountability. Some councils have done some fairly accurate costs of that, and it is pretty easy to extrapolate that, so I can certainly provide some information to the committee in the next couple of weeks on that issue.

CHAIR—That would be very helpful. Are there any benefits from this, too?

Mr Comrie—It is one of those issues which is, in part, about the accountability of a mature and responsible level of government. In some people's eyes—

CHAIR—Clearly there are benefits; I am not saying that there are no benefits. But I mean benefits for councils.

Mr Comrie—It is a bit subjective, that issue, but certainly there are some very tangible additional costs for councils that are fairly clearly able to be documented.

Mr NAIRN—Can I just ask the people from rural councils a question I asked earlier of some of the other people, and this is in relation to unrateable land: to what extent is that an issue in your area?

Mayor Cass—It is an issue in our area. We have water filtration plants in our area. Private companies do them—private companies actually set them up. They were a new facility, so we levied them rates, only to be told, ‘Sorry, it’s in legislation: you can’t levy them rates.’ So they do not pay rates.

Mr NAIRN—John might like to comment, because we had an informal conversation between witnesses about this particular issue and he might like to add on the record that aspect as well.

Mr Comrie—The LGAs tried to say, ‘We want to be sensible and responsible, and not just ask for more money.’ But the rating is a classic case, where we are saying, ‘Okay, let’s have a level playing field and let’s make sure everyone pays their fair share,’ but when the government has corporatised government departments’ business entities that it still owns or privatised ones that it does not own any more it has made it very clear in legislation that they are not to pay rates. In the case of ETSA, for example—and we had detailed discussion at the time—the net result was that the state made a conscious decision to build that into the legislation so that it could command a higher premium when it sold those assets. But of course you would say, ‘Hang on, isn’t there national competition policy? Don’t they have to do that?’ The answer is yes, they do have to pay notional rates to the states, so there is a book value—it is in and out. Local government sees nothing for it, the state meets its NCP obligations, the entity does not pay council rates, but the state gets extra money from the sale of that asset.

Mr NAIRN—If I could just ensure that we have all the bits on the record: even though they have met the national competition policy aspects and therefore they receive the payments from the Commonwealth, as the minister said earlier, none of that is passed on to local government.

Mr Comrie—That is correct. The impositions on local government in this state from national competition policy have been fairly minimal. We are certainly meeting our statutory obligations, but it did not have the same impact as it did in, say, Queensland, where they had responsibility for water pricing in many parts, so we have not had big burdens. But, yes, the state is getting additional benefits and councils are complying with NCP—certainly in the case of caravan parks et cetera. We have raised the issue of perhaps getting a share of those payments, but it has not been forthcoming yet.

CHAIR—I think we have had a very good afternoon. I thank everyone for their time and trouble, and certainly their very valuable input to the committee’s inquiry. As I said at the beginning, this is a major inquiry. We hope to be in a position to report to the parliament—I am keeping my fingers crossed—by the middle of next year. It will be a report to the parliament, as this is a parliamentary committee. I believe that we should be able to come up with some very good recommendations, which hopefully will have some long-term benefits. Again, thank you very much.

Resolved (on motion by **Ms Burke**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 5.14 p.m.