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| House of representatives Standing Committee on<br>Economics, Finance and Public Administration |         |
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| Secretary: .....   |         |

Mr David Hawker MP  
Chair  
House of Representatives Standing Committee  
On Economics, Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Mr Hawker 

**House of Representatives Inquiry Into Local Government and Cost Shifting –  
Response to Discussion Paper and Questionnaire**

I am pleased to enclose the South Australian Government's response to the Discussion Paper and Questionnaire released in February 2003.

The attached documentation should be read in conjunction with the SA Government's written submission forwarded to the Standing Committee in August 2002. The submission emphasised, among other things, the importance placed by both State and Local Government in South Australia on working together for the effective delivery of services to the community and highlighted the proactive approach being pursued in this State.

Our submission also restated this State's case for review of the interstate funding allocations for Commonwealth Financial Assistance Grants to Local Government. South Australia welcomes that the Discussion Paper recognises the existence at present of national funding inequities and that the less populated States/Territories, namely South Australia, Tasmania and the Northern Territory, are disadvantaged by the current interstate per capita distribution of Commonwealth Local Government Financial Assistance Grants.

Key points drawn to the attention of the Standing Committee in the State's response are :

- Grants for Local Government tied to Commonwealth priorities are opposed.
- Strategic priorities for Commonwealth involvement in regional planning should be determined in conjunction with Regional Local Government Associations and relevant State authorities and not directed at implementing exclusively Commonwealth priorities.



Hon. Rory McEwen MP

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- The diversity of Local Government and accountability of Local Government is to its community.
- The allocation to the States on a per capita basis in the case of general purpose grants and on a historical basis in terms of the local road grants is inequitable.
- The approach in implementing the Commonwealth's Roads to Recovery Program in SA should be recognised. For SA, the Roads to Recovery Program is being applied in a way that enables the South Australian Local Government Grants Commission to make recommendations on the allocation of a special local roads component, to secure coordination in relation to roads of regional significance.

Yours sincerely



**Hon Rory McEwen MP**

MINISTER FOR TRADE AND REGIONAL DEVELOPMENT

MINISTER FOR LOCAL GOVERNMENT

MINISTER ASSISTING THE MINISTER FOR FEDERAL/STATE RELATIONS

Encl : SAG response

cc. LGA of SA

**RESPONSE TO**  
**LOCAL GOVERNMENT AND COSTING SHIFTING**  
**QUESTIONNAIRE**

**BY THE**  
**SOUTH AUSTRALIAN GOVERNMENT**

**1. EXECUTIVE SUMMARY**

**Introduction**

This report represents the South Australian Government's response to the Discussion Paper entitled *At the Crossroads* and Questionnaire released by the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into Local Government and Cost Shifting released in February 2003. The Committee is inviting further information and advice on any errors of fact or interpretation.

As requested in the Discussion Paper at 1.12, SA comments on related questions in Chapter 3 in the comment space provided at each option in the Questionnaire. The Government has also chosen not to answer "yes"/"no" to the Questionnaire, finding that the issues and the questions do not lend themselves to accurate yes/no responses.

This document should be read in conjunction with the SA Government's written submission forwarded to the Committee in August 2002.

**Key Issues**

Certain elements of the Standing Committee's Discussion Paper are most welcome. For example, it recognises the existence at present of national funding inequities and that the less populated States/Territories, namely SA, Tasmania and the Northern Territory, are disadvantaged by the current interstate equal per capita distribution of Commonwealth Local Government Financial Assistance Grants and suggests opening up this issue to a more equitable distribution of funds among the States and Territories.

Also notable is recognition in the Discussion Paper that the Roads to Recovery program is a successful funding model. For SA, a significant part of this success stems from the Program being applied in a way that enables the South Australian Local Government Grants Commission to make recommendations on the allocation of a special local roads component, to secure regional coordination in relation to roads of regional significance. Overall the arrangement works well, providing SA with a more equitable share of local roads funding (8.3%), though still lower than could be expected if the allocation was based on an equal weighting of road length and population, and seeing the State and Local Government work together to assist Councils to maximise value to the community from this Program. The particular SA arrangement for these funds has enabled the State and Local Government sectors to foster a coordinated strategic approach to using the funds in the most efficient and effective way.

Other options, such as grants for local government tied to Commonwealth priorities, establishment of a national accreditation agency, and compliance procedures placed upon councils and regional organisations are less attractive.

However, we note that the Standing Committee's Preface to the Discussion Paper identifies that some of the comments made are deliberately challenging.

The Discussion Paper identifies the diversity of Local Government and that the FAGs system recognises the diversity of local government. Indeed, one size does not fit all Australia's local communities' governance needs or even those of each Australian State. Reflecting these realities, in SA there are no statutory limits on councils' power to raise revenue from rates<sup>1</sup> and councils have clear primary accountability to their communities for their decisions.

The Discussion Paper and Questionnaire seems to seek views on the development of a simplified national approach to Local Government. The view of the SA Government is that the point of having local governments is that communities across the continent are diverse in significant respects, in their resources and in their geographic, social and economic features. Councils are in a strong position to know a great deal about their communities and how to tailor services to community needs. In virtually all other respects they differ markedly.

The SA Government is of the view that in SA the structure of a State Local Government Grants Commission works well in providing a vehicle for intra State grants allocations to Councils. Here it operates frugally providing a collection point for manageable and relevant comparative information about councils and their areas and also providing opportunities for well informed administration of coordinated regional activities. The Committee would do well to give further consideration to the role the Commissions might play at the resourcing interface of the Commonwealth with local government.

The Standing Committee has invited advice on any factual corrections or interpretation and the Committee's attention is also drawn to the following in the Discussion Paper.

#2.10: "Local Government operations are subject to detailed prescriptions by State laws" suggests that these legislative provisions say much about what Councils can and cannot do. However, the *Local Government Act 1999 (SA)* and the *Local Government (Elections) Act 1999 (SA)*, with their associated Regulations, deal with the great majority of councils' administrative and accountability requirements, equivalent to instruments such as the *Administrative Arrangements Act*, the *Public Finance and Audit Act* and *Treasurer's Instructions*, *Public Sector Management Act* and *Commissioner's Directions* for the SA Government and equivalent instruments for the Commonwealth Government. Further, local government Councils in South Australia cannot be "dismissed or restructured without redress". Councils cannot be dismissed in SA without statutory breaches that amount in effect to loss of local governance for the area. There are also clear rules for establishing new councils or altering council area boundaries that involve councils themselves or public petitions from the local area. In all, the State legislative provisions for local government are confined to constitutional and operational provisions of a kind that are appropriate to the local government system as a whole. To the extent that they are prescriptive, they provide the legal framework for the local governance system and its

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<sup>1</sup> (cf Discussion Paper #3.27)

accountability arrangements. Within the Discussion Paper #3.3 gives a more accurate description of Council powers under State legislation.

#2.11-2.18: The assumptions outlined about the Commonwealth's "interest" in local government, despite the disclaimer in #2.18, neglect the constitutional basis of government in Australia's federal system. The Commonwealth's "leadership" could more usefully be addressed to ensuring the equitable allocation of resources for local government among the States and Territories and to requiring proper local accountability arrangements for their deployment.

#2.15: "For the foreseeable future, local government appears certain to remain under the primary control of the States". The constitutional basis of the legal framework in which Councils operate in South Australia is outlined above. The assumption cannot be made that, because State law is involved in its constitution, local government Councils are under the control of the State Government of the day.

The SA Government's position on specific issues raised in the Discussion Paper and Questionnaire that are dealt with in more detail below are as follows :

- Grants for local government tied to Commonwealth priorities.  
Opposed.
- Regional cooperation.  
Regional cooperation and promotion of service cooperation between councils is not a new concept in SA. Their strength comes from their voluntary nature as associations of councils – common interests of their communities are identified by the participants and matters of boundaries addressed with common sense and local knowledge. Supported if directed at more effective cooperative strategic planning not if directed at implementing exclusively Commonwealth priorities.
- Direct funding to local government from the Commonwealth.  
It is hoped that this Inquiry avoids anything that is likely to lead to a tied grant system, conditional grants, direct grants or the like as Local Government needs the capacity to be able to plan for and flexibly respond to local needs as they arise. Opposed unless alternative arrangements can be clearly seen to be more equitable for the less populated areas and more economic and efficient/value added than Local Government Grants Commissions.

## 2. LOCAL GOVERNMENT AND COSTING SHIFTING QUESTIONNAIRE

### FINANCE AND COST SHIFTING

### Do you support this option?

#### Option 1a

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

- A clear statement of the Commonwealth's policy intent
- Adjustment of the escalation factor to match increases in GST revenue or GDP
- Changes to the interstate distribution to redress apparent anomalies

Guarded support for umbrella agreement between Commonwealth, States and Local Government on Commonwealth funding for Local Government for a period of years. See comments below and refer option 2.

Support for a **shared** policy intent, emerging from any negotiations.

Provided the existing quantum of Commonwealth financial assistance grants (including local road grants) made available to Local Government nationally were distributed between States on a fair and equitable basis, there would not appear to be a need for any subsequent increases to be greater than that made available by the Commonwealth under existing arrangements (viz the level of annual grants to States – for distribution to Councils – is maintained in real per capita terms). That is not to say that the State does not support Local Government having access to a growth revenue stream in real terms. However, we note that the Inquiry's outcomes are to be budget neutral for the Commonwealth.

Yes. As set out in SA's submission to the Commonwealth Grants Commission Review, SA was most disappointed that the Commonwealth Government refused to allow the Review to examine the impact of the inequitable interstate distribution of untied grants to local government. With this Inquiry, it is also noted that the Terms of Reference identify the Inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

The inequity of the existing distribution of financial assistance grants between the States and Territories remains an issue for SA. Those States with a smaller population such as SA are disadvantaged by the current national methodology. The 2002—03 Federal Budget included estimated total general revenue financial assistance of \$1.436 billion for Local Government throughout Australia. SA's general-purpose per capita share of this amount is 7.75%. This is lower than the 2001-02 per capita allocation which was 7.79% and reflects the impact of the reduction in SA's population as a proportion of the Australian population. SA's share of the identified road grant is 5.5% of the total pool. It is understood that the identified road component is based on an unknown basis prior to 1991-92 and SA receives less than a per capita share. The estimated Financial Assistance Grants entitlement for SA local councils in 2002-03 is \$101.08 million, an increase of approximately 2.97%. SA believes that the allocation to the States on a per capita basis in the case of general purpose grants and on a historical basis in terms of the local road grants is inequitable. In terms of local roads, SA has 11.7% of the nation's local roads but only receives 5.5% of the national identified local roads grants. The R2R program announced in December 2000 is going some way to redressing this inequity by allocating a greater share to SA (8.3%) than the State would have received under the historical Identified Local Road Grant (5.5%), but this is only a once off program. South Australia continues to believe that horizontal fiscal equalisation should be a real aim for distribution of local government grants among the States/Territories.

- Reduction of the minimum grant to direct additional funds to needy councils

- Making grants conditional on an adequate revenue effort, the continued viability of recipient councils, and effective arrangements to secure efficiencies through regional cooperation and resource sharing (including merging councils where appropriate)

- Removal of unwarranted State restrictions on local government revenue and substantial reductions in cost shifting

- Reporting on expenditure

Yes. In our submission to the review of the Commonwealth's Local Government (Financial Assistance) Act conducted by the Commonwealth Grants Commission, support was given by this State to continuing the Minimum or Per Capita Grant approach, even though it is generally inconsistent with fiscal equalisation principles, because the lack of Commonwealth funding makes full equalisation unachievable. Consistent with this, this State would support a reduction in the minimum grant integral with consideration of the allocation of grants between the states on HFE principles or as part of an examination of options to enable financially strong councils to reduce their reliance on grants by instead increasing own-source revenue. Should the minimum grant be retained, albeit at a reduced level, then a separate per capita pool should be established for this purpose in line with the Commonwealth Grants Commission's recommendations. This will eliminate future confusion about the purpose of the Per Capita and HFE elements of the Financial Assistance Grants.

Oppose conditional grants.  
Regional cooperation in SA is not new. Moreover, since 1995 considerable voluntary structural reform has occurred in SA resulting in benefits in terms of resource flexibility, cost savings and enhanced services.

SA does not have rate pegging or other such restrictions.

All SA Councils are required to prepare Financial Statements in accordance with Australian Accounting Standards. Audited Financial Statements are included in Annual Reports tabled in Parliament. Performance measures are also required against Council's own strategic and annual plans.



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| <p><b>Option 1b</b><br/>Treat FAGs simply as a tax transfer with a simplified distribution system and formula, administered nationally</p>  | <p>Need for more details. Not attracted to this option unless it clearly embodies principles of Horizontal Fiscal Equalisation in distributions to Councils across Australia. Difficult to understand how such a system could be greatly simplified without departing from achievement of horizontal equalisation.</p> <p>The structure of SA Local Government Grants Commission works well in providing a vehicle for intra State grants allocations to Councils, adding additional value as a vehicle for regional coordination that merits further consideration.</p>                                      |
| <p><b>Option 1c</b><br/>Deliver FAGs through a model of broad-banded program grants to facilitate local government's role in key national initiatives such as regional development, transport, environment etc.</p> | <p>Oppose tied grants of any persuasion.<br/>Support the notion of councils working more collaboratively across regional areas to "pool" funds as this gives regions stronger purchasing power. However the "pooling" of funds must be against local regional priorities. FAGS is not a vehicle to require councils to deliver Commonwealth programs.</p>   |
| <p><b>Option 1d</b><br/>FAGs to be delivered as tied grants</p>   | <p>Oppose tied grants. Local Government needs the capacity to be able to plan for and flexibly respond to local needs as they arise. Tied grants or specific purpose payment processes cannot take account of differences in revenue raising capacity of Councils.</p>  |
| <p><b>Option 1e</b><br/>Consider other horizontal equalisation formulas for local government funding such as the SES formula used by DEST for funding the non-government school sector.</p>                         | <p>There could be other formulas but they would not be other horizontal equalisation formulas. The example is overly simple. The SES formula is one indicator in one specific purpose program. It would appear to cater for one aspect only (socio-economic status). It overlooks a wide range of criteria under existing formulas designed to achieve horizontal equalisation (eg road lengths). The SA Local Government Grants Commission currently is exploring the possibility of using a socio-economic indicator, but only as a part of its assessment of the revenue raising capacity of Councils.</p> |

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| <p><b>Option 1f</b><br/>Deliver FAGs through the Roads to Recovery model</p>  | <p>R2R is a specific purpose payment. Oppose tied grants in principle. How would this option apply in practice?</p> |
| <p><b>Comments (see questions 1 –12)</b></p> <p><b>1. <i>The changing role of local government</i></b></p> <ol style="list-style-type: none"> <li>1. The South Australian Government reiterates its view set out in its August 2002 submission that modern expectations of government at all levels demand improved cooperation and coordination of effort among all three. There is in reality no single “current package” of roles and responsibilities for local councils but a broad diversity of responses, enabled by broad general executive powers set out in legislation in which each council picks up and acts in roles it sees are needed by its community. For example, just as the Commonwealth has a role in environmental management in relation to treaty obligations and national standards so does the State in establishing a complementary legislative regime and Local Government in leading, promoting and enforcing action locally. At each point in the same function the perspective changes as does the scope of discretion in execution of the role. What Australians expect is that these efforts will be dovetailed rather than separated by their three levels of representatives and administrators.</li> <li>2. When the key features of local government are reiterated, of local accountability of councils and diversity among them, it becomes clear that while differentiation of resourcing will be needed, in the form of horizontal equalisation, the councils will themselves determine the differentiation of roles beyond requisite regulatory activities.</li> <li>3. The SA Government does not believe there is need at present to pursue forced amalgamations in South Australia. The most recent round of voluntary restructuring reduced the number of councils in this State from 118 in 1995 to 68 in 1998.</li> </ol> <p><b>2. <i>Nature and Extent of Cost Shifting</i></b></p> <ol style="list-style-type: none"> <li>4. The South Australian Government reiterates its view that focussing on the term cost shifting in a negative sense is not particularly helpful in connection with the current and future role of Local Government. This is fully set out on pages 10-17 of the South Australian Government submission. Page 11 of the submission – “What is critical is that relationships between the spheres of government are in existence to allow full and accountable analysis of these issues and the development of agreements about them.” Page 17 of the submission – “It is essential that the Inquiry recognise that there are significant ways in which State and Local Government interact that cannot be fully reflected in the analysis of financial trends.”</li> <li>5. Examples of State-Local Government arrangements addressing cost shifting:<br/><u>Sharing Environment Protection Responsibilities:</u> Last year the Local Government Association of South Australia and the State’s Environment Protection Agency in consultation with the Environment Protection Authority together undertook a trial with three Councils related to exploring opportunities for shared environment protection responsibilities. The aim of the Authority/LGA trial was to assist in the development of a working model between Councils and the EPA. The trial seeks to provide an agreed, long term approach to sharing responsibilities for the management and</li> </ol> |   |

enforcement of environmental nuisance issues, resulting in timely and effective investigation and resolution of environmental incidents. Legislative options are now being explored to support this program in the longer term. The State agency is currently actively consulting on a draft Environment Protection Bill and a healthy debate is taking place. Under the Bill councils can voluntarily assume responsibility for regulating non-licensed activities as "administrative authorities" and there are enhanced powers of investigation and enforcement by authorised officers. Local Governments are looking at proposed cost recovery provisions set out in the draft legislation, to ensure that these will be adequate. The Bill provides for cost recovery for Councils involvement plus other additional fees – costs for directions on compliance and recouping of any criminal investigations that Local Government may become involved in. It also has capacity for other fees such as administration for issuing orders, compliance fees from the person being issued the order to make sure they have complied and complaint investigation fee so as to avoid vexatious reporting.

Recreational Jetties. Most country recreational jetties have been transferred to the councils to maintain, following a capital upgrade program with costs met by the State Government.

6. A more comprehensive approach to reducing cost shifting?

It would be helpful if the Commonwealth Government were to negotiate rather than unilaterally decide on new and changed programs and service delivery affecting State and Local Government.

3. ***Local Government's revenue base***

7. In the view of the SA Government it is important that local government councils are not discouraged in any way from making responsible decisions on their own about the taxes that they raise. We again draw to the attention of the Committee that SA Councils are not constrained by law in the rates they can raise. Councils have available to them a tax base (viz property values) which provides an economically efficient means of increasing revenues and whose linkage with meeting the increasing demand for services can be made more apparent at the local level.

8. SA supports further investigation on the possibility raised by some interstate bodies that local government might have access to a betterment tax. As we understand it, such a tax would capture part of the increased value of land arising from Council permission being given for higher value land use. If so, we question whether more flexible provisions in State legislation covering general council rates might facilitate a similar outcome.

9. The South Australian experience supports the use of intergovernmental agreements, at a political level, to provide some predictability of financial arrangements with other spheres of government. An example in SA is a Libraries Agreement between the State Government and Local Government Association of SA.

**4. Financial Assistance Grants**

**Quantum and inter-state distribution**

10. Refer points at option 1a above.

11. Yes. Refer points at option 1a above.

12. SA is unclear about any connection between policy directions and the FAGs system. If the Standing Committee believes a clearer policy statement is required, we suggest it be articulated as a **shared** policy direction, not one exclusively of the Commonwealth and should reflect priorities of Local Governments as well as those of Commonwealth and States.

**Option 2**

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

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

Oppose the notion of complicating an existing Agreement between the Commonwealth and States, particularly when there is no thought of it being amended. Suggest that any Agreement be restricted to Local Government funding only.

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

See comments at Option 1 above.

**Option 3**

Through the Local Government and Planning Ministers Council:

- Investigate the principal factors that impinge on the adequacy and effective utilisation of local government's own revenue base.

There would be other, more practical ways, of achieving the same outcome, including collaboration between State Office of Local Government and Local Government Association. Focus should be on local accountability and efficient mechanisms to promote it.

- Disseminate best practice in council revenue-raising, and recognise the efforts of those councils demonstrating a responsible and innovative approach to maximising revenue consistent with expenditure needs and community capacity-to-pay

- Examine the ongoing viability of smaller rural councils and possible need for alternative models of local government in some areas.

See above.

SA has recently undertaken significant voluntary structural reform (boundaries) resulting in Councils increased ability to contain costs, upgrade infrastructure and provide an enhanced range of services to residents. The SA Government is open to suggestions for the Commonwealth to fund research that looks at alternative models of local government in Australia, especially in rural areas. The most recent round of voluntary restructuring in SA reduced the number of councils in this State from 118 in 1995 to 68 in 1998.

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

In SA there are continuing discussions within Local Government about further amalgamations. In its election platform (refer *Government and the Political Process: Openness, Participation and Accountability*), the Government supports amalgamation of local councils where it can be demonstrated that the local communities will benefit from such an initiative. See also comments above 2-5, 7-8, 10-12.

**INFRASTRUCTURE FUNDING**

**Do you support this option?**

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| <p><b>Option 4</b><br/>         Conduct a national study into local infrastructure needs and funding in order to :</p> <ul style="list-style-type: none"> <li>• Fill the gaps in current knowledge and reach a national consensus on the magnitude of the problem</li> <li>• Consider a wide range of funding options including local infrastructure levies and increased but cautious use of borrowing.</li> </ul> | <p>No. SA Councils are currently involved in extensive studies into infrastructure needs. The study encourages Councils to adopt a strategic approach to asset management by developing asset management plans which have regard to the renewal profile of existing assets and the changing needs of the community. SA Councils are currently involved in developing Asset Management Plans for longer term management tied into strategic management processes. SA has recently produced "A Wealth of Opportunities", an Infrastructure Study. Also note that a national study on local government infrastructure financing, conducted under the auspices of the Local Government Ministers' Conference (and completed in July 2002), has still not been released. This reinforces the practical problems associated with Option 3 and Option 7 (ie using the Local Government and Planning Ministers' Council).</p> <p>However, there may be moves in this area as the State awaits the SA Economic Development Board report.</p> |
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**Comments (see questions 13-15)**

**5. Infrastructure maintenance and improvement**

13. There are no statutory limits to Council borrowing in SA and the Local Government Finance Authority provides cost competitive financing to Councils. The low level of Council debt in SA would appear to provide considerable scope for prudent use of increased borrowings to support infrastructure renewal and replacement. More creative use of Public Private Partnerships for Local Government infrastructure purposes such as Septic Tank Effluent Disposal Schemes and Stormwater management are being explored in SA.

14 and 15 Any increased assistance from the Commonwealth or the States would require additional revenue raising, increased borrowings or re-allocation of expenditure priorities by those governments. The timing of infrastructure projects could be brought forward if Local Government utilised borrowings to finance projects and the Commonwealth and State governments allowed ongoing specific purpose grants to be used by Local Government to help meet interest and principal repayments on those borrowings.

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| <p><b>Option 5</b><br/>Subject to identification of an acceptable funding source, maintain Roads to Recovery into the longer term, either in its current form or as a component of AusLink.</p> | <p>SA supports. Note the unique arrangement in SA which enables strategic initiatives to be progressed. Based on road length SA's share could increase to 9.7%. Continue the current SA arrangement for the special local roads component. Note SA concerns re AusLink – see Option 8, comments, question 20</p> |
| <p><b>Comments (see questions 14-15)</b></p> <p>See comments above.</p>   |  |

**REGIONAL COOPERATION**

**Do you support this option?**

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| <p><b>Option 6</b><br/>As a general rule, ensure that Commonwealth-funded programs involving local government and a regional planning or delivery mechanism make use of established regional organisations of councils (or equivalent) rather than establish parallel bodies, provided the ROCs have demonstrated capacity.</p> | <p>Guarded support. SA would need to see this proposal fleshed out. Our successful experience in relation to Regional Local Government Associations indicate that existing arrangements work well.</p> <p>Regional cooperation and promotion of service cooperation between councils is not a new concept in SA. The 5 rural Local Government Regional Associations (in the 17% of the geographic area of the State that comes under the Local Government legislative framework) work well in a coordinating role, eg strategic plans of road networks, and they provide a useful vehicle for discussing a raft of matters including gaining “on the ground” information about State legislative propositions where Local Government has an interest. There are other Local Government regional groupings (eg Provincial Cities Association, Spencer Gulf Cities Association). Just how a “Regional Organisation” is identified would need careful consideration, together with matters such as adequate resourcing of regional groupings, agreement reached on regional boundaries and accountability mechanisms.</p> |
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Comments (see questions 16-17)

**6. Regional Cooperation**

16. The Strategic priorities for Commonwealth involvement in regional planning should be determined in conjunction with Regional Local Government Associations and relevant State authorities. A process should be developed for this to occur. The Commonwealth should not stipulate the priorities. Generally speaking metropolitan Councils may have a greater capacity to rely on other avenues of revenue raising, whether this be greater ability to service borrowings, greater rate base, etc when compared to isolated rural Councils that have a small rate base.
17. This is essentially a question for Local Government and SA Government merely comments that it sees a role for planning in areas of common interest. However we caution against moves that would defacto turn into regional government by forcing priorities that are not shared by councils. The strength of Regional Local Government Associations comes from their voluntary nature as associations of councils – common interests of their communities are identified by the participants and matters of boundaries addressed with common sense and local knowledge. They are less significant as potential service providers and would be placed in a difficult position of balancing the preservation of their regional advocacy role with any contemplation of a financiers role.

**RATIONALISATION**

**Do you support this option?**

**Option 7**

Through the Local Government and Planning Ministers Council:

- Negotiate an intergovernment agreement on principles and procedures for the future transfer of functions and financial obligations from the Commonwealth and/or States to local government, as well as the imposition of new functions

It is understood that this would be a process Agreement based on improving relationships between State and Local Governments, eg adequate consultation protocols. Achieving consensus between Commonwealth, all States and Territories may be difficult. SA suggests that there would be more practical ways of achieving this outcome, including handling separately in each State and dealing with specific proposals on a case by case basis. Arrangements developed in Tasmania appear to be a good model to follow.



- Regularly review and disseminate best practice in State-local government relations, particularly in relation to cooperative planning and service delivery

Already being done within SA.

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

***Scope for rationalisation***

18. Refer 1 above. As per the underlying policy in the Local Government legislative framework in SA, the rationalisation of roles and responsibilities between the three spheres of Government in Australia has to be undertaken in the knowledge that each sphere can sensibly have a complementary role and responsibility within specific functions.

19. SA is suggesting that there would be more practical ways of achieving this, including handling on a State by State basis. However, the Ministerial Council is a proven vehicle for these exchanges although it has not met for some years.

**Option 8**

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

Dubious value, although where Local Government is a key player in a Program, it is not unreasonable that it be involved in broad negotiation. However, ostensibly SPP Agreements are between Commonwealth and States and Territories. Again note concerns about AusLink approach set out below.

**Comments (see question 20)**

20. SA does not support tied grant system, conditional grants, direct grants or the like. The SA Government has some concerns about the AusLink model, in particular that it is narrow in strategic direction, discourages long term network and regional planning and private funding can be expected to distort priorities. Commonwealth efforts to reform federal funding of land transport would be welcome provided it is strategic, balanced across modes and regions, equitable and with suitable safe guards. This would include corrections to the current unfair FAGs allocations for local roads in SA. The Committee's attention is again drawn to the effective way R2R funding was used to address regional road priorities in SA.

**CAPACITY BUILDING**

**Do you support this option?**

**Option 9**

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

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

SA does not support a reduction in the level of grants to Councils. In addition, accreditation is an expensive process and Councils would need to direct considerable resources away from other areas in order to pursue and comply. On the basis of these comments, guarded support for further investigation.

**Comments (see questions 21-23)**

**8. Capacity building and accreditation**

21. The SA Government would not support an additional national organisational framework or accreditation assessment.
22. Any moves to develop a capacity building program for local government on a national basis should be approached cautiously and in ways that recognise the diverse contexts of Councils and ways in which they operate. Councils are primarily required to be responsive and accountable to the communities they serve.
23. Accreditation is an expensive process and Councils would need to direct considerable resources away from other areas in order to pursue and comply.

**EXTRACT FROM : AT THE CROSSROADS – A Discussion Paper – Inquiry into Local Government and Cost Shifting :CHAPTER 3 KEY ISSUES**

Chapter 3 highlights eight key issues and summarises the major points raised in evidence to the Inquiry. It includes the following questions designed to elicit additional information or prompt further debate on lines of investigation that the Committee would like to pursue over the next few months. [Refer comments section of questionnaire]

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| <p><b>1. Changing role of local government</b></p> <ol style="list-style-type: none"><li>1. Is there a need for significant changes to local government's current package of roles and responsibilities?</li><li>2. Should there be greater differentiation of responsibilities between larger, better resourced councils and those with small populations and limited revenue?</li><li>3. Is there a need in some regions for restructuring to improve the viability of councils?</li></ol> <p><b>2. Nature and extent of cost shifting</b></p> <ol style="list-style-type: none"><li>4. Is cost shifting a growing problem?</li><li>5. Are there examples of successful State-local government arrangements to deal with cost shifting?</li><li>6. How might the Commonwealth promote a more comprehensive approach to reducing cost shifting?</li></ol> <p><b>3. Local Government's revenue base/Summary</b></p> <ol style="list-style-type: none"><li>7. What specific steps might be taken to generate significant increases in income from local government's established revenue base?</li><li>8. How might a betterment tax in locations of rapid growth work in practice?</li><li>9. In what ways should the certainty and predictability of financial arrangements with other spheres of government be improved?</li></ol> <p><b>4. Financial Assistance Grants</b><br/><b>Quantum and inter-state distribution</b></p> <ol style="list-style-type: none"><li>10. Is there a case for reducing or abolishing the minimum grant?</li><li>11. Is there scope to adjust the inter-state distribution and rationalise the different arrangements for general purpose and local roads grants, assuming both remain untied in the hands of councils?</li><li>12. Would the FAGs system benefit from a clearer statement of Commonwealth policy direction and a formal intergovernment agreement on objectives and processes? If so, how should this be done?</li></ol> | <p><b>5. Infrastructure maintenance and improvement</b></p> <ol style="list-style-type: none"><li>13. What is the scope for specific measures to enhance local government's revenue base to meet infrastructure needs – for example, infrastructure levies and increased borrowing?</li><li>14. How could supplementary Commonwealth assistance continue to be financed within the constraint of budget neutrality?</li><li>15. How could the States also provide increased support for local infrastructure?</li></ol> <p><b>6. Regional cooperation</b></p> <ol style="list-style-type: none"><li>16. Taking into account inevitable limits on funding, what are the strategic priorities for Commonwealth involvement in regional planning and development?</li><li>17. On what basis would local government be willing to resource a strong, effective system of ROCs across most of Australia and significantly expand the level of regional cooperation and resource sharing amongst councils as a key element of service delivery?</li></ol> <p><b>7. Scope for rationalisation</b></p> <ol style="list-style-type: none"><li>18. What are the specific areas in which local government sees a need to rationalise roles and responsibilities with the Commonwealth and States?</li><li>19. Is there sufficient exchange of information between States on 'best practice' intergovernment relations? If not, how could such exchange be improved?</li><li>20. Should the approach advocated for AusLink be applied more widely? If so, what would be priority areas?</li></ol> <p><b>8. Capacity building and accreditation</b></p> <ol style="list-style-type: none"><li>21. Should capacity building for local government be approached on a national basis? If so, what are the priorities for a national program?</li><li>22. What sort of organisational framework is required to ensure an effective capacity building effort?</li><li>23. Would local government support some form of accreditation assessment in return for an increased role in the administration of Commonwealth programs?</li></ol> |
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