

# SHIRE OF YALGOO

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**Our reference:**  
**Your reference:**

25 July, 2002

The Secretary  
House of Representatives  
Standing Committee on Economics, Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Sir or Madam

### **Inquiry into Cost Shifting onto Local Government**

Please find herewith the Shire of Yalgoo's submission to the Inquiry.

This submission was endorsed by the Council at its meeting held earlier today.

Yours faithfully

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No: .....	66
Date Received: .....	26/7/02
Secretary: .....	Burdell



## **Submission to the Standing Committee on Economics, Finance and Public Administration**

### **Background**

The Shire of Yalgoo is a local government in the sparsely-populated Murchison region of Western Australia.

Although the Shire covers an area of 33,258 square kilometres, it has a population of less than 500 people. As in the rest of the Murchison region, the main industries are mining and pastoralism.

Despite covering 416,842 square kilometres, the Murchison Region suffers a lack of services. There are no bank branches in the region, no accountants, no lawyers, and it is difficult to recruit dentists and other professionals.

The Murchison region contributes over 1.8 billion dollars annually in primary production to the national economy, the vast majority of which is mineral production with meat and wool production contributing most of the balance.

The mineral production within the Shire of Yalgoo alone in 2001 exceeded \$122M in the value of production and contributed several million dollars in mining royalties to the West Australian consolidated account.

Because of the sparse population, the rating base of the Shire is inadequate to meet its revenue requirements and the Shire consequently relies heavily on financial assistance grants for its general purpose revenue. The rates raised are generally less than half a million dollars and account for approximately 20% of revenue.

### **Roles and Functions**

Local governments in the Murchison region are generally involved in a wide range of roles and functions. It falls to local government in this region to fill in gaps in service provision as a consequence of:

- (a) lack of service provision by other tiers of government; and
- (b) the lack of a robust private sector.

Road construction and maintenance has traditionally been the main activity of the Shire. This activity accounts for the majority of annual expenditure. Our roads are continuously improving and are the best in this region. We have achieved this by investing heavily in quality construction of our most heavily trafficked roads. This has reduced our maintenance costs allowing resources to be diverted into reconstruction of roads to further reduce maintenance costs.

Some road sealing has been carried out with financial assistance from the mining companies who rely on the roads. The Roads to Recovery programme is assisting us in sealing more roads. We would certainly like to seal our two main arterial roads throughout their entire length, but at the current rate of funding, it will be several decades before this is able to be achieved. In addition to roading, the Shire also undertakes the usual local government functions such as land use planning, environmental health, building control, operation of parks gardens and public halls, refuse collection, operation of land fill sites, and operation of a public library.

In addition to these traditional local government functions, the Shire of Yalgoo is also involved in the provision of broadcasting services. It rebroadcasts 3 television stations and a radio station within the Yalgoo townsite.

Because of lack of other service providers, the Shire of Yalgoo also owns and operates a caravan park, a post office and a retail fuel outlet. The second and third of these were taken on somewhat reluctantly when the private business that had previously provided these services closed on 30 June 2000 with the advent of Goods and Services Tax. Regrettably, this business (which was viable as a whole) was broken up into component parts that are not viable by themselves. These need to be repackaged with some other business opportunities into a viable business that could be transferred back to the private sector.

The Shire is also involved in assisting in the provision of services which are, in larger centres, provided either by the private sector or by the State Government.

Over the past three years, the Shire of Yalgoo undertook a joint study with five of the other Shires of the Murchison region into the regional economy and the future of local government in this region. One of the conclusions of the report (the "Gerritsen Report") was that local government is essentially involved in a wide range of activities because, in this region, it is the last man standing. Local governments therefore tend to be involved in the provision of services as diverse as dental health, education and emergency services.

One of the core roles of local governments is advocating on behalf of their communities to the State and Federal governments. In these remote parts of the State where it is difficult to obtain services from the other tiers of government, this is almost a full time job.

### **Economic Challenges**

The main constraint to the social and economic development of the Yalgoo town is a severe shortage of housing. In addition to the deleterious effect that overcrowding has on health, academic performance etc, the lack of housing makes it difficult to recruit professional staff to the town and to attract tradespersons who might start local businesses to service both the town and the surrounding mining and pastoral industries. It also makes it difficult to expand the functions performed by the Shire as it is not possible to recruit more staff without providing more housing. We estimate that the town needs approximately 50% more houses than it currently has.

We are pleased that a project to build two new houses this financial year as a joint venture with the State's Ministry of Housing has been approved and we would like to have a programme of building more houses in future years. However, the number of houses that we could afford to build is severely limited by the Shire's meagre financial resources and the need to contribute approximately \$50,000 per house to the joint venture.

The Shire of Yalgoo is presently, through a community consultative process, formulating a local, economic and development plan. One of the priorities that has been identified is to repackage services such as fuel retailing together with some other service businesses that will generate more employment within the town as well as providing services both to locals and to visitors. The area has very good tourist potential and we hope to grow the number of visitors as well as the developed tourism product of the area to provide more jobs and a more diversified local economy.

One of the threats to the area is its total reliance on road transportation for its energy requirements. The fragility of our energy supply arrangements was demonstrated back in July 2000 when our previous fuel supplier went out of business and we almost lost supplies of bottled gas as well as liquid fuels.

### **Challenges for Local Government**

The Shire has traditionally operated on a very lean administrative workforce.

The biggest and least productive challenge for local governments in this region has been the increasing administrative burden placed on them by the other tiers of government. This has necessitated a 40% expansion in our administrative work force over the last 5 years just to meet this burden.

A lot of the additional administrative tasks with which we have been burdened are not particularly relevant to a small sparsely-populated inland local government area.

Although such tasks as filing Freedom of Information returns, Disability Plan Implementation returns, Equal Employment Opportunity returns, Records Management Plans etc. are individually quite small they collectively impose a huge administrative burden without any direct benefits to the local community. The new, more complex tax system has been another huge administrative burden.

In addition to this, we keep acquiring tasks from the State Government (such as administering anti-smoking legislation) without any commensurate increase in the resources required to fulfil these expectations.

It should be borne in mind that our reason for existence is to make a difference in people's lives in our local community. If the State and Federal governments wish to place a ship-load of additional administrative duties upon us we need additional resourcing or we will not be able to continue to do those things for which we exist.

One initiative that would make a huge difference in reducing the administrative burden of local governments would be to align the local government accounting requirements with the information requirements of other agencies. Presently, we are required to produce accounts in a format that provides no useful management information and is not readily understood either by Councillors or the Community. The WA Local Government Grants Commission requires information that is not readily extracted from the accounts that the Local Government (Financial Management) Regulations require us to keep. The Australian Bureau of Statistics requires separate information that is also not readily extracted from our accounts.

### **Health, Education, Police and Other State Government Services**

We attempt to work co-operatively with State government agencies wherever possible in order to meet the needs of our community.

For example, the Shire of Yalgoo arranges at its own expense supplementary advertising for vacancies at the local school, subsidises the travel of short-listed applicants to Yalgoo for interview and participates in the selection process. We also act as an advocate for State public servants in the town on matters such as housing etc. We do this in order to ensure that the school is staffed with teachers of appropriate maturity and experience.

The Shire's involvement in the school has markedly reduced the staff turnover, increased the average experience of teaching staff at the school and is contributing to better educational outcomes. Nevertheless, there are still unmet needs that are beyond the capacity of the Shire to provide. The school roll is expanding rapidly and the school is overcrowded. There is a need for two additional classrooms and some permanency in the staffing arrangements for the high school teacher.

Through very persistent lobbying, Yalgoo now has adequate police resources most of the time. Our citizens want to feel safe in their own homes and in their own community. The major factor in community safety is policing. It is reasonable to expect that a community will feel safer when there is a visible police presence, and the Council of the Shire of Yalgoo believes that this is a basic service that ought to be provided by the Government as a priority over building bell towers and other enhancements in the State capital.

We have not contemplated providing private security patrols, as some metropolitan councils do. The reasons for this are as follows:

1. There are no security firms in the Murchison Region. It would not be economically viable to mobilise security patrols out of Geraldton or Perth.
2. We cannot recruit security personnel to employ locally because there is no vacant housing.
3. We do not believe that the American-type of concept of a myriad of local "police forces" is culturally appropriate in outback Australia.

We believe that providing a police presence in our communities is a basic role of the State Government that it should willingly undertake.

It has only been through constant effort and pressure that we have persuaded the WA Police Service to maintain a police presence in Yalgoo. The police presence reluctantly provided has often been at the threat of withdrawing police services from other towns in the region. We believe this is totally unacceptable. We do not think it unreasonable, in a region that provides over 1.8 billion dollars annually in primary production and contributes millions of dollars in mining royalties to the State's consolidated account, to expect the Police Service to maintain a presence in all the towns of the region.

However, if the Police Service is unable or unwilling to do this and the State government lacks the political will to ensure that a police presence is provided, we would need to look at other alternatives.

The same can be said of a lot of other State government services. Despite a tragic youth suicide rate in our community and a significant incidence of domestic violence, Yalgoo appears to receive less than 1 visit per year from the Department of Family and Children's Services. This appears less than satisfactory. At the time of writing this submission, we are unable to obtain from that Department its service delivery plan for Yalgoo.

There is no Centrelink agency or representation of any Federal government agencies in Yalgoo. The Shire hopes to remedy this through the establishment of a Rural Transaction Centre.

### **Allocative Efficiency**

The main difficulty for local governments in this region is lack of untied general purpose revenue from which to fund activities that would meet the particular needs of their particular communities.

By this we mean that, although we are the tier of government that is closest to our communities and (through community consultative processes) are best able to assess our community needs and aspirations, we do not get to make normal economic choices. The basic economic question is – "given limited resources, how should these resources be allocated to best meet the needs and aspirations of the community?"

Because the Local Governments in this region are low on general purpose revenue and rely on tied grants and state government programmes for many of their developments, we are placed in the position of mendicants who will take whatever we can get rather than addressing community priorities.

This problem relates to State funding in particular. The Commonwealth Grants Commission, in its recent review of the Local Government (Financial Assistance) Act 1995, found out that Commonwealth grants assistance to local government had grown by around 10.8% pa on average whereas State contributions had only grown by 6.6% on average. What is even more significant, we suggest, is that a considerable proportion of Commonwealth funding is untied and forms part of our general purpose revenue whereas all the State funding we receive is in the form of specific-purpose grants that do not allow us to prioritise our community's needs.

And because we are in an under-developed sparsely-populated region, we often have difficulty in meeting the minimum standard for whatever criteria is appropriate. That is, our towns aren't big enough, our roads don't carry enough traffic, we don't have enough crime, we don't consume enough etc. etc.

Of course, sometimes we manage to have a win and, because of those same factors (ie sparse population, etc) it appears that taxpayers funds are being used for some development out of all proportion with our population.

The consequence of our lack of general purpose revenue and reliance on "programmes" is a lack of local allocative efficiency. By this we mean that money from a particular programme is often spent on things that are not the community's top priority while needs of higher priority go unfunded and unfulfilled.

To remedy this situation, we need an income stream that is untied and able to be spent in a locally effective and efficient manner.

For this reason, we favour the proposals advanced by Larry Graham MLA, Member for the Pilbara, for reform of the State's finances. This would see the local governments of this region having a share of the mining royalties generated from mining activities within their districts. Such a share of the mining royalty would enable local governments to make investment choices which are more allocatively efficient than their present reliance on State and Federal government "programmes".

It would also help to redress the damage down to our communities and our economies by a taxation system that has decimated our communities by encouraging Fly In/Fly Out operations in the mining sector.

This proposal also has the support of the Murchison Chapter of the Chamber and Minerals and Energy.

### **Conclusion**

The Shire of Yalgoo, like other local governments of the Murchison region, suffers from a narrowly-based economy and a deficiency of general purpose revenue. Despite this, it is involved in providing a very wide range of services due to a lack of other public and private sector providers.

The Shires of the Murchison region are keen to work together collectively to resolve regional issues and have already participated in a joint study and are presently working together to implement the recommendations of the Gerritsen Report.

The Shire of Yalgoo and other small Local Governments are suffering under the burden of exponentially-increasing administrative requirements that are not contributing anything in terms of effective outcomes for the community.

The lack of general purpose revenue and the reliance on "programmes" designed in Perth and Canberra frustrates the Council's ability to respond to community priorities and achieve local allocative efficiency.

An allocation of a proportion of mineral royalties to the local governments of the districts from which the minerals are extracted would help resolve the problem of allocative inefficiency and would also help to redress the damage done to the economies and communities of those districts by a taxation system that has encouraged fly in/fly out operations.