

## **Introduction**

This submission has been prepared on behalf of the Australian Local Government Women's Association Queensland Branch Inc in response to the Terms of Reference of the House of Representative, Economics, Finance and Public Administration Committee Inquiry into Cost Shifting onto Local Government by State Governments.

Given the short timeframe for this submission, there has been insufficient opportunity to undertake the necessary consultation to provide a detailed response. The following provides an overview of some of the key issues.

The following members of the Executive have provided input and comment on this submission;-

### President

Councillor Julie Arthur  
Maryborough City Council

### Immediate Past President

Councillor Deirdre Comerford  
Mackay City Council

### Vice President

Councillor Yvonne Barlow  
Pine Rivers Shire Council

### Vice President

Councillor Toni Bowler  
Redlands Shire Council

### Secretary

Councillor Jill Hinds  
Gayndah Shire Council

### Treasurer

Councillor Daphne McDonald  
Gold Coast City Council

## **COMMENTS**

### **1. Local government's roles and responsibilities.**

Variations in services between communities allow service responses to be flexible and reflect different values. Services provided in a given geographic area are not universal and therefore future changes will need to take adequate account of issues associated with the diversity of services, differences in local need and the differing capacities to plan or deliver services locally. Holistic changes in policy affecting all councils could result in very different outcomes and financial pressures. Not every council has the same capacity to raise user charges and merely giving councils an increased power to levy charges won't necessarily increase their capacity to provide additional services. A local government's services are tailored to meet the specific requirements, and the ability to pay, of its community. It is not appropriate to assume that a re-allocation of responsibility will have uniform impact across the board. The provision of services by local government may allow a more flexible and innovative approach to be developed that takes account of regional or local characteristics rather than a one size fits all approach.

### **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.**

The submission of the Urban Local Government Association of Queensland to the current Queensland Local Government Grants Commission review of the methodology used for the disbursement of the Commonwealth's Financial Assistance Grant to local governments will be relevant to this inquiry and should be taken into consideration.

Local governments have responded to increased responsibilities by placing more reliance on user charges, reducing expenditure in discretionary areas and by increased borrowings. This raises issues about the affordability of services, who should pay, the extent of 'user pays' and the capacity of the community to pay for services.

The role of Queensland Local Government in the provision of water and waste water services is vital to the economic development capacity of the State. Queensland Local Government spends annually in excess of \$1.2 billion on these functions that, in most other States are not a Local Government responsibility.

While the Roads to Recovery Program has provided a significant increase in funds for local roads from 2000/01, this is only a four year program and does not overcome the fact that the Commonwealth has been effectively cost shifting the road burden to the States and Local Government.

Road funding is a major issue for Local Government in Queensland, and it is essential that the Commonwealth provides adequate funding to National Highways and to regionally significant state and local needs.

The revenue raising capacity of local governments also varies. Different rating bases are used with some states using unimproved property values, others using improved value. Practices to raise revenue also differ significantly in the areas of minimum rate provisions, discounts for rate remissions, differences in the use of differential rates and rate capping.

### **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.**

We believe the Local Government rate base is being pushed beyond its capacity, ratepayers will be faced with real increases if the desired range and quality of services are to be provided.

Regardless of who delivers or provides community services, the services delivered must be driven by the needs of service recipients (both met and unmet) and need to be responsive to the local community's need.

Local Governments in Queensland are seeking opportunities to enhance service provision through regional arrangements. Regional Organisations of Councils cover South East Queensland, Wide Bay/Burnett, the Eastern downs, Central Queensland, Mackay/Whitesunday, Far North Queensland and the Gulf Region. Regional arrangements involving Local Government have also been developed as part of regional planning arrangements led by the State.

There is a need for further investigation and a comprehensive analysis of the future demands and potential roles and responsibilities of local governments in terms of improving regional outcomes. Areas such as pest and catchment management, environmental protection and immunisation are examples of where the role of local government has gradually expanded without an explicit increase in resources or financial capacity.

There is a need to clarify local government's obligation in taking on any extra responsibilities and clearly delineate between the policy and standard setting role and that of service delivery.

### **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.**

There is a need for a clear description and analysis of the transfer of additional powers and responsibilities from the State and Commonwealth Governments to Local Governments

Information regarding performance targets versus actual performance of addressing existing needs by either the State or Commonwealth would be required for any services that are planned for re-allocation.

The impacts (both positive and negative) on existing resources emanating from a possible diversification of the existing funding base and adoption of new or enhanced performance measures will require a significant amount of collaboration with and input from councils.

## **5. The scope for achieving the rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to the community.**

Local government is at the grass roots of service delivery and it may be more appropriate for other levels of government to focus more on setting standards and service levels that actually delivering them, thereby freeing up resources to allow local governments to focus on the delivery. However, some roles may not be suitable for local government delivery. It may be possible that devolvement of particular responsibilities to a regional level could assist in re-energising regions. The benefits and costs of such proposals will need to be quantified in both financial and social outcomes.

Any shifting of responsibilities to councils in relation to service delivery will need to consider how councils can contribute to policy decisions and service standard setting. A clear understanding of the responsibilities for service delivery versus social policy development is required.

Structures and processes may need to be developed to ensure a collaborative approach across all levels of government in respect to assessing needs, determining priorities, allocating resources and monitoring outcomes.

The allocation of funding across all levels of government will need to be cost effective, efficient and equitable in terms of meeting community priorities.

Shared areas of responsibility, for example the environment and regional development will require specific attention. Agreed principles covering community engagement, ecological sustainability etc will support better integration amongst the various levels of government.

## **6. The findings of the Commonwealth Grants Commission Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the view of interested parties as sought by the Committee.**

The Grants Commission has already undertaken a significant amount of work in this area.

Local Government functions and responsibilities have expanded markedly over the past 35 years. Local Government is increasingly providing human services at the expense of traditional property-based services (particularly roads).

Local governments generally are of the view that changes in responsibility have been occurring at an increasing rate and that this has not been matched by an increase in funding or appropriate access to additional revenue. Local governments across Australia have responded by placing more reliance on user charges, reducing expenditure in discretionary areas (particularly roads) and by increased borrowings. The analysis of local government expenditure and subsequent report by the Commonwealth Grants Commission provided support for these claims. The Commission's analysis indicates - A move away from property based services to human services; A decline in the relative importance of road expenditure; An increase in the relative importance of recreation and culture and housing and community amenities; and An expansion of education, health, welfare and public safety services.

We would suggest to meet the new responsibilities, Local Government needs increased revenue from the Commonwealth in the form of financial assistance grants. Unless this occurred, there will be a continuing deterioration in local government services, particularly in infrastructure and the local road network.