

BRIEF SUBMISSION TO

HOUSE OF REPRESENTATIVES

ECONOMIC COMMITTEE

Local Government Responsibilities

Funding and Cost Shifting

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Roxby Downs Council
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INTRODUCTION

Roxby Downs Council is pleased to provide a submission to the House of Representatives Economic Committee concerning the examination of the issue of cost shifting onto local government and the financial position of local government in Australia.

By way of background the following comments relate essentially to 22 years experience within the Industry; both in South Australia and Victoria. In this regard I have enclosed a summary of my professional background to assist in placing into context comments provided.

In addition, in relation to Roxby Downs, there are a number of aspects, which need to be understood. Specifically Council is unique in South Australian Local Government. Created and operating under the Roxby Downs (Indenture Ratification Act) 1982, the Municipal Council of Roxby Downs operates with all the powers, functions and duties of a South Australian Local Government Authority, with a number of notable exceptions.

1. The requirement of elected councillors has been suspended with an appointed "Administrator" performing all of the functions of Council.
2. Separate power and water authorities have been created with Council operating as separate self-contained business units.
3. The State Government and WMC Resources are required to approve the Council budget and fund an annual operating municipal deficit.
4. External contractors carry out all of our construction and maintenance work.

However, in all other ways, we operate like any other South Australian Local Government Authority, operating within all normal legislative requirements.



Council Offices – Richardson Place

OVERVIEW

By way of an overview the Federal Minister, The Hon Wilson Tuckey MP in his correspondence dated 30 May 2002 distributed with the terms of reference for this review has 'interalia' recognised that

“Local Government is often forced to pick up the cost of services for which State Governments receive funding from the Commonwealth Government to provide”

“Commonwealth funding paid to the States amounted to \$46.7bill, yet Local Government received only\$1.4bill”

“The Commonwealth Grants Commission found that since the introduction of the untied financial assistance in 1974, Commonwealth grants assistance has grown by around 10.8% per annum on average whereas the States’ contributions have only grown by around 6.6% on average”

It is clear that these facts speak for themselves. This submission therefore does not propose to expand on quantifying this aspect but will attempt to highlight a number of areas in which new responsibilities have been taken up by local government leading to a significant change in role. In addition a number of possible improvements have been offered.

Unfortunately this submission is brief. As the sole senior officer with Council we do not have the time, nor resources to provide the extent of adequate research required. I understand the South Australian Local Government Association will be placing a submission. I would expect that this would be more detailed.

LOCAL GOVERNMENT'S CURRENT ROLES AND RESPONSIBILITIES.

Local Government functions under numerous State Government legislation. In South Australia the primary Act is the Local Government Act 1999. Perhaps the best way to illustrate the changes is to compare the roles and responsibilities of the current act with the previous 1934 Act, which it replaced.

1999 Act

6 Principal role of a council

1934 Act

35. General nature of council's responsibilities

A council is, under the system of local government established by this Act, established to provide for the government and management of its area at the local level and, in particular

- (a) to act as a representative, informed and responsible decision-maker in the interests of its community; and
- (b) to provide and co-ordinate various public services and facilities and to develop its community and resources in a socially just and ecologically sustainable manner; and
- (c) to encourage and develop initiatives within its community for improving the quality of life of the community; and
- (d) to represent the interests of its community to the wider community; and
- (e) to exercise, perform and discharge the powers, functions and duties of local government under this and other Acts in relation to the area for which it is constituted.

7. Functions of a council

The functions of a council include

- (a) to plan at the local and regional level for the development and future requirements of its area;
- (b) to provide services and facilities that benefit its area, its ratepayers and residents, and visitors to its area (including general public services or facilities (including electricity, gas and water services, and waste collection, control or disposal services or facilities), health, welfare or community services or facilities, and cultural or recreational services or facilities);
- (c) to provide for the welfare, well-being and interests of individuals and groups within its community;
- (d) to take measures to protect its area from natural and other hazards and to mitigate the effects of such hazards;

A council is responsible for

- (a) the management of the affairs of the area in relation to which it is constituted; and
- (b) the exercise, performance and discharge of the powers, functions and duties of local government conferred on the council by this or any other Act in, and in relation to, the area for which it is constituted.

35a. General management functions and objectives

(1) The functions of a council include the following:

- (a) to determine policies (not inconsistent with this Act or any other applicable law) to be applied by the council in exercising its discretionary powers;
- (b) to determine the type, range and scope of projects to be undertaken by the council; and
- (c) to develop comprehensive management plans, budgets, financial controls and performance objectives and indicators for the operations of the council.

(2) The operations and affairs of the council should be managed

- (a) in a manner which emphasises the importance of service to the community;
- (b) so as to enable decisions to be made, and action taken, efficiently and effectively through

- (e) to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and to improve amenity;
 - (f) to provide infrastructure for its community and for development within its area;
 - (g) to promote its area and to provide an attractive climate and locations for the development of business, commerce, industry and tourism;
 - (h) to establish or support organisations or programs that benefit people in its area or local government generally
 - (i) to manage and, if appropriate, develop, public areas vested in, or occupied by, the council;
 - (j) to manage, improve and develop resources available to the council;
 - (k) to undertake other functions and activities conferred by or under an Act.
- clear division of administrative responsibilities, delegation of authority where appropriate, and flexible and responsive deployment of resources; and
- (c) with the goal of continued improvement in efficiency and effectiveness.

8. Objectives of a council

A council must, in the performance of its roles and functions—

- (a) provide open, responsive and accountable government;
- (b) be responsive to the needs, interests and aspirations of individuals and groups within its community;
- (c) participate with other councils, and with State and national governments, in setting public policy and achieving regional, State and national objectives;
- (d) give due weight, in all its plans, policies and activities, to regional, State and national objectives and strategies concerning the economic, social, physical and environmental development and management of the community;
- (e) seek to co-ordinate with State and national

5A. Objects of Local Government

The objects of local government include

- (a) to provide a representative, informed and responsible decision-maker in the interests of developing the community and its resources in a socially just and environmentally sustainable manner; and
- (b) to ensure a responsive and effective provider and co-ordinator of public services and facilities at the local level; and
- (c) to provide an initiator and promoter of effort within a local community; and
- (d) to represent the interests of a local community to the wider community.

government in the planning and delivery of services in which those governments have an interest;

- (f) seek to facilitate sustainable development and the protection of the environment and to ensure a proper balance within its community between economic, social, environmental and cultural considerations;
- (g) manage its operations and affairs in a manner that emphasises the importance of service to the community;
- (h) seek to ensure that council resources are used fairly, effectively and efficiently;
- (i) seek to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs.

A quick glance shows a significant increase in the roles and responsibilities now required. These are diverse in nature and include such additional matters as improving the quality of life of the community, planning at the local and regional level, local area environmental management as well as acting as a responsible decision maker, developing community resources and representing the interests of the wider community. Areas include everything from providing specific services to commerce, industry and tourism promotion. However, it is for each Council to determine how much emphasis is placed on each specific area.

Whilst this is understandable given changing lifestyles and expectations in the community it is clear that declines in State Government financial support have placed significant burden on local government, notwithstanding that State Government may also have taken on additional responsibilities.

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 following are a few examples that may provide a lead into possible changes that would improve funding arrangements for local government.

Service Delivery at a Profit

Unlike most Councils Roxby Downs is fortunate in that we have been provided with a complete sewerage system as part of the development of the Town. Under the Roxby Downs (Indenture Ratification Act) 1982 we can charge a 'commercial' rate consistent with charges levied by SA Water and make a modest dividend.

However, other SA Councils are not so fortunate. Although the State has in the past been proactive in providing some funding support for Septic Tank Effluent Disposal Schemes in rural SA, this capital fund has significantly reduced. This has placed great burden on local government and prevented a number of communities from constructing these works, at potentially significant environmental harm. In addition as a prescribed service under section 155 of the Local Government Act, whilst Council can put money aside for future capital works it is prevented from making a profit. Yet, I understand that the State Government has the ability to require SA Water to return to it an annual dividend. This approach is inconsistent.

However as an example, if this approach was altered it has the potential to not only provide additional revenue for local government but also provide a lead in policy terms to overhaul current legislative restrictions and increase taxation at a local more transparent level.

Grant Programs

From time to time Councils make application to various Government bodies for financial grants. The form of the application, aims of the specific program, timing of the program, co-ordination with other programs, method of assessment, reasons for success or failure and the feedback on applications are extremely varied.

From experience as a proponent, and as one who sits on local grant funding boards at a State and Commonwealth level, it is clear that significant opportunities exist for improvement. In this regard I would further discussions with the Committee to elaborate on my experience.

For instance, a key leadership lesson is "to seek to understand." Officers based in a State Capital City, or in Canberra assess the majority of funding applications. Few if any have ever lived or worked in the relevant region. Those that have an understanding of the local issues and the driving forces behind the project invariably obtain a better understanding, which translates to a better quality decision.

Specifically in relation to Roxby Downs, Council recently completed an ambitious and entrepreneurial \$3.3mill redevelopment of our Cultural Precinct. Works included a Visitor Information Centre, Art Gallery, improved Auditorium, 67 Seat Theatre, outdoor streetscape improvements, second indoor basketball court, redeveloped Leisure Centre and a

new Kindergarten Koala room. Funding between WMC Resources (\$1.0mill) South Australian Tourism Commission (SATC) (\$150k) and at this stage the balance from Council. Whilst the State Government has thus far only made a small contribution, due mainly to a change in government, it is clear that initially officers of the SATC and later the Board were overwhelmed in the project whilst other potential government funding partners were not.

Why?

Essentially because SATC took the time and effort to understand the concept, visit Roxby Downs and determine that the project and the future plans were sound, exciting and worth supporting.

An Entrepreneurial Local Government

In a general sense the local government has a tradition of evolvement based on previous performance. Understandably this has focused on the 3 R's, roads rates and rubbish. Changes as detailed on the current SA Local Government Act 1999 significantly expands on this as society evolves and local government reacts. In Roxby Downs this tradition does not exist. As a young community (14 years old) without a sense of tradition we are in the unique position of shaping our destiny in perhaps a non-traditional way. Significantly we have a reason to 'push the boundaries, 'as we need to make up a \$750k to \$950k financial deficit.

Whilst local government has limited experience in the commercial field, especially in regional and remote areas, it has the opportunity to perform non-traditional roles that may impose on commercial areas. If the overall public good can be demonstrated it is considered that new funding and business opportunities should be encouraged by relevant local government legislation.

For instance section 42 of the SA Local Government Act 1999 requires a series of requirements to be met before a commercial project is undertaken. Whilst the requirements are not onerous the prescriptive nature and requirement for public exhibition may makes it extremely difficult for an entrepreneurial commercial place to take place. Whilst it is not desirable for such action to be taken lightly it is considered that the Economics Committee should explore this aspect on detail to see if there is a realistic case for greater encouragement to be placed on local government to explore this avenue of development.

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.

Again, why do we need to be prescriptive? For instance section 42 of the SA Local Government Act requires ministerial consent to set up a subsidiary with another Council. Why? Surely it should be encouraged and left up to each Council to determine the method and aim without the Minister and department being involved.

It is therefore my view that Local Government, like all sectors of government can and should be treated with the respect that it can manage, expand and develop its own destiny. This is essential to undertake an enhanced role and to work in partnership with other regions. Where it does it is usually successful, notwithstanding the constraints imposed by legislation.

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.

With respect to changes in powers, functions and responsibilities between the State and Roxby Council the following examples are relevant.

Economic Development

Three years ago Council agreed to be a part of a resource agreement with other Councils as a partner with the Northern Region Development Board (NRDB). This was a new initiative. In reality we had no real choice as a local government partner in the region. Cost contribution based on a per head of population of \$8500 per annum will increase with increased population as Roxby Downs is one of the very few local government areas in South Australia with substantial population growth. Along with other NRDB partners Council has recently received a request to increase this contribution by 25%. In our situation it is considered appropriate to accede to this request as Community Economic Development forms perhaps arguably the most important of Councils strategic directions. Whilst Council receives direct and indirect from this work it is clear that we have had to reprioritise this expenditure against other priorities. The local community does not always see the benefits associated with this work compared to other traditional services.

Community Development

Three years ago Council had no clearly defined community development focus. However now we employ a fulltime community development officer, have developed a range of actions involving full time and part time staff and consultant support in the youth and business

areas. Again a strategic direction that we chose but with little State Government support apart from isolated financial assistance for specific projects. Impact is in the order of \$50,000 per annum.

Cultural Development

Again, a relative new initiative. As an example the Western Board of Country Arts SA, of which I am a Board member has nominally \$64,000 per annum to distribute throughout the region over a variety of arts, culture and community development initiatives. Funding allocations have remained static over the last few years. However region occupies over 50% of the state. Funds are tight, do not go far enough with local communities and Councils increasingly called up to make up shortfalls. Recently Local Government conducted a cultural policy review, as this aspect is relatively new in local government terms. Many Council's have no strategic approach yet the value at the local level is significant.

Performance rather than Prescription

The Local Government Act 1999 is a significant improvement in its previous 1934 Act. Nevertheless it prescribes a number of administrative tasks that must be carried out to meet certain statutory responsibilities. Whilst some of the relate to being open and transparent to the community many do not provide any meaningful value to the performance of the authority or improve understanding within the community. Whilst some are consistent with good management, arguably most involve matters that should be determined at a local level, not by prescriptive statute that need formal administrative reports and presumably some sort monitoring and compliance.

It is suggested that the Committee explore and quantify the level of State and Local Government resources that are currently put towards these prescription and monitoring requirements. Cost savings, if passed onto Local Government could be significant.

Some examples that require significant human resources, which for small Councils such as Roxby can present significant restraints and add unnecessarily to administrative costs. For instance the quality of this submission is directly proportional to the time that a Council has available to it. Unnecessary administrative work impacts on the level of human resources and expertise available to a Council. Matters such as those outlined below include the following:

Local Government Act Requirement	Comments
Annual Report	Required to be in accordance with a prescriptive schedule 4.
Council resolution to use the common seal.	Why? Surely use of a common seal is as a result of a Council decision.

Contract and Tenders policy	Normal operations for any business. Why prescribe?
Strategic Management Plans	Normal operations for any business. Why prescribe?
Budget Reviews	Normal operations for any business. Why prescribe?
Internal Control Policies	Normal operations for any business. Why prescribe?
Review of Investment performance	Normal operations for any business. Why prescribe?
Bad Debt Policy	Normal operations for any business. Why prescribe?
Fees and charges register	Normal operations for any business. Why prescribe?
Management Plans for Community Land	Normal operations for any business. Why prescribe?
Register of community Land	Normal operations for any business. Why prescribe?
Register of Roads	
Register of Trees	

In addition the requirements to report and review the operations of a Council in accordance with AAS27 offers little if any public benefit. Unless you have a local government financial accounting background the requirement to depreciate non-realizable assets such as roads merely confuses the local community; or worst reports are never accessed. In reality one of the primary aims is to highlight a local authorities future requirements in relation to the replacement of its assets. This can be more accurately carried out as a separate exercise and in a form that the local authority can determine. Similarly the requirement to apportion overhead costs, whilst required to allow for comparison between Councils should not be used to actually manage the organisation.

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.

Essentially, like in all partnerships a degree of understanding, trust and support is required. The philosophy of Area Consultative Committees is perhaps relevant in that their charter requires 'interalia'

"a facilitation role, a link between government and business and a whole of government response."

It is difficult to outline what form a partnership approach would take. However, it is clear that a realistic review has the potential to define improved relationships between all spheres of government. What is needed is goodwill and a proactive partnership. Significant cost savings could result.

The area of Economic Development is a typical case in point where all three tiers of government have a 'finger in the pie,' often acting in an apparent uncoordinated manner with

significant duplication in effort. For instance, in South Australia some of the organisations involved include the following:

Federal	Area Consultative Committees, Department of Transport and Regional Services
State	Office of Regional Development, Regional Development Boards, Department of Industry & Trade, Tourism, Task forces etc..
Local	Individual and groupings of Local Governments
Other	Local Boards, Towns etc....

Often an initiative will be created at a local level and, the body concerned work to convince another level of government to provide funding. Given goodwill, co-operation and agreement at a State and Federal level it may be better to actually do away with one administrative tier.

Similarly, one of the biggest expenditure areas relates to roads. However each tier of government has its own jurisdiction by way of roles, funding and road classifications. Again by adequate resource sharing and improved management it should be possible to have most if not all construction carried out locally but the design and technical expertise at a regional level. This would strengthen local government at the grass roots level and allow for a consistent total road management approach to the network on a national basis.

THE FINDINGS OF THE [COMMONWEALTH GRANTS COMMISSION](#) 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.

Although specifically excluded from the terms of reference in the 2001 review of the Local Government (Financial Assistance) Act the current distribution of the General Assistance component between States needs a significant policy change. To put it simply it is completely inconsistent to require local government grants to local Councils to be distributed 'interalia' on a horizontal equalisation basis yet actually distribute to the States on a population basis. Similarly the formulas used for Local Roads seem to defy logical or consistent analysis.

Clearly a logical change would be 'Revenue Neutral' to the Commonwealth and should be implemented!

A WAY FORWARD. ROXBY DOWNS – A COMMUNITY LOCAL GOVERNMENT

As a means of showing a way forward below is outlined a strategy that Council is adopting to improve the functioning and operation of our community.

Essentially, the local community often misunderstands the primary role and function of local government. Generally, focus is on the state of the actual service delivered, not the multitude of different “hats” that a Council wears.

In Roxby Downs these roles have been defined and promoted as follows:

Advocacy & Management

Council’s Administrator performs all decision-making and management functions of Council. Like all local governments, we also perform a variety of advocacy actions at a state and regional level.

Municipal Services

Like all local governments, we deliver a number of traditional services with funding largely by municipal rates. These include Development Services, Dog and Cat Management, Waste Management, Sport and Recreation etc.

Council Businesses

Council operates two (2) self-contained businesses under the Council umbrella. Although community owned, Roxby Power (Electricity Supply) and Roxby Water (Water and Sewerage Supply), effectively operate as self-contained commercial entities with aims to provide excellent service and return commercial dividends.

Entrepreneurial Role

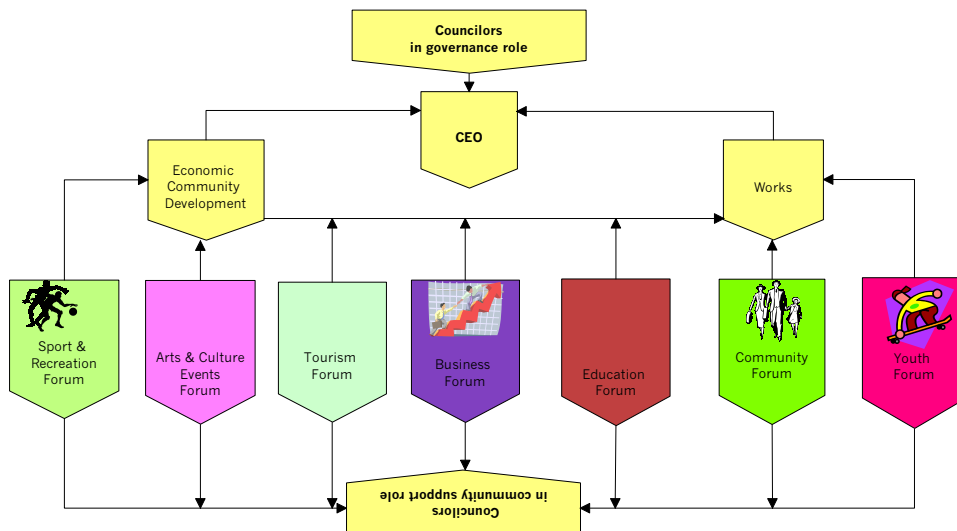
Council is constantly exploring opportunities for additional revenue and services so as to reduce or eliminate our operating deficit and stimulate and lead our community. Given our unique location, some potential avenues involve expansion into non-traditional areas. This includes expanding existing and forming new Council businesses and seeking to act as an agent for other government services.

Community Economic Development Role

Perhaps the most important role is that of a “community facilitator.” Focus is on stimulating

community economic development. Potential benefits for individuals, local organisations, residents and businesses are immense. Council’s entrepreneurial approach underpins many community development initiatives that will potentially enhance regional development.

As a result of research Council has developed and is promoting a “Community driven model of Local Government.” By establishing a number of Community Forums to advise Council on a range of management issues. Advisory Committees established under Section 41 of the Local Government Act will be established, with a strong link to community economic development. Forums identified are shown in the attached diagram. Whilst not definitive, initially each would form under the structure of Council as Advisory Committees, with or without direct powers. All will include representatives of the Town Board. Stakeholders will meet regularly to determine appropriate strategic directions, which are then translated into a business plan for presentation to Council.



Community Forum Model

FURTHER INFORMATION

Further information may be obtained by contacting Bill Boehm, Administrator Roxby Downs Council SA. Phone: 08 8671 0010, mobile: 0417 896 334, fax: 08 86711 0452, email: boehm@roxbycouncil.com.au.

As indicated in the attached correspondence I would be willing to meet before of the Committee, or ideally host a meeting of the Committee, in Roxby Downs.



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Enc: Bill Boehm – Summary of Professional Background