



Clarence City Council

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

Inquiry into Local Government  
and Cost Shifting

September 2002

---



## Overview

Clarence City Council welcomes the opportunity of providing comment relating to the current inquiry into Local Government and cost shifting.

The Minister has set out the terms of reference to be considered by the Committee, and has also made public comments concerning the inquiry. Council's submission takes the form of a number of policy statements which are relevant to both the terms of reference and the Minister's statements.

Key points raised in this submission which Council wishes to emphasise are:

- **There has been a significant shift in responsibilities from State to Local Governments, both through regulation and service delivery failures.**
- **Local Government does not have a uniformly growth oriented taxation base.**
- **A minor shift in financial arrangements may have a major impact on Local Government.**
- **The ability of Local Government to meet its core responsibilities is being eroded by a proliferation of imposed responsibilities.**
- **Local Government has the capacity to make further use of dedicated funding to meet specific policy or project outcomes.**
- **The Constitution should recognise Local Government as a level of Government in its own right.**
- **Closer co-operation between Local Government and higher levels of government requires improved role definition.**
- **A redistribution of National Competition Policy payments is a mechanism through which appropriate funding arrangements may be achieved.**



**1. There has been a significant shift in responsibilities from State to Local Governments, both through regulation and service delivery failures.**

There is a significant diversity in the roles of Local Government across Australia by virtue of varying State models, the use of alternative service delivery providers, and geographical necessity. Within this framework, individual Councils make widely differing policy decisions in terms of the range of discretionary activities they undertake.

However, two factors relating to the role of Local Government are on the increase. The level and range of activities and responsibilities required under legislation and regulation are constantly increasing. That is, State Governments are requiring more and more of Local Government through specific directives. In addition, the distinction between mandatory services and discretionary activities is becoming increasingly blurred. Provision of services previously outside the scope of Local Government is being forced through a variety of mechanisms, including the failure of other service providers to meet community demands.

**2. Local Government does not have a uniformly growth oriented taxation base.**

Maintaining existing services assumes that funding levels remain constant in real terms. Increasing the level or range of services provided relies upon increased funding.

Both the Commonwealth and the States have tax bases which provide for growth in line with the broad economy: in simple terms, the Commonwealth through income taxes and the States through the Goods and Services Tax.

However, Local Governments do not uniformly have this advantage due to their narrow taxation base. Recent trends have shown significant growth in property development in major centres and those Local Governments are experiencing proportional growth in their taxation bases. Nevertheless, much of “regional Australia”, including Tasmania, has seen stagnant or even negative growth. This may impact directly on a Local Government’s revenue through a contraction in its level of real rating income.



**3. A minor shift in financial arrangements may have a major impact on Local Government.**

Total Federal taxation revenues are in excess of \$150 billion. Less than 1% of this amount is appropriated to Local Government through financial assistance grants.

Should the current review identify areas which require specific funding arising from the transfer (or devolution) of responsibilities to Local Government, the context of current arrangements is such that a very small movement in proportional funding would have a major impact on the financial capacity of Local Governments.

**4. The ability of Local Government to meet its core responsibilities is being eroded by a proliferation of imposed responsibilities.**

There is no doubt that Local Government is being required to take on an expanded range and scope of responsibilities, all requiring additional resources. At the same time, there are increasing requirements to increase the level of resources provided for “core” responsibilities. Increased attention to asset management, shifting demographics, increased activity in all areas of risk management, and similar factors each lead to significantly increased costs in all traditional areas of activity.

Local Government is therefore experiencing dual pressure on its ability to meet community needs, quite beyond normal inflationary pressures and any contraction in the rating base of individual municipalities.

**5. Local Government has the capacity to make further use of dedicated funding to meet specific policy or project outcomes.**

The obvious burden on Local Government resources arising from a shift in responsibilities should not be confused with an inability to expand service provision to the community. The key issues surrounding devolution of responsibilities are the lack of associated resource transfer, and (in some instances) the lack of Local Government involvement in considering such responsibility transfers.

Local governments as a group make up a network of complex organisations already in place to meet a variety of community needs. Organisational infrastructure and skills already exist, and provide a powerful opportunity for limiting duplication across the public sector as a whole.

Council would welcome further involvement in programmes which provide tangible benefits to its community, based on clear outcome definitions and a sufficient level of resourcing to meet all costs, including costs to meet the ongoing sustainability of any constructed assets.



**6. The Constitution should recognise Local Government as a level of Government in its own right.**

Many of the issues being considered by this inquiry arise from a lack of constitutional recognition of Local Government. By being established only within State legislation, the nature and role of Local Government is subject to change with minimal “checks and balances”. Further, the fundamental elements of Local Government may vary from State to State under a variety of legislation. This is detrimental to the potential of Local Government as a vehicle for achieving national policy outcomes.

**7. Closer co-operation between Local Government and higher levels of government requires improved role definition.**

Many Councils seek to work closely with both the Federal Government and their State Government. In Tasmania this is particularly evidenced by the series of formal Partnership Agreements in place, participation in the Natural Heritage Trust programme, and a variety of fully funded service delivery programmes such as aged and child care.

However, a long term effect of this co-operation is often a further lack of clarity of the respective roles and functions of varying levels of government. Precise articulation of these roles and functions is desirable in the current environment, and would even remain so in the event of Constitutional recognition being achieved.

**8. A redistribution of National Competition Policy payments is a mechanism through which appropriate funding arrangements may be achieved.**

The current inquiry assumes fiscal neutrality for the Commonwealth Government. One of the impositions on Local Government in recent years has been the level of effort required to meet the States’ obligations under their agreements with the Commonwealth on the implementation of National Competition Policy. Except in a few instances, no proportion of the resulting payments to the States flow to Local Governments.

Local Government participating in the States’ agreements is yet another example of additional resources being required to meet the objectives of other levels of government, but with Local Government meeting all associated costs. Access by Local Government to a proportion of National Competition Policy payments would recognise this effort, and be a practical example of meeting the outcomes contemplated by the Committee’s terms of reference.