

KILKIVAN SHIRE COUNCIL

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25th March 2003

The Secretary,
House Economics Committee,
Parliament House,
CANBERRA ACT 2600

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House of Representatives
Standing Committee on
Economics, Finance &
Public Administration

House of representatives Standing Committee on
Economics, Finance and Public Administration
Submission No: 353
Date Received: 28/3/03
Secretary:

Dear Sir,

Cost Shifting Inquiry

With reference to your request for submissions and subsequent discussions and roundtables, I advise that this inquiry could also inquire into areas of potential cost shifting in the future.

The Local Government industry has significantly changed over the last ten or so years, and there is nothing to indicate these changes will not continue into the future. The demands from both our constituents and from other spheres of government have placed significant pressures on both the funds and resources of our Industry. Even though I believe Local Government is best placed to provide the majority of these services, the current funding capacity of Local Government is limited.

As detailed in the many responses already received by your committee, more and more services are now required to be provided by Local Government, and a significant number of these requirements are detailed in legislation from the other spheres of Government. In the majority of these cases, the views of Local Government have not been canvassed. In order for all three spheres of Government to work in the best interests of this nation, no government has a mandate to require services to be carried out by another without fair recompense for providing the service. Consideration should be given to the inclusion of a "Local Government Impact Statement" with all new legislation or policy changes at a State or National level.

The effects of cost shifting should also be considered along with the efficient operation of Local Governments. I understand that all States reviewed the legislation under which Local Government operates during the last 10 years, and maybe we should be reviewing the accountability and performance of our organisations. This review should cover both the leadership roles (elected officials) and the management roles (appointed officials), bearing in mind that our legislation now details the separation of powers and roles. I understand that Tasmania has a "Local Government Review Board" to review the operation of Local Governments every eight years. This Board could be investigated for its relevance in other states.

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The accreditation of Local Governments to perform projects or provide services for other spheres of government should be considered further, as QA (which is accreditation) provides for a more efficient operation.

Untied FAG's grants have been around since the early 1970's, and the system of distribution is complex and difficult to understand. Any significant change in the distribution method, either inter or intra state, will affect the range of services provided by councils. Partnership agreements between councils for the provision of a significant number of services could overcome the significant long-term savings that would be available through Economies of Scale. Local Government is the only sphere of government that does not have access to a natural growth tax like GST or PAYEE, and therefore consideration of funding proposals should include tying the FAG's allocation to GST income.

What will Local Government be like in 10/20 years? It would appear that structural reform would be in the best interests in some states, whereas Regional Organisation of Councils may be a better example in other areas. Whatever system we use should not be at the expense of the loss of services to all areas in the State, but these services may be provided in a different manner, bearing in mind that one size does not fit all circumstances.

We need to be careful not to confuse cost shifting from other spheres of government with the provision of additional services as required/requested by our constituents. Quite often seed funding is provided to start a new service, but when the seed funding runs out our constituents expect the service to continue, thus straining the finances of the Local Government.

Local Government needs to maintain its independence in relation to the services it provides, subject to the capability of its community to finance the provision of essential services, with all Local Governments receiving a share of the untied FAG's allocation. Agreements should be in place to eliminate the current practise of all three spheres of government providing and financing similar services, including infrastructure.

Should you require any further information please do not hesitate to contact the undersigned.

Yours faithfully,



Ray C. Currie,
CHIEF EXECUTIVE OFFICER.