

26 July 2002

KB:mmc #494902

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

Dear Sir/Madam

Re: Inquiry into Cost Shifting onto Local Government

Thank you for the opportunity to present this submission on behalf of the Cairns City Council. Cairns welcomes the Inquiry as it will address a number of issues that are critical to all Local Governments.

Cost Shifting

Cairns has been conscious to try and avoid assuming responsibility for services that, in its view, are not fully funded. However, such overt shifts in responsibilities between different tiers of government are a rare occurrence. Far more common are:

- changes in State or Federal legislative requirements that have a consequential impact upon Council;
- partnership arrangements which Council enters into with other levels of Government which have an associated cost impact; and
- declines in or inadequate levels of service delivery by State or Federal agencies that create the need for Council to provide its own supplementary services.

Legislative/Regulatory Changes

To illustrate the case, I have opted to detail some examples of the type of 'cost shifting' which regularly occurs under the guise of legislative or regulatory change.

Dangerous Dogs - recently the State Government enacted legislation which imposed a series of requirements upon owners of dogs classified as restricted breeds. The enforcement of these requirements became the responsibility of Local Government. As such Council has been required to develop and implement a policy which meets the requirements of the legislation, as well as a fee structure which endeavours to

cover costs. However, the high costs involved to the owner, and the emotive nature of dealing with people's pets has meant that this matter has become a highly political issue. This has resulted in large amounts of Council staff time and effort being directed to dealing with this issue, and a level of cost that would never be recovered under the fee structure on such a narrow base (restricted dog owners).

Boarding House/Backpacker Inspections – again, recent State Government changes have required Council to assume a new role with regard to the annual inspection of boarding houses and other similar accommodation establishments. Like the example of restricted dogs above, Council will seek to recover these costs through an increase in license fees. However, the fact remains, that this becomes yet another task that was introduced by the State, but for which the responsibility for administration and political management falls to Council.

More recently, the State Government has proposed expanding the Local Government role with respect to the *Coastal Protection and Management Act 1995* and affordable housing. In both instances, this Council has not supported the proposed changes as they will lead to an additional workload on Council officers with no transfer of resources to compensate for this.

Of particular concern, is the almost 'drip feed' approach to this issue between various levels of Government. It would be hard to recall a year where there was not some change to legislation or regulation which then negatively impacted upon local government. As stated above, the issue is not so much the big bang approach to structural change, but the almost insidious creep with which it happens year in, year out.

A large part of the frustration at a local government level arises from Council's limited capacity to raise revenue to meet these additional requirements. As Councils don't have access to a growth tax like the GST or income tax, the reliance on Council rates as the major revenue source remains.

Partnership Arrangements

The second type of cost shifting activities, relates to those partnership activities that Council enters into with other levels of Government. There are numerous examples, particularly in the area of community services, where Council either co-contributes to the cost of an initiative, or where State funding covers salary costs only, and Council provides substantial in-kind support such as a personal computer, telephone, access to a vehicle, supervision, etc.

Recent examples relate to the funding received by this Council for the employment of:

- a Museums Officer (partnership with Arts Queensland);
- Council's Community Relations Officer (partnership with Multicultural Affairs Queensland);
- Council's Indigenous Liaison Officer (partnership with ATSIC); and

- Council's Community Renewal Officers (partnership with the State Department of Housing/Department of Families).

While Council willingly enters into these types of partnership arrangements as a way of enhancing and expanding the levels of service provided to Cairns citizens, each agreement imposes an additional cost onto Council ratepayers. Finally, where time limited funding agreements exist, sensitive issues arise about the ongoing provision of the service, and often the result is that the responsibility for this falls to Council.

It is clear that State Government agencies in particular see this seed funding model as a way of achieving their long term objectives on a sustainable basis, whilst only bearing a funding burden for a short time. Whilst on one hand this may seem admirable management of State Government resources, it effectively pushes responsibility down onto local governments who, in many ways, are less able to deal with the financial pressures caused by these additional responsibilities.

Inadequate or declining State/Federal Service Levels

While many aspects of cost shifting take place with a degree of knowledge and the agreement of both parties, there are other service areas where either functional responsibility is less clear or service levels are inadequate to meet community needs and expectations. These create a cost imposition upon Council through the conscious withdrawal of one party from a service area, or through Council funding parallel services to address service gaps. Again, I would like to highlight this issue through the use of a small number of examples.

Inner City Security – a major growth area for Council expenses is the provision of security services. Cairns, along with many other cities, enters into contracts with private security providers to ensure that city streets are patrolled and safe, and property is protected. As a major tourist centre, Cairns has a significant obligation to ensure that its visitors feel safe within the city and enjoy their visit. The Committee should need no reminding about how damaging an unfortunate incident can be to a town's image, or of Australia's, as a safe tourist destination. Most importantly, this is not an activity that Councils' would consider to rank with their more traditional suite of services. However, where policing is inadequate, Council's have an obligation to

respond. In 2002/03 Council will spend over \$500,000 on security services for the CBD area alone.

Emergency Services – all levels of Government value and appreciate the efforts of volunteers and officers of the State Emergency Service. In an area prone to natural disasters (especially cyclones) as Cairns is, a viable and functioning emergency service is an imperative. Anecdotally, Cairns has concerns that the State is increasingly withdrawing from providing ongoing financial support to the State Emergency Service, with the responsibility falling increasingly onto Council shoulders. In the 2002/03 financial year, Council has allocated \$340,000 to support its 9 SES units. Increasingly, the State contribution is being wound back to capital grants, which then places an added burden on Council funds to pay for the upkeep

and renewal of capital items. Both levels of Government sharing responsibility for a public service, only works where both honour that commitment in the long term.

Environmental Management – increasingly, Cairns is witnessing the degrading of State and Federal government services in this area, with a consequent impact upon Council to step into the breach and provide supports that other levels of government previously provided. Of particular concern would be the treatment of feral animals and vector control on Crown Land, and the control of noxious plants. As the State lessens its efforts in these areas, Council is increasingly required to fill the void. For the first time last year, the Council budget included funds for the purchase of a boat to assist with crocodile management, and the training of Council staff in the handling of these dangerous animals. Previously, this was an area of almost exclusive State responsibility. Another example is the closure of the Federal Wet Tropics Management Authority pig trapping program, with the result that Council will eventually be required to expand its own trapping program as feral pigs wander from Crown Land into urban areas.

Of obvious concern is the potential for exploitation by other levels of Government of Council's role as the provider of last resort. As the level of Government closest to community concerns and needs, and I would also argue the most responsive, the demands for service reach and are responded to by local government in many cases well before our State or Federal counterparts. When this occurs, and Council is required to respond, already tight resources are spread more thinly, and away from traditional local government responsibilities.

Local Government Financing

Cairns appreciates the ongoing role that the Commonwealth plays in the financing of Local Government. However, we continue to have significant concerns about how appropriately these funds are distributed once they are released to the States.

More recently, Cairns has been in ongoing dialogue with the Queensland Local Government Grants Commission (QLGGC), about the Commission's funding methodology and the impact that this has on the level of funds made available to meet the needs of the citizens of Cairns. As the Commonwealth's own review of the *Local Government (Financial Assistance) Act 1995* demonstrated, under the fiscal equalisation component of the Grant, Cairns received just \$19.53 per capita. Indeed, if the 'floor' was removed from the Queensland methodology, Cairns would have received the minimum grant of just over \$14. Since the review, that Cairns grant has continued to decline and is now just over \$17 per capita (2001/02).

What is most disturbing is that Councils in other States classified as Urban Regional Large Councils receive significantly more Commonwealth funding on a per capita basis than Cairns. The Review's analysis showed that Latrobe received \$83.92 per capita, Ballarat \$77.97, Bendigo \$75.39, and Shoalhaven \$71.12. Cairns views this as a significant skewing of the allocation of Commonwealth funding, and considers this a significant matter that warrants some attention within this Inquiry's analysis.

The current Queensland approach places the per capita funding Cairns receives on the same level as Brisbane and other major South-East Queensland Councils. I believe this indicates that there is no suitable recognition in the formula of:

- the remoteness of Cairns (being some 1,700K from Brisbane and 350k from the next major centre Townsville) or the additional costs that this imposes;
- of the obligation upon this Council in a remote regional capital to provide and maintain the full range of community facilities (such as sporting venues, theatres, art galleries, and the like) to its citizens; or
- the significant additional costs that this Council faces in ensuring that Cairns can provide the facilities and infrastructure to ensure that this City remains a competitive international tourism destination, with its associated major benefits to the regional and national economy.

I am aware that the QLGGC is currently reviewing its funding methodology and Cairns awaits the outcome of that process with considerable interest. However, I consider the Queensland approach to be currently so heavily biased towards small remote Councils, that there is little prospect of the Queensland methodology better approximating the more reasonable outcomes that are delivered in other States.

I would like to thank the Committee for the opportunity to make this submission. Any queries should be directed, in the first instance, to Mr Brendan Fogarty on (07) 40443058. I wish the Inquiry well in its deliberations, and shall follow its progress with interest.

Yours sincerely,

Kevin Byrne
Mayor of Cairns