



Planning Institute of Australia

submission to

House of Representatives Economics Committee

Inquiry into Local Government Funding

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CONTENTS

EXECUTIVE SUMMARY AND RECOMMENDATIONS	4
1. INTRODUCTION AND CONTEXT	8
2. COMMONWEALTH GOVERNMENT ROLE IN DEVELOPMENT & ENVIRONMENTAL PLANNING.....	9
2.1. EPB&C Act.....	9
Recommendation	10
2.2. Vehicle Usage and Fuel Excise	10
Recommendation	10
2.3. Funding local projects by Commonwealth	10
Recommendation	10
Recommendation	11
Recommendation	11
3. THE SCOPE OF LOCAL GOVERNMENT	12
3.1. Increased scope of activities	12
Recommendation	13
3.2. Lack of clarity of roles and responsibilities	13
3.3. Changes in legislative frameworks.....	14
Recommendation	15
4. ECONOMICS, FINANCE & LOCAL GOVERNMENT CULTURE.....	16
4.1. Local Government Funds withheld by States	16
Recommendations	16
4.2. A share of GST	16
Recommendation	17
4.3. Increasing fees and charges.....	18
Recommendation	19
4.4. Costs imposed by the State on appeals through the planning system	19
Recommendation	19
4.5. Cross Subsidisation DA fees to Plan preparation.....	19
Recommendation	20
4.6. Rate Pegging and pressures on development assessment functions	20

5. ADDITIONAL FUNCTIONS FOR LOCAL GOVERNMENT.....	21
5.1. Paternalism Vs Local Democracy	21
Recommendation	23
5.2. Other advantages of a centralised system.....	23
Recommendation	23
6. CRITICAL ISSUES BY STATE AND TERRITORY	24
Reference List.....	27
Other sources	28
Interviews Schedule	28

Executive Summary and Recommendations

1. Introduction and Context

- This document incorporates
 - the views of local government planners and administrators across the country
 - results from web-based searches on local government, planning and cost shifting
 - at least one of the submissions from each State/Territory to Inquiry into Cost Shifting
 - views from Presidents from the Planning Institute from each State and Territory.
- As the Planning Institute of Australia this submission has been compiled with a view that
 - The Commonwealth government has a role in the development and environmental protection of the nation.
 - Planning is viewed as a necessary and valuable activity by the community and local government planning dominates planning activity across the country.
 - Local government has had difficulty in justifying increases in regulated fees and charges due to the nature of the economic and financial constraints imposed by various Treasuries around the country.

2. The role of Commonwealth Government in Development and Environmental Planning

- Decisions made by the Commonwealth government have a significant impact on the environment and the development climate in the State and local spheres.
- The urgent need for the Commonwealth to focus on planning for a sustainable future for the country was clearly made in the Communiqué from the recent State & Territory Planning Ministers Conference

Recommendation

Commonwealth, State and relevant local government jurisdictions work towards a National Cities and Regions Strategy under the auspices of a Council of Australian Government (COAG) National Cities and Regions Agreement. (RAPI National Policy) Liveable Communities: A National Agenda.

- Three areas of Commonwealth programs which have a direct impact on development and environmental planning also highlight issues of cost shifting, inefficiencies or an inappropriate level of recognition of the importance and role of local government.

2.1. Environmental Protection and Biodiversity Conservation Act

Recommendation

The Commonwealth requires Environment Australia to deliver the streamlined processes and improved finality of decisions relating to actions triggering EIS under EPBC Act as an urgent priority. These processes should include roles and responsibilities for local government.

The Commonwealth through Environment Australia ensure that local government has access to the specialised data bases required to identify actions which may trigger this act.

2.2. Vehicle importation and Fuel Excise

Recommendation

Regulatory impact of budget decisions relating to fuel taxing should be expanded to include environmental impacts of decisions as well as the direct impositions which will be borne by local government. Better consultation with the relevant departments in State and local governments would address some of these and similar issues.

2.3. The Federal Regional Assistance Program (RAP) , Regional Solutions Program (RSP) National Action Plan on Salinity and Water Quality (NAPSWQ).

Recommendation

All projects funded at a Commonwealth level must acknowledge local planning instruments and demonstrate how that project fits within local and regional priorities and strategies. We note that the subsequent NHT funding rounds required reference to catchment management plans and we acknowledge this as a positive approach to be re-enforced across all funding portfolios.

3. A lack of clarity relating to the roles and responsibilities of the various spheres of government

- MOU's provide a model framework which can provide clarity of roles and responsibilities but for the maximum benefit the financial issues must also be addressed to provide local government with a better basis for financial planning.

Recommendation

It is a matter of priority that within the scope of any national cities summit that an MOU or similar document is drawn up which focuses on the roles and responsibilities for planning and this must begin with the allocation of various functions between all spheres of government.

Each State and Territory is strongly encouraged to either establish or review a MOU with local government within their jurisdiction. This document must identify roles and responsibilities for planning as well as setting a mature and equitable funding arrangement for local government.

4. Changes to Planning Legislation

- Local government and planners recognise and accept that major changes to both plan making procedures and development assessment processes have been required to keep pace with community, industry and the planning profession's expectations.
- Much of the recent planning and environment legislation has focused too narrowly on process to satisfy strict legalistic interpretations rather than outcomes for communities.

Recommendation

Through the NOLG, the Commonwealth, lobbies State governments to ensure that adequate funds are provided for change processes in planning legislation to ensure that the advice is consistent and the leadership is relevant and purposeful.

Again through NOLG, the Commonwealth, focuses resources into programs which emphasise the importance of planning legislation and regulation with clear relationships to improved planning outcomes, livable communities and sustainable development.

4. Economic and financial aspects of local government

- There is a connection between paternalistic attitudes that State/Territory governments have on the capacity to raise revenues and to implement local democracy. Many State governments control the costs of fees and charges and NSW remains the only major state where State government approval is required if local governments require rate increases.
- No defence can be found for withholding of competition funds from local government in New South Wales. Using the allocations from other States this would result in an increase to local government of between \$9.6 million and \$48 million.

Recommendation

To improve the equity among local government around the country it is recommended that the Commonwealth withhold the remaining tranches of the National Competition Policy funding from the States where this is not being passed onto local government.

- The fees and charges associated with development assessment represents a possible area for revenue expansion for local government. Queensland is the only State that does not regulate these charges.

Recommendation

The Commonwealth government through the NOLG and the Development Assessment Forum work with PIA and ALGA to develop programs and incentives to support a change in culture to that of a more accountable system within development assessment systems.

- Both the Queensland and Victorian systems are experiencing costly and time consuming delays in the planning appeals systems. These choices by the State government are imposing additional and unjustifiable costs on proponents, third party appellants (where possible) and local government.

Recommendation

The Commonwealth through the NOLG work with PIA and the relevant local government associations to develop benchmarks for appeals through planning systems and that the relevant State governments apply these benchmarks to their current appeal systems. Where failures in the system are noted NOLG, PIA and the relevant local government associations should initially lobby State governments to address their systems. Failing this, strategies to focus public attention should be considered.

- The transparency required for fee setting prohibits or discourages cross subsidisation across government functions. The inquiries set up to review costs associated with development assessment fees fail to make the connection between plan preparation and development assessment.
- PIA asserts that the relationship between plan preparation and Development Assessment is fundamental and that the latter cannot exist without the former.
- It can also be argued that investment in good plan preparation with a sound legal footing and strong community support should reduce legal costs.

Recommendation

Submissions be made to the relevant State government departments requesting that consideration be given to linking the cost recovery of development assessment to some partial costing of plan preparation and legal defence of the planning scheme.

4.1 Rate Pegging and regulated fees and charges

- New South Wales remains the only State or Territory where the State dictates the level of increase allowable on general rates.
- The impact of this constraint on revenue is compounded by the controls placed in NSW on fees and charges for development control and other regulated activities.

Recommendation

To improve the equity among local government around the country it is recommended that the Commonwealth withhold the remaining tranches of the National Competition Policy funding from the States where this is not being passed onto local government.

4.2 Service Delivery and local democracy

- The concept that a range of services such as policing, health and education can be delivered at a local level appear initially attractive and suggests a strong local democracy.
- Communities being able to make the choices implied with a truly localised exercise of democracy are unlikely under the current paternalistic funding arrangements.

Recommendation

The expansion of “essential community services” is considered as a feasible concept only after local government has received a fixed share of GST revenue and local democracy including the ability to raise revenue has been secured for all local governments.

- When police and other emergency services are provided at a very localised level, there are very considerable issues of co-ordination and communication across jurisdictions and this situation is exacerbated during times of emergency.

Recommendation

The Commonwealth recognise that the devolution of, particularly emergency services, is likely to create inefficiencies and jurisdiction problems. In the climate Australia finds itself in November, 2002 any actions reducing the capacity of emergency services is unlikely to find any support.

1. Introduction and Context

This submission has been prepared in response to the Cost Shifting Enquiry and focuses on the economic and financial conditions of local government across Australia. It will highlight the implications of this situation for the efficient and timely delivery of planning services in this sphere of government.

In preparation for this submission the views of local government planners and administrators across the country were sought, at least one of the submissions from each State/Territory which was made publicly available during the course of the Inquiry into Cost Shifting were reviewed and the views from Presidents from the Planning Institute from each State and Territory are also included. A web-based search supplemented the reports and information supplied by Planning and Treasury Departments from New South Wales, Queensland, South Australia, the Australian Capital Territory and Victoria. A reference list and an interview schedule conclude this report.

Almost all of the submissions made to the Inquiry into Cost Shifting from local government and the relevant associations (at both State and regional levels) made the following points.

1. In the face of increasing public expectation of service delivery the options for local government to increase their revenue are quite limited.
2. Due to repeated changes to funding arrangements and data collection no clear conclusions can be made about the exact nature of trends in funding, although several note that there is some evidence of declining Commonwealth contributions.
3. State Governments across the country have shifted many responsibilities, both new and existing, to local government without commensurate financial support.
4. Local government remains the level of government closest to the community and in many remote locations is the only remaining level of government to deliver a range of government services.

As the Planning Institute of Australia this submission has been compiled with a view that

1. The Commonwealth government has a role in the development and environmental protection of the nation.
2. Many of our members work in local government and good planning requires resources.
3. Planning is viewed as a necessary and valuable activity by the community and local government planning dominates planning activity across the country.
4. The relationship between the State and Territory governments and local government can be characterised as predominantly paternalistic with the State level governments reluctant to relinquish control over revenue raising options for local government.
5. Local government has had difficulty in justifying increases in regulated fees and charges due to the nature of the economic and financial arguments imposed by various Treasuries around the country.

2. Commonwealth Government Role in development & environmental planning

Decisions made by the Commonwealth government have a significant impact on the environment and development in the State and local spheres. The urgent need for the Commonwealth to focus on the planning for a sustainable future for the country was clearly made in the Communiqué from the recent State & Territory Planning Ministers Conference which stated,

“We need to bring a national focus to planning to develop an integrated national policy on sustainable urban and regional development, “

It is time for the Federal Government to seriously examine the impact of their population and growth policies on our urban and regional areas, particularly our cities.”
November 7

Hon Andrew Reshaug, Deputy Premier, Minister for Planning, NSW
Simon Corbell MLA, Minister for Planning, ACT
Hon Nita Cunningham, Minister for Local Government and Planning, QLD
John Jay Weatherill, Minister for Urban Development and Planning, SA
Hon Konstatine Vatskalis, Minister for Land and Transport, NT
Hon Alannah MacTieran, Minister for Planning and Infrastructure, WA

These State and Territory Ministers called on the Prime Minister to convene a national summit which included all levels of government to address the critical issues impacting on the liveability of our cities and regions. This institute under our former name the Royal Australian Planning Institute identified this need for recognition and co-operation as a priority in “Liveable Communities : A national Agenda” from its release in 2000 (see our website www.planning.org.au.)

Recommendation

Commonwealth, State and relevant local government jurisdictions work towards a National Cities and Regions Strategy under the auspices of a Council of Australian Government (COAG) National Cities and Regions Agreement. (RAPI National Policy” Liveable Communities: A National Agenda.
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Many of the policy and funding decisions made by the Commonwealth have the capacity to impact on the operations of local government, impose financial impositions and are unlikely to achieve the desired outcomes without the active and informed co-operation of local government. Three specific areas of Commonwealth legislation and policy activity which impinge directly on planning and environmental issues are discussed below.

2.1. EPB&C Act

Environmental Protection Biodiversity Conservation Act (EPBC Act) has required the drawing up of a Bilateral Agreement with the purpose of streamlining of environmental impact study (EIS) processes and improving the level of confidence in the EIS system. With the Commonwealth retaining the right to continue to request further information of proponents, the State can become reduced to a post box and costs have been shifted from Commonwealth government to the State. These processes can leave local government isolated from the decision making process impacting on their communities.

Approved processes under the EPB&C Act must acknowledge the role of local government in planning decisions. To make many of the decisions associated with the EPB&C Act local government requires access to specialised data bases for example RAMSAR sites and species lists.

Recommendation

The Commonwealth requires Environment Australia to deliver the streamlined processes and improved finality of decisions relating to actions triggering EIS under EPB&C Act as an urgent priority. These processes should include roles and responsibilities for local government.

The Commonwealth through Environment Australia ensure that local government has access to the specialised data bases required to identify actions which may trigger this act.

2.2. Vehicle Usage and Fuel Excise

Commonwealth decisions in relation to fuel excise and the costs associated with car importation impact directly on the affordability of private usage. This in turn has the potential to alter travel patterns in cities and regions where the subsequent congestion and air quality problems become the responsibility of State and local governments.

The linkages between car usage, fuel consumption and air quality and the demand for road infrastructure must be recognised as having direct impacts on local government planning and funding decisions.

Recommendation

Regulatory impact of budget decisions relating to fuel taxing should be expanded to include environmental impacts of decisions as well as the direct impositions which will be borne by local government. Better consultation with the relevant departments in State and local governments would address some of these and similar issues.

2.3. Funding local projects by Commonwealth

Projects funded under the first round of Natural Heritage Trust funds released through the sale of Telstra were not required to have any reference to local government plans or strategies. The result was many projects were not related to catchment issues or other locally identified priorities. The Federal Regional Assistance Program (RAP) , Regional Solutions Program (RSP) National Action Plan on Salinity and Water Quality (NAPSWQ) also suffer from this and thereby fail to secure the best value for local communities and regions. Relatively small amounts of Commonwealth funding can produce very significant results providing they can be related to existing priorities and strategies.

Recommendation

All projects funded at a Commonwealth level must acknowledge local planning instruments and demonstrate how that project fits within local and regional priorities and strategies. We note that the subsequent NHT funding rounds required reference to catchment management plans and we acknowledge this as a positive approach to be re-enforced across all funding portfolios.

Recommendation

Commonwealth, State and Territory governments are required to consider the financial impacts on local government whenever legislation is introduced or amended. Where financial impacts are identified local government is to be adequately compensated from the time of the devolution or introduction of this specific function.

Extending the GST to cover the items quarantined by the Democrats (fresh food, education and similar) would appear unjustifiable in the face of quite strong growth and this would lack appeal to most political parties. This leaves local government without a direct call on this income without taking on some of the “essential community service, such as schools, hospitals and police” (Budget Paper No 3 2002-03; Chapter 1.)

Recommendation

PIA assists ALGA and their constituent bodies to develop an argument to put to the Federal Treasurer, that with the cost and responsibility shifting from State, Territory and the Commonwealth governments that local government is already performing many “essential community services” (in the planning area alone) without taking on any further services. This argument would form the basis of a bid for an allocation from GST revenue for local government.

3. The scope of local government

There is considerable variation in the scope of the roles and responsibilities of local government. A clearly identifiable trend has been towards a broadening of responsibilities and much of this is related to a State Government and community driven quest for sustainable development (see submissions from local government associations from NSW, Queensland, Victoria, South Australia, Western Australia and Tasmania). Ensuring that communities remain livable and development is sustainable sits within the planning activities of local government (with the exception of Northern Territory which can be regarded due to its size as a special case).

3.1. Increased scope of activities

Many of the local government submissions made to this inquiry noted that in the face of heavily constrained revenue raising options there has been a very large *increase in the scope of activities and responsibilities* undertaken and now expected of local government. There has been a considerable increase in the environmental responsibilities now administered by local government across the country and specific examples from the sphere of planning activities include

- vegetation management and prostitution, Queensland
- regional planning existing in Victoria and Queensland and about to be applied in NSW
- in Western Australia and the Northern Territory local government is the only remaining level of government in a locality and is required to deliver a range of services for other spheres
- the raft of environmental issues in South Australia has expanded so that planners are now described as the “soft police” for the environment departments.

All of these responsibilities have been transferred to or were created to be administered by local government through the planning system without additional funding from the other spheres of government.

This devolution of roles and responsibilities has occurred across a wide range of areas and the results from the survey undertaken by LGAQ identified the costs of the developed activities was \$14.9 million annually of which only 24% (\$3.6million) was recovered in grants, fees or charges. This survey by LGAQ recorded the views from 121 local councils out of a total of 125 across the State. This demonstrates that cost shifting and financial matters generally are regarded as very important matters for local government in Queensland


Additionally local government in Queensland identified “...increased administrative and compliance requirements from other spheres of government resulted in a further annual outlay of \$14.2 million” (LGAQ 2002 b).

Ninety six respondents (79%) considered that devolution had resulted in an increased cost burden and Table 1 lists the areas identified as specific areas where responsibilities had been developed.

Table 1. Function and Activities with Devolved Responsibilities identified by Queensland Local Governments

Function/Activity	% respondents identifying function
Environmental (EPA, ERAs, Contaminated Land, Landfill Standards, Vegetation Management, Dangerous Goods)	83%
Emergency Services (SES, Fire Levies, Rural Fire Brigades, Fire Safety, Disaster Management, Flood Mitigation)	60%
Planning (IPA process, IDAS, social planning, Heritage Act, Cultural Heritage)	51%
Licensing/Enforcement (Backpackers/Budget accommodation, Restricted Dogs, Nuisance Control, Food Reform, Flammable/Combustible)	39%
Land Protection (Fire Ants, Stock Routes, Parthenium Washdown facilities, Wild Dog Barrier Fence, Mosquito Control on Crown Land)	31%
Transport (Airports, de-maining of roads, boat ramps)	13%
Community Services (Housing, Youth Services, Community Development)	9%
Administration (FOI, WH&S, Enterprise Bargaining)	7%

Source: LGAQ 2002 b

Planning related functions 

It is clear from the table above that the two of the top three mostly frequently identified devolved functions are associated with planning functions. The majority of respondents indicated that environmental protection and integrated planning were important to their communities and that State government had transferred or increased their responsibilities in these areas. Considerable concern was also noted in relation to the sale of profitable airports and the transfer of the unprofitable balance to local government without adequate funding as a result of this Commonwealth decision.

Recommendation

Commonwealth, State and Territory governments are required to consider the financial impacts on local government whenever legislation is introduced or amended. Where financial impacts are identified local government is to be adequately compensated from the time of the devolution or introduction of this specific function.

3.2. Lack of clarity of roles and responsibilities

A lack of clarity relating to the roles and responsibilities of the various spheres of government has been a concern expressed in many submissions. The Memoranda Of Understanding (MOU) established between state and local governments in Tasmania and Queensland provide excellent models for reducing or eliminating this uncertainty. It should be noted that neither of these examples provide any guidance in relation to financial entitlements such as a share of GST. Reducing duplication and eliminating inefficiencies are clearly the aim of such agreements, however the LGAQ survey 2002

identified some duplication and overlap of roles and responsibilities in human services and environmental protection.

A recent example of a partnership agreement which does specify financial expectations as well as roles and responsibilities is the Main Roads and Local Government Road Management and Investment Alliance between Queensland councils and the Queensland Main Roads Department. This MOU was signed in August 2002 and aims to create, "...a regionally based approach to the planning, funding and delivery of the state's road network." LGAQ 2002 b.

MOU's provide a model framework which can provide clarity of roles and responsibilities but for the maximum benefit the financial issues must also be addressed to provide local government with a better basis for financial planning.

The ACT provides the strongest example of the inefficiencies created where the planning system lacks clarity and this has been encapsulated by the ACT PIA President, "The intersection and overlap between Commonwealth and Territory interests in planning the National Capital, and a dual system of planning responsibilities, has created an inefficient, poorly coordinated and costly planning regime..."

Recommendation

It is a matter of priority that within the scope of any national cities summit an MOU or similar document is drawn up which focuses on the roles and responsibilities for planning and this must begin with the allocation of various functions between all spheres of government.

Each State and Territory is strongly encouraged to either establish or review a MOU with local government within their jurisdiction. This document must identify roles and responsibilities for planning as well as setting a mature and equitable funding arrangement for local government.

3.3. Changes in legislative frameworks

The planning frameworks operating in all States and Territories (with the exception of the ACT) are governed by State level legislation and these are usually of both a planning and environmental nature (Collie Planning and Developments, 1998). Victoria had fundamental changes in planning legislation introduced in 1996, in Queensland the changes date from 1997 and in New South Wales they are about to embark upon major changes through "Planfirst". The experience from Victoria and Queensland suggests that there appears to have been a critical under-estimation of the impact of such changes on the operations and financial resources of local government.

Local government and planners recognise and accept that major changes to both plan making procedures and development assessment processes have been required to keep pace with community, industry and the planning profession's expectations. What is not acceptable is where the change process is

- Poorly funded and resourced by State Government
- Lacking in consistent advice and strong leadership
- Does not appear to improve the planning outcomes
- Creates unnecessary financial burdens on local government with few tangible benefits.

The Development Assessment Forum, through the National Office of Local Government (NOLG) has produced important work focusing on strategic planning and a summary of the comparison of planning systems in Australian State and Territories. Recent work on benchmarking for development assessment processes is strongly supported by PIA and the proposed additional work in the area of benchmarking is supported.

PIA proposes that an important addition to this focus is the development of tools and approaches to assess how the planning system can improve the planning outcomes, protect the livability of communities and ensure sustainable development. Much of the recent planning and environment legislation has focused too narrowly on process to satisfy strict legalistic interpretations rather than outcomes for communities.

Recommendation

Through the NOLG, the Commonwealth, lobbies State governments to ensure that adequate funds are provided for change processes in planning legislation to ensure that the advice is consistent and the leadership is relevant and purposeful.

Again through NOLG, the Commonwealth, focuses resources into programs which emphasise the importance of planning legislation and regulation with clear relationships to improved planning outcomes, livable communities and sustainable development.

4. Economics, Finance & Local government Culture

This section focuses the economic and financial aspects of local government and the impact the paternalistic attitudes of State/Territory and Commonwealth governments have on the capacity to raise revenues and to implement local democracy. Many State governments control the costs of fees and charges and NSW remains the only major state where State government approval is required if local governments require rate increases.

4.1. Local Government Funds withheld by States

Commonwealth funds for local government are distributed by State and Territory governments and while there has been some discussion about the principles of the Local Government Grants commission methodology this aspect appears to be accepted by local government.

Local government in common with the other spheres of government has responded to the challenges competition policy reform. In Victoria, Western Australia, and Queensland local government has been allocated 9%, 4% and 20% of their respective competition policy allocations from the Commonwealth. New South Wales has repeatedly refused to pass on these allocations in spite of evidence that local government has made determined efforts through regulatory “...reform of business regulation and planning and development approval processes” Lgov NSW 2002:13.

In 2001/2002 NSW government received \$241 million from the Commonwealth for competition payments (from Lgov NSW 2002:13). No defence can be found for this blatant withholding of funds from local government in New South Wales. Using the allocations from other States this would result in an increase to local government of between \$9.6 million and \$48 million. It should also be noted that earlier payments of \$284 million 1997/98 – 1999/2000 and further increases are anticipated through to 2005/06.

In terms of local government across Australia this is iniquitous situation and blatant withholding of funds.

Recommendations

To improve the equity among local government around the country it is recommended that the Commonwealth withhold the remaining tranches of the National Competition Policy funding from the States where this is not being passed onto local government.

4.2. A share of GST

Under an agreement reached with the Democrats funding for local government has remained with the Commonwealth rather than through GST funding to the States and Territories (Prime Ministers website, May 1999). This was a strategy to obtain exemption for GST on fresh food and education.

Local government funding The Commonwealth proposes to retain responsibility for the payment of financial assistance grants to local government rather than transfer this responsibility to the States. The Commonwealth agrees that the application of GST to the collection of fees or charges for regulatory and licensing activities will be excluded by a determination under Division 81 of the GST Bill. *John Howard, May 1999 in a letter to Senator Meg Lees, Leader of the Democrats*

Advice received from Queensland Treasury and shown in Budget Papers No 3 is that the Commonwealth has had to provide an additional payment on top of the GST collected just to reach pre-GST levels. This is a recognition of tax revenue forgone with the abolition of various State taxes made in exchange for the GST revenue.

Shaded cells in the table below are forecast figures from Budget Papers No 3 for successive years. By March 2002 it was clear that the budget forecast income for 2001-2002 for GST was within a few per cent of the actual amount collected. The Budget Papers from 2002-03 describe this revenue level as being , “...consistent with strong growth in the underlying GST revenue base...” (Appendix A:GST Revenue, Budget Papers 2002-03).

Table 2. GST Forecast and Actual Revenue

		GST Forecast and Actual Revenue			
		\$ millions			
Budget 2001- 02		2000-01	2001-02	2002-03	2003-04
GST revenue		24,180	27,480	29,170	30,830
% change			14%	6%	6%
Budget 2002- 03		2001-02	2002-03	2003-04	2004-05
GST Revenue		27,630	29,690	31310	33090
% change		12%	7%	5%	6%

Source; PIA Analysis of Budget Paper No 3 for 2001-02 & 2002-03

Budget papers also detail commitment from Australian Taxation Office to improve collection procedures to reinforce this tax as a “growth” area of revenue. The implications of this strong growth in revenue are that the necessity for the Commonwealth to provide top-up funding to ensure the States and Territories are no worse off after GST will have a limited life, although no timeframe was provided for this aspect.

Extending the GST to cover the items quarantined by the Democrats (fresh food, education and similar) would appear unjustifiable in the face of quite strong growth and this would lack appeal to most political parties. This leaves local government without a direct call on this income without taking on some of the “essential community service, such as schools, hospitals and police” (Budget Paper No 3 2002-03; Chapter 1.)

Recommendation

PIA assists ALGA and their constituent bodies to develop an argument to put to the Federal Treasurer, that with the cost and responsibility shifting from State, Territory and the Commonwealth governments that local government is already performing many “essential community services” (in the planning area alone) without taking on any further services. This argument would form the basis of a bid for an allocation from GST revenue for local government.

4.3. Increasing fees and charges

The fees and charges associated with development assessment represents a possible area for revenue expansion for local government. The only State that does not regulate these charges is Queensland (IPART 1999).

Across each of the spheres of government there is a requirement for transparency in all fees and charge setting and cost recovery is the approach required. Several inquiries have identified that the history and culture of local government is such that activity costing and fee apportionment is not part of local government culture (IPART 1999, DOI 2000, Red Tape Reduction unpublished, unpublished study of Logan City Council, 2002, unpublished report by Core Economics 2003). Without accurate costs or at least some surrogate costing methods the concept of full cost recovery is flawed.

This argument is both economic and financial. The economics require a transparency and a cost recovery approach for government services particularly where there is no competition. An argument can be made that competition exists between the various local governments to attract investment and their costings are part of the circumstances of development within their shire or city. Once the land has been selected there can rarely be any competition for approval authorities.

The financial aspects are required for cost identification and capture before cost apportionment is possible. The information collection would require significant changes in operating procedures within local government as well as some expenditure and staff co-operation without a guarantee that fees could increase as a result. Where these studies have been attempted in NSW (IPART 1999) the results yielded failed to produce consistent and reliable patterns.

PIA congratulates those undertaking pilot studies to identify these costs such as those being run by the South Sydney Regional Organisation of Councils as well as those on a more informal basis at other councils (for example Logan and Gold Coast City Councils). The Commonwealth government could assist this cultural change process by providing training and other incentives through the National Office of Local Government and the Development Assessment Forum.

The benefits of a thoroughly costed development assessment system is that local government would be better placed to recognise the issues involved in the delivery of good planning and better able to justify this to their constituents. The need to address some significant problems within the development assessment areas of local government has been clearly demonstrated with the preliminary results of the recent LGAQ survey (see boxes).

53% of Councils indicated they have difficulty in attracting appropriately qualified & experienced staff for development assessment

42% of Council replied Yes to the question - Has your Council had difficulty in retaining experienced staff to fulfil the DA function?

Recommendation

The Commonwealth government through the NOLG and the Development Assessment Forum work with PIA and ALGA to develop programs and incentives to support a change in culture to that of a more accountable system within development assessment systems.

4.4. Costs imposed by the State on appeals through the planning system

Appeals through the planning system in Australia are heard in either a tribunal or court system with Queensland, South Australia and New South Wales the only States with courts to hear these appeals (Collie Planning and Development, 1998).

In Queensland, particularly, the costs involved in defending a decision or mounting an appeal are becoming prohibitive. Several examples are available, but one of the more extravagant instances is of a suburban church with a proposal for a community centre complex. Their appeal failed only after expending \$1 million in legal and planning fees (pers comm LGAQ). While no definitive answer is possible about the cost differential if a tribunal was in place rather than a formal court, these costs suggest a failure in the system and this is a system imposed by the Queensland State government. It is interesting to note that the current Queensland planning legislation provides for a tribunal, however the State has not chosen to implement this option.

The Victorian system of a tribunal is also experiencing backlog problems and this appears to stem from a lack of resourcing. (pers comm Anne Varney). There are also some perceptions that this system also suffers from political and personal interference.

Both the Queensland and Victorian systems are experiencing costly and time consuming delays which can be addressed through relevant the State government. These choices by the State government are imposing additional and unjustifiable costs on proponents, third party appellants (where possible) and local government.

Recommendation

The Commonwealth through the NOLG work with PIA and the relevant local government associations to develop benchmarks for appeals through planning systems and that the relevant State governments apply these bench marks to their current appeal systems. Where failures in the system are noted NOLG, PIA and the relevant local government associations should initially lobby State governments to address their systems. Failing this, strategies to focus public attention should be considered.

4.5. Cross Subsidisation DA fees to Plan preparation

The transparency required for fee setting prohibits or discourages cross subsidisation across government functions. The inquiries set up to review costs associated with development assessment fees fail to make the connection between plan preparation and development assessment.

PIA asserts that the relationship between plan preparation and Development Assessment is fundamental and that the latter cannot exist without the former. It is recognised that there are some aspects of a public good associated with plan preparation, that is the wider community benefits from the exercise in both tangible and in tangible ways. It can also be argued that investment in good plan preparation with a sound legal footing and strong community support should reduce legal costs (see previous section).

Recommendation

Submissions be made to the relevant State government departments requesting that consideration be given to linking the cost recovery of development assessment to some partial costing in plan preparation and legal defence of the planning scheme.

4.6. Rate Pegging and pressures on development assessment functions

New South Wales remains the only State or Territory where the State dictates the level of increase allowable on general rates. Rate pegging was in place under the Kennet Government and removed by the subsequent Brack's government. The impact of this constraint on revenue is compounded by the controls placed in NSW on fees and charges for development control and other regulated activities.

Councils, particularly in the Sydney suburbs, are experiencing a property boom where there is an extraordinary pressure on their development assessment functions. Councils are caught between a very high level of demand for planning and development services, fixed fees and charges, pegged rates and growing populations. The problems in planning departments are compounded by the same problems identified in Queensland in that it is difficult to retain experienced and trained planning staff. Increased salary packages to compensate for high pressure work environments are unlikely with the financial pressures being placed on local government.

Recommendation

PIA works with the Lgov NSW to present a case based on special circumstances to remove rate-pegging to NSW government which will also be taken to the national cities summit proposed by the Planning Ministers.

5. Additional functions for Local government

This section addresses the possibility which has been floated, that local government takes on additional “essential community services”.

5.1. Paternalism Vs Local Democracy

The concept that a range of services such as policing, health and education can be delivered at a local level appear initially attractive and suggests a strong local democracy.

Where the State governments constrain revenue collection through rate-capping and control of fees and charges they constrain the activities of local government. Organisations dependent on external funding sources cannot shape their own futures. Local government does not have control over revenue in most States and Territories but rather there is a paternalistic relationship or dependency on State governments. Communities being able to make the choices implied with a truly localised exercise of democracy are unlikely under the current paternalistic funding arrangements.

It is interesting to note that at a recent LGAQ conference there was little support for expanding the functions of local government. It should be noted Queensland already has the broadest range of roles and responsibilities, one of the better relationships with State government and probably the largest level of control over their finances (pers com Pam Deakin, Qld Treasury). Little enthusiasm was also shown for increased roles and responsibilities, at least at a Queensland level in the results from the survey recently conducted to supplement the LGAQ submission to Cost Shifting Inquiry (see Table3).

Table 3. Functions/services that could be transferred to Local Government

Function/Service	No. times mentioned	% of total suggestions
Community support/development, aged and youth services	13	13.3%
Environment protection/regulation and NRM	13	13.3%
State Controlled Roadworks	12	12.2%
Hospitals/Health Services	9	9.2%
Fire service	7	7.1%
Public housing	7	7.1%
National Park maintenance	6	6.1%
Ambulance service	5	5.1%
Police services	5	5.1%
Government agent activities including drivers licence and registration	5	5.1%
Economic development, including provision of information and job programs	3	3.1%
Valuations/Titles	3	3.1%
Other regulation	3	3.1%
Education	2	2.0%
Public transport	2	2.0%
Building services/infrastructure provision	2	2.0%
Dingo Barrier Fence maintenance	1	1.0%
Total suggestions	98	100.0%

Source: LGAQ 2002 b

From this survey of local government the areas where some support was identified include community development functions, environmental protection and road works, which are areas where some responsibilities already exist.

An earlier survey of community attitudes identifying the most appropriate level of government for service delivery provided the results listed in the table below. The first four service areas are already provided by local government and clearly support local government as the preferred delivery agent.

The areas of “community development and human services” were ranked next by the community for local government delivery. This was followed by “generation of local economic development/employment and public transport”. After these functions the community view was that State or Federal governments were better able to provide these services.

Table 4. Sphere of Government that should have greatest Level of Responsibility (proportion of respondents identifying primary role)

Function	Local %	State %	Federal %	Don't Know %
Sport, Parks and Recreation	79.2	14.2	1.2	5.4
Management of Residential and Commercial Development	77.5	14.7	1.6	6.2
Infrastructure Development and Management	65.6	24.3	4.6	5.5
Traffic Planning and Control	54.5	34.7	4.7	6.1
Community Development and Human Services	53.3	31.8	8.3	6.5
Generation of Local Economic Development/Employment	47.8	34.6	10.6	7.1
Public Transport	46.4	41.6	4.1	7.9
Development of Tourism	40.8	44.1	8.4	6.7
Environmental Management and Protection	39.9	34.4	18.6	7.2
Community Safety/Law and Order	37.7	47.0	9.8	5.6
Emergency Services	35.8	52.0	6.7	5.5
Arts and Cultural Development	32.2	41.4	16.2	10.2

Source: LGAQ Community Attitude Survey, 1995

Existing areas of Local government service delivery



There appears from these Queensland results at least, that there is some limited support for an increased role for local government in community development services and this is a view from both communities and local government. This needs to be weighed against the costs involved and the relatively low level of support from councils at only 13% of local government respondents.

Field visits from USA (pers comm Alan Coker, planner Woollahra Council) confirm suspicions that devolved responsibilities for essential services compound disadvantage. Poor communities can only provide poorly funded levels of education, policing and health, which in turn compound the existing disadvantage of their residents.

Centralised delivery systems do lack responsiveness but this is done while providing a basic level of service which may not be affordable in poorer communities.

No extension of local government responsibilities or roles would be feasible without a permanent increase in the ability to raise revenue. At a national level the obvious answer to increase revenue for local government is a fixed proportion of the GST.

Recommendation

The expansion of “essential community services” is considered as a feasible concept only after local government has received a fixed share of GST revenue and local democracy including the ability to raise revenue has been secured for all local governments.

5.2. Other advantages of a centralised system

When police and other emergency services are provided at a very localised level, such as that seen in the USA, there are very considerable issues of co-ordination and communication across jurisdictions. This situation is exacerbated and may cost lives during times of emergency.

PIA has recently sponsored a national speaking tour with Professor Ken Topping – distinguished planner who has extensive experience with the Federal Emergency Management Authority. He reported that considerable effort has to go into co-ordination across jurisdictions and to those accustomed to operating in the US system the centralised command system in Australia to address natural and terrorist emergencies is very highly regarded.

This view was also reinforced by the manager of Queensland Fire and Rescue Authority, Ms D Rousseart who reported on a recent tour through American emergency services.

Recommendation

The Commonwealth recognise that the devolution of, particularly emergency services, is likely to create inefficiencies and jurisdiction problems. In the climate Australia finds itself in November, 2002 any actions reducing the capacity of emergency services is unlikely to find any support.

6. Critical Issues by State and Territory

Each State and Territory has particular concerns in terms in respect of the financial constraints imposed by their State government and in some cases specific issues surrounding planning. These are presented below to remind the Commonwealth government of the diversity of issues across the country which will require a range of solutions.

<i>State/Territory</i>	<i>Issue</i>
New South Wales	<ul style="list-style-type: none"> • Rate Capping – a financial straight jacket placed on NSW local government and one controlled by State government • High costs associated with “Plan First” an overhaul of planning legislation and regulation • Difficulty in retaining planning staff – particularly in light of highest housing costs in Australia • Iniquitous distribution of funds from State Government in respect of Competition Policy payments – of particular concern is the discretion Commonwealth has provided for States to decide on level of GST provided • Blatant cost shifting including under funding in fire services, libraries. Pensioner rebates, social /community plan funding
Victoria	<ul style="list-style-type: none"> • State planning system experiencing severe operating problems due to unnecessary complexity in planning legislation • Too many councils have inexperienced and under-trained staff • Postponement of investment in infrastructure reaching critical level struggling with planning legislation while the metropolitan areas are experiencing a building boom • Victorian local government is not able or sufficiently resourced to attract and retain enough talented and high competent planners
Tasmania	<ul style="list-style-type: none"> • Problem of retaining good planning staff exacerbated to State level problem by brain drain to mainland • Considerable disparity between metropolitan and country councils • Sustainable development as required under planning legislation requires much wider scope of skills to deliver on promise of sustainability. No additional training or staff were provided by State Government only additional expectations and legislative requirements • High level of expectation and no funding from State Government in respect of tourism industry • Tourism industry focused on fragile natural resources • Planners caught between developer, State Government and community expectations often with lack of appropriately trained staff to assess highly complex developments proposed for fragile areas • Lack of commitment to regional or State planning resulting in difficulties for local government

State/Territory	Issue
South Australia	<ul style="list-style-type: none"> • Many local governments running on deficits • Documented examples of blatant cost shifting across transport & communications, housing & community services, Health & welfare, recreation & culture, public order & safety
Western Australia	<ul style="list-style-type: none"> • Need for more flexible system to reflect the wide variations in local government characteristics • Local government increasingly the sole level of government remaining in rural towns • Introduction of new programs by State with only short term funding, thus creating expectation within communities of continued service delivery
Northern Territory	<ul style="list-style-type: none"> • Isolation and lack of infrastructure not sufficiently recognised in Commonwealth funding • Difficult to attract suitably trained and experienced staff in remote areas, at least partially due to a lack of suitable level of housing • Local government not compensated sufficiently for services delivery on behalf of other spheres of government • Problems are created through untied Commonwealth funds available for road maintenance while no funds for training, new roads or capital equipment provided • Slow rate of boundary reform which in turn constrains rate base growth
Queensland	<ul style="list-style-type: none"> • Increasingly unfunded responsibilities to be delivered through planning system eg Prostitution, Vegetation Management and Coastal Management • High costs involved in implementation of “new” planning legislation which has demanded the application of vast resources without necessarily improving the planning outcome • Lack of clear guidance on infrastructure planning and funding since introduction of legislation in 1997 • Little State level commitment to or vision for regional planning. • Planning legislation requires “State interests” to be reflected in planning schemes. This information is not readily forthcoming forcing local government to guess State government issues and priorities. Inefficiencies in plan preparation have resulted • Issues clearly of “State Interest” being researched by local government so planning schemes can comply
ACT	<ul style="list-style-type: none"> • The intersection and overlap between Commonwealth and Territory interests in planning the National Capital, and a dual system of planning responsibilities, has created an inefficient, poorly coordinated and costly planning regime for the ACT. • The decline in skills base and financial resources at both the Territory Government and Commonwealth Level has meant that planning in the ACT has been reduced to not much more than a development control function. Metropolitan planning, as a viable entity, has virtually disappeared.

- The absence of an undergraduate training school for Town Planners in Canberra means that, because of the availability of jobs in other States, that planning positions in Canberra are often occupied by non planners who do not have the skills to perform urban planning tasks satisfactorily. The loss of skilled Town Planners from the ACT cannot be re-gained in the short to medium term.
- The need for the ACT to be involved in cross border strategic planning initiatives, including studies to address future population growth, urban expansion and housing needs, has become a low priority because of competing demands on meagre resources to perform the daily planning tasks at the 'development front'.
- Responding to environmental legislation has seen a huge shift in the focus of work undertaken by both private and public sector planning professionals, as part of most development approval processes, with an attendant increase in costs to all sectors.

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- Iplan NSW
- Ipswich City Council
- Logan City Council
- NSW Department of Local Government
- Planning New South Wales
- Redcliffe City Council
- Tasmanian Department of Premier and Cabinet
- Townsville City Council
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Interviews Schedule

- Peter Allen, Senior Policy Advisor, Victorian Dept of Infrastructure
- David Broyd, PIA President, NSW
- David Caddy, PIA President, WA
- Des Comerford, PIA President SA
- Pam Deakin, Senior Policy Advisor, Queensland Treasury.
- Malcolm Duce, Manager, Local Government Services, Queensland Department of Local Government
- Gary Fielding, Planning NSW
- Gary Kellar, CEO Logan City Council
- Will Owen, Principal, Core Economics
- John McInerney, National President PIA
- Claire Middleton, PIA President, ACT
- Brian Risby, PIA President, Tasmania
- Graham Sansom, Director Centre for Local Government, University of Technology Sydney.
- Peter Siebert, PIA President, NT
- Ray Shaw, Manager of Development Services, Logan City Council
- Peter Tesdorf, PIA President Victoria
- Anne Varney, Local Government Consultant, Melbourne.
- Gary White, PIA President, Qld