

**LGA OF SA RESPONSE TO THE REPORT -
"RATES AND TAXES : A FAIR SHARE FOR RESPONSIBLE
LOCAL GOVERNMENT"**

(Adopted at the March 2004 half-yearly General Meeting of Councils)

The findings and recommendations of the Commonwealth House of Representatives Standing Committee on Economics, Finance and Public Administration in its report: *"Rates and Taxes: A Fair Share for Responsible Local Government"* represent a balanced approach to ensuring governmental relationships in Australia's future are significantly enhanced from the current approach. It is significant that the bi-partisan committee unanimously endorsed the report and its recommendations.

- The report highlights the significant roles, positive performance and growing responsibilities of Local Government in Australia.
- It highlights the narrow financial base of Local Government and its challenges in meeting growing responsibilities.
- On road funding, its support for the Roads to Recovery program (R2R) played a role in ensuring the program's renewal. Its clear endorsement of SA's case for justice in relation to the grossly unfair distribution of identified local road grants provides a clear opportunity for Government to correct this anomaly.
- The magnitude of infrastructure challenges facing Local Government are acknowledged.
- The existence and impact of significant cost shifting by other governments onto Councils has been documented.
- The Committee has also backed significant changes to intergovernment relationships to recognise the status of Local Government and ensure more effective partnerships in the future.

In addition to the detailed proposals in relation to the report's recommendations contained in this document, it is proposed that:

The LGA, ALGA and Councils seek to promote understanding of the report's findings.

That the members of the Commonwealth House of Representatives Standing Committee on Economics, Finance and Public Administration be congratulated and thanked for their work.

The Commonwealth Government be encouraged to embrace the report's findings and in consultation with the ALGA to implement those of its recommendations supported by Local Government.

The following section summarises section 5 of this document and lists the proposed LGA responses in relation to the report's recommendations.

Intergovernment Issues

A heavy focus of the report is on the benefits of more collaborative intergovernmental relationships. The view of the committee is that the time has come for Local Government to be engaged more seriously at the national level. It should be noted that as relations

between the three spheres of government currently tend to reflect a series of bi-lateral approaches, that to create more transparent tripartite processes will have significant resource implications on both the LGA and the ALGA.

That the LGA strongly endorse the “intergovernmental relations recommendations” (1,2,3,4,6,8,10,14,15 & 17) of the report and in particular those aimed at achieving intergovernmental agreements.

That the existing State Association and ALGA structures be strongly endorsed as the appropriate bodies to speak for Local Government in intergovernmental negotiations and that the LGA and ALGA establish a program to support engagement of Councils and other stakeholders to support these aims. (2)

That in doing so the LGA seek to avoid outcomes which detract from local community policy and decision making except where such outcomes may significantly advantage local communities through Local Government. (1 & 3)

That the LGA seek to work with the SA Government, consistent with the agreement being negotiated at the State level, in support of these objectives.

Functional Recommendations

These recommendations can be seen in a way as ancillary to the Commonwealth taking a greater role in State/Local relationships. On one hand some may be seen as reasonable in that context, however some others may be seen as unreasonable intrusions in local policy decisions.

That the LGA support the establishment of a Local Government Liaison Unit within the Commonwealth to co-ordinate the Commonwealth’s approach to Local Government. (12)

That the other “functional issues” in the recommendations be given further careful consideration to ensure positive support for:

- **Greater transparency in intergovernmental financial transfers (7);**
- **Improved infrastructure management (9);**
- **Removal of any barriers within FAGs distributions to voluntary amalgamations (13); and,**
- **Improved Commonwealth understanding of Local Government (18), without unintended consequences (note comments regarding recommendations 9 & 13).**

Financial Assistance Grants

The report’s recommendations in relation to Financial Assistance Grants which currently see \$1.5 billion in Commonwealth funding to Councils across Australia follow from the Committee’s proposition that Local Government deserves a stronger place in national considerations given its contribution and growing role. Its core recommendations are for

a national system to replace the current complex interaction of Commonwealth objectives with State-based funding distribution mechanisms.

The recommendations also delve into some detail regarding the methodology for distribution of the funds. Overall, these are likely to see an increase in funding to SA Local Government based on reasonable assumptions (note that the LGA does not have the capacity to undertake detailed calculations – indeed it is unlikely it will be possible for any body to provide definitive answers outside the Commonwealth Grants Commission actually being asked to do the job). If implemented in full the recommendations would also see some redistribution of funds within SA.

That the LGA fully support the development of a national distribution system by the Commonwealth Grants Commission and based on horizontal equalisation principles. (16)

That the more detailed aspects of recommendation 16 (including the “one pool” and the abolition of the per capital minimum allocation) be subject to more detailed analysis and consultation by the Commonwealth Grants Commission before being given further consideration.

That the LGA commend Prime Minister Howard on promising equity in Commonwealth funding for SA local roads by 2006/07 and seek to ensure that the Local Government (Financial Assistance) Act (Cwith) is amended to ensure Commonwealth local road funding beyond 2006/07 is distributed across Australia on an equitable basis.

That the Farish model not be favoured and that further consideration be given to the best model to fairly distribute Financial Assistance Grants to Local Government under a new national system. (16)

Other

Two other recommendations have not been dealt with above.

That considerable further research into the costs and benefits of full reciprocal taxation be undertaken before the issue be given further consideration. (5)

That recommendation 11 be opposed in its current form but investigation into a model in which Commonwealth funding could be provided to an ALGA mechanism be undertaken.