

**OFFICE OF THE
CHIEF EXECUTIVE**

Our Ref: GOV/11 RST:yw
Enquiries: Mr R S Tame

31 July 2002

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

Dear Sir

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Recently I had the opportunity to discuss the roles of various levels of Government with your Parliamentary colleague, Wilson Tuckey MP. He urged representatives from Local Governments to make submission to your inquiry.

In response, it is respectfully submitted that the greatest dilemma facing Australian communities now is their very sustainability. The survival (as against decline) of these communities depends on the state of their social and economic fabric.

This, in turn, relies on good physical infrastructure and, for the longer term, a healthy environment.

The popular “triple bottom line” approach is strategically appropriate but every community has its immediate needs at a much more basic level. If businesses are closing, people moving out and unemployment and anti-social behaviour becomes the “norm”, no-one is interested in rehabilitating the landscape or global warming.

The Australian Government needs to look at the regional communities of Australia, including the suburban regions surrounding our capital cities, and make funding available directly to regional centres to provide the life-giving infrastructure, economic or social boost needed to arrest their decline.

In one region it may be a hospital, in another it may be a police station or school. Regional Centres need infrastructure to support vital business development. Provided it is part of a strategic development programme aimed at economic activity and jobs, the provision of a cinema or major recreation complex can restore social confidence and halt population shift.

The last thing Australia needs is a “second class” of citizens moving to poorly serviced outer suburbs because their country town has failed or they can’t afford the trendy “growth” suburbs.

To combat this trend, the Commonwealth should consider direct-funding those centres of the community that sustain a surrounding district. This is as important for suburban districts as it is for major country centres.

Where State programme priorities (education, Police, health, transport & recreation) don’t match these regional needs, the Commonwealth has the opportunity to take the lead and deal directly with Local Governments. I urge the Australian Government to consider a broad funding proposition, focussed on sustaining communities and protecting an Australian quality of life that may eventually only be achievable by a few living in selected city suburbs.

Yours sincerely

R S TAME
CHIEF EXECUTIVE OFFICER

Our Ref: GOV/11 AFM:yw
Enquiries: Mr A F Maxwell

31 July 2002

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

Dear Sir

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Thank you for the opportunity to make this submission in response to the above Inquiry.

With respect to item 2 of the Terms of Reference, namely:

“Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government”

we offer the following comments:

- a significant limitation placed upon our single largest revenue raising source, council rates, is the rates exemption provisions of the Local Government Act. Our view is that if the State Government through legislation wishes to exempt certain lands from council rates in the interests of higher level state economic and/or community well being objectives, then it is unfair that local governments should be expected to fund those objectives. **In our case, the rate revenue loss as a consequence of legislated council rate exemptions totals approximately \$60,000pa or 0.4% of our total rate income.** Of particular concern to us in more recent years is the move by State Government to place more of their community housing stocks in the control and management of incorporated community housing groups which are then determined by the relevant Tribunals and Courts to be established for charitable purposes resulting in loss of council rate revenue. Hereunder are the rate exemption provisions of the current legislation to which we refer, ie.:

6.26. Rateable land

- (2) The following land is not rateable land —
 - (d) land used or held exclusively by a religious body as a place of public worship or in relation to that worship, a place of residence of a minister of religion, a convent, nunnery or monastery, or occupied exclusively by a religious brotherhood or sisterhood;

- (g) land used exclusively for charitable purposes;
 - (h) land vested in trustees for agricultural or horticultural show purposes;
 - (i) land owned by Co-operative Bulk Handling Limited or leased from the Crown or a statutory authority (within the meaning of that term in the *Financial Administration and Audit Act 1985*) by that company and used solely for the storage of grain where that company has agreed in writing to make a contribution to the local government;
 - (j) land which is exempt from rates under any other written law; and
 - (k) land which is declared by the Minister to be exempt from rates.
- (3) If Co-operative Bulk Handling Limited and the relevant local government cannot reach an agreement under subsection (2)(i) either that company or the local government may refer the matter to the Minister for determination of the terms of the agreement and the decision of the Minister is final.
- (4) The Minister may from time to time, under subsection (2)(k), declare that any land or part of any land is exempt from rates and by subsequent declaration cancel or vary the declaration.

With respect to item 4 of the Terms of reference namely:

“Local government expenditure and the impact on local government’s financial capacity as a result of changes in powers, functions and responsibilities between state and local governments”,

we offer the following comments in support of the added cost of **\$1,801,000** (which represents 5.5% of our total budgeted annual expenditure) to our community as a direct consequence of either the devolution of responsibilities from other levels of government and/or activities and functions we now undertake due to a lack of or inadequate services provided by other levels of government.

Community Security and Safety

There is a growing expectation upon local governments to establish and fund local security patrols and indeed many local governments with greater financial resources than ours have done so at considerable cost to their community. Whilst we acknowledge that Local Government has a role and capacity to influence community safety and security through town planning, facilitation and co-ordination of some social programs, and urban design, it is simply not appropriate that Local Government provide security patrols or a quasi Police force. Such services are the responsibility of a State Police Service which should be adequately resourced. In our case the cost to provide an effective patrol service covering some 545sq km (this is the area of our local government) is in the order of \$500,000pa. Put quite simply our community cannot afford such a cost. What in effect is occurring is community safety has become a commodity that only the more affluent communities can afford which, in our view, is socially unjust. The consequential implications of being perceived as a community that is less safe are considerable and further compound the inequity of the situation. For example, falling

investment and development confidence and activity has negative implications on property values. In turn the community's ability to pay for essential local facilities and services is considerably diminished.

Devolution of Responsibilities to Local Government

Examples of decisions made by other levels of government which have resulted in increased costs to our local government include:

- the introduction of the revised Local Government Act in 1995 has placed considerable **additional compliance and governance requirements** upon local government – **the administrative cost to our community in this regard is \$50,000pa,**
- local government is responsible for **administering on behalf of the state government the Rates & Charges (Rebates and Deferments) Act 1992** for which there is no recompense – **the administrative cost and revenue loss of rates either having been deferred or not being subject to the standard instalment and interest charges to our community is \$120,000pa,**
- the requirement to inspect and control the fencing of **private swimming pools** the fee for which is capped by legislation – **the cost to our community in this regard is approximately \$20,000pa,**
- the requirement to **approve and inspect public buildings** under the Health (Public Buildings) Regulations – **the cost to our community in this regard is \$13,000pa,**
- the requirement to **assess, collect and remit taxes on behalf of other levels of government**, namely Fringe Benefits Tax and Goods and Services Tax – **the administrative cost to our community in this regard is \$15,000pa,**
- various **road, drainage and bridge maintenance works** which were previously performed and paid for by the Main Roads authority – **the cost to our community in this regard is \$225,000pa,**
- in the **public library services area**, there has been an estimated 20% reduction in the State's contribution to public library book stocks and additionally there has been a considerable drop in support services provided by the State Library Services resulting in local government making up the shortfall – **the cost to our community in this regard is \$275,000pa,**

Discretionary Activities undertaken by Local Governments

Examples of activities and functions undertaken by our local government due to a lack of or inadequate services provided by other levels of government include:

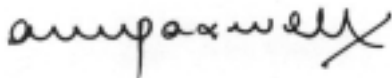
- the provision, management and funding of the **local state emergency service** – **the cost to our community in this regard is \$35,000pa,**
- the provision, management and funding of the **local bush fire service** – **the cost to our community in this regard is \$179,000pa,**

- the provision of **community development services** such as indigenous services, such as indigenous services, seniors services and youth services – **the cost to our community in this regard is \$588,000pa**. Just ten years ago these areas were clearly seen as Federal or State responsibilities and this Council's allocation was \$40,000pa,
- the provision of **local cultural events** celebrating our heritage and culture – **the cost to our community in this regard is \$221,000pa**.

As mentioned earlier, this funding shift totals \$1.8Mpa, or 11% of the City's rate income is derived predominantly (86%) from residential home-owners who are only too aware that as their rates increase, there has been no reduction in their tax burden. They consider themselves the victims of increased tax by stealth. It seems grossly unfair that Local Government is seen as the collector of these taxes.

We trust our submission will be of assistance to the Inquiry and we would be pleased to answer any queries you may have on our submission.

Yours sincerely



A F Maxwell
Executive Director
Community & Corporate Services