



HARDEN SHIRE COUNCIL

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House of representatives Standing Committee on
Economics, Finance and Public Administration

Submission No: 347

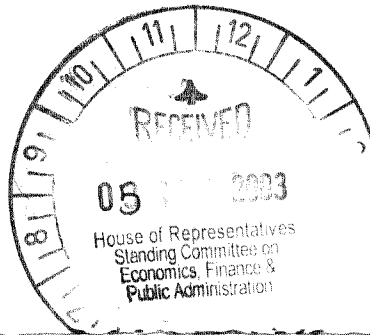
Date Received: 5/3/03

Secretary:

Contact: P Campbell

S.5/3
4 March 2003

The Secretary
House Economics Committee
Parliament House
Canberra ACT 2600



Dear Sir,

I refer to the inquiry into Finance & Cost Shifting by the States towards Local Government. Council has completed the survey under separate cover but wishes to make the following comment.

There are many instances where the States have shifted the cost of services to local government simply by reducing funding towards that activity etc and leaving Councils with the burden of the activity or policy feature. Examples of these are listed below and have occurred over a lengthy period.

1] FAG payments.

These were previously paid to Councils as a lump sum in September as that was when the grant was paid by the Commonwealth to the State for distribution. Several years ago the NSW Government decided to pay them quarterly and this has had a large effect upon the income from investments that local government used to obtain from these funds. The State retained the interest, well done by them.

2] The State Government also made quarterly payments of rates applicable to ratepayers with the important change that interest on overdue rates could only apply from the quarter they applied from. This has also had a reduction in interest earned by Councils as a result of government policy. Ratepayers could always pay quarterly but if they fell into arrears the interest was chargeable on the debt as from levy date, not the quarterly date as is the case now.

3] The Local Government Assistance Fund was abolished by the State Government in the early 1980's and this was formerly an offset in lieu of rates for the use of services by State Government agencies.

4] The Pensioner rebate scheme was introduced by the State in the 1970's as a policy measure to assist pensioners and also to help win an election. The write off was then met in full by the State until the 1980's when it decreed that local government must meet 50% thereof. The level of subsidy by the State is now 55% but it still is a very heavy impost on Council revenue as a result of State Government policy issues.

5] The Excess Weight Scheme was formerly paid to Councils by the State and has now been scrapped as a cost saver to them.

6] Local government received no compensation for the implementation of the National Competition Policy even though the State gains funding from the Commonwealth for its implementation. No other State denies their local government the funding but in NSW's case it retains them in full. The additional cost of the NCP has been heavy on Councils with the most obvious being the increased cost of road maintenance with the increased weights of trucks permitted on the roads.

7] The State has foisted many regulatory functions onto Councils with little effective chance of cost recovery. An example is the Protection of the Environment Operations Act which whilst encompassing many similar Acts into the one, increases the range of responsibilities for Councils considerably. This has also happened in health, food regulation and other similar regulatory functions such as car parking.

8] Administration charges applied by the States to the Commonwealth programs before being forwarded to local government is also a very effective revenue earner for the State. There has been numerous representations by the Local Government & Shires Association on this matter over the years but the State must have its lion's share and to date the complaints have been ineffective.

The above are not exhaustive but cumulatively they have had a significant negative effect on local government resources with the sole beneficiary being the State Government. It should be noted that all of the revenue cuts to local government came in after the Commonwealth's FAG grants became available and especially in the early to mid 80's when the grants were at a very high level relatively speaking.

I trust the above is of some benefit to the inquiry and I extend Council's best wishes for the redress of the imbalance towards local government finances and resources.

Yours faithfully



P Campbell
General Manager