

Local government

...while local government has an involvement in health issues right across the spectrum... It is a community role that we play and, depending on the situation, whether it is in rural and regional Australia or in the metro areas, it is a very diverse role that we play in health issues. ... (There is a) crisis situation. ... It is a funding role that we are reluctant to play. We see it as a responsibility of other tiers of government to be involved in for the benefit of our communities.¹

- 6.1 The range and scope of local government functions has changed over recent decades. Traditionally, local governments looked after roads and waste management. Increasingly, local governments are involved in funding and delivering a broad range of community services, including some health services.

... some of the things that we have done, most of them over the last eight to 10 years... a health centre, which is about seven years old now, that accommodates the doctor, a dentist... infant health nurse... housing for our doctor, certainly with free rent; we have attracted a physiotherapist to the down, built a house, and he services other areas from Bruce Rock... The construction and maintenance costs for all houses ... running costs for vehicles ... guaranteed salaries for doctors... We also carry the locum costs.

¹ Miller B, Local Government Association of NSW and Shires Association of NSW, transcript, 21 July 2006, pp 1-2.

...

Uncertainty is the issue for us. We want to be more involved as a community, as a council. We would like direct funding from the Commonwealth.²

Recognition of local government

6.2 Local government is not recognised in the Australian Constitution. The states are responsible for the local government legal framework.

6.3 The lack of constitutional recognition for local governments can be problematic. In its 2003 inquiry into cost shifting onto local government, the House of Representatives Standing Committee on Economics, Finance and Public Administration (the Hawker committee) recommended the development of a Federal-State intergovernmental agreement which identifies the roles and responsibilities of local governments in delivering federal and state programs.³

6.4 The intergovernmental agreement was signed by the three levels of government on 11 April 2006. The Australian Local Government Association noted that the agreement would 'help ease the cost shifting burden carried by Australia's 700 councils'.⁴

6.5 On 6 September 2006, the Commonwealth government implemented a major recommendation made by the Hawker committee, giving public acknowledgement to the considerable contribution that local government makes for Australians. The President of the Australian Local Government Association, Cr Paul Bell:

... welcomed the tabling in Federal Parliament of a resolution recognising the role of local government as historic and symbolic step on the road to formal constitutional recognition.

This is a milestone for local government and for Australia as a whole ... For the first time, both houses of Federal Parliament have the opportunity to recognise the role and importance of

2 Strange S, Shire of Bruce Rock (WA), transcript, 24 August 2006, pp 6-8.

3 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and taxes: A fair share for responsible local government* (2003), p 22.

4 Australian Local Government Association, media release, *IGA on cost shifting: Historic agreement to ease cost shifting burden on councils*, 12 April 2006.

local government as part of Australia's system of democratic government.

Local government works tirelessly to deliver services and infrastructure to local communities and to provide a voice for those communities on important local issues.⁵

6.6 In moving the motion of recognition in the House of Representatives, the Minister for Local Government, Territories and Roads indicated that, in response to the Hawker committee, the Commonwealth Government agreed to:

- develop an intergovernmental agreement with state and federal governments on relations with local government;
- develop a new national principle under the *Local Government (Financial Assistance) Act 1995* specifying that financial assistance grants (FAGs) for amalgamated councils would be maintained for four years after amalgamation; and
- review the interstate distribution of the roads component FAGs through the Commonwealth Grants Commission.⁶

Roles and responsibilities

6.7 Local governments are diverse in the range and scale of services they provide. State government legislation generally imposes few limitations of what services local governments provide.⁷ There is flexibility in that each state has its own legislation, and thus functions of local government vary between states and local governments.

6.8 The Australian Local Government Association noted that the range and scope of local government services has expanded over recent decades to include a growing range of human services including:

- population-based health services;
 - ⇒ environmental health activities such as environmental protection, water and air quality monitoring and pollution abatement activities;

5 Australian Local Government Association, media release, *ALGA welcomes historic Parliamentary Resolution*, 7 September 2006.

6 House of Representatives Debates, 6 September 2006, p 94.

7 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and taxes: A fair share for responsible local government* (2003), p 1.

- ⇒ development, implementation and enforcement of public health policies and regulations in areas such as water, air or food standards;
 - ⇒ health promotion and preventative health programs and services such as health inspections to uphold food quality standards, maternal and child health, immunisation clinics and palliative care;
 - ⇒ recreation and leisure facilities and services, including parks and sporting centres; and
 - ⇒ promoting resident access to health services by providing information in specific languages;
- aged care services including high and low care residential services and the provision of services under the joint Commonwealth-state funded Home and Community Care program; and
 - medical services including offering 'lifestyle packages' (covering accommodation, fully equipping consulting rooms, travel and assistance with locum relief) and the ownership and operation of hospitals or medical practices.⁸

6.9 Submissions to the inquiry from individual local governments, state local government associations and other local government organisations highlighted the extent of the diversity of services across local governments.⁹ Selected examples of services where local government met all, or the great majority of the cost of services are provided in box 6.1.

8 Australian Local Government Association, sub 36, pp 4-8.

9 Dubbo City Council (NSW), sub 4, p 1; Bankstown City Council (NSW), sub 13, p 2; Pine Rivers Shire Council (Qld), sub 22, pp 2-4; City of Darebin (Vic), sub 32, p 1; City of Mandurah (WA), sub 46, p 1; City of West Torrens (SA), sub 123, p 2; Shire of Laverton (WA), sub 147, pp 1-2; Shire of Bruce Rock (WA), sub 152, pp 1-3; Caboolture Shire Council (Qld), sub 103, p 3; Local Government Association of NSW and Shires Association of NSW, sub 8, pp 5-8; Municipal Association of Victoria, sub 33, pp 4-6; Western Australian Local Government Association, sub 34, pp 4-8; Council of Capital City Lord Mayors, sub 144, pp 3-4.

Box 6.1 Health services funded and provided by selected local governments

Immunisation

Pine Rivers Shire Council (Qld) receives \$3 for every child (under 8 years) immunised. The Council notes that this is significantly less than payments to GPs (\$15). In 2004-05, Pine Rivers Shire Council expected to spend \$150,000 on the immunisation program and a further \$14,000 on a new data base. Expected revenue was \$11,000. Thus council is therefore providing \$153,000 from its own resources to fund the immunisation program.¹⁰

The City of West Torrens (SA) subsidises around 50 per cent of the cost of each immunisation, for a total annual cost to the City of around \$550,000.¹¹

Primary care incentives – attracting and retaining health professionals

Members of the Local Government Association of NSW and Shires Association of NSW noted significant contributions by their members to attract primary care practitioners including:

- 30 councils provided 45 centres for 59 doctors at an annual cost of \$465,065;
- 26 councils provided 48 houses for 53 doctors at an annual cost of \$541,528;
- 12 councils provided 13 centres for 13 dentists at an annual cost of \$228,800; and
- 10 councils provided equipment for 18 doctors at an annual cost of \$63,500.¹²

The Shire of Laverton (WA) provides a significant cash incentive of \$110,000 plus a fully serviced vehicle for private and business use to attract and retain a doctor in the local community. Other incentives are also provided to nurses, with a total annual cost to the Shire of around \$171,000.¹³

The Shire of Bruce Rock (WA) provided capital costs of \$288,900 for a medical centre and fit out costs of \$23,728 for a dental surgery. Construction costs for housing for a doctor, physiotherapist and dentist totalled over \$850,000.¹⁴

Funding and expenditure

6.10 At an aggregate level, there are three major sources of revenue for local government:

- municipal rates;

10 Pine Rivers Shire Council (Qld), sub 22, p 4.

11 City of West Torrens (SA), sub 123, pp 2-3.

12 Local Government Association of NSW and Shires Association of NSW, sub 18, p 6.

13 Laverton Shire Council (WA), sub 147, p 1.

14 Shire of Bruce Rock (WA), sub 152, p 1.

- user charges; and
- grants and subsidies from other spheres of government.¹⁵

6.11 Since 1998-99, local government has become increasingly reliant on other sources of revenue (such as dividends, fines and interest income), with a decline in the proportion of funding from grants and subsidies from other levels of government (table 6.1).

Table 6.1 Local government revenue sources, share of total revenue (per cent), 1998-99 to 2004-05

| Revenue source | Share of total revenue (per cent) | | |
|----------------------|-----------------------------------|---------|---------|
| | 1998-99 | 2001-02 | 2004-05 |
| Rates | 38.5 | 37.4 | 38.0 |
| Grants and subsidies | 13.1 | 13.6 | 10.4 |
| User charges | 32.6 | 30.9 | 30.8 |
| Interest | 2.3 | 2.1 | 2.8 |
| Other | 13.5 | 16.1 | 18.1 |
| Total | 100.0 | 100.0 | 100.0 |

Source Australian Bureau of Statistics, *Government Finance Statistics, Australia, 2004-05, Cat No 5512.0, Table 399.*

- 6.12 Trends at a national level can mask variations between individual local governments. The National Rural Health Alliance noted that there are significant differences in revenue raising capacity and the sources of revenue between local governments, especially in rural areas.¹⁶
- 6.13 The major source for grants to local government comes from the Australian Government in the form of FAGs. The Australian Government pays FAGs to state governments for distribution to local government via State Grants Commissions. In 2004-05, local government received \$1.6 billion in FAGs.¹⁷
- 6.14 Local governments contribute significantly to the provision of public health services. The most recent estimates by the Australian Institute of Health and Welfare note expenditure on public health-type services of around \$222.5 million in 1999-00.¹⁸

15 Australian Local Government Association, sub 36, p 10.

16 National Rural Health Alliance, sub 59, p 8.

17 Australian Local Government Association, Financing local government, viewed on 11 October 2006 at www.alga.asn.au/policy/finance/finfax/3.revenue.php.

18 Australian Institute of Health and Welfare, *National public health expenditure report, 1999-00* (2002), p 98; Australian Local Government Association, sub 36, p 5.

6.15 As previously noted, local government services were traditionally centred on roads and waste management. However, in some jurisdictions local governments also make a significant contribution to funding a range of human services that contribute to better health, including welfare services, housing and recreation facilities. Table 6.2 shows the differences between jurisdictions in local government spending on human services as a proportion of total expenditure.

Table 6.2 Local government community services expenditure as a proportion of total expenditure, by state, 1998-99 to 2004-05

| Service | NSW | Vic | Qld | SA | WA | Tas | NT | Total |
|---------------------------------|------|------|------|------|------|------|------|-------|
| Health | | | | | | | | |
| 1998-99 | 1.0 | 2.9 | 1.5 | 2.3 | 2.1 | 3.3 | 1.4 | 1.8 |
| 2001-02 | 1.0 | 2.8 | 1.0 | 1.8 | 2.0 | 2.7 | 2.2 | 1.6 |
| 2004-05 | 1.2 | 1.4 | 1.0 | 2.3 | 1.9 | 2.1 | 2.5 | 1.4 |
| Social security and welfare | | | | | | | | |
| 1998-99 | 3.4 | 13.6 | 1.1 | 3.2 | 4.8 | 2.6 | 1.4 | 5.2 |
| 2001-02 | 4.2 | 13.9 | 0.9 | 3.2 | 4.9 | 3.3 | 2.2 | 5.4 |
| 2004-05 | 4.9 | 16.0 | 1.1 | 4.8 | 5.1 | 3.4 | 2.5 | 6.3 |
| Housing and community amenities | | | | | | | | |
| 1998-99 | 23.3 | 18.0 | 31.3 | 17.1 | 15.4 | 36.4 | 31.4 | 23.2 |
| 2001-02 | 25.0 | 17.8 | 28.0 | 13.9 | 15.1 | 34.4 | 18.3 | 22.7 |
| 2004-05 | 23.4 | 19.2 | 29.1 | 16.9 | 15.2 | 36.1 | 21.6 | 23.1 |
| Recreation and culture | | | | | | | | |
| 1998-99 | 10.4 | 17.5 | 8.9 | 16.9 | 23.0 | 12.2 | 14.3 | 13.3 |
| 2001-02 | 10.9 | 16.8 | 9.5 | 15.3 | 21.8 | 12.7 | 10.4 | 13.1 |
| 2004-05 | 15.1 | 17.4 | 9.9 | 17.2 | 22.0 | 11.0 | 8.9 | 14.8 |

Source Australian Bureau of Statistics, *Government Finance Statistics, Australia, 2004-05, Cat No 5512.0, Tables 331-339.*

Cost shifting to local government

6.16 The issue of cost shifting was raised in many local government submissions to the inquiry.¹⁹ The Australian Local Government Association estimated that cost shifting has a negative impact on

19 Dubbo City Council (NSW), sub 4, p 1; Bankstown City Council (NSW), sub 13, pp 2-3; Local Government Association of NSW and Shires Association of NSW, sub 18, p 11; Western Australian Local Government Association, sub 34, p 8; City of Mandurah (WA), sub 46, p 3.

councils of between \$500 million and \$1.1 billion each and every year.²⁰

6.17 As discussed in chapters 2 and 3, cost shifting is a complex issue. In the context of cost shifting to local governments, the Hawker committee noted that there were two main types of behaviour that constituted cost shifting:

The first is where local government agrees to provide a service on behalf of another sphere of government but funding is subsequently reduced or stopped, and local government is unable to withdraw because of community demand for the service. The second is where, for whatever reason, another sphere of government ceases to provide a service and local government steps in.²¹

6.18 Devolution to local governments and 'raising the bar' by increasing required standards of service were also considered by the Hawker committee to constitute cost shifting to local governments where adequate funding was not provided.²²

6.19 Two areas not considered to be cost shifting by the Hawker committee related to local governments stepping in to provide services where the community demands improvement and where individual local governments choose to expand their service provision as a matter of policy choice.

6.20 Dubbo City Council (NSW) noted several examples of alleged cost shifting to local government in the area of health care services:

- building and provision to medical practitioners of rent free housing, medical offices and surgeries;
- investing direct funding and staff time in advertising, the production of promotional material and other incentive activities to attract medical practitioners to their areas; and

20 Australian Local Government Association, media release, *IGA on cost shifting: Historic agreement to ease cost shifting burden on councils*, 12 April 2006.

21 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and taxes: A fair share for responsible local government* (2003), pp 42–43.

22 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and taxes: A fair share for responsible local government* (2003), pp 42–43.

- in some cases, local governments contributing to the salaries of medical practitioners.²³
- 6.21 Other examples of local governments meeting all or part of the cost of health care services that could be considered as cost shifting raised by local governments include:
- inadequate indexation and under-funding by the Commonwealth and the states for jointly funded programs such as the Home and Community Care program, resulting in local governments needing to meet both demand growth and the increase in costs above that provided by indexation arrangements;²⁴
 - funding for immunisation services that do not cover the full cost of service provision;²⁵ and
 - local governments stepping in to fund programs from which other levels of government have withdrawn.²⁶
- 6.22 Examples of local governments providing significant capital and recurrent funding to attract health service providers are more difficult to classify as cost shifting, as they may reflect a clear choice by these governments to contribute to the provision of health services in their communities.
- 6.23 The committee acknowledges that without local governments assuming responsibility for funding the health services in their community, it is likely that their communities will be further disadvantaged. It is important that the Commonwealth and the states develop health funding models that do not leave local communities without access to the health services they need.

Population shifts and ageing

- 6.24 Several local governments noted that there were significant population shifts to certain areas that were putting pressure on community infrastructure. Caboolture, in Queensland, is regarded as one of the fastest growing local government areas in Australia, with

23 Dubbo City Council (NSW), sub 4, p 1.

24 Municipal Association of Victoria, sub 33, p 6.

25 City of West Torrens (SA), sub 123, p 2; Pine Rivers Shire Council (Qld), sub 22, pp 3–4.

26 MacKenzie M, Western Australian Local Government Association, transcript, 24 August 2006, p 11.

the population of 130,000 people expected to expand to 200,000 by 2025.²⁷

- 6.25 Coupled with these large population shifts is population ageing, which can also be concentrated in areas with rapid population growth. The City of Mandurah (WA) noted that:
- As one of the fastest growing local government areas in Western Australia, and indeed Australia - Mandurah's average annual growth rate over the 10-year period to 2004 was 5.3% (and in 2004 was 7.8%), compared with the Western Australian and Australian averages of 1.5% and 1.2% respectively - Mandurah is increasingly becoming a favourite destination for retirees.²⁸
- 6.26 The committee notes that some local governments experiencing significant population growth established a national 'sea change taskforce' in 2004 to consider options for addressing the challenge of rapid growth in coastal areas.²⁹ The sea change taskforce noted that current methods of planning, funding and managing rapid population and tourism growth in coastal areas are inconsistent and inadequate.³⁰
- 6.27 Demographic ageing of the population is likely to bring additional pressures for local governments to address gaps in services provided by other levels of government.

Supporting local governments - health services

- 6.28 The committee recognises that local governments make a significant and often under recognised contribution to improving the health of their local communities. Without appropriate funding support, local governments are not likely to be able to sustain the level and quality of services they currently provide.

27 Caboolture Shire Council (Qld), sub 103, p 3.

28 City of Mandurah (WA), sub 46, p 2.

29 National Sea Change Taskforce, The challenge of coastal growth, viewed on 8 November 2006 at www.seachangetaskforce.org.au/Publications/The%20Challenge.pdf.

30 National Sea Change Taskforce, The role of the taskforce, viewed on 8 November 2006 at www.seachangetaskforce.org.au/About/about.html.

- 6.29 Adequate support for the provision of health services by local governments also requires a broader consideration of local government financing issues.
- 6.30 The committee considers that adopting one of the funding models discussed in chapter 3, including the Commonwealth as a single funder or the pooling of funds between different levels of government, could further clarify the role of local governments in funding and/or delivering health services.
- 6.31 An important step in addressing local government funding issues is the motion moved in the House of Representatives acknowledging the continuing and valuable contribution that local governments across Australia are making to this nation's health care. It stresses the importance of governments at all levels working together for the wellbeing of Australia and all Australians.
- 6.32 The Minister for Local Government, Territories and Roads indicated that the intergovernmental agreement, signed in April 2006, would provide for:
- ... greater financial transparency between three spheres of government in relation to local government services and functions ... to improve the relationship by increasing consultation between governments on local government matters ... (and) when a responsibility is devolved to local government, local government is consulted and the financial and other impacts on local government are taken into account.³¹
- 6.33 The intergovernmental agreement is an important step to acknowledge and support the role that some local governments play in funding and delivering services, including health care. The committee considers that all governments need to give priority to developing processes within their jurisdictions to give effect to the intergovernmental agreement's principles so that future funding agreements for health-related services can be appropriately structured.

31 House of Representatives Debates, 6 September 2006, p 94.

Recommendation 12

- 6.34 **The Minister for Local Government, Territories and Roads give priority to the development of processes and guidelines to assist Australian Government agencies implement the principles of the Inter-Governmental Agreement on Local Government, as announced by the Australian Government on 6 September 2006.**
- 6.35 The Australian Government recently announced an increase in the funding cap for rural communities wishing to build medical clinics from \$200,000 to \$400,000 per project through the Rural Medical Infrastructure Fund (RMIF).³² Medical facilities for allied health professional services will also be eligible for funding under the program. The committee welcomes this change, which allows eligible local governments to better support the establishment of health services in their communities.
- 6.36 The committee noted with concern, however, the considerable capital investments already made by some local governments and councils in the establishment of health care facilities within their communities. While ratepayers have been funding substantial building works for some time, there is no provision through the RMIF for facilities that have recently commenced or been completed. It is unfortunate a one-off grant provision, as a 'part contribution', has not been provided for in order to acknowledge the important contributions already made by some local governments.

32 Hon Warren Truss MP, Minister for Transport and Regional Services, media release, *RMIF changes mean more benefits to local communities*, 22 August 2006.