

**ADDENDUM**

**Reports from the General Manager**

**A5 [GM] Federal Government House Economics Committee - Inquiry into Cost Shifting onto Local Government**

**ORIGIN:**

**General Manager**

**SUMMARY OF REPORT:**

The Chairman of the House of Representatives Standing Committee on Economics, Finance and Public Administration, Mr David Hawker MP has tabled in Parliament a report as a result of an 18 month public inquiry.

The recommendations from the Inquiry entitled "Rates and Taxes: A Fair Share for Responsible Local Government" are included in this report.

Tweed Shire Council made a submission to the Inquiry and Council's General Manager appeared before the Committee.

A copy of the full report will be obtained when available and then will be available for Councillors' to peruse.

**RECOMMENDATION:**

That this report be received and noted.

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**REPORT:**

The recommendations from the Inquiry entitled "Rates and Taxes: A Fair Share for Responsible Local Government" appear below:

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The Parliament of the Commonwealth of Australia

## **Rates and Taxes:**

**A Fair Share for Responsible Local Government**

**House of Representatives  
Standing Committee on Economics, Finance and Public Administration**

October 2003  
Canberra

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THIS IS PAGE NO **3** OF THE MINUTES OF THE MEETING OF TWEED SHIRE COUNCIL HELD

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CHAIRMAN

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## **List of recommendations**

### **2 Roles and responsibilities**

#### **Recommendation 1**

The Committee recommends that the Prime Minister and the Treasurer meet with State and Territory Premiers/Chief Ministers and Treasurers and local government to develop a Federal-State inter-governmental agreement which identifies:

- the roles and responsibilities of local government in delivering Federal and State programs;
- policy priorities and strategies at the local level;
- the allocation of funds and resources from the Federal and the State governments to local government in order to fulfil its responsibilities; and
- the expected performance and funding responsibilities on the part of all levels of government. (para 2.75)

#### **Recommendation 2**

The Committee recommends that local government nominate one representative from each State and the Northern Territory to represent local government at Federal-State inter-governmental agreement negotiations. (para 2.80)

#### **Recommendation 3**

The Committee recommends that the Minister representing the Minister for Local Government, Territories and Roads propose, as a precursor to the Summit on inter-governmental relations, a resolution that the House of Representatives recognises local government as an integral level of governance of Australia. (para 2.89)

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**3 Cost shifting**

**Recommendation 4**

The Committee recommends that, when developing Federal-State inter-governmental agreements, the Federal government consider:

- including representation from local government during negotiations; and
- requiring a commitment from State governments to identify and provide a share of payments to local government when it is seen as having a significant role in delivery of programs under the agreement. (para 3.95)

**Recommendation 5**

The Committee recommends that, in line with the Tasmanian Partnership Agreement, Federal and State governments pay rates to local government. (para 3.111)

**Recommendation 6**

The Committee recommends that the Prime Minister and the Treasurer meet with State and Territory Premiers and Treasurers and local government representatives to develop a Federal-State inter-governmental agreement which:

- recognises cost shifting as a problem which has occurred over a number of years;
- allocates revenue to local government from the relevant level of government if responsibilities are devolved;
- addresses State restrictions on local government revenue raising such as rate capping, levies and charges and non-rateable land; and
- develops local government impact statements to identify the financial impact on local government of legislation by State and Commonwealth governments. (para 3.123)

**Recommendation 7**

The Committee recommends that the Federal government consider extending ANAO's powers to examine the expenditure of Federal Specific Purpose Payments to and through the States to local government. (para 3.128)

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**Recommendation 8**

The Committee recommends that the Minister for Finance issue a direction to all Federal agencies to ensure that all renegotiated and future Federal-State SPP agreements:

- describe clear Federal government objectives and measurable outcomes;
- specify performance indicators that are directly linked to the objectives to ensure financial accountability;
- define the roles and responsibilities of each party to the agreement;
- require State governments to report on the volume of funds to be distributed to local government to perform functions; and
- disclose the funding adjustments to be applied to State governments in the case of cost shifting to local government. (para 3.135)

**4 Infrastructure**

**Recommendation 9**

The Committee recommends that local government bodies be required to audit the state of their infrastructure (using a nationally accepted methodology) and provide status reports to the Commonwealth Grants Commission as one of the inputs into the needs based formula for Federal FAGs to local government.

- The infrastructure data collected should be used to adjust FAGs where councils are found to be negligent in managing infrastructure. (para 4.29)

**Recommendation 10**

The Committee recommends that SPPs directed to local government, such as roads, should be conditional on States not reducing their effort. (para 4.51)

**5 Capacity building in our regions**

**Recommendation 11**

The Committee recommends that the Local Government and Planning Ministers' Council establish a body along the lines of the UK IDeA to address capacity building. This body should also oversee the Federal and State governments' best practice awards. (para 5.19)

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**Recommendation 12**

The Committee recommends that the Federal government establish a Local Government Liaison Unit to:

- liaise with State departments of Local Government and local government peak bodies to strengthen Federal/State/local relations;
- provide the contact point and conduit for local government at the Federal level and provide information on new Federal initiatives, policies and programs;
- receive feedback on the performance of Federal programs and any cost shifting occurrences; and
- coordinate periodic strategic meetings and policy briefings for a Federal and local government officers' forum and other interested parties as required. (para 5.26)

**Recommendation 13**

The Committee recommends that the Commonwealth Grants Commission, in consultation with the LGGCs in each State, assess the efficiencies of amalgamations or regional cooperation of local government, and use available mechanisms to adjust FAGs grants for the benefit of the sector at large.

- To facilitate amalgamations, where appropriate, councils should not be financially penalised through a net loss of FAGs payments for four years. (para 5.67)

**Recommendation 14**

The Committee recommends that the Federal government:

- continue to develop partnership arrangements with local government on the delivery of Federal programs and service delivery; and
- as appropriate, engage established regional organisations of councils, or similar regional bodies, which have demonstrated capacity, in regional planning and service delivery. (para 5.89)

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**6 Commonwealth funding of local government**

**Recommendation 15**

The Committee recommends that the Commonwealth, States and local governments consider what tax design improvements would be necessary to eliminate tax on tax effects arising out of the GST. (para 6.65)

**Recommendation 16**

The Committee recommends that a new methodology for the distribution of FAGs to local government be designed which incorporates the following elements:

- a national model which is consistent across each LGB;
- distribution of funds on equalisation principles ie on the basis of need;
- funds to be paid direct to local government;
- funds to remain untied and be allocated from one pool;
- data on local conditions/factors to be provided by LGGCs;
- a weighted factor be applied to indigenous community councils to ensure their level of disadvantage is taken into account;
- appropriate acquittal arrangements; and
- a new model, as presented by Professor Farish, to be designed by a Federal and Local Government Finance Advisory Group of experts and phased in over three years, with the process to be facilitated by the Commonwealth Grants Commission. (para 6.164)

**7 The way forward**

**Recommendation 17**

The Committee recommends that COAG host a Summit in 2005 on Inter-governmental Relations:

- to report on the implementation of the Committee's recommendations;
- to review:
  - ⇒ SPPs paid to States and Territories with a view to isolating funds for direct payment to local government;
  - ⇒ the relevant anomalies of ANTS;

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- ⇒ the revenue raising capacity of councils with consideration of financial penalties for States and Territories which fail to adequately support or deliberately suppress that capacity; and
- ⇒ successful State/local government partnerships and the opportunities for Federal government participation in those partnerships;
- to determine processes to develop:
  - ⇒ methods to resolve duplication and overlap of service provision;
  - ⇒ a fully responsible financial role for local government free from policies that arbitrarily limit revenue raising capacity from their normal sources;
  - ⇒ a direct financial relationship between the Commonwealth and local government;
  - ⇒ a national methodology for local government bodies to evaluate their infrastructure needs and requirements; and
  - ⇒ a set of principles to reduce cost shifting and unfunded mandates and to ensure that Commonwealth and State and Territory responsibilities administered by local government are adequately funded. (para 7.19)

**Recommendation 18**

The Committee recommends that the Federal Treasurer assume responsibility for the financial relationship with local government. (para 7.20)

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**LEGAL/RESOURCE/FINANCIAL IMPLICATIONS:**

Nil.

**POLICY IMPLICATIONS:**

Nil.

**UNDER SEPARATE COVER:**

Nil.

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