This submission is made on behalf of the Growth Alliance Perth and Peel (GAPP).

The members include the City of Armadale, City of Cockburn, City of Gosnells, City of Kalamunda, City of Kwinana, City of Mandurah, City of Rockingham, Shire of Serpentine-Jarrahdale, City of Swan and City of Wanneroo.

GAPP members represent the fastest growing local governments within Perth.

GAPP members provide services to over 1 million residents.

The average annual growth rate for GAPP councils to 2031 is projected to be 3.47%, while the growth rate for the remaining local governments in Perth is expected to be 1.33%.

By 2031, it is estimated that GAPP members will provide services to almost 1.5 million residents.

GAPP local governments face significant costs in supporting rapidly growing communities. These costs include establishing new community facilities, active sporting reserves and parks, to name but three.

GAPP local governments also have higher levels of unemployment and a higher level of youth as a proportion of their total population as other local governments.

The GAPP local governments’ submission focusses on the committee’s term of reference (e) which relates to the funding and financial management of local governments.

At the highest level, local governments, similar to the State Government, are victims of vertical fiscal imbalance.

For local governments, this means that the revenue source (rates), generates significantly less revenue than the cost of maintaining or enhancing a local government’s asset base and operations.

Not that long ago, local governments were receiving 1% of Commonwealth taxation revenue through Financial Assistance Grants (FAGs) to support their operations. Recently, this percentage has fallen to 0.55% and there is no indication that the Commonwealth Government is moving to reverse the decline.

The Australian Local Government Association (ALGA) has been campaigning to restore FAGs to 1% of Commonwealth taxation revenue, and State support for the achievement of this outcome would go a long way to delivering financial sustainability for local government. While this outcome would assist GAPP members, it would also make a substantial difference to the sustainability of regional communities, where local governments receive as much as 90% of their revenue from FAGs payments. This revenue measure would have no impact on the State’s finances.
• GAPP members note that local communities demand services well beyond the historic ‘roads, rates and rubbish’. Further, State Government legislation requires local governments to consult with their communities and listen to their views. (For instance, Local Government (Administration) Regulation 19C(3) states, “a strategic community plan for a district is to set out the vision, aspirations and objectives of the community”; 19C(9) states, “A local government is to ensure that the electors and ratepayers of its district are consulted during the development of a strategic community plan”; and 19DA(3) states that a local government’s “corporate business plan ... is to (a) set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government’s priorities for dealing with the objectives and aspirations of the community”).

• Local government costs are also increasing through cost shifting from the State Government. For instance, the State historically contributed 50% to the cost of operating libraries but this contribution has fallen to around 10%. Other State Government initiated changes, such as amendment to the Building Act (2013) which redirected fee revenue away from local governments to the Building Commission without financial offset to local government; a freeze (of more than six years) on the review of fees under the Planning and Development Act; introduction of new requirements under the Dog and Cat Acts, are all examples of where costs were placed (shifted) onto local government budgets without any offset.

• Similarly, above inflation increases to the cost of electricity (eg. street lighting costs) have increased by 50% over the past 10 years; the ESL levy has increased by 68% over the same 10 year period; the waste levy has more than doubled over five years; are examples of State revenue measures that continue to erode the capacity of local government to limit rate increases to the general rate of the Consumer Price Index (which has increased by 18.6% over the same period).

• The State is giving local governments greater roles in a range of areas through legislation, including new requirements to produce emergency management plans and public health plans.

• Providing the facilities and services newly created communities expect places significant financial pressure on GAPP local governments.

• Without significant rate rises, or increases in grant funding, these facilities and services can only be delivered with an effective system of developer contributions.

• GAPP local governments are well aware that many developers hold concerns about local government’s delivery of developer contribution arrangements.

• These concerns often focus on the fact that local governments are holding monies under developer contribution arrangements and not spending the monies.

• There are two principal reasons for this situation:

  1. The arrangements have collected inadequate contributions to enable the facility proposed under the developer contribution arrangement to be built and local
governments have limited borrowing capacity to fund such initiatives in advance of contributions, and

2. Land required for facilities such as new parks remains in private ownership and there is limited capacity to obtain the land for early development.

- If the committee supports the provision of facilities and services to new communities at the urban fringe, it needs to ensure an effective framework for developer contributions.

- The GAPP local governments have also identified a significant inequity in the distribution of active open space.

- In delivering significant environmental and social benefits, the unintended consequence of implementing Bush Forever, Water Sensitive Urban Design and Liveable Neighbourhoods planning policies has been a reduction in the amount of open space able to accommodate organised sport. With a high degree of certainty, the new suburbs in each of the fringe growth subregions of Perth already have a shortage of active playing fields (Department of Sport and Recreation 2013).

- The implications for communities that don’t have access to active playing fields is that they will be more likely to miss out on the specific social and economic benefits attributed to such spaces and, in particular, the activities they support. Combining the three key factors of supply of active open space, demand for active open space and socio-economic vulnerability, the local governments in the outer metropolitan areas of Perth are significantly worse off that the middle and inner suburbs. (Tye, Middle, Costello & Hedgcock, 2012)

- To provide the major and regional sporting facilities that are required in outer metropolitan growth areas, significant funding is needed.

- The State Government’s Community Sporting and Recreation Facilities Fund (CSRFF) provides a limited State Government contribution to such facilities.

- However, the amount is almost inconsequential (with a maximum of $2 million available in any one year to a facility) when most of these facilities costed at least $30 million and any new swimming pool is likely to be at least $50 million.

- One specific example is Baldivis which is one of the fastest growing suburbs in Australia. Rockingham spent $9.7 million to purchase land in the suburb for active recreation and has cost the required new sporting facilities at this site at $47 million. The first stage of this development (costing $20 million) has received a $1.5 million CSRFF grant, leaving a huge burden on the ratepayers to fund this critical infrastructure which will have a positive impact on health and well-being.

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1 Active Open Space (playing fields) in a growing Perth-Peel; Department of Sport and Recreation, Curtin University’s Centre for Sport and Recreation Research (CSRR) and the Department of Urban and Regional Planning, Curtin University, January 2013.

- GAPP local governments strongly support an improved system for financing major sporting facilities in outer metropolitan areas where the need is greatest.