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Committee Secretary
Select Committee on the Reform of the Australian Federation
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir,

Please find attached the submission from the Gold Coast City Council (GCCC) to the Select Committee on the Reform of the Australian Federation Inquiry.

The GCCC will focus on those issues affecting local government. To contribute to the Committee's inquiry, the GCCC will draw on its experience as the second largest and among the fastest growing local government areas in Australia.

If you have any questions or require additional information please contact Annie Norton-Knight on (07) 5581 7727.

Yours sincerely

Darren Scott
DIRECTOR ECONOMIC DEVELOPMENT AND MAJOR PROJECTS
For the Chief Executive Officer

Senate Select Committee on the Reform of the Australian Federation

Gold Coast City Council

September 2010

1 Introduction

The Gold Coast City Council (GCCC) welcomes the opportunity to provide a submission to the Senate Select Committee on the Reform of the Australian Federation.

Council has consulted the Australian Local Government Association (ALGA) and supports the submission by ALGA. The GCCC has also consulted the Local Government Association of Queensland (LGAQ), and is aware of the inputs that the LGAQ has made to the ALGA submission to the Inquiry.

This submission will focus on those issues affecting local government. In particular, it will draw on its experience as the second largest and among the fastest growing local government areas in Australia to contribute to the Committee's Inquiry.

The experience and lessons that may be useful for the Committee in its consideration of local government powers, functions and responsibilities arise directly from the GCCC's experience in managing a unique set of conditions at the local level including:

- meeting services for a very large and rapidly growing population
- managing an economic base that is concentrated on a few industries that are particularly susceptible to domestic and international economic shocks
- responding to a wide and increasing range of community needs to service the rapidly growing and more divergent population and
- developing control and coordination systems to efficiently discharge its duties

Based on these factors, the GCCC provides responses to References (a), (b) (ii), (b) (iii) and (b) (v).

2 Background

2.1 Population

The Gold Coast city is the sixth largest city in Australia. It is the second largest local government in Australia and is located the centre of one of the fastest and most sustained population growth and urban developments experienced in Australia's history.

Relative to some other relevant jurisdictions, the Gold Coast City population is:

- larger (515,200) than Tasmania (505,500)
- is growing at over 3 times the annual rate of the Tasmanian population (15,000 compared with 4,400)
- over 40% larger than the ACT, with double the annual population increase and

- more than double the population of the Northern Territory

From 1996 to 2006, the Gold Coast city population increased by 144,000 (44%) at a time when the Australian population increased by 13% and Queensland by 22%. In the period 1996 to 2006, the Gold Coast city accounted for over 6% of all Australia's population growth.

There is no let up in the expected population increase with the Gold Coast population forecast to reach 616,000 by 2016, (an increase of 149,000 (+32%) over that in 2006, and 788,000 by 2031.

The forecast Gold Coast city population increase to 2031 is 321,000 over that in 2006. To put this increase in perspective, the population increase for the Gold Coast to 2031 is about the same size as the total ACT population in 2006 (334,000).

In contrast at the time the Australian Constitution was adopted, the 1901 Census, indicated that the Gold Coast city area had a population of about 4000-5000. The following describes the Gold Coast area at the time:

People would travel in horse and coach along bush tracks, crossing the rivers by ferry and then ride along the beach at low tide. In 1889, a train line was extended from Brisbane to Southport¹

It is to be expected that in pressure points around the country such as Gold Coast city, that the current arrangements would be stretched and challenged much more than in areas where there is less growth and fewer demands on the existing funding and power arrangements.

The GCCC has managed under existing arrangements often despite the constitutional and related funding constraints. The provision of services to its residents would be more effectively and efficiently managed at the local level with a change of arrangements.

2.2 Managing the Local Economy

The GCCC sees that it has a key responsibility for the management of its economy. It is a core function of Council. The Gold Coast economy is characterised by:

- a high level of provision of services to international tourists where the GCCC is largely responsible for funding local services and facilities for the tourists, but where tourist generated GST flows directly to the Commonwealth and then to the State
- an economy with a strong reliance on construction, making it vulnerable to the boom and bust cycles, with the global financial crisis (GFC) resulting a dramatic decrease in housing and other private commercial investment
- an industry structure where some 95% of businesses have fewer than five employees and
- an employment structure where State employment is less than half that in nearby local government areas with a corresponding lower level of State services, which results in pressures on GCCC to fill the gaps

Despite the recent Regional Development Australia initiatives, there needs to be

more effective arrangements between the Commonwealth, the State and the GCCC to manage outcomes for the Gold Coast.

2.3 Providing Local Services

The feature of the Gold Coast city's experience, particularly in the past 10 to 20 years is the increasing demand for a wider range of soft and hard infrastructure and services. The provision of infrastructure in rapidly growing areas is always a challenge. However the sustained growth of the Gold Coast, and many other areas of Australia, has clearly shown that the current mix of Commonwealth funding, State funding, Grants through State Local Government Grants Commission, developer contributions and rates and charges is no longer providing outcomes for cities that will enable them to contribute to national efficiency and productivity objectives.

At the broader level there appears to be no effective coordination between the Commonwealth and the States in relation to the drivers of population growth (natural increase and migration) and the policies and expenditure flows to systematically identify and meet the needs of the population. The gap between the community's legitimate demands for infrastructure and services and the supply to meet those demands at the local level is even greater for rapidly growing areas like Gold Coast City.

The community expectations that the GCCC provides an increasing range of environmental, economic and social services means that expenditure on these services have increased at a much faster rate than the total budget.

When unexpected events occur, such as the GFC, there is pressure on local government to respond to sustain its local economic base. To this end the GCCC in the 2009 - 10 budget committed over \$120 million to implement a range of projects to be undertaken by Council, with the intention of providing an immediate and positive economic stimulus to the city, the business sector and the community during the current economic downturn.

These issues of adjustment to rapid changes in economic conditions, and hence the capacity of local government to raise revenue and the pressures of meeting a level of service arising from the rapid population growth are critical in the assessment of future funding and relationships between Commonwealth State and Local government.

2.4 Governance, Management and Control

The GCCC provides clear evidence of the capacity of local government to deliver and has developed sophisticated management and control mechanisms to discharge its duties and to manage its budget of \$1.16 billion. These mechanisms are based on an integrated approach of city governance, corporate planning, economic, social and environmental needs assessment, efficient delivery and rigorous performance indicators. The key elements include:

- GCCC Corporate Plan

- GCCC Operational Plan
- Long Term Financial Plan and Financial Model
- Gold Coast Planning Scheme
- GCCC Local Growth Management Strategy
- Priority Infrastructure Plan
- Gold Coast Waterfuture Strategy
- Gold Coast City Transport Plan and
- Economic Development Strategy

In addition Council has adopted Bold Future as a blueprint for Gold Coast city to 2037 to ensure that the city is sustainable economically, socially and environmentally. In relation to infrastructure planning, strategies for the next 30 years are being developed for:

- Energy
- Economy
- Environment
- Land Use
- Transport and
- Water

The GCCC governance, management and control systems demonstrate that local government can, within appropriate legislative frameworks, be trusted to manage large and complex service delivery systems.

3 Response to the Terms of Reference

3.1 Key Issues and Priorities

3.1.1 Reform Current Funding Arrangements for Local Government

This response covers References (a) and (b) (ii).

The GCCC in its submission to the Queensland Local Government Grants Commission Methodology Review raised the following concerns:

- in an effort to meet the objectives of the Commonwealth Grants Commission process, and adjust it to conditions in Queensland, the methodology has been progressively stretched to cover basic data and conceptual problems. GCCC recommended a root and branch review of local government funding
- population and population growth are recognised as factors for assessment but it is GCCC view that they need to receive higher weightings evidenced by the fact that under the current methodology GCCC has 12 % of the state population, but receives only 4% of the available grant
- many of the expenditure categories are too narrow, or include too few factors in the categories, and much of the data included in the adjustment factors are only indirectly related to the adjustment being sought;
- there needs to be much greater transparency in the process of deciding

on the allocation of significant public funds

- the current Financial Assistance Grants (FAGs) funding model penalises larger and more economically efficient councils. Councils, such as Gold Coast, which struggle to deal with population growth and impacts of ageing infrastructure receive significantly less Commonwealth funding support than most parts of Australia and
- the Australian Local Government Association has highlighted that in 1996 - 1997 FAGs represented 1.10 per cent of total Commonwealth taxation revenue. This compares with 0.71 per cent of total Commonwealth taxation in 2009 - 10. Local government is concerned with the estimated further decline to 0.063 per cent by 2012-13.

The questions of the constitutionality of some Grants by the Commonwealth to local government raised by the *Pape v Commissioner of Taxation* (2009) case add further impetus to the need for root and branch review of funding arrangements for local government.

Fundamental local government financial reform has been clearly demonstrated in numerous reports and inquiries. The existing system has been stretched beyond breaking point, and this is most apparent in rapidly growing areas.

A constitutional change to recognise local government without correspondingly addressing financial reform would be an empty gesture.

3.1.2 Constitutional Recognition of Local Government

This response covers Reference (b) (iii).

The GCCC supports the ALGA proposal.

3.1.3 Strategies for Strengthening Australia's Regions

This response covers Reference (b) (v).

The Commonwealth and local government relationship has grown in importance as a result of the increasing focus on local delivery of Commonwealth Government programs, the need for local government input into the policy and program development of national priorities and reduced financial support to local government by State governments.

The GCCC welcomes the previous Government's attention to regional issues, and is represented on the Gold Coast Regional Development Committee.

However, the GCCC considers that the existing "one size fits all" Regional Development Australia model agreed between the Commonwealth and Queensland government does not provide the best outcomes for all local governments. The GCCC considers that the existing model is suitable for smaller Councils and those without the capacity to commit significant resources to economic development and where a number of Councils need to band together to generate the necessary momentum.

These conditions do not exist in the Gold Coast or in a number of larger local governments in Queensland, which commit significant resources to local economic development programs.

In the case of the Gold Coast where there is a significant recognition of and financial contribution to local economic development and where the Gold Coast local government area corresponds to the RDA region, a better model would be to achieve the RDA objectives by directly partnering with the GCCC. The Commonwealth and GCCC model for Austrade TradeStart provides the template.

The advantages of the proposed approach are better coordination between Commonwealth, State and Local government, removal of duplication and replication of services and lower costs.

The GCCC considers that the RDA arrangements for the Gold Coast need to be changed to deliver better and more cost-effective outcomes.