

## **Response of the Australian Local Government Association to the *Disability Support and Care* report**

The need for greater support for disabled people is an issue of concern to local government and the Australian Local Government Association (ALGA) supports more Federal Government action on this issue. The idea of the National Disability Insurance Scheme (NDIS) proposed in this report is one that ALGA supports.

The second element of the report is the recommendation to create the National Injury Insurance Scheme (NIIS) to provide support for people who have suffered catastrophic injuries. As this recommendation has specific implications for local government, ALGA's submission will focus on the NIIS proposal.

ALGA recognises the value of an NIIS in principle. The effects on individuals, families and communities of catastrophic injuries are such that a national approach has strong advantages. However, ALGA does not support a Scheme which relies upon local government rates or the rate collection mechanism for its operation.

### **Background**

ALGA is a federated body of the state and territory local government associations, representing over 560 local government authorities across the country. ALGA has consulted its member associations in developing this Submission but it has not consulted individual councils who may choose to make their own submissions on the Productivity Commission's draft report.

Local government has a long history when it comes to the provision of support for the disabled and the catastrophically injured. This support has included homecare, activities, transport services, respite and other carer services. Local government has often been in the situation of having to support people with inadequate access to state and federal government services. The commitment of local government to the disabled and catastrophically injured has been well demonstrated.

### **Funding options**

The report examines various funding source options for the NIIS. Through that examination the Productivity Commission has determined that local government rates would be one source for NIIS funding, along with increases to existing insurance premiums, including motor vehicle and medical indemnity insurance. On the face of the Report, the principle argument for rates as a source of funding appears to be that they are an efficient and stable funding base for any proposed program. ALGA does not believe this is a sufficient justification for rates to become a funding source. Local government rates are often seen by other levels of government as an attractive mechanism to raise funds for non-local government activities such as emergency services. Local Government has opposed, and will continue to oppose, such opportunism where the service to be provided is better funded from a broader revenue base.

ALGA is concerned that funding the NIIS from rates would establish a precedent that would place inequitable financial pressure on local governments at a time when resources have never been under more pressure. Using local government rate collection as a source of funding because of the

stability of its funding base would open to the door to even more calls on the local government purse and potentially further undermine local government's financial stability.

### **Structure of the NIIS**

One area which requires clarification is whether it is intended that local government rates will be used to pay for this scheme directly or whether an additional levy on rates would be imposed.

A proposal that a new Scheme be funded by drawing on existing rates is strongly opposed by ALGA. Local government is under great financial pressure at present because of ever increasing demands for social support, of which disability support is just one. Because of that focus on social services, often due to state and federal support being withdrawn, the traditional services of councils are suffering, and ALGA has documented a growing gap in infrastructure renewals which PricewaterhouseCoopers has estimated to be in the order of \$14.5 billion. Local government is not in a position to sustain such additional funding demands for a National injury Insurance Scheme.

While existing rate revenue is insufficient to meet the demands on councils, there is limited capacity among councils to increase that revenue. The Productivity Commission's research report entitled *Assessing Local Government Revenue Raising Capacity*, released in April 2008, noted significant differences in councils' scope to raise additional revenue across Australia and that there was a case to review the provision of Australian Government Financial Assistance Grants to Local Government to improve horizontal equalisation. Furthermore, the potential to raise additional revenue from council rates is becoming increasingly crowded out by the growth of state land taxes.

Limited revenue raising capacity through council rates and existing financial sustainability challenges for councils strongly supports the view that general taxation revenue would be a more appropriate funding source.

Similarly, ALGA does not support the creation of a new levy to be imposed on top of existing rates to pay for the Scheme. ALGA believes this option would not address the very evident lack of capacity of residents to pay additional taxation. ALGA also has concerns that imposing a levy through the rates mechanism would be perceived by many residents as an increase in local government costs. This is based on local government's previous experience with levies in the past.

If the option of a levy is pursued then it must be designed to ensure accountable and transparent operation of the NIIS by making the levy separate and distinct from council rates. If councils are forced to collect a levy on behalf of the Scheme through their rate notices, the levy needs to be clearly identifiable to ratepayers as a direct payment to the Scheme to fund national injury insurance. Councils would need to be able to recover any administrative cost associated with the tax collection and mechanisms for compensation would need to be clear and distinct in legislation and regulation.

### **The issue of public liability insurance**

ALGA notes that a key foundation of the NIIS proposal is the removal of the financial strain of public liability insurance, with a no-fault government operated scheme in its place. While taking the often expensive and lengthy legal element out of the process is a positive benefit, ALGA believes the financial benefit to councils suggested in the report is significantly overstated.

The report argues that councils currently take out individual public liability insurance policies. The report states that instead of paying for individual public liability insurance policies, or for self-insurance, councils would make a payment towards the NIIS instead. The report does not state what proportion of the estimated \$30 per person per year cost of the NIIS would be taken from rates and it is therefore difficult to make a determination of the financial impacts on local government. However, it is ALGA's view that as the scheme matures past 2015, when the expansion of coverage begins, the likely result would be a marked increase in claims and therefore an increase in costs.

ALGA believes it is reasonable to expect that the NIIS contributions of some councils would be greater than current insurance costs and therefore the broad argument that local government would be financially better off under the NIIS is not accurate and does not take into consideration each council's specific financial situation.

The existing insurance arrangements for local government cover liability in council owned or managed facilities or council maintained infrastructure. The NIIS would eventually cover injuries that occur in all places, including private homes, land and state and Commonwealth facilities. ALGA does not believe it is equitable to place that burden on local government, as it would in practice extend local government's financial liability. State governments still have responsibility in many related areas, including liquor licensing and the application of criminal law, yet the report discounts state governments from consideration as a funding source, even though existing state bodies will be used to administer the NIIS.

ALGA also notes that even if the direct burden of public liability insurance is removed or considerably lessened, councils would still be at risk from civil and criminal procedures to recoup those additional features of financial and non-essential costs that would not be contained within the first seven years of the NIIS.

ALGA supports the use of a levy on existing insurance premiums to fund the NIIS as there is a direct intellectual link between those insurance premiums and the NIIS. The only reason why local government rates are suggested is its stability as a taxation base. This lack of a direct connection is another reason why the use of local government rates is being opposed.

### **Uncertainty about projected costs**

ALGA is also concerned with the proposal to provide for the phasing-in of more elements that would be covered under the Scheme. ALGA has specific concerns about the risks of cost blow-outs. ALGA accepts the argument that until 2020 the scheme would be directed toward essential services and specialised products. However, the report also states that after 2020, the scheme would be broadened from those basic needs to include pain and suffering. ALGA does not support the inclusion of non-essential elements to an NIIS. The estimated cost of the Scheme of \$30 per person per year applies to essential support and services and this may well be inadequate for the likely financial impact of such inclusions to the scheme. The growing financial burden of the scheme would cause financial strain on the funding sources and local government would not be in a position to bear this additional burden.

### **Conclusion**

ALGA recognizes the value of the NIIS in principle and is supportive of a no-fault insurance scheme for those people who suffer catastrophic injuries, but believes that it should be funded from a

combination of general revenue and existing insurance premiums from areas such as motor vehicles and medical indemnity. ALGA does not accept that the Scheme should be funded through rates or an additional levy imposed through the rates mechanism.