

Ministry Paper No: 8/93 Reform Of Local Government

MINISTRY OF LOCAL GOVERNMENT, COMMUNITY DEVELOPMENT AND SPORT

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1. BACKGROUND

The MINISTRY PAPER seeks to inform the Honourable House of policies being pursued by the Government in respect to its commitment to create a strong, viable and effective system of Local Government which will deepen the democratic process and facilitate the empowerment of citizens by enabling them to participate more fully and directly in the process of governance and in the management of their own affairs. The need for fundamental reform of Local Government in Jamaica has been on the national agenda for the last 50 years, during which period 7 major Studies have been conducted on the subject. Reports on these Studies have been remarkably unanimous in finding that the major contributors to the deficiencies and poor performance of Local Government have been inadequate financing and lack of autonomy. Their recommendations have been consistent in emphasizing the need to provide Local Authorities with adequate and independent sources of revenue and to grant them greater autonomy in the management of local affairs.

Few of these recommendations have been accepted and/or implemented. Rather, the situation of Local Government has deteriorated over the years, both in respect to financing and autonomy. This negative trend is vividly illustrated by the following comparisons:

COMPARISON 1

In the 1960s Local Government derived 75% of its revenue from local rates and property taxes, and all Councils operated a budget surplus. Today 90% of the revenue required to fund local services comes from Central Government, most of this as deficit grants.

COMPARISON 2

Here we compare the movement in the costs of providing the 3 major local services against revenue generated from local rates and property taxes.

YEAR	COST OF SERVICES	COST OF SERVICES	RATES &/OR P/TAXES AS A % OF REVENUE
1965 *	\$1,500,000	\$3,000,000	50%

1979 *	15,000,000	14,000,000	107%
1992	379,000,000	73,000,000	520%

These dramatic shifts in the sources of revenue and the relationship between revenue and expenditure coincided with a number of major changes in the arrangements for the financing of Local Government. Among these were:

1. Local Rates and/or Property Taxes, previously paid directly to the Local Authorities, are now paid to Central Government and the Authorities are given a grant in lieu of these taxes.
2. Local Rates, covering costs of street lights, fire protection and sanitation, were abolished and rolled into property tax.

A major flaw of the current arrangements for financing Local Government is that it has served to disconnect revenue from expenditure. This has led to a gross neglect of traditional Local Government revenue sources and consequently to an excessive and growing dependence on Central Government to make up the shortfall, from non-Local Government tax sources.

N.B. * The 1965 & 1979 figures are for KSAC only, while the 1992 figures are for the whole island.

2. OBJECTIVES OF THE REFORM PROGRAMME

STATEMENT OF GOVERNMENT'S POLICY ON LOCAL GOVERNMENT

Government's policy on Local Government is based on the conviction that despite shortcomings of the existing system, a strong and vibrant system of Local Government is essential to the attainment of a society in which all citizens enjoy real opportunities to fully and directly participate in and contribute to the management and development of their local communities, and by extension, of the nation. Such a society is desirable not only as the best means of safeguarding and deepening our democracy, and promoting equal rights and social justice, but also as a framework for releasing the creativity, initiative and talents of the total Jamaican people and channeling these towards the solution of local problems as well as those of the nation as a whole.

Consequently, the answer to dissatisfaction with the past performance of Local Government cannot be to dismantle or down-grade the institution, but to identify the causes for such non-performance and devising appropriate solutions to those problems. This basically is the Policy of the present Government, and the Local Government Reform Programme is designed to achieve that objective.

Additionally, the Government perceives both Local Government and Community Development as being complementary processes by means of which it can achieve its focal objective of empowering citizens to enjoy greater self-management over their own affairs and take initiatives towards, and responsibility for, determining and solving their own problems. A major focus of Government's policy is therefore to deepen the integration between these two processes.

The specific objectives of the Reform Programme are:

1. Restoration of functions and responsibilities which were removed from Local Government, and rehabilitation of the Councils.
2. Establishment of new arrangements for the financing of Local Government which will allocate to them adequate and independent sources of revenue, and will give Local Authorities effective control over these sources of revenue.
3. To up-grade the institutional capability of Local Authorities to ensure that they are able to perform their functions in an efficient and cost-effective manner, and are enabled to take on the new challenge of providing leadership and coordination in the process of community development and empowerment.
4. To effect a comprehensive revision of all out-dated legislation which presently constitute a major constraint to the effective performance of the Councils.
5. To up-grade the quality and cost-efficiency of all Local Government services and regulatory functions.
6. To shift the focus of Local Authorities to one of providing leadership and a coordinating framework to the collective efforts of the people of their respective Parishes, towards local development.
7. To examine the present distribution of service responsibilities between Central and Local Government, community organizations, NGOs and the private sector, and to identify better or more cost-effective arrangements for the delivery of these services.

3. FINANCIAL REFORM

All previous and current studies of the problems of Local Government have concluded that without financial reform, all other efforts to deal with those problems will prove futile. The Government has therefore chosen this as the priority area of the Reform Programme, and in keeping with the Five Year Development Plan for Local Government, this Ministry has been pursuing a multi-phased Programme to improve the financial base of Local Authorities. This Programme consists of the following phases:

- **Phase 1** entails the revision of existing licence fees and user charges payable to Local Authorities, and imposing fees where services and regulatory functions are now being provided free.
- **Phase 2** focuses on improvement of the revenue collection machinery and increasing the effectiveness of enforcement measures.
- **Phase 3** aims at giving the Local Authorities greater control over the sources of revenue allocated to them, and simplifying the procedures for setting and amending fees.
- **Phase 4** consists of measures to upgrade the financial management capability of the Councils, particularly in respect to improved asset management and better utilization of the many assets which most Councils possess but which are now grossly under-utilized.
- **Phase 5** entails the development of a comprehensive new formula for financing Local Government, which will finally solve the chronic financial problems of this institution. The new

formula which will now be applied consists of the following as the sources of revenue allocated to Local Government:

- Property taxes and/or specific local rates for services such as Public Cleansing, Street Lighting and Protection of Property.
- Motor Vehicle Licence fees, to be used for maintenance of roads
- Fees for Spirit licences and other amusement activities.
- Fees for Trade and Business licences and other forms of activities which require licensing or permits, e.g. building permits.
- User fees in respect to other services, e.g. Markets, etc.
- Income generated from parochial assets and investments.

In addition Local Authorities will be permitted to:

- Raise Loans and Local Bonds to finance economically feasible development projects for the Parish or specific communities, and also to finance capital works for self-financing services.
- Introduce Special Development rates, raised with the consent of the citizens concerned, to service local development loans or bonds, or to otherwise finance special needs or development projects for the Parish, or specific communities within it.
- Retain proceeds from fines and other penalties resulting from breaches of regulations administered by the Councils.

Local Authorities will continue to receive grants or contributions from Central Government, but this will be confined to:

- Grants in lieu of taxes for Government owned property.
- Specific Grants in respect to social/welfare services such as Poor Relief, Minor Water Supplies, Indigent Housing, etc.
- Support for traditional Central Government functions, such as youth and community development Programmes, child care, emergency relief, disaster preparedness and mitigation, etc.

SPECIAL FEATURES OF NEW FINANCING FORMULA

Some special features of the new financing formula are:

1. The principle to be applied in respect to the rates, fees and user charges to be levied under the formula is that these will reflect the full cost of the service to which they relate.
2. Local Authorities will be given full control over the setting of these rates, fees and charges, and will be made responsible for maintaining the relationship between revenue and costs.

3. It is intended that wherever possible rates will be charged for specific services and separated from basic property taxes. Revenue from these rates will be applied to the respective services. For example, revenue collected in respect to m/v licences will be applied exclusively to the maintenance of parochial roads.

4. 10% of Property Tax collected by the Parish is to be made available to properly constituted community organizations to be used for community determined development projects or activities.

4. REHABILITATION OF LOCAL AUTHORITIES

Rehabilitation and transformation of Parish Councils and the KSAC is a critical objective of the Government's Reform Programme. This is necessary not only to reverse the recent decline of the Councils and correct long-standing deficiencies in respect to their performance, but also to prepare them to undertake the challenges of the new role which they will now be expected to play in providing effective and dynamic leadership to the community development process, and in local planning and development generally.

In pursuing Government's policy of encouraging and facilitating local initiative and empowerment of local communities and citizens, Parish Councils will be expected to provide the coordinating framework and leadership which will bring together all elements of the local community, with technical support agencies, in a process of integrated community development which will eliminate much of the waste and inefficiencies which presently occur. To effectively fulfil their new mandate, the Councils will need to be up-graded and transformed in a number of ways, including the following:

1. To shift their focus from being primarily a provider of local services to being the chief coordinator and facilitator of local initiatives to develop the Parish and satisfy local needs.
2. Enhance the planning and policy making capacity of the Councils.
3. Revise the organizational structure and determine the staffing needs of the Councils, based on their new role and functions.
4. Improve management systems and overall management capability of the Councils, particularly in respect to financial management.
5. Establish closer and more effective working relationships and interfacing between the Councils and other agencies of the Ministry/Government operating within the Parishes.
6. Remove inequities which presently make employment with Parish Councils very unattractive. Measures required include creation of a fully Unified Local Government Service and establishment of full parity between Central and Local Government employees .

5. IMPLEMENTATION OF POLICY MEASURES

The following represent the implementation status of the policy measures and objectives set out above:

1) RESTORATION OF FUNCTIONS AND RESPONSIBILITIES.

Most functions which were removed from Local Authorities, including Parochial Roads, Minor Water Supplies, Public Cleansing, Poor Relief and Building and Town Planning, have been returned.

2) **FINANCIAL REFORM.**

- Under Phase 1 most existing fees have been increased, including fees for building and subdivision applications, abattoirs cemeteries etc., resulting in significant increase in revenue.

S Acting in association with the GCT Office, Inland Revenue Department and other agencies, MLGY&CD have initiated steps to improve the revenue collection machinery, particularly in respect to broadening the tax base by tracking down delinquent licencees, and expediting the remittance of revenue collections to the Councils. These measures should result in significant improvement in the revenue flows to Local Authorities in 1993/94.

- The new formula for the financing of Local Government will come into effect in the financial year 1993/94. However, full implementation of the policy will be phased over a two year period to allow for adjustments and to sort out teething problems.

S The following Acts will be amended to give Local Authorities autonomy in setting fees and user charges, subject only to the requirement that they give 30 days notice to the Minister and citizens likely to be affected, of their intention to adjust such fees and charges. The Acts involved are:

- a) The K.S.A.C. Act.
- b) the Parish Councils Act
- c) The Parochial Markets Act
- d) The Pound Act
- e) The KSAC Building Act
- f) The Public Health Act
- g) The Parish Councils Building Act
- h) The Public Cemeteries Management and Regulation Act

i) The KSAC Cemeteries Act

j) The Parochial Rates and Finance Act

Bills to amend the Acts listed above will be tabled in this House before the end of the legislative year, and will include provisions to simplify the procedures for adjusting fees, and to increase penalties under these Acts.

4) **INSTITUTIONAL UP-GRADING OF PARISH COUNCILS AND THE K.S.A.C.**

- councillors and Senior Managers have already been exposed to a special training Programme, developed in association with the University of the West Indies. This Programme is being further developed and expanded.

S The principle of parity between comparable Central and Local Government staff has been accepted and is being implemented.

- Legislation to amalgamate the Municipal and Parish Councils Services Commissions and create a Unified Service for all Local Government employees have been approved by Cabinet and is now with the Chief Parliamentary Counsel.

S A comprehensive review of the organizational structure and staffing requirements of the Councils is being undertaken.

5) REVISION OF LAWS AND REGULATIONS

Revision of numerous Laws and Regulations relating to Local Government have been completed or are in progress. In addition to those already mentioned, such legislation include the following:

S Building By-laws for the KSAC and Parish Councils were amended to increase fees, extend the building limits to cover the entire Parish and impose new procedures for change of use applications.

S New Cemetery Regulations have been enacted for all Parish Councils, imposing a new fee structure and providing for more effective management of all public cemeteries.

- Cabinet has approved amendment of the Spirit Licences Act to remove bottlenecks which inhibit the granting of spirit licences and hence collection of related fees. Revision will include removing restrictions on the number of licensing sessions per year, allowing lay magistrates to be appointed to chair the Licensing Authorities and increasing penalties for non-compliance.

S Amendment of the Licences on Trades and Businesses Act to broaden the range of business and trade activities falling under the Act, and to rationalize the fee structure, is being prepared.

- A new Buildings Act to amalgamate and replace the KSAC and the Parish Councils Building Acts is presently being prepared.

S A new Act to amalgamate and replace the exiting Town and Country Planning and Local Improvements Acts, and enhance the functions of the Councils as the Local Planning Authorities, is presently being drafted.

6) SERVICE STANDARDS AND QUALITY

Some success have been achieved in efforts to improve the quality of services. E.G. the entire back-log of 480 building applications inherited by the KSAC in April, 1992 when it was reinstated as the Building Authority for the Corporate Area have since been cleared, and all new applications are now being processed within 6 weeks. However, full benefits of such measures will not be realized until adequate financing of all services is achieved.

7) CHANGE IN FOCAL ROLE OF LOCAL AUTHORITIES

Merger of the Ministries of Local Government and Youth and Community Development creates the opportunity to strengthen links between Local Authorities and their constituent communities, and involve them more closely in the community development process. This opportunity to forge greater integration between the Parish Councils and other agencies operating at the parish level, such as the SDC, 4H Clubs, MIDA, Children Services and the Vocational Training Entrees, is being vigorously pursued.

Additionally, the new financial arrangements under which bona fide community organizations may receive a percent of property tax collections to fund community initiatives or activities, should provide a tremendous stimulus and opportunities for such communities to become directly involved in service delivery and to take the initiative to determine and satisfy their own needs.

6. PUBLIC PARTICIPATION IN THE REFORM PROCESS

The focal objective of the Local Government Reform Programme is to create a de-centralized, democratically controlled system of local administration which will facilitate maximum participation by all elements of the local community in the management of local affairs and taking the initiative to solve local problems. This can only be achieved if there is the widest public participation in the reform process itself, to ensure that the new structure of Local Government which emerges represents the consensus of the Jamaican people. This is important, not only as a means of ensuring that the new structure reflects the needs and perspectives of the people it is intended to serve, but to safeguard against whimsical changes in the future.

A major challenge to the process of Local Government Reform is to devise means for applying the concept of direct community participation in the development and administration of communities to the situation of fast-growing, major new urban Entrees such Portmore and Ocho Rios, so that local residents can be fully and directly involved in these processes. This will entail the creation of new Town Management structures which will facilitate such participation. Realization of this objective, in a manner which will take into account all relevant points-of-view and interests will, however, be best achieved through a process of national and local dialogue, supplemented by further studies and pilot projects.

The Reform measures outlined above must therefore be seen as being Phase 1 of the reform process, in which a basic framework of the new system of Local Government is established. Phase 2 will include a massive public education campaign, aimed at ensuring that there is broad public understanding of the role, functions and structure of Local Government, and of ways in which this institution can be made to be responsive to the needs and expectations of the average citizen. This will be accompanied by a broad Public Dialogue in which it is hoped that all elements in the society will be able to participate and contribute towards defining the final shape of the new Local Government system.

This will therefore be a major focus of the Reform Process in 1993/94

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