

# Victoria Grants Commission

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12 February 2003

Ms Susan Cardell  
Secretary  
House of Representatives Economics Committee  
Parliament House  
CANBERRA ACT 2600

Dear Ms Cardell

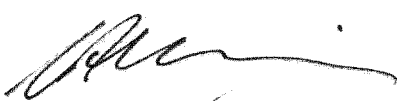
## SUBMISSION IN RESPONSE TO THE AUSLINK GREEN PAPER

Please find attached for your information a copy of a submission the Victoria Grants Commission has recently made to the Department of Transport and Regional Services in response to the AusLink Green Paper which was released in November 2002.

The Commission has asked that I bring this submission to the attention of the House of Representatives Economics Committee as the issues it raises are also of direct relevance to the Committee's current Inquiry into Local Government and Cost Shifting.

If additional information on this matter is required, please contact the Commission's Executive Officer, Colin Morrison, on tel: (03) 9655 6857.

Yours sincerely



For **John Lester**  
Chairman  
Victoria Grants Commission

House of representatives Standing Committee on  
Economics, Finance and Public Administration

Submission No: ..... 342 .....

Date Received: ..... 17/2/03 .....

Secretary: .....

# Victoria Grants Commission

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28 January 2003

Mr John Elliott  
Assistant Secretary, AusLink  
Department of Transport and Regional Services  
GPO Box 594  
CANBERRA ACT 2601

**COPY**

Dear Mr Elliott

## SUBMISSION IN RESPONSE TO THE AUSLINK GREEN PAPER

Please find attached a submission from the Victoria Grants Commission in response to the AusLink Green Paper which was released in November 2002.

As you may be aware, the Victoria Grants Commission is an independent statutory body which has as its primary function the allocation of financial assistance grants provided by the Commonwealth Government to municipal councils in Victoria in accordance with the *Local Government (Financial Assistance) Act 1995* and approved national distribution principles.

The Commission has also contributed to the Victorian Government's submission in response to the Green Paper. However, our level of concern in relation to several issues raised in the paper has prompted the Commission to make the attached submission directly.

In summary, the Victoria Grants Commission strongly opposes the suggestion made in the Green Paper that financial assistance grants should be provided directly by the Commonwealth Government. The Commission believes that this would necessitate the adoption of a single allocation methodology that, together with a centralised administrative structure, would be unable to respond adequately to the differing needs of local governing bodies across Australia.

While the provision of funding for strategic regional priorities under AusLink is supported, the Victoria Grants Commission does not support the utilisation of the current untied local roads grants provided to local governing bodies for this purpose. Rather than siphon-off part of the current untied funding for local roads to fund specific projects of regional significance, it would be more appropriate to utilise part of the funds provided under an extended "Roads to Recovery" program for this purpose. This funding is already provided on a project basis and the Victoria Grants Commission believes that the scope of the program could be modified to also accommodate the funding of local roads projects of regional significance, utilising the input of both councils and State road authorities.

Thank you for the opportunity to make this submission. If additional information is required, please contact the Commission's Executive Officer, Colin Morrison, on tel: (03) 9655 6857.

Yours sincerely

  
John Lester  
Chairman  
Victoria Grants Commission

### **Introduction**

The Victoria Grants Commission is an independent statutory body operating under the *Victoria Grants Commission Act 1976*.

The Commission's primary function is to allocate financial assistance grants provided by the Commonwealth Government to municipal councils in Victoria in accordance with the *Local Government (Financial Assistance) Act 1995* and the approved national distribution principles.

In July 2002, the Commission finalised recommendations to the Commonwealth Government for the allocation of \$340.4 million in financial assistance grants to Victorian councils for 2002/03, comprising general purpose grants of \$248.6 million and separately identified local roads grants of \$91.8 million.

There are two key issues that the Victoria Grants Commission has identified in the AusLink Green Paper issued by the Commonwealth Government in November 2002 that it wishes to address, namely:

- the future of Financial Assistance Grants; and
- the earmarking of identified local roads grants for strategic regional priorities.

The Commission has contributed to the Victorian Government's broader submission in response to the Green Paper. However, our level of concern in relation to these specific matters raised in the Green Paper has prompted the Commission to make the following comments directly.

### **Future of Financial Assistance Grants**

At page 69, the Green Paper poses the following question:

***"Do you have any views on the Commonwealth providing Financial Assistance Grants directly to local government?"***

As financial assistance grants encompass both general purpose grants and separately identified local roads grants, this question goes well beyond the scope of AusLink in relation to the establishment of a National Land Transport Plan. It suggests that responsibility for making recommendations on the allocation of both general purpose grants and separately identified local roads grants should be transferred from individual State-based Local Government Grants Commissions to the Commonwealth Government.

The Victoria Grants Commission strongly opposes any suggestion that financial assistance grants should be determined and administered centrally by the Commonwealth Government.

Local Government Grants Commissions were established in each Australian State in the mid 1970s to make recommendations on the allocation of financial assistance grants provided to local governing bodies by the Commonwealth Government.

The Victoria Grants Commission believes that this arrangement has served both the Commonwealth Government and local government well over the past quarter-century. Separate Local Government Grants Commissions in each State and the Northern Territory have allowed the development and implementation of allocation methodologies which take account of the widely differing needs of councils across jurisdictions, within the broad framework provided by the *Local Government (Financial Assistance) Act 1995* and the associated national distribution principles.

The centralised allocation of financial assistance grants by the Commonwealth Government would inevitably be accompanied by a single distribution methodology. The Victoria Grants Commission does not believe that a single methodology could adequately accommodate the many differences that exist in the size and scope of the 730 local governing bodies across Australia.

This view was supported by the Commonwealth Grants Commission in its review of the operation of the Commonwealth legislation in 2001:

*"There are many differences between LGGCs in the areas of expenditure and revenue covered by their assessments, the range of influences on expenditure and revenue levels assessed and the methods of measurement. Such differences are to be expected given the differences in the circumstances of LGBs both between and within the States. LGGCs require the flexibility to adopt methods that best reflect their circumstances."*

Commonwealth Grants Commission  
Review of the Operation of the *Local Government  
(Financial Assistance) Act 1995*, June 2001, pxi

The Commonwealth Grants Commission went on to conclude that the current arrangements "have led to a distribution of funds which is generally in line with the Commonwealth's intentions" (p.11). While consistency of methods was seen as desirable, the CGC argued that:

*"the focus of consistency should be consistency of a LGGC's methods with the National Principles rather than conformity with the assessment methods of other LGGCs... Greater consistency with the National Principles in these areas (where the Principles are not being consistently applied) can be achieved without detracting from the ability of each LGGC to assess needs in ways that reflect the circumstances of LGBs in their State."*

Commonwealth Grants Commission  
Review of the Operation of the *Local Government  
(Financial Assistance) Act 1995*, June 2001, pp 30-1

In addition to the issue of different methodologies, the Victoria Grants Commission believes that there are other practical reasons why a centralised allocation system should not be implemented.

Firstly, State and Territory-based Local Government Grants Commissions operate at no cost to the Commonwealth Government. The State and Northern Territory Governments meet the cost of allocating and administering financial assistance grants, ensuring that all of the grants allocated by the Commonwealth Government flow through to local government. The direct payment of financial assistance grants by the Commonwealth Government would necessitate the establishment of a large and costly centralised administrative structure.

Secondly, it is unlikely that a centralised allocation body could be responsive to the needs of individual local governing bodies across Australia. All of the seven LGGCs travel to, and meet with, each of the local governing bodies in their jurisdictions on a regular basis, as well as accepting written submissions which influence their allocation methodologies. Each of the LGGCs has built up, over time, a detailed understanding of the issues relating to local government in their individual jurisdictions, which it is unlikely could be replicated by a single central body. Such a body would, by definition, be more remote from the 730 local governing bodies than the seven current Commissions.

**In summary, the Victoria Grants Commission strongly opposes the suggestion made in the Green Paper that financial assistance grants should be provided directly by the Commonwealth Government. The Commission believes that this would necessitate the adoption of a single allocation methodology that, together with a centralised administrative structure, would be unable to respond adequately to the differing needs of local governing bodies across Australia.**

### **Funding for Strategic Regional Priorities**

At page 69, the Green Paper poses the following question:

***“What are your views on earmarking of identified local roads grants for strategic regional priorities?”***

In principle, the Victoria Grants Commission has no objection to the use of regional funding under AusLink for local routes of regional significance. It is envisaged that such a scheme could provide funding for local roads that have a regional significance that extends beyond a single municipality. Roads in this category could run across two or more municipalities, or be contained within a single municipality, but be of demonstrated benefit to a wider regional population.

This could lead to greater co-operation between local governing bodies in relation to the maintenance of local roads assets and promote the expenditure of funds in a strategic manner that addresses the relationship between local roads, State-funded roads and National Highways across broad regional areas.

**While the provision of such funding under AusLink is supported, the Victoria Grants Commission does not support the utilisation of the current untied local roads grants provided to local governing bodies for this purpose.**

The \$91.8 million allocated to Victorian councils as local roads grants in the current year will meet less than 19 per cent of aggregate local government expenditure on local roads and bridges of an estimated \$487.6 million. The allocation of a portion of these funds to specific routes of regional significance would further diminish the capacity of individual councils to undertake vital expenditure on their local roads.

The present arrangements provide maximum autonomy to individual councils in determining how Commonwealth Government-provided local roads grants are utilised. The use of even part of these funds for specific projects of regional significance is inappropriate and would reduce councils' flexibility in relation to the maintenance of their local roads assets.

**Rather than siphon-off part of the current untied funding for local roads to fund specific projects of regional significance, it would be more appropriate to utilise part of the funds provided under an extended “Roads to Recovery” program for this purpose. This funding is already provided on a project basis and the Victoria Grants Commission believes that the scope of the program could be modified to also accommodate the funding of local roads projects of regional significance, utilising the input of both councils and State road authorities.**