



THE NICOL GROUP
Public Administration

House of representatives Standing Committee on Economics, Finance and Public Administration	
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Date Received:	24/7/02
Secretary:	Burdell

Date 19th July 2002

The Secretary
House of Representatives
Standing Committee on
Economics, Finance and
Public Administration
Parliament House
CANBERRA
ACT 2600

Dear Sir / Madam,

RE: INQUIRY INTO COST SHIFTING ONTO LOCAL GOVERNMENT.

After very many years in the service of Local Government in Victoria, I resigned from that service in 1994 and most recently I act for a number of strategic property owners on the Western side of Melbourne.

My most relevant experience in Local Government was in the Shire and City of Werribee, now in its new form known as the City of Wyndham.

Both in my former role as City Engineer and more recently as a Consultant in the same area and beyond, it has been apparent that in these rapidly developing areas it is almost impossible for Local Government to provide the services required by the expanding and often young population.

What was acceptable to people settling in outer metropolitan Melbourne twenty (20) years ago is simply not acceptable today.

The level of service demanded from the outset is quite amazing to me but it is a fact of life.

Now we come to the point of what this has to do with "Cost shifting onto Local Government", well in my view it is very much more a question of support of Local Government on the fringes, when they, (Local Government) simply cannot provide the level of service expected and demanded.

Once an argument could be mounted that when people settle on the fringes as pioneers then they would have to expect to have a lesser level of service offset by cheaper land prices, hence a lower cost of resettlement.

This argument has little if any substance today, as lot prices in Wyndham are in the order of \$75000 per lot for 500m2 lots, in part due to the range of levies expected by Council and Authorities which in Wyndham at the moment amount to at least \$12000 out of an estimated development cost per lot of approximately \$40000.

These costs are in the face of the fact that Council simply cannot meet its commitments to providing the necessary funding to upgrade the arterial road system to cope with the traffic generated by the growth, despite the substantial levies demanded from new residents for the upgrade of the transport system.

This has then lead to the untenable situation where Council waits on State Funds through Vicroads for attention to the declared road system whilst the State through Vicroads appears to have less funds to put to the improvement of this portion of the arterial system.

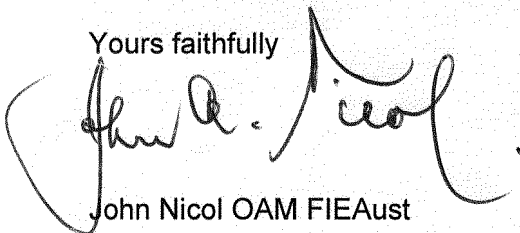
Whilst I am relating to a particular circumstance in a particular location, I have absolutely no doubt that there is little capacity for our Local Government to meet the costs required to improve the transport systems, given, that since Amalgamation of Local Government in Victoria in 1994, with its required rate reductions and reduced loan borrowings funding has been severely limited. (Refer: Age Article 22nd July 2002)

Whilst I could presumably ramble on for considerable time on the problems of distribution of Government resources particularly as they affect our Municipality I have neither the access to or the ability to fully research my assertions, except to say, I have no doubt at all that in response to the Terms of Reference to this Inquiry there is a real need to:

- Appreciate more comprehensively the role and responsibilities of Local Government particularly in rapidly expanding outer metropolitan areas and for both State and Federal Governments to be more supportive to the residents of such areas at a time when they sorely need such support, given that through the costs associated with land they are already major contributors to the fundamental infrastructure.
- Examine with care and put into place particular support mechanisms, which recognise the needs in newly established areas, which, are quite different and generally much more expensive needs e.g. Arterial road systems that replace rural access systems, than the services demanded in established urban communities.
- Work with Local Government in areas such as where we live and work to define needs, establish priorities and provide services, which reflect the needs and priorities of essentially younger, mobile and energetic people.

Whilst I have an eye on the Terms of Reference I realise I have not been definitive but hopefully this Inquiry provides an opportunity for Governments at all levels to re - examine the realistic support required for what I perceive is a Local Government expected to deliver a wide range of services but with a reducing level of support and opportunity in respect of funding availability and probably with a shift in responsibility but no additional funds to meet this change.

Yours faithfully



John Nicol OAM FIEAust

Council rates set to soar

THE AGE - MON. JULY 22, 2002.

Meaghan Shaw
City Reporter

Victorians face average council rate increases of 6.4 per cent — double the inflation rate — as local governments struggle to deal with a \$400 million funding black hole.

Councils say rising insurance and service costs, and maintaining crumbling footpaths, roads and drains, have forced them to boost rates by up to 18 per cent.

Glen Eira and Boronnadara residents will be hardest hit in metropolitan Melbourne. Residents of Boronnadara, which includes Hawthorn and Camberwell, face an average rate rise of \$128 a year as the council jacks up by 15 per cent the total it collects in rates and charges.

Glen Eira residents face an average \$109 increase after the council lifted rates and charges by 16 per cent.

Country residents generally are facing the biggest rises. South Gippsland Shire tops the state, boosting rates and charges by 18 per cent, followed by Mildura (14 per cent), Delatite (a proposed 13.8

COUNCILS WANTING MORE

The top 10 rate rises

	2001-02 INCREASE (%)	2001-02 RATES	2002-03 RATES	RISE
1. South Gippsland	18.0	\$383	\$474	\$91
2. Glen Eira	16.0	\$684	\$793	\$109
3. Boronnadara	15.0	\$868	\$996	\$128
4. Mildura	14.0	\$552	\$656	\$104
5. Delatite	13.8	\$473	\$531	\$58
6. Queenscliffe	12.0	\$845	\$947	\$102
7. Gannawarra	10.0*	n/a	n/a	n/a
8. Indigo	9.6	\$389	\$417	\$28
9. Strathbogie	9.3	\$566	\$623	\$57
10. Glenelg	9.0	\$443	\$519	\$76

ALL FIGURES ARE RESIDENTIAL. RATES AND INCLUDE SERVICE CHARGES. *INCREASE OF 10 PER CENT STILL TO BE DECIDED. SOURCE: COUNCILS



per cent) and Queenscliffe (12 per cent).

Melbourne council rate rises are mixed. Melbourne City Council promised a zero rate increase to current residents, although its total rate revenue will increase 2.7 per cent because of the growing number of rateable properties in the city.

Other rises include Yarra (2.9 per cent), Port Phillip (6.5 per cent), Stonnington (6.7 per cent), Bayside (7.8 per cent), Darebin (7.9 per

cent), Moreland (5 per cent), Maribyrnong (2.9 per cent) and Kingston (6.9 per cent).

Ratepayers will also be affected by the biennial property revaluation.

But an increase in property value will not automatically translate into a rates increase. In Stonnington, for instance, residential properties whose values have risen less than the average property value increase of 32 per cent over the past two

years are likely to get a rate decrease.

Municipal Association of Victoria chief executive Rob Spence said councils were facing a \$400 million deficit between the amount they got from rates, charges and government grants, and the amount they spent, including depreciation of assets.

He said a recent Auditor-General's report also identified a \$1.5 billion to \$2.7 billion backlog in councils' program of asset infrastructure maintenance, including road projects.

"Rates are rising to meet this deficit problem and the infrastructure problem, and that's the driver," he said. "We're still \$400 million behind, we would say, which is worth about a 30 per cent rate increase statewide."

Mr Spence said federal and state governments were shifting the costs of providing such services as aged care, maternal and child health and libraries on to local government. This was costing councils \$50 million to \$60 million a year.

He said councils also faced rising insurance costs from the public

liability crisis and increasing litigation, which was exacerbated last year when the High Court removed councils' protection against being sued for failing to carry out essential repairs to their roads.

"There's no joy out there putting rates up," he said. "But we have a problem... and no one's coming to the party to help us fix it."

The federal Minister for Regional Services, Territories and Local Government, Wilson Tuckey, said Commonwealth funding to local government had been maintained over the past 30 years.

He said last year's Commonwealth Grants Commission Review showed a slight increase in federal funding, from about 10 per cent of total local government revenue to about 12 per cent since 1974.

But he said financial assistance from all the states to councils had fallen from 15 per cent to 7 per cent during the same period.

"As the Commonwealth has provided financial assistance to local government, the states have just

shifts act to fix assets **NEWS 6**

WERRIBEE JANNER

5.6.2002.

HOUSING BOOM RETHINK

■ Council takes steps to slow urban sprawl

By Sheree Argento

IN an historic move, Wyndham Council has revealed plans to suspend rezoning applications in a bid to slow rapid housing growth.

The shock move occurred at last Monday's council meeting when Cr Henry Barlow presented a motion urging the council to consider a moratorium on the approval of rezoning applications in excess of 25 lots.

The motion asked that the council review the decision upon further consultation with State Government authorities, property developers and residents.

Increasing demands for infrastructure are the main cause for the action.

The council allocated \$16m for road construction and refurbishments in a 2002-03 draft budget.

However, councillors agreed the money would barely address the enormous need for infrastructure upgrades.

The move was supported by Wyndham mayor Ian Bunn who said it was time the council took control of the growth issue.

"It is one thing for successive State Governments to say that we are a designated growth corridor and that we will accept development, but in the end it is our community who are paying for it because we are not getting the money to help us keep up with the infrastructure," Cr Bunn said.

He said the motion did not mean the council would halt all development but simply "slow it down a bit until we have a chance to catch up with the infrastructure demands".

"The simple fact is that if you keep putting houses in you've got to build more roads to get them (residents) out.

"If the State and Federal Governments aren't going to help fund those things then it really leaves us with little alternative."

However, legal provisions would allow the State Government to withdraw the council's planning powers if it so desired.

But Cr Bunn said he would be surprised if such action was taken.

"There is enormous community support for us to slow growth and I would suggest that there would be something akin to what happened in the toxic dump debate if our powers were taken away from us."

The move has been welcomed by the Rural Road Revolt Committee, which has been lobbying the council and State Government for upgrades to eight of the city's major roads.

Committee spokesperson Pat Majewski said: "It's long overdue, we commend the council on doing it. Either the State Government provides the infrastructure or funds the council to do it for them.

"For too long Wyndham residents have been suffering consequences of poor decision-making."

RATES

Shires act to fix assets

Meaghan Shaw
City Reporter

Glen Eira's infrastructure was "basically falling to pieces", director of community relations Paul Burke said as he explained the municipality's 16 per cent rate rise.

He said stormwater drains dating from early last century were now dealing with run-off from twice as many properties due to medium-density housing.

The need to repair the drains helped push the council's rate increase to the highest in metropolitan Melbourne.

"We weren't generating enough income for capital expenditure," Mr Burke said.

The council's difficulty maintaining infrastructure is typical of the problem faced by local government across the state.

Mr Burke said the council set up a \$3 million public places fund to maintain playgrounds,

two municipal swimming pools and footpaths.

In nearby Boroondara and around the bay in Queenscliffe, asset maintenance has also been given as the reason for higher-than-average rate increases.

Queenscliffe chief executive Gary Price said the borough needed a 17 per cent rate rise to deal with the issue, but felt it was too much at once. "We'll certainly try to make up the other 5 per cent next year," he said.

South Gippsland Shire chief executive Peter Bull said the council had to fix the state's highest rate increase of 18 per cent to cover unavoidable expenses such as WorkCover and public liability premiums.

He said the shire had to find extra money for roads after the Federal Government deferred \$100 million in national road funding in this year's budget.

The shire also had to foot other bills associated with a new \$5 million leisure centre and fund up to 40 per cent of health and community care services for older residents.

Mildura's director of business services, David Clarke, said the rural shire needed up to \$100 million in drainage works and had to charge residential properties a drainage levy.

He said the rate increase would have been only 7.2 per cent (instead of 14 per cent) without the charge.

Delatite's director of administration and community services, Peter Franks, said the shire's 13.83 per cent rise would fund the expected de-amalgamation of Delatite, creating two smaller shires of Benalla and Mansfield.

Local council rates set to soar

CONTINUED FROM PAGE 1

abandoned their constitutional responsibility," he said.

Mr Tuckey said he "wouldn't be surprised" if the recently established Federal Government inquiry on cost-shifting by the states recommended "a readjustment" of the funding provided by the Commonwealth between states and local government.

Victorian Local Government Minister Bob Cameron said the Bracks Government had not shifted any costs to local govern-

ment. He acknowledged that some councils faced difficulties with public liability insurance and maintaining assets and roads, which he said was not helped by the Federal Government holding back \$100 million in roads funding this year.

"(But) just as the Federal Government has to look after its assets, the state has to look after its assets, (and) local government has to look after its assets."

Councils have to determine their rate increases by August.

In the mid-1990s, the then

Kennett government sacked councils, installed commissioners and ordered rates to be slashed by 20 per cent in a bid to cut the cost of local government.

It limited rate rises to one percentage point less than the rate of inflation, except in exceptional circumstances.

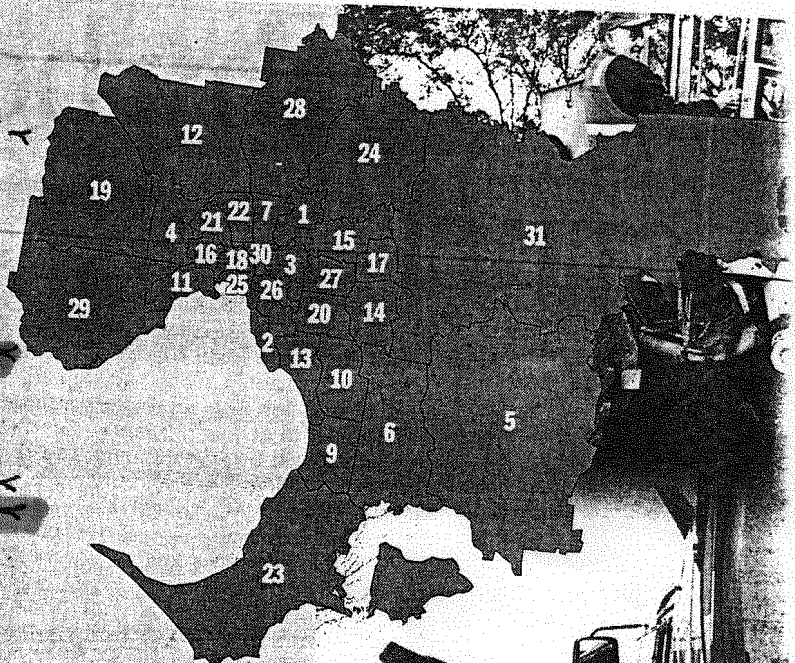
In real terms, councils' takings declined progressively until 1998, when the cap was lifted, but councils were warned to keep rises in line with, or less than, the consumer price index.

with Gabrielle Costa

COUNCIL RATE RISES

METRO AREAS

	2002/03		2002/03
1 BANYULE	5.00%	17 MAROONDAH	6.20%
2 BAYSIDE	7.80%	18 MELBOURNE	0.00%
3 BOROONDARA	15.0%	19 MELTON	6.00%
4 BRIMBANK	6.00%	20 MONASH	4.50%
5 CARDINIA	5.00%	21 MOONEE VALLEY	7.50%
6 CASEY	6.00%	22 MORELAND	5.00%
7 DAREBIN	7.90%	23 MORNINGTON PENINSULA	5.00%
8 FRANKSTON	7.00%	24 HILLMBIK	5.27%
9 GLEN EIRA	16.00%	25 PORT PHILLIP	6.50%
10 GREATER DANDENONG	6.20%	26 STONNINGTON	6.70%
11 HOBSONS BAY	6.80%	27 WHITEHORSE	4.90%
12 HUME	7.00%	28 WHITTLESEA	3.95%
13 KINGSTON	6.90%	29 WYNDHAM	2.60%
14 KNOX	8.50%	30 YARRA	2.90%
15 MANNINGHAM	7.00%	31 YARRA RANGES	3.40%
16 MARIBYRNONG	2.90%		



SHIRES AND REGIONAL CITIES

	2002/03		2002/03		2002/03
1 ALPINE	3.90%	11 DELATTE	13.83%	28 MOIRA	6.00%
2 ARARAT	3.90%	12 EAST GIPPSLAND	4.00%	29 MOORABOOL	4.60%
3 BALLARAT	6.00%	13 GANNAWARRA	10.00%	30 MOUNT ALEXANDER	7.25%
4 BASS COAST	5.00%	14 GLENELG	9.00%	31 MOYNE	5.70%
5 BAW BAW	4.00%	15 GOLDEN PLAINS	9.00%	32 MURRINDINDI	6.00%
6 BULOKE	*	16 GREATER BENDIGO	5.90%	33 NORTHERN GRAMPPIANS	5.90%
7 CAMPASPE	6.00%	17 GREATER GEELONG	5.70%	34 PYRENEES	4.50%
8 CENTRAL GOLDFIELDS	5.00%	18 GREATER SHEPPARTON	5.00%	35 QUEENSCLIFFE	12.00%
9 COLAC OTWAY	4.90%	19 HEPBURN	8.30%	36 SOUTH GIPPSLAND	18.00%
10 CORANGAMITE	6.80%	20 HINDMARSH	7.00%	37 SOUTHERN GRAMPPIANS	5.50%
		21 HORSHAM	7.00%	38 STRATHBOGIE	9.33%
		22 INDIGO	9.60%	39 SURF COAST	*
		23 LATROBE	2.90%	40 SWAN HILL	*
		24 LODDON	*	41 TOWONG	5.70%
		25 MACEDON RANGES	7.00%	42 WANGARATTA	8.17%
		26 MILDURA	14.00%	43 WARRNAMBOOL	4.75%
		27 MITCHELL	2.50%	44 WELLINGTON	4.50%
				45 WEST WIMMERA	8.00%
				46 WODONGA	7.50%
				47 YARRIAMIACK	5.00%

